



Republic of Serbia
Negotiating Group for Chapter 22

ACTION PLAN FOR MEETING
THE EU COHESION POLICY REQUIREMENTS
Chapter 22 – Regional Policy and Coordination of
Structural Instruments

April 2019

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ABBREVIATIONS

AA	Audit Authority
AD	Action Document
AFCOS	Anti-Fraud Coordination Service
BCPME	Body for coordination of programming, monitoring and evaluation
CA	Certifying Authority
CB	Co-ordinating body
CBA	Capacity building activities
CBC	Cross-Border Cooperation
CFCU	Central Contracting and Financing Unit
COSO	Committee of Sponsoring Organisations of the Treadway Commission
CPR	Common Provision Regulation
EC	European Commission
ECCP	European Code of Conduct on Partnership
EGTC	European Grouping for Territorial Cooperation
EIA	Environmental Impact Assessment
ESPOO	Convention on Environmental Impact Assessment in a Transboundary Context
ERP	Economic Reform Programme
ESIF	European Structural and Investment Funds
ETC	European Territorial Cooperation
EU	European Union
FMC	Financial Management and Control
GIZ	Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH
GFCF	Gross Fixed Capital Formation
GVA	Gross Value Added
HOS	Head of Operating Structure
HRM	Human Recourse Management
NAPA	National Academy for Public Administration
IA	Internal Audit
IB(s)	Intermediate Body/ies
ICT	Information and Communications Technologies
ILO	International Labour Organisation
ISDACONIS	Intersectoral Development Assistance Coordination Network Information System
IPA	Instrument for Pre-accession Assistance
IPA II	Instrument for Pre-accession Assistance II
JMC	Joint Monitoring Committees
JMSC	Joint Monitoring and Steering Committees
LAU	Local Administrative Units
LEUE	Law on Efficient Use of Energy
LFS	Labour Force Survey
LKAU	Local Kind of Activity Units
LSG	Local Self Government/s
MA	Managing Authority/ies
MC	Monitoring Committee
M&E	Monitoring and Evaluation
MFIN	Ministry of Finance
MIS	Management Information System
MoME	Ministry of Energy and Mining
MPALSG	Ministry of Public Administration and Local Self Government

MS	Member State
NACE	Statistical Classification of Economic Activities in the European Community
NAD	National Priorities for International Assistance in the Republic of Serbia 2014-17, with projections until 2020
NAO	National Authorizing Officer
NF	National Fund
NG	Negotiating Group
NGOs	Non-Governmental Organizations
NIC	National Investment Committee
NIPAC	National IPA Coordinator
NIPAC TS	National IPA Coordinator Technical Secretariat
NPAA	National Programme for the Adoption of the EU Acquis
NUTS	Nomenclature of territorial units for statistics
OLAF	European Commission's Anti-Fraud Office
OP	Operational Programme(s)
PA	Public Administration
PAO	Programme Authorizing Officer
PAR	Public Administration Reform
PFM	Public Financial Management Reform Program
PIFC	Public Internal Financial Control
PPP	Public Private Partnership
PPF5	Project Preparation Facility 5
REMES	Roadmap for Establishing the Monitoring and Evaluation System in RS
R&D	Research and Development
RHA	Regional Households Accounts
RS	Republic of Serbia
SAR	Sector Approach Roadmap
SBS	Sector Budget Support
SECO	Sectoral Civil Society Organizations
MEI	Ministry of European Integration
SEA	Strategic Environmental Impact Assessment
SIGMA	Support for Improvement in Governance and Management
SILC	Statistics on Income and Living Conditions
SGEI	Service of General Economic Interest
SME	Small and Medium-Sized Enterprises
SORS	Statistical Office of the Republic of Serbia
SPD	Sector Planning Document
SPP	Single Project Pipeline
SCTM	Standing Conference of Towns and Municipalities
SWGs	Sector Working Groups for Programming and Coordination of IPA funds and development assistance
TFEU	Treaty on the Functioning of the European Union
TN	Transnational Cooperation
TNA	Training Needs Analysis
TSI	Technical specification of interoperability
WBIF	Western Balkan Investment Framework
WLA	Work Load Analysis

INTRODUCTION

Republic of Serbia started the accession negotiations in January 2014 when the Intergovernmental Conference on the Accession of the Republic of Serbia to the European Union was held. On that occasion the Opening Statement of the Republic of Serbia stipulated that **Republic of Serbia is committed to better and constant building of the institutional and strategic framework necessary for the efficient management of the Structural Funds and the Cohesion Fund**, which will require intensive and committed cooperation with the EU. Additionally, Republic of Serbia has been using the Instrument for Pre-accession (IPA) for gradual adjustment and establishment of the best European practices in the areas of strategic planning, sound financial management and creation and implementation of various investment programmes in the national system as the best way to prepare for the participation in the EU Cohesion policy as well as to contribute to economic growth and employment as a future Member state.

The negotiations within Chapter 22 are related to a number of other negotiation chapters. Some of them, such as Chapter 5 - Public procurement or Chapter 32 - Financial control, are important because they relate to rules and requirements, which have a direct bearing on the institutional and procedural framework of cohesion policy. Others, like Chapter 14 - Transport, Chapter 15 – Energy or Chapter 21 - Trans-European Networks are important because they setup the scene for some of the major beneficiaries of cohesion policy. Still, chapters like Chapter 27 - Environment are important from both aspects. Therefore, interrelated chapters will closely collaborate and mutually consult each other about relevant negotiation positions.

As part of the preparation for the negotiation process, the Negotiating group, consisting of 27 institutions, and lead by the Ministry of European Integration (MEI)¹, was nominated for conducting negotiations within Chapter 22 - Regional Policy and Coordination of Structural Instruments. The following institutions are recognised as key participants under Chapter 22: Ministry of Finance, Ministry of Economy, Ministry of Public Administration and Local Self-Governance, Ministry of Agriculture, Forestry and Water Management, Ministry of Environmental Protection, Ministry of Construction, Transport and Infrastructure, Ministry of Education, Science and Technological Development, Ministry of Mining and Energy, Ministry of Trade, Tourism and Telecommunication, Ministry of Labour, Employment, Veteran and Social Affairs, Ministry of Defence, Statistical Office of the Republic of Serbia, Secretariat for Legislation, Public Policy Secretariat of the Republic of Serbia, Governmental Audit Office of EU funds, Office for Cooperation with Civil Society, General Secretariat of the Government, Social Inclusion and Poverty Reduction Unit, Public Procurement Office, Republic Commission for the Protection of Rights in Public Procurement Procedure, National Academy for Public Administration, Autonomous Province of Vojvodina, Serbian Development Agency, City of

¹ Based on the Law on Ministries (Official Gazette of the Republic of Serbia No. 44/2014, 14/2015, 54/2015, 96/2015 – other law and 62/2017), Ministry of European Integration took over from European Integration Office of the Government of the Republic of Serbia all employees, as well rights and obligations, equipment and archive, while European Integration Office of the Government of the Republic of Serbia ceased to exist. Furthermore, in accordance with this law, the Ministry of Agriculture and Environmental Protection shall continue to work as the Ministry of Agriculture, Forestry and Water Management while the Ministry of Environmental Protection took over from the Ministry of Agriculture and Environmental Protection all employees, as well rights and obligations, equipment and archive for exercising competences in the field of environmental protection.

Belgrade, Standing Conference of Towns and Municipalities, Serbian Association of Regional Development Agencies and Chamber of Commerce and Industry of Serbia.

Analytical review and conformity assessment with the EU acquis i.e. screening for the Chapter 22 took place on 1 and 2 October 2014 while bilateral screening was held on 28 and 29 January 2015. As a result of the screening process, the European Commission issued a Screening Report recommending as opening benchmark the development of a detailed Action Plan setting out clear objectives and timeframe in order to meet the EU cohesion policy requirements.

The work on the development of the Action Plan for Chapter 22 was organised and led by the MEI. The process of drafting the Action Plan has involved a long term consultative process including several workshops and consultative meetings with representatives of all institutions relevant for Chapter 22. Participants at the workshops were representatives of public administration bodies and organizations i.e. members of Negotiation Group for Chapter 22. In addition, prior to the start of preparing the Action Plan, the consultation was taken with the National Convention on the EU as civil society representatives in order to ensure strong ties with the wide range of different stakeholders and at the same time coherency between other negotiation chapters and cohesion policy requirements. As the result of this consultative process and understanding the nature of the requirements of the Union's Cohesion Policy, the Negotiating group devised the Action Plan which identifies the measures which will most effectively contribute to the harmonisation, adoption and implementation of the requirements in the field of cohesion policy.

Commission *Strategy for credible enlargement perspective for and enhanced EU engagement with the Western Balkans* provides accession perspective for Serbia for the year 2025 and sets out the key steps and conditions which are required in the accession negotiations. With this in mind, timeframe for implementation of measures defined in the Action Plan is clear and guiding principle was to set the **year 2021** as the year planned for **fulfilment of key pre-conditions/cohesion policy requirements necessary for Serbia's preparation for implementation of the EU Cohesion policy**. However, Action Plan (both narrative and tabular parts) is subject of adjustments in line with the dynamics and progress achieved during the negotiation process.

With regard to the methodological and technical approach to the Action Plan development, efforts were made to define the Measures in a manner that provides a clear, chronological overview of the necessary legislative changes, the institutional framework and administrative capacities, with the highest possible level of accuracy, since the implementation of some of the Measures are planned in the framework of the several years ahead.

The legislative framework for the cohesion policy covering the period 2014-2020, which is currently in force, represents the basis for the present Action Plan development. Consequently, periodical review, updating and adjustment of the Action Plan measures may be required taking into consideration possible changes and new requirements arising from the new EU financial perspective and relevant legislation post 2020.

Taking into account the structure and all recommendations from the Screening Report, this Action Plan consist of 6 interrelated sections presented through narrative and tabular parts:

1. Legislative framework
2. Institutional framework

3. Administrative capacities
4. Programming
5. Monitoring and Evaluation
6. Financial management and control (including audit)

Within each section the narrative part elaborates on the specific cohesion policy requirements within particular section, describes the current state of play in the Republic of Serbia, including the main issues which needs to be resolved against those requirements, and finally describes measures which needs to be undertaken in order to enable: i) fulfilment of cohesion policy requirements; ii) adjustment of the legal framework and iii) establishment of the system for management of the European Fund for Regional Development, European Social Fund and Cohesion fund (hereinafter: the Funds) in the Republic of Serbia. The main principle used during the identification of the specific measures was to define the instrument which will, by its application, enable overcoming the gaps identified between the cohesion policy requirements and current state of play within each specific section. In addition, the Measures are identified and described in a manner to provide clear understanding of interconnectivity and complementarity between different sections of the Action Plan. More specifically, *Section 4 – Programming*, relates to all ex-ante conditionalities and plans for their fulfilment, while *Section 1 – Legislative framework* relates only to ex-ante conditionalities associated with legislation necessary to be adopted/adjusted in order to enable accomplishment of the legislative framework requirements. Nevertheless, fulfilment of all ex-ante conditionalities will be monitored by the tool developed under the Section 4– Programing.

The tabular part within each Section lay down the timetable and responsible institutions for coordination and timely implementation of each identified and specific Measure. In determining the public administration bodies responsible for implementation of each Measure, it was taken into account the need for establishment of the effective and accountable system for implementation of the Action Plan. A major challenge was the assessment of sufficiently ambitious yet realistic timetables, taking into account the logical flow of the reforms that needs to be respected, as well as the institutional and administrative constrains and challenges.

Furthermore, Action plan contains three annexes whereas Annex 1 is overview of the key milestones per each section within defined timeframe, Annex 2 is legal framework for IPA II implementation and Annex 3 represents comparative overview of the functions performed by authorities for ESI and IPA funds.

1. LEGISLATIVE FRAMEWORK

1.1. COHESION POLICY REQUIREMENTS

Strengthening economic, social and territorial cohesion has been grounded in the Treaty on the Functioning of the European Union (hereinafter: TFEU). In particular, the Article 174 prescribes the Union aim to reduce disparities between the levels of development of the various regions and the backwardness of the least favoured regions, while Article 175 envisages the role of Member States and promotes the usage of Structural Funds as instruments for achievement of the objectives set out in Article 174.

The EU *acquis* covered in this chapter includes different regulations which do not require transposition into the national legislation. They, among other things, define the rules related to the preparation, adoption and implementation of the programmes financed from the Funds. The most important is the Regulation (EU) No 1303/2013 of the European Parliament and of the Council of 17 December 2013 laying down common provisions on the ESI funds and laying down general provisions on the Funds and the European Maritime and Fisheries Fund, known as Common Provision Regulation i.e. CPR (hereinafter Regulation (EU) 1303/2013). According to Article 6 of Regulation (EU) No 1303/2013 any operation supported by the ESI funds shall comply with the applicable Union law and the national law relating to its application.

Setting up an effective system for preparation and implementation of the programmes financed from the Funds is linked with the efficiency of the national rules, which guarantees clarity, transparency, simplicity, discipline as well as a degree of flexibility, adherence by all the parties. Concretely, in order to ensure smooth financing and implementation of the programmes financed from the Funds, it is necessary to ensure that the national legal framework provides for the possibility of multi-year budget planning, greater budgetary flexibility, adequate capacity for co-financing of the programmes, as well as sound and efficient financial management, control and audit. In implementing the programmes (selecting and implementing projects), it is necessary to respect the *acquis* in the area of public procurement, PPP, concessions, state aid, environment, transport, anti-discrimination, gender equality and statistics.

Moreover, in order to ensure greater effectiveness and efficiency of support provided from the Funds, the regulation defines horizontal and thematic ex-ante conditionalities which Member States must meet in order to be granted support and transfer of funds from the EU budget for the implementation of the programmes. Therefore, the Regulation prescribes conditionalities related to the existence of administrative capacities for the application and implementation of Union laws and policies in the most important horizontal areas such as anti-discrimination, gender equality, state aid, public procurement, environmental impact assessment and strategic environmental assessment etc.

Finally, Member States shall ensure clear, efficient and transparent rules and procedures for European Grouping for Territorial Cooperation (hereinafter: EGTC) in order to allow smooth implementation of the EU regulations. Particularly, Member States could apply national rules on the procedure for approval of a prospective member's participation in the EGTC or to create specific rules in the framework of the national rules implementing Regulation (EC) No 1082/2006.

1.2. ASSESSMENT OF THE CURRENT SITUATION IN THE REPUBLIC OF SERBIA

Budget system

Legal framework regulating multi-annual budget planning process consists of **the Law on the Budget System**² and **the Law on Budget**. Law on the Budget System represents the principal act which defines procedure and principles for planning, preparation, adoption and execution of the Budget of the Republic of Serbia as well as budgets/financial plans of autonomous provinces, local self-governments, obligatory social insurance institutions etc. Based on this act, Law on Budget is drafted and adopted annually by the National Parliament of the Republic of Serbia as primary legislation.

In order to provide for economic policy definition and implementation, as well as predictability of budget expenditures, Law on the Budget System stipulates that medium-term expenditure framework shall be an integral part of the **Fiscal Strategy** adopted annually by the Government of the Republic of Serbia. Fiscal strategy determines the total scope of the budget expenditure in line with defined priority financing areas. Additionally, it stipulates short and long term objectives of the fiscal policy in the three-year time period and assures the compliance with fiscal principles defined through the Law on Budget System. In addition to ensuring overall fiscal compliance and transparency of the budget planning process, it represents a basis for the preparation of financial plans of individual budget beneficiaries.

Yearly budget planning is initiated through the **Instruction for preparation of the programme budget**. The Instruction prescribes general economic preconditions and guidelines for preparation of the financial plans by the budget beneficiaries, expenditure limits available to individual beneficiaries, guidelines for multi-annual planning of capital expenditures and structure of individual financial plans. Based on Instruction, budget beneficiaries are preparing annual **financial plans** containing an estimate of revenues and proceeds and the scope of expenditures and outflows for a period of one or three years (capital expenditures are recorded for three years). Financial plans are prepared on the basis of medium-term plans of budget beneficiaries which contain detailed description of all programmes, programme activities and projects to be implemented in the budget year, with projections for the following two years, according to the set medium-term goals and priorities.

In the case of **national co-financing of projects funded by the European Union** on the basis of appropriate financial agreement between the Government of the Republic of Serbia and the European Commission (for the Instrument for Pre-accession Assistance), the unspent funds can be transferred to the following year in line with the Article 5 of the Law on the Budget System. This is not direct or automatic mechanism, but this means that we are always obliged to plan enough funds for projects funded by the European Union. Article 68a of the same Law also stipulates that funds allocated for national co-financing of EU projects cannot be used for other purposes. Additionally, in order to assure the appropriate level of co-financing and uninterrupted implementation of IPA projects, if budget beneficiaries do not plan enough funds for this purpose in the given year, the funds must be provided from other appropriations and/or programmes of the same budget beneficiary. Planning of funds necessary for co-financing of IPA

²Official Gazette of RS, No. 54/09, 73/10, 101/10, 101/11, 93/12, 62/13, 63/13 – corr., 108/13 and 142/14, 68/2015 – other law and 103/2015, 99/2016 and 113/2017

projects is conducted with regards to anticipated dynamics of project implementation and subsequent payments and represents responsibility of the budget beneficiary.

Budget flexibility is provided through procedure which allows budget beneficiaries to re-allocate funds planned in the previous year through the processes of proposing different priority areas for financing at the beginning of the current year. Budget beneficiaries have option to re-allocate funds within existing program structure (exe. possibility of transferring funds from old to new or from less productive to more productive priorities) or they can add new programs/program activities/projects, while remaining within funds limits set by Fiscal Strategy. Additionally, in accordance with the Article 61 of the Law on the Budget System, budget beneficiaries have possibility to shift funds between appropriations up to 10% of the amount allocated for one appropriation to another appropriation during the budget year. This provision allows for beneficiaries to use 10% of allocated funds for other purposes during the year without waiting for the next budget preparation cycle. Budget users can use previously allocated budget funds until the end of the year with no possibility to transfer funds to the following year. In order to provide for continuation of financing of budget project/programmes/programme activities in the following year it is necessary for the budget beneficiary to conduct budget planning procedure and allocate funds necessary in the financial plan (as described previously).

During budget drafting procedure, **multi-annual planning of capital projects is conducted**. Budget beneficiaries are planning funds based on analysis of expenses from the previous budget year through previously described procedure. The funds are planned within budgetary limit and budgetary appropriation in the timeframe of three years. Additionally, the beneficiaries are required to fill-in prescribed forms, thus providing the information on the funds necessary for project implementation even beyond the three-year period, up to the end of the project implementation. Budget Preparation Instruction contains section dedicated to multi-annual planning of capital projects which stipulates that budget beneficiaries, in accordance with Law on Budget System, should present capital expenditures in the general part of the Budget of the Republic of Serbia. This rule applies for multi-annual projects which are implemented in stages (each stage requiring separate contract) as well as for those implemented through one contract. Through this principle, it is assured that every project which is multi-annual capital investment in nature is included in the Budget of the Republic of Serbia no matter of the contracting modality.

In case of multi-year capital projects, most often the loans serve a source for financing the implementation (construction phase) while other project activities (project preparation, supervision, reporting etc.) can be supported from different financing sources depending on specific needs and situation (e.g. budget funds, IPA, bilateral assistance).

Current **challenges in capital investment management** are linked, not exclusively, to the following issues:

- Strategic planning and preparation of strategic documents (public policy documents)
- Budget preparation process
- Process of project documentation preparation
- Capacity of institutions to identify, formulate, implement and operate investment projects

Effective management of capital investment projects implies creation of the system which would ensure that there are strategic documents with the clearly defined goals, targets and indicators, grounded on the realistic cost estimates; a structured budget preparation process in place, with clear division of responsibilities of engaged parties; that investment projects are prepared based

on the comprehensive analyses, accurate input data processed in line with the EU best practice related to infrastructure project preparation and commonly accepted technical standards; there is a sufficient capacity of the institutions involved in management of capital investment projects.

Part of the answer has been given by the Government adoption of the **Decree on the Content, Preparation and Assessment, as well as Monitoring and Reporting on the implementation of Capital Projects (hereinafter: Decree)** on 27 June 2017. One of the main reasons for the adoption of the Decree is the establishment of a system that would ensure better preparation, selection and monitoring of the capital projects implementation. These activities should enable only capital projects that are ready for implementation to be included in the budget, which would increase the execution of planned capital expenditures and contribute to a better allocation of financial resources.

The Decree stipulates in the Article 2 that the provisions of the regulation do not apply to capital projects financed from EU pre-accession funds. The reason for such legal solution is the fact that there is a system established in 2014, which refers to the selection and prioritization of infrastructure projects established by the **Methodology for the selection and prioritization of infrastructure projects (hereinafter: Methodology), and based on which the Single Project Pipeline – SPP** has been established. The Methodology and corresponding SPP contribute to the channelling of financial resources, regardless the source, towards those projects which are supporting the socio-economic development in the given period of time. In addition to assessing technical readiness of infrastructure projects included in SPP, which definitely contributes to more effective realization of those projects, the Methodology underlines the importance of Serbia's EU integration agenda since strategic priorities relevant for negotiating chapters 14, 15, 21 and 27 are addressed through particular projects included in the SPP. This is reflected in the process of assessing strategic relevance.

Decree and Methodology present an important element of the comprehensive capital investments management system which setting is underway. Taking into account the need for synergic planning of resources for capital investments coming from different sources, a coherent system which takes into account recent developments done by the Ministry of Finance in the context of the Decree and Public Investment Management (PIM) Methodology and already functional Methodology for selection and prioritisation of infrastructure projects should be set up. This process implies coordinated engagement of numerous institutions, i.e. Ministry responsible for Finance, Ministry responsible for Construction, Ministry responsible for EU integration, relevant institutes, involvement of professional community etc. In that sense, working group will be established with the aim to explore all the options for setting effective coherent system for management of capital investment projects. The Working group meetings will gather all relevant national stakeholders and will be open for discussion with the EU, IFIs and other parties interested in this matter. The coherent system should be set up in the course of 2019, as a result of the coordinated engagement of institutions involved.

Sub-national authorities can co-finance EU funded programmes/projects and in accordance to the **Instruction for Local Governments Budget Decision** which states that local authorities, if final beneficiaries of the projects that are financed from EU funds, must provide the funds for co-financing of those projects in the local budget. When notified by the Contracting Authority in accordance with the payment forecasts, the local authorities will transfer the co-financing to the National Fund account in the National Bank of Serbia.

Sub-national authorities have their own funding through taxes and the autonomy for borrowing funds, but only in accordance with the Law on Public Debt. The share of local self-government budget which comes from own fiscal resources depends on their level of development, for example, the share of transfers from national budget in the budgets of the sub/national authorities is higher in less developed municipalities than it is in more developed municipalities.

The Law on Budget System also regulates main elements of **financial control** of public funds in the Republic of Serbia i.e. public internal financial control inter alia financial management and control and internal audit, budget inspection and external audit. *Section 6 – Financial management and control* elaborates in more details issues related to financial management and control.

In order to provide more details on how co-financing under cohesion programmes will be secured there are a number of steps to be undertaken in the next two years that will enable clear overview of the options within national budgetary system to back up efficient implementation of the cohesion programmes. This will reflect through improvement of the legal framework as envisaged in the Measure 1.3 of the Action Plan. Defining systematic approach depends on the optimal institutional framework (centralised or decentralised network), and structure of the operational programmes (number of very different actors involved, from ministries to research centres, public enterprises and specialised agencies etc.). These issues, which are unknown at the moment, will affect financial management set-up including mechanisms and sources of national co-financing at all levels. Therefore, co-financing modality for the cohesion programmes is not possible to anticipate at the moment without **thorough analysis** of both fiscal and legal aspects, such as:

- Existing practice of several models of co-financing introduced by the AP Vojvodina Government,
- Best practice in the Member states related to co-financing mechanisms,
- Provisions of the new EU financial perspective,
- Pre-financing and co-financing capacity of the public budget at all administrative level and future cohesion policy beneficiaries,
- Macroeconomic conditions,
- Existing legislative framework for the multi-annual programming of public co-financing sources from all levels,
- Budget flexibility for possible reallocation of funds,
- Banking system in this context.

State Aid

State aid can occur whenever state resources are used to provide selective assistance that gives to undertaking engaged in economic activity an advantage over others that also could potentially affect competition and trade between EU Member States. In general, State aid is prohibited and incompatible with the internal market in line with the Article 107(1) of the **Treaty on the Functioning of the European Union** (hereinafter: TFEU) but the aid may be compatible in certain circumstances as per Article 107(2) (3) of the same Treaty.

State aid might be necessary and legally justified in order to promote the economic development of areas where the standard of living is unusually low or where there is serious unemployment, aid to facilitate the development of certain economic activities or of certain economic areas or

aid to promote culture and heritage conservation, might be compatible with the internal market rules if such aid does not adversely affect trading conditions to an extent contrary to the EU common interest. Such compatible aid is defined and regulated by the State Aid rules.

Therefore it is obligation of the Member States to use the Funds in line with state aid rules. The aid grantor has to ensure that each and every State aid measure complies with State aid rules. **The Law on State Aid Control**³ was adopted and entered into force on 1 January 2010. This Law contains the provisions regarding the general prohibition of state aid and the exceptions of this prohibition. Furthermore, the **Regulation on Rules for State Aid Granting** was adopted by the Government of Republic of Serbia in 2010 and amended in 2011, 2012, 2013 and 2014 where the rules for granting de minimis aid were completely harmonized with Commission Regulation (EC) No 1407/2013 of 18 December 2013 on the application of Articles 107 and 108 of the Treaty on the Functioning of the European Union to de minimis.

Given that the process of State Aid modernisation in EU started in 2012 and that a large number of new regulations in the field of state aid have been adopted, the Republic of Serbia needs additional time to align its legislation with the new rules. The next important step is the adoption of the new Law on State Aid Control and a completely new set of regulations on the rules for granting state aid which would be based on a new **General block exemption Regulation, Council Decision** of 10 December 2010 on state aid to facilitate the closure of uncompetitive coal mines, SGEI package, as well as certain guidelines and communications from the European Commission regarding specific rules for granting state aid for employment, research and development, environmental protection, regional aid, aid in the form of risk capital, aid for rescue and restructuring and others. European Commission adopted in 2014 updated General block exemption Regulation, new rules for granting state aid for rescue and restructuring for undertakings in difficulty, state aid for energy and environment and for other different types of state aid as part of state aid modernisation towards sustainable, smart and inclusive growth.

Public Procurement, Public Private Partnership and Concession

Public procurement represents one of the key parts of a good public finance management. The *acquis* on public procurement includes general principles of transparency, equal treatment, free competition and non-discrimination and specific EU rules apply to the coordination of the award of public contracts for works, services and supplies, for traditional contracting authorities and for contracting entities in specific sectors (water management, energy, transport and postal service). The *acquis* also specifies rules on review procedures and the availability of remedies.

As regards the Funds, establishment of sound and transparent national public procurement system is one of the key requirements due to the fact that all procurements for the Funds after accession shall be carried out in line with national rules aligned with relevant EU legislation. Importance of public procurement from the Funds perspective is additionally emphasised by the fact that largest number of irregularities and resulting financial corrections under the Funds is related to public procurement.

Serbia has in place strategic and legislative framework on public procurement that is sufficiently aligned with the EU public procurement directives, namely **the Law on Public Procurement**⁴

³ Official Gazette of RS, 51/09

⁴ Official Gazette of RS, 124/12, 14/15 and 68/15

and the **Law on Public-Private Partnerships and Concessions**⁵. Established legislative system also covers the review procedures and remedies system under competences of the **Republic Commission for Protection of Rights in Public Procurement Procedures**. Although, no substantial gaps are identified in existing national legislation compared to EU legislation, further harmonization is required in order to take into account amendments introduced by **new 2014 EU directives**.

When it comes to the area of public private partnership (hereinafter: PPP) is subject of “soft-*acquis*” and there is no strict EU legal framework for harmonization, but the EU guidelines and other “soft-law” documents will be used as a basis for transposition. However, PPP could be seen as a sort of concession so the new Concessions Directive 2014/23/EU will also serve for purposes of transposition of the PPP segment.

Environmental protection

In the preparation and implementation of infrastructure projects a non-exhaustive list of areas that must be respected includes: preservation of cultural heritage and biodiversity, protection of the built environment increase of energy efficiency and use of renewable energy resources, environmental hazards and support to the efficient disaster management, establishment of healthy and safe environment etc. Also, one of the most important principles, which will be respected in implementation of the programmes, is the “polluter pays” principle, which is already incorporated in the **Law on Environmental Protection**⁶.

Current situation in this area is that **Strategic Environments Assessment** (hereinafter: SEA) **Directive 2001/42/EC** and **Environmental Impact Assessment** (hereinafter: EIA) **Directive 2011/92/EU** are almost fully transposed.

The legal basis for EIA is the **Law on Environmental Impact Assessment**⁷ where the legal basis for SEA is the **Law on Strategic Environmental Impact Assessment**⁸ adopted in 2004. The following areas have been regulated through by-laws⁹: 1) public insight, presentation and public discussion about the study, 2) the work of the expert commission in assessment of the study, 3) the content of application for determining screen and on the content of application for determining scope of the EIA study, 4) the content of the EIA study and on the content of appearance and 5) manner of keeping the public regarding the act decisions about the EIA.

In accordance with **Annex I of the Directive EIA**, in 2008 the **Decree for List I and List II**¹⁰ has been adopted whereas List I is a list of projects for which an impact assessment is mandatory and List II is a list of projects for which an impact assessment may be required.

In 2007, the Republic of Serbia has ratified the Convention on Environmental Impact Assessment in a Transboundary Context (hereinafter: **ESPOO Convention**)¹¹. Adopting the **Law on Ratification first and second amendment of the ESPOO Convention**¹², the

⁵ Official Gazette of RS, 88/11, 15/16 and 104/16

⁶ Official Gazette of RS, No. 135/04, 36/09, 72/09, 43/11 and 14/16

⁷ Official Gazette of RS, No. 135/04 and 36/09

⁸ Official Gazette of RS, No. 135/04 and 88/10

⁹ Official Gazette of RS, No. 69/05

¹⁰ Official Gazette of RS, No. 114/08

¹¹ Official Gazette of RS, No. 102/07

¹² Official Gazette of RS, No. 4/16

Convention is confirmed in 2016. Furthermore, the **Law on Ratification of the Protocol on Strategic Environmental Assessment to the Convention on Environmental Impact Assessment in a Transboundary Context**¹³ is adopted in 2010. In addition, **Law on Ratification of the Multilateral Agreement** between the South East Europe countries to implement the Convention on EIA in a Transboundary Context is adopted in 2018¹⁴.

In addition “**polluter pays principle**” is incorporated into the environmental legislation of the Republic of Serbia, such as the **Law on Environmental Protection**¹⁵ and other sectoral laws and by-laws in the field of waste management, integrated pollution prevention, etc. “polluter pays principle” within the Waste Framework Directive in the part of the directive related to costs, is transposed into the legal system of the Republic of Serbia through the **Law on Waste Management**¹⁶.

Some progress has been reported in the area of emission reduction of pollutants in the air, the country still faces many challenges. Significant further efforts are needed in order to implement national legislation, especially in the areas of water management, industrial pollution control and risk management, nature protection and air quality. Regarding industrial pollution control, Directive on industrial emission control recasts seven separate existing Directives related to industrial emissions into a single Directive, including Integrated Pollution Prevention and Control (IPPC) Directive (96/61/EC) and Large Combustion Plants (LCP) Directive (2001/80/EC). Implementation of Chapter III (special provisions for large combustion plants) of Directive on industrial emissions is in initial stage.

With regards to industrial pollution, harmonization with the Directive on Integrated Pollution Prevention and Control (IPPC) 96/61/EC, has been largely completed and implementation has commenced. One of the segments of harmonization process of domestic and EU regulations, related to air protection measures by reducing emission of pollutants, is achieved through adopting the Law on Integrated Pollution Prevention and Control¹⁷ and Law on Air protection¹⁸ with relevant secondary legislation, and in accordance with obligations arising from the ratification of the Treaty establishing Energy Community.

After the additional analyses made by the experts of ECRAN project of the Amendments to the Law on Nature Protection, **the EU Wild Birds Directive** (2009/147/EC) is assessed as almost fully transposed, except the provisions 3.2, 4.1, 4.2, 5, 7, that are partially transposed (incomplete).

EU Habitat Directive is almost fully transposed except of the Articles 8 refers to finances and Articles 17 and 23 which refer to the reporting. Nevertheless, the system of financing is foreseen for protection measures of the special areas of conservation in line with Decree on Ecological Network¹⁹. The full transposition is planned for the 2020.

¹³ Official Gazette of RS, No. 1/10

¹⁴ Official Gazette of RS, No. 12/2018

¹⁵ Official Gazette of RS, No. 135/04, 36/09, 36/09 – other law, 72/2009 – other law and 43/2011 - decision of the CC and 14/16)

¹⁶ Official Gazette of RS, No. 36/09, 88/10 and 14/16

¹⁷ Official Gazette of RS, No. 135/04 and 25/2015

¹⁸ Official Gazette of RS, No. 135/04 and 10/13

¹⁹ Official Gazette of RS, No 102/2010

Remaining provisions are fully transposed into the national legislation. Amendments of the **Law on the Nature Protection**²⁰ adopted in February 2016 improved provisions of these directives regarding the concept of ecological network, appropriate acceptability assessment procedures and derogations. Draft Decree on acceptability assessment has been prepared.

The concept of ecological network in the Republic of Serbia has been harmonized with **Natura 2000** and includes ecologically important areas of national and international importance which include significant number of potential Natura 2000 sites. The **Decree on ecological Network** determinates the structure of the ecological network as well as guidelines for management and funding of the ecological network with a view to conservation of biological and landscape diversity, i.e. the habitat types of special conservation interest, renewal and/or improvement of damaged habitats and conservation of certain species. The identification and establishment of European Ecological Network Natura 2000 according to Article 4 of the Habitats Directive was started with the IPA 2007 twining Project “*Strengthening administrative capacities for protected areas in Serbia (Natura 2000)*”. Further support for the establishment of Natura 2000 network is provided through IPA 2012 project “*Capacity building to implement ‘acquis’ standards and conventions in nature protection – establishment of NATURA 2000 (2015- 2017)*” including upcoming implementation of IPA 2016 *NATURA 2000 (2019-2020)*.

Energy Efficiency and Renewable Energy Sources

Law on Efficient Use of Energy (LEUE) is fully aligned with the Directive 2010/30/EU²¹ and partially aligned with the Directive 2012/27/EU²². Within LEUE legal basis was established for implementation of the Directive 2009/125²³ (Eco-Design Directive), however, some changes have to be made before the proper transposition is possible (revision of the LEUE in 2018 and related secondary legislation by the end of accession process).

The Law on Planning and Construction (further on: Law on PC) introduced the concept of energy performance of buildings and energy efficiency improvement in accordance with requirements of the Directive 2010/31/EU²⁴ (EPBD). Based on the Law on PC, two rulebooks have been adopted regulating calculation of energy performance and issuance of energy passports as required by the Directive 2010/31/EU, however at this stage only covering heat energy.

Amendments to the Law on Planning and Construction introduced mandatory issuance of energy passports through the Central Registry of Energy Passports (CREP), which is particularly important given that this enables the establishment of a database containing information on the state of building inventory, energy features and energy requirements of buildings, CO2 emissions, types of energy products and other information on buildings. The relevant database will particularly be used in developing future reports, analyses of the state of energy features of buildings and a strategy for the reconstruction of national building inventory. Given the fact that

²⁰ Official Gazette of RS No. 36/2009, 88/2010, 91/2010 - corr. and 14/2016

²¹ Directive 2010/30/EU on the indication by labelling and standard product information of the consumption of energy and other resources by energy-related products

²² Directive 2006/32/EU on energy end-use efficiency and energy services has been repealed by Directive 2012/27/EU.

²³ Directive 2009/125, establishing a framework for the setting of eco-design requirements for energy-related products

²⁴ Directive 2010/31/EU on energy performance of buildings

the Republic of Serbia is a signatory to the **Treaty Establishing the Energy Community** and that, as such, it has an obligation to provide annual reports on the state and the improvement of energy efficiency in the area of construction, CREP database, managed by the Ministry of Construction Transport and Infrastructure, will be extremely significant in improving these reports. This provision of the Law shall enter into force on the date of adoption of the sub-legal act

Current Law on Efficient Use of Energy is partially aligned with the Energy Efficiency Directive. Full alignment is expected to be done as a result from IPA funded project which is expected to start in the beginning of 2019.

In accordance with Energy Community Treaty Serbia has set its target to save 9% of final energy in the period 2010-2018. The Third National Energy Efficiency Action Plan was adopted by the Government in December 2016. Energy Community Secretariat was included in the consultation process prior to its adoption. In the Action Plan are presented energy saving results for period 2010-2015, measures for period 2016-2018, as well as planned activities for transposition and implementation of EED directive. Serbia achieved 93% of indicative target for period 2010-2015, i.e. 49% of the goal of 9% of savings for period 2010-2018. The targets for public sector for period 2010-2015 are even overreached.

According to EED new targets for 2020 are set in the Implementation Program of the Energy Sector Development Strategy of the Republic of Serbia.

Towards the Treaty Establishing the Energy Community (Decision of the Ministerial Council of the Energy Community D/2012/04/MC-Enc) the Republic of Serbia has the obligation to meet very challenging target until 2020 which is to increase a share in renewable energy sources (RES) in gross final energy consumption from 21%, being a base year value in 2009, to 27%. In the National Renewable Action Plan, which was prepared in line with the template established under Directive 2009/28/EC, an increase in RES quantities is envisaged for fulfilment of the goal from 1943 ktoe to 2,564 ktoe²⁵. In electricity sector it is planned 1151 ktoe, in the heating and cooling sector 1167 ktoe and 246 ktoe of renewable energy in the transport sector in 2020. Directive 2009/28/EC is partially transposed in legal framework of the Republic of Serbia under Energy Law from 2014 and accompanying bylaws which significantly improve the legal framework in this area. Directive 2009/28/EC will be fully transposed by adoption of remaining legal acts. In this regard, besides bylaws that regulate incentive measures for more extensive use of RES adopted in 2016, the Regulation of guarantee of origin is adopted in September 2017. In the Republic of Serbia is issued 413 guaranties of origin so far. By adopting bylaws that regulate usage of biofuels expected in 2019, the Directive 2009/28/EC will be fully transposed in the legal framework regarding the energy sector.

Sustainable transport and energy network infrastructures

When it comes to the area of **Trans-European Transport Networks** (hereinafter TEN-T), the legal framework consists of the Law on Roads,²⁶ the Law on Road Traffic Safety²⁷, Law on Railways²⁸, Law on Interoperability in Railway System²⁹, as well as the implementing by-laws

²⁵ Kilo tonne of oil equivalent

²⁶ Official Gazette of RS, No. 41/18

²⁷ Official Gazette of RS No. 24/18

²⁸ Official Gazette of RS, No. 41/18

and international agreements. Having in mind that all TEN-T infrastructure shall comply with the relevant EU acquis, notably in terms of interoperability, safety and quality standards, it could be concluded that further adjustments of legislation and technical requirements related to transport sector in Serbia is necessary. Moreover, changes in the regulatory framework and effective implementation of those provisions should pave the way for a future-oriented transport system, notably through facilities that stimulate low-carbon solutions, new-generation service concepts and other fields of technological innovation.

The Transport Strategy is planned to be adopted in the fourth quarter of 2019. The Strategy will ensure safe, efficient, intermodal, environmentally friendly and effective transport and logistics services, sustainable and seamless passenger transport and competitive cargo operations. Strategic goals will be align with the Regulation (EU) No 1315/2013 of the European Parliament and of the Council of 11 December 2013 on Union guidelines for the development of the trans-European transport network and repealing Decision No 661/2010/EU (Annex III) and Commission Delegated Regulation (EU) 2016/758 of 4 February 2016 amending Regulation (EU) No 1315/2013 in regards to Annex III thereto.

State of play in the area of transport is as follows:

- Directive 2004/54/EC on minimum safety requirements for tunnels in the Trans-European Road Network is partially transposed in the Law on Roads. According the Law there is a Rulebook on basic safety requirements which tunnels have to fulfil which is in line with Annex I and III of mentioned directive 2004/54/EC.
- Directive 1999/62/EC on the charging of heavy goods vehicles for the use of certain infrastructures is partially transposed in the Law on Roads.
- Directive 2008/96/EC on road infrastructure safety management is partially transposed in the Law on Roads. Full compliance will be accomplished once the by-laws are adopted.
- Directive 2004/52/EC on the interoperability of electronic road toll systems is partially transposed in the Law on Roads.
- Directive 2010/40/EU on the framework for the deployment of Intelligent Transport Systems in the field of road transport and for interfaces with other modes of transport is partially transposed in the Law on Roads.
- According to the Law on Railways, the following by-laws were adopted:
 - Regulation on the rules for calculating compensation for public service obligations (“Official Gazette of RS”, No 91/15)– compliance with Regulation of the European Parliament and of the Council (EC) no 1370/2007 on public passenger transport services by rail and by road . This regulation defines the rules for calculating compensation for public service obligation all with the aim of providing transport of general interest, and which the railway undertaking, if it acted only for commercial interests, it would not accept or would not accept it in the same measure or under the same conditions without compensation.

²⁹ Official Gazette of RS, No. 41/18

- Regulation on the methodology of the evaluation elements for determining the amount of fees for the use of railway infrastructure (“Official Gazette of RS”, No 122/14) – harmonized with the Directive 2012/34/EU which defines the principles and procedures for the collection of fees for the use of railway infrastructure.
- Through the adoption of the new Law on Interoperability in Railway System full alignment with the Directive 2008/57/EC of the European Parliament and of the Council on the interoperability of the rail system is achieved.
- According to the Law on Interoperability in Railway System, Directorate for Railways published the following technical specification of interoperability (TSI):
 - TSI for control-command and signalling subsystems as a translation of the following EU decisions:
 - Commission Decision 2012/88/EU of 25 January 2012 on the technical specification for interoperability relating to the control-command and signalling subsystems of the trans-European rail system
 - Commission Decision 2012/696/EU of 6 November 2012 amending Decision 2012/88/EU on the technical specifications for interoperability relating to the control-command and signalling subsystems of the trans-European rail system
 - Commission Decision (EU) 2015/14 of 5 January 2015 amending Decision 2012/88/EU on the technical specification for interoperability relating to the control-command and signalling subsystems of the trans-European rail system
 - TSI for the ‘infrastructure’ subsystem as a translation of the Commission Regulation (EU) No 1299/2014 of 18 November 2014 on the technical specifications for interoperability relating to the ‘infrastructure’ subsystem of the rail system in the European Union
 - TSI for the ‘energy’ subsystem as a translation of the Commission Regulation (EU) No 1301/2014 of 18 November 2014 on the technical specifications for interoperability relating to the ‘energy’ subsystem of the rail system in the Union
 - TSI relating to accessibility of the rail system for persons with disabilities and persons with reduced mobility as a translation of the Commission Regulation (EU) No 1300/2014 of 18 November 2014 on the technical specifications for interoperability relating to accessibility of the Union's rail system for persons with disabilities and persons with reduced mobility
 - TSI relating to ‘safety in railway tunnels’ as a translation of the Commission Regulation (EU) No 1303/2014 of 18 November 2014 concerning the technical specification for interoperability relating to ‘safety in railway tunnels’ of the rail system of the European Union
- As a signatory to the ECAA agreement, the Republic of Serbia has largely transposed *acquis* in the field of aviation into its legal system.

- The standards pertaining to airport infrastructure in the Republic of Serbia are governed by:
 - Regulation on airports (Official Gazette of RS”, no. 23/12 and 60/12-corigendum). This Regulation transposes the standards and recommended practices defined in Annex 14 to the Convention on International Civil Aviation Organization (ICAO), Vol. II.
 - Regulation on requirements and procedure for issuing aerodrome certificate ("Official Gazette of RS" No. 11/17) which fully transposes the Regulation (EU) No. 139/2014 of 12 February 2014 laying down requirements and administrative procedures related to aerodromes Pursuant to Regulation (EC) No. 216/2008 of the European Parliament and of the Council.

When it comes to the area of **Trans-European Energy Network**, the legislative framework in the energy sector is defined by the Energy Law³⁰ and the Law on the Ratification of the Treaty Establishing the Energy Community between the European Community and the Republic of Albania, Republic of Bulgaria, Bosnia and Herzegovina, Republic of Croatia, Former Yugoslav Republic of Macedonia, Re-public of Montenegro, Romania, Republic of Serbia and United Nation Interim Administration Mission in Kosovo in compliance with the Resolution 1244 of the UN Security Council³¹

The part of the *acquis* directly concerned with **Trans-European energy networks** are:

- Regulation (EU) No 347/2013 of the European Parliament and of the Council of 17 April 2013 on guidelines for trans-European energy infrastructure and repealing Decision No 1364/2006/EC and amending Regulations (EC) No 713/2009, (EC) No 714/2009 and (EC) No 715/2009 (OJ L 115, 25.4.2013, p. 39–75)
- Regulation (EU) No 1316/2013 of the European Parliament and of the Council of 11 December 2013 establishing the Connecting Europe Facility, amending Regulation (EU) No 913/2010 and repealing Regulations (EC) No 680/2007 and (EC) No 67/2010 Text with EEA

The Regulation on establishing the Implementation Program for the Energy Sector Development Strategy of the Republic of Serbia for the period by 2025 with projections by 2030 for the period 2017 to 2023 (Official Gazette of the RS, no. 104/17) includes the transposed provisions of the Regulation (EU) No 347/2013. The Regulation includes a defined notion of a strategic energy project and a manner of promoting some project into a strategic project, obligations and activities of responsible institutions related to monitoring of realization of strategic energy projects, tasks of project promoters, establishment of a permanent working group for strategic energy projects as well as a model of collaboration for issuing of permits.

In the Republic of Serbia, there is already a unified procedure for issuing building permits and it is applied to all structures by the Ministry of Construction, Transport and Infrastructure. There are strictly defined limits and "ex officio" to get everything you need from other entities that issue permits.

³⁰Official Gazette of RS, No 145/14

³¹ Official Gazette of RS, No 62/06

Public involvement is already defined by the existing regulations, for the area spatial planning and construction and environmental protection.

Anti-discrimination and gender equality

Legal framework in the field of prohibition of discrimination was developed in accordance with the EU Charter on Fundamental Rights, European Convention for the Protection of Human Rights and Fundamental Freedoms and Protocol 12 to the Convention from 2000, as well as three key Directives of the European Union relating to the prohibition of discrimination: Council Directive 2000/43/EC of 29 June 2000 implementing the principle of equal treatment between persons irrespective of racial or ethnic origin, Council Directive 2000/78/EC of 27 November 2000 establishing a general framework for equal treatment in employment and occupation and Directive 2006/54/EC on the implementation of the principle of equal opportunities and equal treatment of men and women in matters of employment and occupation.

Beside the public administration bodies responsible for implementation of anti-discrimination policy exists in Serbia, in accordance with applicable laws and regulations there are independent state bodies – Commissioner for protection of equality, Ombudsman and Commissioner for information of public importance and personal data protection. Although the Action Plan for Chapter 23 and relevant strategies set the scene for necessary activities, there is a necessity to constantly strengthen the administrative capacities of the bodies concerned.

Legal framework in the area of anti-discrimination and equality is as follows:

- The principle of equality and anti-discrimination is guaranteed under the Article 21 of the Constitution of the Republic of Serbia.
- Republic of Serbia ratified United Nations Convention on the rights of persons with disabilities (UNCRPD) in 2009.
- The provisions of the above-mentioned Directives were transposed in the Law on the Prohibition of Discrimination³², but also in the Law on Prohibition of Discrimination of Persons with Disabilities³³, Law on Professional Rehabilitation and Employment of Persons with Disabilities³⁴), the Law on Ratification of the Convention on the Rights of Persons with Disabilities³⁵, the Law on Movement with the Assistance of the Guide Dog³⁶, the Law on Usage of Sign Language³⁷ and the Law on Gender Equality³⁸.
- Law on the protector of citizens³⁹

Regarding the legal framework for gender equality, the Republic of Serbia is currently preparing the new Law on gender equality in order to fully align with the *acquis* and the provisions of the Council of Europe Convention on preventing and combating Violence against women and domestic violence (Istanbul Convention).

³² Official Gazette of RS, No. 22/09

³³ Official Gazette of RS, No. 33/06 and 13/16

³⁴ Official Gazette of RS, No. 36/09 and 32/13

³⁵ Official Gazette of RS, No. 42/09

³⁶ Official Gazette of RS, No 29/15

³⁷ Official Gazette of RS, No. 38/15

³⁸ Official Gazette of RS, No. 104/09

³⁹ Official Gazette of RS, No. 79/2005 and 54/2007

NUTS classification

The territorial organization of the Republic of Serbia is regulated by the **Constitution of the Republic of Serbia**⁴⁰ and the **Law on Territorial Organization**⁴¹, adopted by the National Assembly in 2007. According to the Law, the territorial organization of the Republic of Serbia consists of, among others: municipalities, cities, and the City of Belgrade.

The **Law on Regional Development**⁴² and **Regulation on Nomenclature of Statistical Territorial Units**⁴³ have defined and established Statistical Territorial Units which correspond to NUTS 1 regions.

The **Regulation on Nomenclature of Statistical Territorial Units** has defined statistical territorial units which correspond to NUTS 1, NUTS 2 and NUTS 3 levels.

The compliance of the Serbian Nomenclature of Territorial Units for Statistics (NUTS) with **Regulation (EC) No 1059/2003** is reviewed under Negotiating chapter 18 – Statistics.

EGTC and ECG

Currently, there is **no legal base, national rules or procedures for participation of the legal entities from the Republic of Serbia in the EGTC**. When it comes to the ECG, the European Outline Convention on Transfrontier Co-operation between Territorial Communities or Authorities has been ratified by Parliament (“Official Gazette of RS - International Agreements” No 2/2016 of 8th February 2016) and entered into force on 16th June 2016, but without its third Protocol. Furthermore, Serbia does not have bilateral or multilateral agreement with some of the EU Member States that have ratified the mentioned protocol in order to regulate this issue.

The Law on Local-Self Government⁴⁴, Article 88(2) allows to the local self-governments in Serbia to cooperate with local self-governments of other countries, in the framework of the foreign policy of Republic of Serbia, with respect of territorial unity and legal system of the Republic of Serbia, in compliance with the Constitution and the law. The decision of setting up the cooperation, namely the conclusion of Agreement on Cooperation with local governments of another country shall be passed by the assembly of a local self-government, with the Government consent.

The Law on Establishment of Competences of the Autonomous Province of Vojvodina⁴⁵ Article 3 allows to the Autonomous Province of Vojvodina to cooperate with relevant territorial communities of other countries in the framework of the foreign policy of Republic of Serbia, with respect of territorial unity and legal system of the Republic of Serbia.

The local self-government units as well as the Autonomous Province of Vojvodina can cooperate jointly in the areas of common interest. This cooperation can be established with appropriate territorial communities and/or units of local self-government in other countries. In this regard, local self-governments may participate without limitations in projects of cross-border and

⁴⁰ Official Gazette of RS, No. 98/2006

⁴¹ Official Gazette of RS, No. 129/2007, 18/2016 and 47/18

⁴² Official Gazette of RS, No. 51/09 30/10 and 89/2015

⁴³ Official Gazette of RS, No. 109/09 and 46/10

⁴⁴ Official Gazette of RS", no. 129/2007, 83/14, 101/16 and 47/18

⁴⁵ Official Gazette of RS", no. 99/2009 and 67/2012

transnational cooperation programmes Serbia participates in. Transfer of funds to Serbian applicant as well as transfer to project partners (local authorities and all other types of applicants) is running without any obstacle.

1.3. MEASURES AND TIMETABLE

Measure 1.1: Legal framework for introduction of the EU cohesion policy adopted

Legal framework for systematic introduction of the EU cohesion policy in the national system shall reflect results of the comparative analysis, defined guiding principles as well as cohesion policy requirements that are implemented during 2016 and 2017 with respect of applicable Serbian legislation. Starting from the content of these analysis and comparative practise of EU Member States as well as experience regarding the EU pre-accession assistance it is envisaged that a comprehensive legislative framework is to be adopted.

In order to ensure introduction of the EU cohesion policy objectives and requirements stipulated in the articles 174 and 175 of EU Treaty in the legal framework of the Republic of Serbia, it is necessary to ensure legal environment which is going to support fulfilment of the aims defined by this policy, ensuring stability, efficiency and effectiveness in implementation of key planning processes, preparation, implementation, monitoring, financial management and control.

The adoption of the legal framework for introduction of the EU Cohesion policy is planned for 2020.

Measure 1.2: Roadmap for alignment of the legal framework with requirements of the cohesion policy adopted

Findings of the already performed analyses of the legal provisions essential for proper reflection of the cohesion policy requirements will be synthesized in the form of the Roadmap providing the dynamics of the necessary adjustments, cross-reference between the different areas where changes will be introduced and their impact on the overall preparation and implementation of the programs funded by the Funds.

One of the first steps was a conduction of the gap assessment of legislative (and/or regulated) areas which needs to be reviewed from the perspective of their impact on development policy projects. The gap assessment finding were summarized in the Catalogue of other legislation and policies related to Chapter 22 encompassing infrastructure (i.e. transport, environment, energy and business related infrastructure), competitiveness policy (i.e. research, technological development and innovation policy, entrepreneurship, ICT and tourism) and human resources development (i.e. labour market policies, educational system, social inclusion and institutional capacity). The objective is to identify areas where optimisation of the legal framework is necessary in order to ensure time and cost efficient as well as effective implementation of projects, financed from the EU sources. Identified gaps will be brought further by obtaining comprehensive input from other stakeholders respecting the partnership principles.

In order to overcome identified gaps and reflect cohesion policy requirements, amendments of the existing legislation or even introduction of the new legal acts will be required. Once the proposal for changes are developed including the timeline for the introduction of the proposed amendments or new legal acts, following consultation with the Negotiating group for Chapter 22, Roadmap will be developed as a tool for efficient implementation of legislative changes.

The Roadmap for further harmonisation of the legal framework with requirements of the cohesion policy is planned to be developed in 2020.

Measure 1.3: Legal framework ensuring co-financing and budget flexibility in place

All cohesion policy programmes need to be co-financed from national resources that can include the national budget as well as private sources. The calculation and programming of co-financing for pre-accession funds is ensured at the level of actions/projects, which, for the moment, is considered satisfactory. Since the volume of the programme and type of investments will differ from the pre-accession funds, securing the systemic approach for co-financing will appear as a necessity and could provoke some changes in the existing Budget system Law.

Cohesion policy programmes can only be effectively implemented if the co-financing capacity of all possible beneficiaries is realistically assessed and tapped for the implementation of the national objectives. In addition, cohesion policy programmes are multi-annual therefore, the state budget also needs to be able to handle multi-annual financial commitments flexibly and transparently.

Thorough analysis will be performed to determine: a) co-financing capacity of the public budget at all administrative levels, b) existing legislative framework for the multi-annual programming of public co-financing sources from all levels, c) budget flexibility for possible reallocation of funds in the program implementation, d) co-financing capacity of future cohesion policy beneficiaries (both public and private), and e) pre financing capacities for programmes/projects implementation. Analysis will result in the list of concrete recommendations which should be inputs for further legislative changes.

The legal framework ensuring co-financing and budget flexibility is planned to be in place in 2021.

Measure 1.4: Legal approximation⁴⁶ in the area of state aid finalised

Further approximation of the Serbian legal provisions with the *acquis* in the area of State aid considers adoption or amendments of the existing **Regulation on rules for state aid granting**, which would define rules for granting of different types of state aid, e.g. *de minimis*, or in the transport sector, for performing services for overall economic interest, but also for granting of other types of state aid (for SME's, employment, environment protection, regional state aid).

Regulation on rules for state aid granting shall be aligned with the following EU regulations:

- **Commission Regulation (EC) No 1407/2013** of 18 December 2013 on the application of Articles 107 and 108 of the Treaty on the Functioning of the European Union to *de minimis* aid (OJ L 352, 24.12.2013) (32013R1407)
- **Commission Decision** of 20 December 2011 on the application of Article 106(2) of the Treaty on the Functioning of the European Union to State aid in the form of public service compensation granted to certain undertakings entrusted with the operation of services of general economic interest (OJ L 7, 11.01.2012) (32012D0021)

⁴⁶ Legal approximation in the context of this Action plan refers to alignment with EU *acquis* without implementation.

- **Commission Regulation No 360/2012** of 25 April 2012 on the application of Articles 107 and 108 of the Treaty on the Functioning of the European Union to de minimis aid granted to undertakings providing services of general economic interest (OJ L 114, 26.04.2012) (32012R0360)
- **Commission Regulation** declaring certain categories of aid compatible with the internal market in application of Articles 107 and 108 of the Treaty (GBER)
- **Council Decision** of 10 December 2010 on State aid to facilitate the closure of uncompetitive coal mines (OJ L 336, 21.12.2010) (32010D0787) and all relevant EU State Aid Soft acquis (Guidelines, Communications, Notices, Frameworks) related on rules for granting regional aid, aid for rescue and restructuring, environmental and energy aid, aid in transport sector, risk capital aid, research and development and innovation aid, temporary rules in response to the economic and financial crisis, specific aid instruments, etc.

Progress of this measure will be monitored through negotiating Chapter 8 – Competition Policy. Full legal approximation with the EU state aid rules is expected by the end of 2019.

Measure 1.5: Legal approximation in the area of public procurement finalised

In the area of public contracts, legislation of the Republic of Serbia has been sufficiently aligned with the general principles of transparency, free competition and equal treatment. In line with the Stabilisation and Association Agreement, SAA (Article 76), after 1 September 2018, advantage given to domestic bidders (domestic preferences) have been abolished completely (0%). . Adoption of the new Law is planned for the 2019, and it is expected that all other by-laws necessary for implementation of the new Law will be adopted after the adoption of the Law on Public Procurement. Moreover, the Republic of Serbia is in the process of accession to the World Trade Organization (hereinafter: WTO), in the final protocol of accession, will take the obligation to join the WTO Agreement on government procurements, within the transition period which will be defined in the Accession protocol.

Concerning the specific areas relevant for the public procurement, national legislation shall be aligned with the following EU regulations:

- The regulation relevant for the public procurements in the area of water management, energy, transport and post services in the Republic of Serbia has been sufficiently aligned with the **Directive 2004/17/E3**. However, further approximation with the new **Directive 2014/25/EU** is needed and planned to be done in 2019.
- In the area of protection of rights in public procurement procedures, the legislation of the Republic of Serbia is to a great extent aligned with **Directive 89/665/EEC, 92/13/EEC and 2007/66/EC**, which regulates the protection of rights in public procurement procedures. With adoption of the new Law on Public Procurement the Republic of Serbia will be fully aligned in this area.
- It is envisaged to reach full harmonization with the EU *acquis* by the end of 2019 in the area of electronic procurement i.e. with **Directive 2014/24/EU and Directive 2014/25/EU**. The ultimate goal in this area, by the moment of accession, is to establish a common platform of electronic public procurement which will include e-advertising and e-communications and submission of bids.

- The policy that regulates the field of green and social aspects of public procurement as well as the relationship with the SME is in accordance with the provisions of **Directive 2014/24/EU** has been sufficiently aligned. By the end of 2019 the following steps will be taken: raising awareness of contracting authorities and other stakeholders about advantages and opportunities of these procurements, strengthening capacities of participants to the procedure, and establishing the system for evaluation and monitoring.
- Direct application of the standard templates for the notification in the public procurement would be possible after the accession. Approximation of legislation in the area related to standard notification templates will be done in the course of the 2019. In this context, for this area is important **Commission Implementing Regulation (EU) No 842/2011** adopted on 19 August 2011, which determines the standard templates for publication of notifications in the area of public procurement.

Progress of this Measure will be monitored through negotiating Chapter 5 – Public Procurement which was opened on the fourth meeting of the Accession Conference with Serbia at ministerial level on 13th December 2016. Full legal approximation with the EU rules related to public procurement is expected by the end of 2021.

Measure 1.6: Legal approximation in the area of Public Private Partnerships and concessions finalised

In accordance with the Negotiation Chapter 5 the **Law on Public-Private Partnership and Concessions** needs to be amended, in order to enable full harmonization with the EU acquis. Full harmonization with Directive 2014/23/EU is the priority direction of reforms in area of concessions and public private partnership. For that purpose, the Working Group has been established. Draft of new PPP Law is being prepared and in process of fine tuning in order to be submitted to EU Commission for comments.

Progress of this measure will be monitored through negotiating Chapter 5 – Public Procurement, which was opened on the fourth meeting of the Accession Conference with Serbia at ministerial level on 13th December 2016.

Full legal approximation with the EU rules related to Public Private Partnership and concessions is expected by the end of 2019.

Measure 1.7: Legal approximation in the area of EIA and SEA finalised

Legal approximation in the area of **EIA Directive 2011/92/EU** considers:

- Adoption of the Regulation on establishing the list (I) of projects for which environmental impact assessment is mandatory and list (II) of projects that may require environmental impact assessment by the end of 2020;
- Adoption of amendments to the **Law on the EIA** by the third quarter of 2019;
- Adoption of the amended Law on environmental impact assessment by the third quarter of 2019.

Adoption of amendments to the following by-laws is planned for the end of 2019:

- The Rules of Procedure of the public hearing, presentation and public debate on the EIA Study;

- The Rules of Procedure for the Technical Commission for evaluation of the EIA Study;
- The Regulation on the Scope and Content of the EIA Study;
- The Regulation on the Content, Form and the maintenance of the public books on conducted EIA procedures and
- The Regulation on the content of the EIA Study.

Legal approximation in the area of **SEA Directive 2001/42/EC** is planned by the end of 2020 and considers:

- Adoption of the Rules of Procedure for the Technical Commission for the preparation of the Report on the SEA Study and
- Adoption of the Rules of Procedure on the Public Hearing, presentation and Public Debate on the Report on SEA.

Progress of this measure will be monitored through negotiating Chapter 27 – Environment. Full legal approximation with the EU rules in this area is expected by the end of 2020.

Measure 1.8: Legal approximation in the area of Habitat Directive finalised

Legal approximation in the area of Habitat Directive considers:

- Amendment of the Regulation on the ecological network, will specify the alignment with amendments of the Law on the Nature Protection adopted in February 2016 and the **EU Birds and Habitats Directive** with regard to the concept of ecological network (2019) and
- Adoption of amendments to the **Law on Nature Protection**, art 8, 17 and 23 of the **Habitats Directive**, including **Decree on Acceptability Assessment** will be fully transposed by 2020 (including financing and reporting). Amendment of the Law on Strategic Environmental Impact Assessment and Law on Environmental Impact Assessment is ongoing, in order to harmonize with Article 6 of the Habitats Directive 92/43/EEC and to provide legislative prerequisites for the implementation of the eligibility assessment procedure.

Progress of this measure will be monitored through negotiating Chapter 27 – Environment. Full legal approximation with the EU rules in this area is expected by the end of 2020.

Measure 1.9: Legal approximation in the area of energy efficiency and renewable energy sources

In the area of energy efficiency the following adaptations are necessary:

- Revision of the Law on Efficient use of Energy in order to align with requirements of the Directive 2009/125 and adoption of the accompanying Decree is expected by the end of 2019. Implementing measures of this Directive for different types of products will be transposed by the end of accession process are expected to be adopted by IV quarter of 2021.
- Revision of the Law on Efficient use of Energy in order to align with requirements of the Directive 2012/27/EU by the fourth quarter of 2020 and adoption of any accompanying regulation that may be needed by the end of accession process. The same revision should

also include alignment with Regulation (EC) No 1222/2009 on the labelling of tyres with respect to fuel efficiency and other essential parameters.

- Further alignment with the requirements of Directive 2010/31/EU and Directive 2012/27/EU is planned over the course of 2019, through the development of a long-term strategy for investing in the reconstruction of national building inventory and amendments to the Rulebook on energy efficiency of buildings and the Rulebook on the conditions, content and manner of issuance of certificates of energy performance of buildings.

In the area of renewable energy sources the following legal adoptions are necessary:

- Regulation on biofuels Share in transport – adoption is expected in the first quarter of 2019;
- Regulation on biofuels sustainability criteria – adoption is expected in the first quarter of 2019;
- Regulation establishing amount of special incentive fee in year 2019 – adopted and published in the Official Gazette of the RS, no. 8/19 on 8 February 2019, and entered into force on 9 February 2019;
- Rulebook on the calculation of the renewable energy sources share- adoption is expected fourth quarter of 2019.

Progress of this measure will be monitored through negotiating Chapter 15 – Energy. Full legal approximation with the EU rules in this area is expected by the end of 2019.

Measure 1.10: Legal approximation in the area of Transport networks finalised

The following adaptations are necessary in the area of transport:

- New **Law on Roads is adopted in 2018 allowing** for further harmonization with the Directive 1999/62/EC, Directive 2004/52/EC, Directive 2008/96/EC, 2004/54/EC and 2010/40/EU. Amendments on that Law are foreseen for the fourth quarter of 2020 in order to achieve full harmonization. Further compliance will be accomplished through adoption of the Rulebooks in first quarter of 2019 and full compliance is expected to be reached by the end 2021.
- Through the adoption of the new Law on Railways in 2018 and adoption of by-laws until Q1 2020 further harmonisation with the Directive 2012/34/EU and its implementing enactments will be achieved:
 - Implementation Regulation (EU) No. 2015/171 on certain aspects of the licensing of railway companies;
 - Implementation Regulation (EU) No. 2015/909 on the modalities for the calculation of the cost that is directly incurred as a result of operating the train service;
 - Implementation Regulation (EU) No. 2016/545 on procedures and criteria concerning framework agreements for the allocation of rail infrastructure capacity;
 - Commission Implementing Regulation 2017/2177 on access to service facilities and rail-related services;

- Commission Delegated Decision 2017/2075 replacing Annex VII to Directive 2012/34 of the European Parliament and of the Council establishing a single European railway area.
- The new Law on Railways is partly aligned with Directive 2012/34/EU, taking into account the changes made by the Directive (EU) 2016/2370 from the IV Railway Package, and to transpose the implementing regulations by the by-laws, which would have been fully harmonization of national legislation with implementing regulations. Full alignment will be achieved on Q1 2021 with the adoption of the new Law on Railways/amendments to the Law on Railways.
- It is planned to transposed technical specifications for interoperability into the legislation of the Republic of Serbia at the latest in Q4 2019⁴⁷. The full harmonisation with the Directive (EU) 2016/797 of the fourth railway package repealing Directive 2008/57/EU is envisaged to be implemented through the adoption of the new Law on Interoperability of the Railway System, which is envisaged for Q1 2021.
- Regulation on conditions which must be met by ports, harbours and temporary reloading places which shall transpose into the national legislation requirements of the **Regulation 1315/2013** on Union guidelines for the development of the trans-European transport network, regarding inland ports until the end of 2021.

Progress of this measure will be monitored through negotiating Chapter 14 – Transport Policy. The legal approximation with the EU rules in area of transport and TEN-T is expected by the end of 2021.

Measure 1.11: Legal approximation in the area of Anti-discrimination and gender equality finalised

National legislation is fully aligned with the provisions prescribed by **Directive 2000/43/EC** implementing the principle of equal treatment between persons irrespective of racial or ethnic origin and **Directive 2000/78/EC** establishing a general framework for equal treatment in employment and occupation.

The following legal acts will be adopted, **as envisaged by the Action plan for Chapter 23, adopted by the Government of Serbia:**

- Law on amending of the **Law on Prohibition of Discrimination** (Official Gazette of RS, No. 22/09) particular in the area of: volume of exceptions to the principle of equal treatment; the definition of indirect discrimination; the obligation to provide reasonable

⁴⁷ Those TSI's are the following: TSI of vehicle subsystem – freight cars; full compliance with: Commission Regulation (EU) No 321/2013, Commission Regulation (EU) No 1236/2013 and Commission Regulation (EU) 2015/924; TSI related to vehicle subsystem – noise; full compliance with Commission Regulation (EU) No 1304/2014; TSI related to subsystem of telematics applications for freight transport; full compliance with Commission Regulation (EU) No 1305/2014; TSI related to subsystem of telematics applications for passenger transport; full compliance with Commission Regulation (EU) No 454/2011, Commission Regulation (EU) No 665/2012, Commission Regulation (EU) No 1273/2013 and Commission Regulation (EU) 2015/302; TSI of vehicle subsystem – locomotives and passenger cars; full compliance with Commission Regulation (EU) No 1302/2014; TSI related to the subsystem „operation and traffic management; full compliance with Commission Regulation (EU) 2015/995; TSI of subsystem „control, management and signalling”; full compliance with Commission Regulation (EU) 2016/919.

accommodation for employees with disabilities. The adoption of the new Law is envisaged in the second quarter of 2019.

- New **Law on Gender Equality** in order to fully align with the **Directive 2006/54/EC** on the implementation of the principle of equal opportunities and equal treatment of men and women in matters of employment and occupation and the provisions of the Council of Europe Convention on preventing and combating Violence against women and domestic violence (Istanbul Convention) adopted. The adoption of the new Law is envisaged in the second quarter of 2019.

Progress of this Measure will be monitored through negotiating Chapter 23 – Judiciary and Fundamental Rights. Full legal approximation with the EU rules in this area is expected in the second quarter of 2019.

Measure 1.12: Legal basis for implementation EGTC Regulation in place

In order to establish clear, efficient and transparent rules for implementing EGTC Regulation it is necessary to conduct few analyses (e.g. analysis of main requirements of EGTC Regulation, comparative analysis of national implementing rules for the EGTC Regulation of the EU Member States as well as non-EU Member States, assessment of relevant existing legislation in the Republic of Serbia related to the possibility for legal bodies from Serbia to participate as full members in an EGTC, gap assessment of the existing legislation and correlated recommendations). The specific legislative disparities between countries shall also be considered, particularly in the area of functioning of the legal bodies, limitation of their authorisation as well as control of the public funds management but also in the area of public procurement, the amount of VAT, customs regulations, the prescribed salaries in the public sector etc. Consequently, necessary legal basis for implementation of EGTC Regulation shall be prepared with the aim to establish necessary conditions for participation of Serbian legal entities in this cooperation approach.

The Republic of Serbia shall prepare necessary provisions (e.g. designation of the authorities, the relevant procedures, register and publications) putting in place all requirements mentioned in EU legal framework by 2023.

No.	Measure	Deadline	Responsible Institution
1.1	Legal framework for introduction of the EU cohesion policy adopted	2020	Ministry of European Integration
1.2	Roadmap for alignment of the legal framework with requirements of the cohesion policy adopted	2020	Ministry of European Integration
1.3	Legal framework ensuring co-financing and budget flexibility in place	2021	Ministry of Finance
1.4	Legal approximation in the area of state aid finalised	2019	Ministry of Finance
1.5	Legal approximation in the area of public procurement finalised	2021	Public Procurement Office
1.6	Legal approximation in the area of PPP and concessions finalised	2019	Ministry of Economy
1.7	Legal approximation in the area of SEA and EIA finalised	2020	Ministry of Environmental

			protection
1.8	Legal approximation in the area of Habitat Directive finalised	2020	Ministry of Environmental protection
1.9	Legal approximation in the area of energy efficiency and renewable energy sources finalised	2019	Ministry of Mining and Energy
1.10	Legal approximation in the area of transport finalised	2021	Ministry of Construction, Transport and Infrastructure
1.11	Legal approximation in the area of Anti-discrimination and gender equality finalised	2019	Ministry of Labour, Employment, Veteran and Social Affairs
1.12	Legal basis for implementation EGTC Regulation in place	2023	Ministry of Public administration and Local-Self Government

2. INSTITUTIONAL FRAMEWORK

2.1. COHESION POLICY REQUIREMENTS

Regulation (EU) 1303/2013 stipulates in the Article 123-127, types of bodies to manage cohesion policy within Member State as well as describes procedure for the designation of the bodies and main functions and relations between such authorities.

According to the Article 123 of the Regulation (EU) 1303/2013 the list of bodies designated to manage cohesion policy programmes with short summary of their roles is as follows:

- **Managing Authority** – *compulsory*: bears the main responsibility for the effective and efficient implementation of the OP(S) and thus fulfils a substantial number of functions related to programme implementation and monitoring, the selection of operations, financial management, control, the prevention of irregularities and fraud, as well as publicity and transparency and reporting. The same Managing Authority may be designated for more than one OP;
- **Certifying Authority** – *compulsory*: certifies statements of expenditure against the funds and, on that basis, submits payment applications to the Commission. It also draws up the accounts, certifying the completeness, accuracy and veracity of the accounts and that the expenditure entered in the accounts complies with the applicable Union and national rules. The same Certifying Authority may be designated for more than one OP. Moreover, the functions of the Certifying Authority may be carried out by a Managing Authority;
- **Audit Authority** – *compulsory*: ensures that audits are carried out on the proper functioning of the management and control systems of the operational programme (system audit) and on an appropriate sample of operations (audit on operations). It also carries out audit of the accounts certified by the Certifying Authority. The Audit Authority is functionally independent from all other cohesion policy bodies;

- **Co-ordinating body** – *optional*; in case it is nominated liaises with and provides information to the Commission, coordinates activities of the other relevant designated bodies and promotes the harmonised application of applicable law and
- **Intermediate Body/ies** – *optional*; in case it/they is/are nominated can be used to carry out certain tasks of Managing Authority and/or Certifying Authority **under its responsibilities**; in most member states, Intermediate Body/ies exist, at least for Managing Authority/ies.

For the purpose of ETC programmes single Managing Authority, Certifying Authority and Audit Authority are to be established in one of the participating countries, while other participating country/ies has/have to set up an adequate national authority (in order to cooperate with programme bodies and to coordinate programme implementation tasks under its countries) as well as a control body for verification of expenditures reported by beneficiaries from its territory.

Designation of above mentioned **authorities**, as specified in Article 124 of Regulation (EU) 1303/2013, will be based on a report and an opinion of the independent audit body (being independent from the Managing Authority and where applicable of the Certifying Authority), having necessary audit capacity and taking into consideration internationally accepted audit standards, that assesses fulfilment of criteria (specified in the Annex XIII of Regulation (EU) 1303/2013).

In addition to the above mentioned authorities, the Regulation (EU) 1303/2013 introduced a set of “**territorial instruments**” that allow member states to use new approaches to combining funds from different programmes and funds in a given territory. There are three instruments being used: as integrated territorial investments, as sustainable urban development programmes or as community-led local development. For each of the mentioned instrument Regulation (EU) 1303/2013 stipulates the terms and conditions that have to be fulfilled as well as implementation arrangements.

Following the adoption of the OP(s) by the Commission, **Monitoring Committee** is to be set up also in accordance with institutional, legal and financial framework, to monitor implementation of the OP(s), in agreement with the Managing Authority. A Member State may set up a single monitoring committee to cover more than one OP co-financed by the European Structural and Investment Funds (hereinafter: ESI Funds). Monitoring Committee regularly follows-up the implementation of programmes, with special regard to the achievement of development goals and targets. They advise the Managing Authority, and take decisions related to the principles of selecting operations (projects). Monitoring Committees are set up on the basis of the principle of partnership and encompass representatives of the government, sub-national authorities, economic and social partners as well as civil society. For ETC programmes, Joint Monitoring Committee is to be set up of representatives from all participating countries.

Regulation (EU) 1303/2013 also stipulates that management and control system for implementation of the cohesion policy shall be established in accordance with the **following principles** (Art. 72):

- Allocation and description of functions within each body involved in management and control
- Separation of functions between and within such bodies

- Procedures to ensure correctness and regularity of expenditure declared
- Computerised system for accounting, storage and transmission of financial data and data on indicators, monitoring and reporting
- Systems for monitoring and reporting, where responsible body entrusts execution of tasks to another body
- Arrangements for auditing the functioning of the management and control system
- System and procedures to ensure adequate audit trail
- Procedures for prevention, detection and correction of irregularities, fraud and recovery of unduly paid amount

2.2. ASSESSMENT OF THE CURRENT SITUATION IN THE REPUBLIC OF SERBIA

Institutional framework for managing the EU Pre-Accession Funds – IPA II

As already indicated in the bilateral screening, the institutional framework for implementation of cohesion policy will be set up based on the system (structures/bodies and capacities) established and developed for managing EU pre-accession support, taking into account certain specific features and differences. These bodies will be further strengthened with a view to ensure an adequate capacity for effective and efficient absorption of several times larger amounts of support compared to the one provided from the Instrument for Pre-Accession (hereinafter: IPA). The abovementioned system for managing the EU pre-accession funds has been established in such a way that to some extent meets the principles of cohesion policy referred to in point 2.1.

In addition to mentioned above, decision on the optimal institutional framework for implementation of cohesion policy will significantly be influenced by the specificities related, among other things, to the territorial organization of the Republic of Serbia, multi-level governance, existing capacities and positive/negative experiences of the institutional framework in a selected Member States.

Legal and institutional framework for implementation of the Instrument for Pre-Accession Assistance 2014-2020 in Serbia is presented in the Annex 2.

As for the Investment for Growth and Jobs Goal, comparative overview of the functions performed by the authorities for ESI and IPA funds is presented in the Annex 3.

Institutional framework for implementation of cohesion policy

In line with the Law on ministries,⁴⁸ the Ministry of European Integration (hereinafter: MEI) is in charge of establishing and developing the system for the usage/implementation of the Structural Funds and Cohesion Fund (the Funds), preparation of the relevant documents that define development goals and priorities for financing from the Funds, monitoring of the implementation, evaluation and reporting on the implementation of the relevant program documents (i.e. programmes, projects) financed from the Funds, coordination of the selection and prioritization of infrastructure projects for financing from the EU funds and other sources.

⁴⁸ Official Gazette of the Republic of Serbia No. 44/2014, 14/2015, 54/2015, 96/2015 – other law and 62/2017

In this regard the MEI will perform the role of the Coordinating Body, depending on the number of OPs and/or Managing Authority. In line with its current responsibilities, MEI will perform the role of the Managing Authority for relevant CBC programmes. Depending on the number and structure of OPs, some of the line ministries may also perform the role of the Managing Authority. Appropriate organizational unit in the ministry responsible for finance will perform the role of the Certifying Authority, while the current Governmental Audit Office of EU funds will perform the role of the Audit Authority. These institutions and structures have already been identified as being holders of specific responsibilities and tasks in the management of EU Pre-Accession Funds system and in that sense they are characterized by numerous comparative advantages and experiences that make them candidates for holders of some of the key tasks in the context of EU post-accession funds management.

While deciding on the appropriate option of the institutional framework through which cohesion policy funds will be implemented in the Republic of Serbia several guiding principles are taken into account and will be closely followed in the process:

- *Simplicity* – institutional structure with a limited number of institutions will be established in the initial stages of implementation. Additionally, simple and streamlined procedures within that structure will be produced and adapted to the needs of the beneficiaries.
- *Stability* – institutional structure will be built on those institutions that already have capacity, particularly the institutions dealing with IPA II as they now have the opportunity to apply the EU budgetary (and other) principles in practice.
- *Strategic approach* – strategic vision of the country institutional development in the mid to long-term period will be taken into account while deciding on the institutional framework model.
- *Coordination* – coordination of all investments at the national policy making level is needed in order to avoid creation of parallel structures within the public administration. Newly introduced systems need a stronger coordinating institution with significant decision-making powers.
- *Concentration* – at the coordinating level there is a strong need for concentration of coordination functions in order to ensure critical mass of competence and also institutional power, while at the implementing level, the system will rely on the institutions with specialist knowledge and already existing capacities to deliver, which should be strengthened further.

Additional inputs for the selection of an appropriate institutional model for the Republic of Serbia were provided also by the **Comparative Analysis of Member State Choices** regarding the Institutional Framework for Cohesion Policy developed with support of EU funded project “Project Preparation Facility 5” (hereinafter: PPF5). Comparative analysis provided overview of options used by 6 member states (i.e. Bulgaria, Croatia, Hungary, Poland, Portugal and Slovenia) to set up institutional framework for the implementation of cohesion policy, their practical experiences as well as pros and cons for selection of specific institutional framework.

Given that the existing institutional capacities will not be sufficient, **the process of mapping the institutions and capacities at the sector level** (corresponding to thematic priorities identified in the existing EU legislation) has been performed during 2016, which can certainly serve as potential holders of certain activities in the post-accession period.

The mapping exercise showed that there is a good basis for further development of institutional system capacity. Additionally, existing IPA co-ordination and management capacities should be preserved and further developed since the overall approach towards preparation and implementation of funds by IPA and cohesion policy is similar in many respects. Moreover, a mapping exercise had identified that there are significant administrative capacities outside the accredited IPA structures. While many of the institutions concerned may not have direct experience with the specific requirements regarding the planning and implementation of EU assistance (e.g. regarding financial accountability, transparency and regularity) and on some essential development policy methods (such as multi-annual planning, monitoring and evaluations), they do implement similar tasks and scope of work for similar overall objectives as the IPA structures do. Finally, mapping exercise showed that there is substantial capacity outside of the ministries and these capacities will also be taken on board and built upon when it comes to the preparations for implementing the EU Cohesion policy in Serbia.

However, there appears to be an overall tendency to concentrate tasks in ministries, rather than delegating them to national institutions/organisations supervised by the lead ministries. Overall, the distribution of tasks between ministries and other institutions/organisations seems to point towards a rather concentrated structure. Ministries report to have the main responsibility for the most strategic and programming tasks, as well as project selection, in many cases also contracts and financial management. Still none of the ministries seems to dedicate resources to perform function of policy or project evaluations.

Taking into account the five guiding principles, findings of the aforementioned mapping study, experiences from other countries, lessons learned in the pre-accession period, capacities within the relevant institutions and administrative tradition of the Serbian Government, the approach to the development of the future institutional framework for implementation of cohesion policy is the following: **Centralized system with a strongly mandated co-ordination body, concentrated, sectoral and aligned administrative system.**

In the aforementioned model, the co-ordination of cohesion policy is ensured by one strongly mandated central national institution which will also be the Managing Authority at least for some or the majority of the OPs. Having in mind the intensive preparatory processes explained in different sections of the Action Plan, there is a necessity to have one central national institution as the main interlocutor with the EC, which will coordinate all relevant institutions and stakeholders but also be able to coordinate the Funds with other applicable EU instruments and Union programmes to avoid possible overlaps and maximise the synergies.

There will be a small number of multi-sectoral/thematic OPs (up to three) and limited number of Managing Authorities. Line ministries may also be appointed as Intermediate Bodies, in particular when they also implement parts of an OP directly, without the involvement of another intermediate body. In case where it would be justified, a 2nd level of intermediate bodies will be used as well.

For the European Territorial Cooperation (hereinafter: ETC) goal, MEI will perform the function of Managing Authority for those programmes that Serbia will be in charge of managing in future, given that the Serbia is a single contracting authority for CBC programmes Serbia-Montenegro, Serbia-Bosnia and Herzegovina and Serbia-Former Yugoslav Republic of Macedonia and it is expected that the Serbia will maintain the same role upon accession. For ETC programmes with EU Member States MEI will also continue to be the National Authority as well as the First Level

Control Division under Ministry of Finance will continue to be Control Body. MEI, as National Authority, is in charge of establishing the control system in the Republic of Serbia and ensuring controllers responsible for carrying out the first level control for the partners located in the Republic of Serbia.

Establishment of Joint (Technical) Secretariats (main office and antenna) as well as Control Body for new programmes was based on already gained experience from the programmes implemented under 2007-2013. In that way taking over of the additional responsibilities for the implementation of new programmes will be complete in an efficient and timely manner.

The role of the Certifying Authority will perform the relevant department within the Ministry responsible for Finance, while the function of the Audit Authority will perform the Governmental Audit Office of EU funds.

Through the assistance of IPA 2015 Technical Assistance project the Republic of Serbia will, under the coordination of MEI, prepare all necessary documents representing the basis for the decision on nomination of the institutions and bodies for implementation of cohesion policy as well as documents necessary for actual operationalization of nominated bodies (i.e. organizational development strategies, procedures, description of management and control system etc.).

2.3. MEASURES AND TIMETABLE

Measure 2.1: Institutions and bodies for implementation of cohesion policy nominated

In the course of 2019 the Government of the Republic of Serbia will nominate institutions to be the holders of respective tasks and responsibilities in the context of preparation for implementation of cohesion policy. The Government shall adopt the act(s) specifying institutions and their roles and responsibilities. The nominated institutions shall timely start with building their capacities through the comprehensive capacity building programme (further elaborated in *Section 3 – Administrative capacities*) and will perform all activities necessary for designation and later on implementation of OPs.

Measure 2.2: Organisational development strategies for bodies involved in the OPs management prepared

Upon nominating the institutions and bodies for implementation of cohesion policy, the ones involved in the OPs management will devise organizational development strategies. Those strategies will be most probably drawn up per OPs and will include description of management and implementation arrangements in order to ensure adequate institutional and organizational forms and structures, staffing and training plans. A training plan will include the list of relevant topics while they shall be additionally elaborated and implemented in accordance with the capacity building programme (further elaborated in *Section 3 – Administrative capacities*).

EU Competency Framework for the management and implementation of the European Regional Development Fund and the Cohesion Fund, as well as the adequate elements, existing knowledge and capacities within the established system for implementation of IPA funds, will be taken into consideration as an input for preparation of organizational development strategies.

Measure 2.3: Draft procedures and working arrangements for OPs management prepared

In order to have smooth implementation of the OPs nominated institutions will prepare procedures covering all aspects that are necessary for the programme implementation, which will constitute the base for their formal designation.

Measure 2.4: Responsible bodies for the OPs management designated

Formal designation of responsible bodies will be followed by the opinion of an independent audit body (in accordance with Articles 123 and 124 of Regulation (EU)) 1303/2013.

No.	Measure	Deadline	Responsible Institution
2.1	Institutions and bodies for implementation of cohesion policy nominated	2019	MEI
2.2	Organisational development strategies for bodies involved in the OPs management (per OPs) prepared	2021	Managing Authorities
2.3	Draft procedures and working arrangements for OPs management prepared	2021	Managing Authorities
2.4	Responsible bodies for the OPs management designated	2023	Coordinating Body

3. ADMINISTRATIVE CAPACITIES

3.1. COHESION POLICY REQUIREMENTS

The legal framework related to Chapter 22 contains provisions referring to the necessity of having adequate administrative capacities in all aspects of cohesion policy implementation. Although there is no part in the Regulation (EU) No 1303/2013 specifying provision(s) explicitly related to the administrative capacities, but rather requirements which could be derived from different Articles within the regulation, **the basic condition implies existence of adequate administrative capacities throughout the whole structures/bodies in the management and control system as well as within the beneficiary institutions.**

In this regard, it is particularly important to ensure adequate human resource management policy, including measures to attract, recruit and retain high-quality staff engaged in the implementation of cohesion policy, the policy for their career development and capacities and programmes for professional advancement and training. Additionally, capacities of the beneficiaries have to be strengthened to allow preparation and submission of applicable projects and proper management of their implementation, without unnecessary delays, with a view to ensure adequate absorption of the Funds. Finally, partners have to be capacitated to enable their effective and equal participation in the processes, in accordance with the Art.5 of Regulation (EU) No 1303/2013 and European Code of Conduct on Partnership.

Different provisions of Regulation (EU) 1303/2013 addressing specific requirements or related guidelines with regards to administrative capacities could be summarized as follows:

- Administrative resources required for preparation and implementation of programme (Art. 4.5 – General Principles). From the perspective of administrative capacity for implementation of the cohesion policy, **the administrative resources required for**

preparation and implementation of the programme shall respect the principle of proportionality (proportionate to level of support allocated) taking into account overall aim of reducing administrative burden on bodies involved in the management and control of the programmes

- Partnership Agreement sets out: assessment of whether there is a **need to reinforce administrative capacity of authorities involved in management and control of programmes and, where appropriate, of beneficiaries as well as** where necessary, a summary of actions to be taken for that purpose (Art 15.1(b)(v) – Content of the Partnership Agreement). Partnership Agreement shall also contain arrangements to ensure effective implementation of the ESI Funds
- Ex ante evaluations appraise **adequacy of human resources and administrative capacity for management of the programme** (Art 55.3(i) – ex ante evaluation). While conducting ex ante evaluations in order to improve the quality of the design of each programme, it is required that they appraise adequacy of human resources and administrative capacity for management of programme
- **Administrative capacity is essential for fulfilment of ex-ante conditionalities** (Article 19, Annex XI)
- **Technical assistance** from ESI Funds at the initiative of EC **may support institutional strengthening and administrative capacity-building** for effective management of ESI Funds (Art 58.1(b))
- OP sets out, for each priority axis other than technical assistance, a summary of planned technical assistance / actions to reinforce administrative capacity of authorities involved in management and control of programmes and beneficiaries (Art 96.2(b)(vii) – Content, adoption and amendment of the OP under the Investment for Growth and Jobs Goal plus similar Art 8.2(b)(vi) Content, adoption and amendment of cooperation programmes of ETC regulation
- Intermediate body has to provide guarantees of its administrative and financial management capacity (Art 123.7 – Designation of authorities). Managing Authority may entrust management of part of an operational programme to intermediate body, however **intermediate body has to provide guarantees of its administrative and financial management capacity** in order to be able to perform tasks in the domain concerned
- Managing Authority has to satisfy itself, before approval of operation, that beneficiary **has administrative, financial and operational capacity to support each operation** (Art 125.3(d) – Functions of the Managing Authority)
- **Reducing administrative burden on beneficiaries** as stipulated in a number of the regulation provisions. The list of provisions include following: (Art 4.10 – General Principles, 15.1(b)(vi) – Content of the Partnership Agreement, 27 – Content of Programmes, 49.4 – Functions of the Monitoring Committee, 52.2(g) – Progress Report, 55.3(n) – Ex ante evaluation, 59.1 – Technical assistance at the initiative of the Member States, 96.6(c) – Content, adoption and amendment of operational programmes under the Investment for growth and jobs goal + Art 8.5(b) Content, adoption and amendment of cooperation programmes of ETC regulation)).

3.2. ASSESSMENT OF THE CURRENT SITUATION IN THE REPUBLIC OF SERBIA

National Human Recourses Management Policy

Human Recourses Management (hereinafter: HRM) Policy is regulated by several Laws and by-laws covering areas of selection, recruitment, evaluation of the civil servants performance, salaries, promotion, training and professional development and termination of employment relations, applicable to national and sub-national level.

Selection and recruitment within the public administration is done according to the Law on Civil Servants⁴⁹. The Law recognises three basic recruitment methods: 1) transfer (within the institution), 2) takeover (from other institutions) and 3) internal and public calls and prescribes call procedures, details regarding publication of call, selection procedures and on-boarding. According to the Law, the employment relationship can be concluded as a permanent or temporary, in the specific cases prescribed by the Law. Overall, the process of selection and recruitment is considered quite time intensive. It lasts one month approximately for internal competitions and about 45 days for public competitions.

The above mentioned Law also prescribes the **evaluation of the civil servants` performance**. The evaluation takes into account two criteria groups: 1) results achieved in the relation to work goals, 2) workplace behaviour such as: independence, creativity, initiative, precision and conscientiousness, quality of cooperation with others. Evaluator is always the immediate superior of the civil servant, and possible grades are as follows: unsatisfactory, satisfactory, good, very good and excellent. The grade must be explained in writing and followed by the decision of the head of the institution and is entered in the personal file of the employee concerned.

The evaluation process, which is completed by grading, influences the **career of a civil servant**, in two ways: the opportunity for promotion and the possibility of downgrading to the next lower title, respectively termination of employment. Also, promotion of a civil servant is possible within a salary band.

Salary of civil servants as well as civil servants that are in appointed position are determined in accordance with the Law on Salaries of Civil Servants and General Service Employees⁵⁰. According to this Law, the salary consists of: basic salary and supplements to the basic salary. The salary includes taxes and contributions that are paid from it. Funds for salaries, remunerations and other earnings of civil servants and general service employees are provided from the budget of the Republic of Serbia. Each appointed job position and each executorial job position are classified into one of 13 salary grades – which determine appropriate coefficients.

The new **Law on the Salary System of Employees in the Public Sector**⁵¹ was adopted in order to introduce a single and transparent system of salaries and at the same time to enable flexibility according to the needs of specific public administration sub-systems. Accordingly, this Law prescribes the obligation for adopting and/or amending of specific Laws (article 39 of the Law on the Salary System of Employees in the Public Sector), regulating salaries of particular

⁴⁹ Official Gazette of the RS, No. 79/05, 81/05 – corrigendum, 83/05 – corrigendum, 64/07 and 67/07 – corrigendum, 116/08, 104/09, 99/14 and 94/17

⁵⁰ Official Gazette of RS, no. 62/06, 63/06, 115/06, 101/07 99/10, 108/13 and 99/14

⁵¹ Official Gazette of RS, no. 18/16, 108/2016 and 113/17

categories in the public sector. Although MPALSG prepared the new Law on Salaries of Civil Servants and General Service Employees as well as amendments to the Law on Civil Servants. In December 2018 amendments to the Law on Civil Servants have been adopted as well as amendments to the existing Law on the Salaries of Civil Servants and General Service Employees to harmonise with the new Law on Civil Servants. The adoption of the new Law on Salaries of Civil Servants and General Service Employees has been prolonged for the 2019.

Improvement of public administration in accordance with the principles of the so-called European Administrative Space is a general objective of the **Public Administration Reform Strategy** with the accompanying **Action Plan for the Implementation of the Strategy**. The Strategy envisages the most significant public administration reforms and promotes the creation of public administration that will be able to provide high quality services to citizens and businesses and thus significantly contribute to economic stability and increasing living standards.

The **Public Financial Management Reform Programme** (PFM Reform Program) is acknowledged as one of the key pillars of the Public Administration Reform (PAR). Key activities in the areas of budget planning and preparation, financial management and control and public procurement are defined under the third special objective of the Action Plan for Implementation of Public Administration Reform. Those activities are further elaborated in the PFM Reform Program under six pillars: sustainable medium term macro-fiscal and budgetary framework; planning and budgeting of public expenditures; efficient and effective budget execution, effective financial control; accounting, monitoring and financial reporting and external scrutiny of public finances.

The **significant funds have been allocated by the means of Sector Budget Support** (hereinafter: SBS) **under IPA 2015 for implementation of the Action Plan** leading towards the improvement of administrative capacities within public administration, especially capacities in charge for planning, monitoring and evaluation and public finance management.

One of the interventions enabled under the SBS is an **improvement of a merit based public service system**, in a phased approach. The intervention responds to the Support for Improvement in Governance and Management (hereinafter: SIGMA) baseline assessment, where it is noted that the **lack of functional HRM at central government level is considered as a factor of instability for the policy implementation process**. In that sense, Public Administration Reform (hereinafter: PAR) Council endorsed the Policy Paper for the establishment of the modern competence based HRM system and in December 2018 amendments to the Law on Civil Servants have been adopted. Additionally, with the aim of harmonization with the new legal solutions envisaged by the amendments to the Law on Civil Servants, in January 2019 the Government of the Republic of Serbia has **adopted the following by-laws**: Decree on the internal and public competition for filling job positions in state bodies⁵², Decree on amendments to the Decree on the principles for the internal organization and systematization of job positions in ministries, special organizations and Government services⁵³, Decree on amendments to the Decree on the classification of jobs and measures for the description of jobs of civil servants⁵⁴,

⁵² Official Gazette of RS, No 2/19

⁵³ Official Gazette of RS, No 2/19

⁵⁴ Official Gazette of RS, No 2/19

Decree on performance appraisal of civil servants⁵⁵, and the Decree on establishing competences for civil servants⁵⁶.

HRM Policy Paper ensures the introduction of a competence based HRM system targeting recruitment, performance appraisal, retention and professional and career development within the civil service. The Policy paper represents a starting point for establishment of a strategic human resource management in the civil service; define the future directions of the development of HRM within the civil service system and the necessary recommendations for changes to the legislative framework in relation to each of the HR sub-functions. HRM policy paper has been fully harmonised with the opinions and comments made by SIGMA/OECD/EC.

This document laid down the foundations for the relevant **amendments to the Law on Civil Service which will result in changes in recruitment, performance appraisal, responsibility lines and professional and career development procedures.** The amended Law on Civil Service will provide basis for changes to the HRM system in the state administration bodies. The regulatory framework will be completed with adoption of new by-laws that will further develop the principles, processes and procedures set out in the policy paper. Legal framework has been finalised with the adoption of the abovementioned by-laws, further developing principles, processes and procedures defined in the HRM policy paper.

In addition, **developed** Competency framework represented the basis for the amendment to the Law on Civil Servants as well as for the development of the Decree on establishing competences for civil servants.

As regards **part of the public administration engaged in IPA funds management, it represents the most relevant structure for implementation of cohesion policy.** Therefore, as already indicated during the bilateral screening, the future institutional framework for implementation of the cohesion policy will be based on the structures and capacities established and developed for managing the EU pre-accession support.

The **number of employees engaged in IPA structures** was determined on the basis of a detailed assessment of functions, tasks and workloads. Human resources management (hereinafter: HRM) is regulated by specific rules and procedures, which are monitored and updated on a regular basis. IPA requirements regarding HRM (as set in the accreditation criteria/internal control framework⁵⁷) that include: staff planning, recruitment, retention, training and appraisal – aim to ensure that both adequate number and quality of staff are in place at all levels in order to reach the objectives. **The majority of HRM processes are conducted based on national procedures and rules, while the most important additional rules and procedures being regular Work Load Analyses (hereinafter: WLA) and the Training and development of staff, are being conducted in accordance with the IPA Manuals of Procedures** in order to improve the general IPA HRM practice. Management and oversight of human resource processes in IPA bodies is the responsibility of National Authorising Officer (hereinafter: NAO) Support Office and is also monitored by the Operating structure (Contracting Authority).

⁵⁵ Official Gazette of RS, No 2/19

⁵⁶ Official Gazette of RS, No 4/19

⁵⁷ IPA IR: Annex – Accreditation criteria/FWA Annex B: Internal control framework

Based on the data from November 2018, number of employees in IPA structure/bodies is 392. According to the latest methodology for preparation WLA, starting from 2017, all IPA bodies implementing TAIB, Annual Country Action Programmes, CBC Programmes and IPARD Programme are preparing three years rolling Workload Analysis. In line with the subsequent recruitment planning, which is the responsibility of respective IPA bodies, the current WLA practice enables each IPA body to conduct its own WLA and to include all its tasks (not only IPA related). Based on the WLA results and the current staffing, all IPA bodies develop recruitment plans with the intention to cover gaps detected in WLA. Summary of WLA exercise performed in 2018 which reflects staffing needs for 2019, 2020 and 2021 indicates that, if current structures and scopes of the internal units are kept as they are, 448 employees in 2019, 487 in 2020 and 462 employees in 2021 will be needed for the implementation of already adopted programmes. Estimation of the needs for the additional staffing for the Funds management, implementation and audit, against already existing employees within public administration, expected allocation for the Funds, will be done by the MEI in the course of preparation of the Organizational Development Strategies.

According to the IPA experience so far, the **HRM rules and practices governed by national rules need to be further developed in order to enable more flexibility** which is necessary for efficient functioning of IPA bodies. Beside more flexible HRM rules, in order to increase performance of the IPA system, existing practice has shown that there is lack of adequate retention policy, a need for improvement of the existing procedures and reduce the workload of employees in IPA bodies and at the same time, a necessity to gather real experience in decentralised/indirect management. Due to the existing gap between the number of staff needed, according to the WLA, and the number of hired staff, there is an increase of actual workload for the staff in place which leads to decreased in job performance and satisfaction.

The lack of an adequate retention policy for IPA staff is recognized by the EC auditors and this issue is closely monitored. New employment itself is strongly affected by the limited hiring which has been active for several years, sometimes resulting in gaps between needed and present number of staff, which consequently affects job performance and job satisfaction. **Staff appraisal**, as it is performed now, **does not result in promotion due to limited resources**.

Therefore, ensuring the sufficient employment and adequate retention policy would significantly contribute to the improvement of administrative capacities of the IPA system, and consequently will lead to a better addressing of administrative capacities in the context of the effective implementation of cohesion policy.

Training and Capacity Building

The function of training and capacity building is coordinated and performed by the ministry responsible for public administration and local self-governments (hereinafter: MPALSG) in cooperation with the National Academy for Public Administration (hereinafter: NAPA) and MEI. In October 2017, the Law on the National Academy for Public Administration⁵⁸ has been adopted by National Parliament taking over the part of the Government Human Resource Management Service (hereinafter: HRMS) staff responsible for training and capacity development, rights, obligations and all other assets. National Academy is an independent institution, supervised by the Ministry of Public Administration and Local Self-Government. It

⁵⁸ Official Gazette of RS no. 94/2017

will also encompass local self-governments, beside the administration at national level. NAPA became operational in March 2018. In 2015, the Government adopted the **by-law on training of civil servants in public administration** – Regulation on Professional Training of Civil Servants, that determines the method of training needs assessment, types of professional training programs and its contents, implementation of General Professional Training Programs, keeping records on agreed and implemented programs, procedure of selection and engagement of trainers, compensation for trainers and professional development through internship.

In addition, in March 2015 the **Strategy for professional development of self-government units in the Republic of Serbia** with the accompanying **Action Plan for the implementation of the Strategy in the period 2015-2016** was adopted. It provides the basic guidelines for establishing a coherent, permanent and sustainable system of professional training of Local Self-Government (hereinafter: LSG) employees and enables dedicated usage of budget funds for professional development of LSG employees. Besides showing status and existing problems the Strategy for professional development of LSG units, additionally defines the concept of establishing a uniform system of professional training of LSG employees. It deals with the types of professional training programmes, method of coordination of state and local authorities in this area, the model of financing the preparation and implementation of professional training programmes.

When it comes to the training and capacity building regarding management of IPA programmes, capacities have been continuously developed first through IPA I and now in the course of IPA II.

All IPA bodies perform the Training Needs Analysis (hereinafter: TNA) on annual basis. Based on the TNA results, management plans and available resources, the Training plan is formulated and fully integrated within the General Professional Training Programme for Civil Servants of the NAPA, as a separate module. NAPA in cooperation with MEI and the Ministry responsible for Finance (hereinafter: MFIN) has been developing the comprehensive training program covering the area **Management of EU financial assistance** for IPA staff which consists of more than 30 topics separated in modules devoted to IPA-related topics: General Framework of IPA, Horizontal issues, Programming of IPA, Public Procurement and Contract Management in IPA context, Financial Management, Risk management, Irregularities, Monitoring and Evaluation, Internal and External Audit and Cross-border and trans-national cooperation related training.

According to the statistics of the NAPA, more than 1250 participants have attended the modules related to EU financial assistance (more than 60 events) in 2015, 2016, 2017 and 2018. The training courses were conducted by 21 trainers, all of them being civil servants employed in IPA bodies. Furthermore, additional tailor made advance training courses were delivered through available technical assistance, primarily in the form of on-the-job training and workshops. IPA staff in public administration bodies also participates in NAPA training courses related to improving management skills, personal development and foreign language courses. Additionally, training courses in the field of public procurement (national rules) have regularly been organized through NAPA.

Regarding the training evaluation for training courses held in 2018 the assessment of the training by participants was very positive (general assessment was 4,70 within 1-5 scale, for 82% of participants the training courses met their expectations, trainer performance was rated 4,85, etc.). Based on the analysis conducted at the end of October 2018, the need for additional trainings is 20% (20% of participants still have need for additional trainings). Also, MEI, being

the coordinator of programmes of cross-border and trans-national cooperation in which the Republic of Serbia takes part in, together with programme bodies and institutions is working on capacity building for the management and/or preparation and implementation of programmes/projects through: organising trainings for project development, organising the forums for the search of project partners (Partner Search Forum), Info Days for publicizing the launching of the Call for Proposals, Trainings for implementation of projects, Professional training (attendance at seminars, professional practice in EU institutions) and production of handbooks and other promotional material.

More than 1121 events have been organized from 2003, with more than 363,000 participants. Out of these activities on national level, Joint (Technical) Secretariats are working on-the-job trainings and capacity building of the beneficiaries on a daily basis. In Serbia, MEI and Joint Secretariats are responsible to ensure better understanding of how to prepare good project proposal, process of launching, evaluation and contracting of the Calls for proposals by beneficiaries as well as to train them on procurement and other general implementation rules as well as reporting, control system etc. through implementation workshops. Only during fourth quarter of 2017 and during 2018 MEI organized 41 workshops all around programme's areas with approximately 2500 participants.

The key element of a sustainable system of professional development is sustainability in financing the professional development and training. So far, approximately ¼ of NAPA budget dedicated to professional development on annual basis is devoted to trainings related to EU financial assistance. Another part of the sustainability of professional development should be the implementation of the knowledge. So far, MEI carried out an ex post evaluation i.e. quantitative and qualitative analysis of impact of trainings in the area of European integration: the subsequent practical use of knowledge acquired through these trainings, whether there were any personal and institutional changes in the meantime as a result of these trainings, what was the extent and the manner of "translation" of such knowledge into behaviour, what initiatives have been taken etc. This will be continued and upgraded. Besides that, since 2008, NAPA also undertakes annually assessment of the training outcomes (change in the participants' behaviour as a result of training participation) and its impact to the organization. For this purpose, NAPA is using online self-assessment tool with carefully designed criteria, indicators and measurements.

With regards to negotiation groups and beneficiaries at sub-national level and partners (civil society organizations) training and capacity building activities are mainly organized and delivered through MEI. When it comes to the trainings of the members of the Negotiating group responsible for the cohesion policy, 11 trainings and one study visit for around 300 participants were organized after the bilateral screening to support the negotiations for the Chapter 22 as well as internship programme. Also, three brochures covering accession negotiations in Chapter 22 and essential elements of cohesion policy have been produced. While capacity building activities (hereinafter: CBA) for LSG are organized upon request and mainly in partnership with Standing Conference of Towns and Municipalities (hereinafter: SCTM), specific trainings and seminars for Civil Society Organisations (hereinafter: CSOs) are planned and implemented through Sectorial Civil Society Organisations (hereinafter: SECO) mechanism.

In addition to developed national system of training and capacity building, significant efforts have been invested for institution building as well as in a development of specific capacity building programmes in the area of planning and implementation of IPA and other EU accession related topics, which were supported by the donor community in Serbia. Namely, various

technical assistance programmes and projects with this purpose have been regularly programmed through annual programming cycles.

As an **initial step towards introducing a systemic approach in strengthening administrative capacities for implementation of cohesion policy in RS, first pilot Capacity Building Programme** envisaging specialized training modules for institutions as well as for partners and potential final beneficiaries has been prepared.

Conducted mapping of the institutions and capacities at the sector level (as explained in the section 2 Institutional Framework, part Current State of Play)⁵⁹ results of TNA for IPA structures as well as answers to specifically designed questionnaire in the process of programme preparation provided the basis for reliable analysis of needs based on which the programme was developed.

The Programme contains separate modules for institutions which will be part of the management and control system and for (potential) beneficiaries and partners. It covers the following topics: general context of the EU cohesion policy, strategic planning in the context of cohesion policy, programming, preparation of large infrastructure projects, management of infrastructure contracts, preparation, management and implementation of grant schemes, provision of information on cohesion policy opportunities, monitoring, evaluation, payments, performing certification, and accounting, audit, programme closure etc. In addition, systemic trainings will be organized for most relevant horizontal aspects - public procurement, state aid, environmental impact assessment, strategic environmental impact assessment etc., following the dynamics of the progress in the Chapter 22 negotiations. This programme will be a subject to an annual review, following the comprehensive TNA analysis.

Since the programme for public administration will be performed in cooperation with the NAPA, new chapter “EU Cohesion Policy” has been introduced in the General Professional Training Program containing the following two modules (from the CB Programme): Introduction to EU Cohesion policy and Planning and Programming for EU Cohesion Policy. By 2018, 5 seminars for public servants and 2 seminars for different stakeholders from sub-national level were organized. Also, four two-day seminars for accredited regional development agencies for improving their knowledge and strengthening of their contribution in the Chapter 22 have been organized. This was an opportunity to increase the knowledge of employees in regional development agencies on the following topics: Negotiations under Chapter 22; Cohesion Policy principles, objectives and instruments; planning and programming, system for monitoring, reporting and evaluation as well as legal, institutional and administrative requirements that the Republic of Serbia would have to fulfil under Chapters 22.

Development of additional training modules and support in revision of CB Programme will continue and assistance is secured through GIZ PAR project – EU integration component and is

⁵⁹ **The mapping exercise showed that there is a good basis for further capacity development, and also that there are significant administrative capacities outside the accredited IPA structures.** While many of the institutions concerned may not have direct experience with the specific requirements regarding the planning and implementation of EU assistance (e.g. regarding financial accountability, transparency and regularity) and some essential development policy methods, such as multi-annual planning, monitoring and evaluations, they are implementing similar tasks and work for similar overall objectives as the IPA structures. Finally, mapping exercise showed that there is substantial capacity outside of the ministries and these capacities will also be taken on board and built upon in the preparations for implementing EU Cohesion policy in Serbia.

planned through IPA 2015 TA project, currently being in the contracting phase. Support for institutions will be even more targeted in the coming period, when the nomination of institutions and bodies for implementation of cohesion policy takes place in the future.

3.3. MEASURES AND TIMETABLE

Measure 3.1: Retention policy to ensure efficient absorption of EU funds established

In parallel with the nomination of institutions and bodies for implementation of cohesion policy and design of organizational development strategies, it is of particular importance to ensure the existence of adequate administrative capacities and to prevent the outflow of skilled and trained personnel from the system by developing HRM policy.

Implementation of Government priority related to the retention policy has been ensured by the amendments to the Law on Civil Servants, adoption of the new Law on Salaries of the Civil Servants and General Service Employee and relevant by-laws regulating the recruitment, the allocation of positions and the performance appraisal of civil servants. The adoption of the new Law on Salaries of the Civil Servants and General Service Employee is planned for 2019. The essential change that is being instituted is the introduction and setting of competencies as key criteria in the recruitment and performance appraisal of civil servants, with the application of new solutions introduced by the amendments of the Law on Civil Servants and further developed with corresponding by-laws. Competency framework represented the basis for the amendment to the Law on Civil Servants as well as for the development of the Decree on establishing competences for civil servants. Competency framework represented the basis for amendments to the Law on Civil Servants and Decree on establishing the Decree on establishing competences for civil servants. The new legal solutions shall establish adequate conditions for the implementation of measures related to attracting and retaining quality staff through the improvement of a system of professional development based on competences, and application of newly established instrument in the assessment, promotion, salary system, career management and special measures of the human resources retention policy.

In the context of staff retention in the field of EU funds management, new legal solutions have taken into account the specificity of required competencies and the complexity of the tasks related to EU funds planning and implementation and accordingly contributed to efficient retention and attraction of quality staff. In that sense, the analysis with recommendations which identify the necessary competencies for employees engaged in activities related to the management of EU funds has been prepared and communicated within the consultation process related to the preparation of the Decree on establishing competences for civil servants. The analysis served as a basis for identification and adequate categorization of competencies proposed for inclusion in the Competence Framework as a specific functional competence in the following work field – EU funds management and international development assistance with defined areas of knowledge and skills to which this competence relates.

Also, in the context of the new approach to staff retention policy, especially those with developed competencies, in the amendments to the Law on Civil Servants it is stipulated that the Governmental Human Resources Management Service designs the methodology on the basis of which the situation regarding the outflow of personnel from the state administration bodies and the influence of the personnel outflow to the work of the authorities is being monitored. In addition, it analyses the situation and proposes measures for the retention of staff and prevention of the outflow of the quality personnel.

Establishment of all retention policy elements to ensure efficient absorption of EU funds is expected by the 2021, however as it was described above some elements have already been implemented.

Measure 3.2: Implementation of Capacity Building Programme for institutions and bodies involved in the implementation of cohesion policy

Capacity Building Programme for institutions and bodies involved in the implementation of cohesion policy (nominated institutions and bodies and designated bodies at later stage, as explained in the section institutional framework) will contain training modules aimed at increasing general and specific knowledge necessary for implementation of cohesion policy. Modules will address topics such as general context of the cohesion policy, the requirements of the of the legal framework for cohesion policy, strategic planning in the context of Cohesion policy, programming, preparation of large infrastructure projects, management of infrastructure contracts, preparation, management and implementation of grant schemes, provision of information on cohesion policy opportunities, monitoring, evaluation, payments, performing certification, and accounting, audit, etc.

As explained above in the part Current State of Play, **first pilot Capacity Building Programme** has been prepared and two general training modules have started with implementation and are integrated in the General Professional Training Program. The capacity building programme will be subject of revision, which will provide an input for planning and developing of new modules.

In revision of the CB programme and development of modules the following will be taken into account: requirements of EU legal framework and key principles for effective implementation of cohesion policy, experiences from recently exceeded member states, lessons learned, the analysis of existing capacities and future needs, skills set that different target groups should have as well as EU Competency Framework for the management and implementation of the European Regional Development Fund and the Cohesion Fund etc.

Beside the funds from the national budget, CBA will be also supported by EU funds (IPA 2015 project) and German bilateral assistance (GIZ project „Support to Public Administration Reform – EU integration component“.

Measure 3.3: Implementation of Awareness Raising and Capacity Building Programme for partners, potential final beneficiaries and general public

The capacities of stakeholders to design and implement programmes and projects for the cohesion policy funding will also be addressed during the pre-accession period. Taking into consideration the specificities and roles of different stakeholders – partners, potential final beneficiaries and general public, particular Programme aimed at strengthening their capacities and raising awareness will be developed. The implementation of capacity building programme will primarily focus on project generation, preparation and project management targeting regional and local level actors on one hand, and civil society, NGOs covering specific themes (e.g. non-discrimination, equality, sustainable development), professional organizations, training centres and social partners on the other. In addition, trainings will also be used to improve understanding of the cohesion policy and negotiating process in this particular chapter as well as to improve capacities of selected relevant partners in accordance with the requirements of the European Code of Conduct on Partnership.

For the **local and regional authorities and bodies** the aim of the CBA will be to enable them to start using more efficiently project preparation tools in practice. Trainings should, among others, pay attention to developing capacity with regard to project preparation in line with the EU methodology, preparation of urbanistic and planning documentation, preparation of project documentation, project preparation and management for the European Territorial Cooperation (ETC) objective. **Institutions that will be targeted are:** regional development agencies, municipalities (especially their investment units), public utility companies and other relevant stakeholders at regional and local levels.

Similarly as for the previous activity, capacity for project generation, preparation and project management skills need to be considered specifically for the **target group that will be dealing with soft type of projects**, i.e. projects that as a general rule do not involve ‘hard’ investment in physical infrastructure. This is relevant particularly for **human resources development, employment and social policies**, but also as regards institutional strengthening. Stakeholders in these areas need to be provided with specialised training in order to be able to generate, prepare and implement projects that will in post accession period be financed from the European Social Fund. **Institutions that will be targeted are:** social partners and CSOs as well as other public and private institutions involved especially in human resources development, employment and social policies.

As explained above in the part current state of play, **first pilot Capacity Building Programme** has been prepared and two general training modules have started with implementation.

The capacity building programme will be subject of revision, to take into account the results of the accession negotiation process, needs of the target groups as well as relevant changes in the EU legal framework, which will provide an input for planning and developing of new modules.

Beside the funds from the national budget, CBA will be also supported by EU funds (IPA 2015 project) and German bilateral assistance (GIZ project „Support to Public Administration Reform – EU integration component“.

No.	Measure	Deadline	Responsible Institution
3.1	Retention policy to ensure efficient absorption of EU funds established	2021	MPALSG
3.2	Implementation of Capacity Building Programme for institutions and bodies involved in the implementation of cohesion policy	Continuously from 2017	NAPA
3.3	Implementation of Awareness Raising and Capacity Building Programme for partners, potential final beneficiaries and general public	Continuously from 2017	MEI

4. PROGRAMMING

4.1. COHESION POLICY REQUIREMENTS

Relevant provisions of the Regulation (EU) 1303/2013 stipulate the main requirements in terms of development of strategic and programming documents that have to be put in place to enable smooth implementation of Cohesion policy programmes through relevant funds.

Namely, in line with the Article 14 the basic requirement refers to preparation of the **Partnership Agreement** (hereinafter: PA). PA shall be prepared based on the guiding principles defined in the Common Strategic Framework (Article 10), respecting pre-defined content (Article 15) and using procedures that are transparent and inclusive for the public and relevant partners (Article 5).

Within the framework of the PA, in line with the Article 26 of the Regulation (EU) 1303/2013, the ESI funds shall be implemented through **OP(s)** to be drawn by the Member States or authority designated by them, based on procedures that are transparent for the public and in accordance with their institutional and legal framework. OP(s) should specify (Article 27):

- Strategic choices as programme contribution to the Union strategy for smart, sustainable and inclusive growth
- Arrangements to ensure effective, efficient and coordinated implementation of the ESI Funds
- Specific objectives;
- Financial appropriations of support from the ESI funds;
- National co-financing, including amounts related to programme reserves.

More specifically, for the Funds, the content stipulated in the Article 96 should be followed. The same Article refers to the necessity of preparing a list of **major projects** for which the implementation is planned during the programming period. In addition to this, **each priority shall set out indicators and corresponding quantitative and qualitative targets**, as defined in the Fund specific rules.

In the context of preparation of the PA and OP(s) the Regulation (EU) 1303/2013 (Article 19) stipulates that Member states should ensure that **ex-ante conditionalities** are applicable to the specific objectives pursued within priorities set up in programmes and to state whether the ex-ante conditionalities are fulfilled. Thematic ex-ante conditionalities are linked to the thematic objectives and investment priorities proposed for the cohesion policy, while general ex-ante conditionalities are linked to horizontal aspects of programme implementation. Both thematic and general ex-ante conditionalities reflect a precondition for effective and efficient use of ESI Funds and are covering: regulatory framework, policy/strategic framework and administrative/institutional capacity.

Regarding the communication and visibility for the implementation of Cohesion policy programmes, the Regulation (EU) 1303/2013 (Article 115-117) stipulates the responsibilities of a **Member States and managing authorities** for: drawing up a **communication strategy** for each OP, establishing a **single website** or portal providing information on all OPs in that country, informing potential beneficiaries about funding opportunities, publicising the **achievements** of cohesion policy to the citizens etc. On the other hand, **project beneficiaries** are responsible for performing all necessary measures to publicise the fact that the project has received funding from the EU and to respect the EU guidance and instructions on visibility. Managing authority of a given programme is responsible to ensure that beneficiaries are aware of their communication and visibility responsibilities.

Horizontal principle that has to be ensured during programming and implementation is related to the **partnership and multi-level governance**. Article 5 of the Regulation (EU) 1303/2013 identifies the main groups of partners – public authorities, economic and social partners and non-governmental and civil society organizations. Articles on the content of the programming

documents (Articles 15, 27, 96) and reports (Article 52) explain what aspects of the partnership have to be outlined. More specifically, obligations to include partners in programming, development of the calls for proposals, monitoring, reporting and evaluation are stated. In addition, a European Code of Conduct on Partnership (hereinafter: ECCP) was adopted in order to support improving the quality of partnership through determining minimum requirements.

Finally, two additional principles stipulated by the Regulation (EU) 1303/2013 that have to be respected during preparation of the programs are related to the **promotion of equality between men and women and non-discrimination** (Article 7) and **sustainable development** (Article 8).

4.2. ASSESSMENT OF THE CURRENT SITUATION IN THE REPUBLIC OF SERBIA

Policy and strategic framework

Understanding the essence of programming process, **the main prerequisite for quality and effective programming is the existence of a comprehensive and coherent policy/strategic framework.**

A thorough analysis of the public policies management process, pointed out several shortcomings in the strategic and planning framework. The key problems are reflected in the proliferation of strategic documents in the absence of (evidence-based) prioritization, unregulated typology and classification of public policy documents, disordered substantive and procedural standards, and lack of connection with the budget planning process, inefficient system for monitoring the implementation and evaluation of the documents effects, etc. Also, inefficient planning system has been noted in different reports.

To overcome this problem, in January 2016, **the Serbian Government adopted the Strategy for regulatory reform and management of public policies in the period from 2016 – 2020 and an Action plan for its implementation.** The Strategy aimed at establishing an efficient, effective and transparent system of management of public policies and legislative process in RS. The Strategy foresees the adoption of **the Law on Planning System of the Republic of Serbia and accompanying by-laws (Regulation on Mid-Term Planning and Regulation on Public Policy Management, Impact Assessment of Public Policy Documents and Laws, and Content of Public Policy Documents).** The Law on planning system of Serbia⁶⁰ has been adopted in April 2018 and applies as of October 2018. By the adoption of the Law the legal framework for the management of public policies has been established and defined in detail the responsibilities of different Centre-of-Government institutions. The main goal of the Law is to establish an efficient, transparent, coordinated and realistic planning system of the Republic of Serbia, Autonomous Province and local governments, covering all key aspects of social and economic development policy and regional and spatial development, with optimum use of budget resources, ensuring sustainable growth and development. Furthermore, the Law shall improve development planning at the national as well as at the local level and its linkage to the Budget planning process.

The Law on the Planning System of Serbia foresees the adoption of the **Development Plan.** The Development Plan is hierarchical the highest, long-term document on development planning of the Republic of Serbia, which will be adopted by the National Assembly for a period of at least 10 years. The development plan contains the vision, i.e. the priority development goals of the

⁶⁰Official Gazette of RS, No. 30/18

Republic of Serbia and the regions, as well as the guidelines for their achievement. The Development plan also establishes the basis for sustainable regional development policy.

On the Governmental session held on 31 January 2019, Government adopted the Regulation on Public Policy Management, Impact Assessment of Public Policy Documents and Laws, and Content of Public Policy Documents⁶¹. On the session held on 7 February 2019 the Government adopted the Regulation on Mid-Term Planning⁶².

Starting from the IPA 2014 programming cycle, Serbia starts benefiting from the IPA II, which covers the 2014-2020 EU financial perspective. The current IPA II programming process is driven by the national strategic framework that consists of multiannual planning document **National Priorities for International Assistance in the Republic of Serbia 2014-17, with projections until 2020** (hereinafter: NAD) as well as relevant **sector and cross-sector strategies** (i.e. Economic Reform Programme, Employment and Social Reform Programme etc.). In addition, relevant EU strategic framework is also consulted and reflected during the programming process.

Considering that the Government remains committed to the EU integration process and obligations stipulated within key strategic documents regarding the overall reform process (such as the National Programme for Adoption of the Acquis), the Ministry of European Integration is currently coordinating the process of drafting a new planning document for the period 2019-2025 (hereinafter: new NAD). **The new NAD should help mobilise resources and capacities for pursuing political, economic and social reforms required for meeting the Copenhagen criteria while at the same time preparing the ground for Serbia's future participation in the EU Cohesion policy.**

In this context, **the main purpose of the new NAD** is reflected through the following:

- Further harmonization of development assistance with the strategic priorities of social-economic development and EU integration;
- Identifying key resources needed for implementation of strategic sectoral priorities;
- Supporting preparatory activities focused on **capacity building and multi-annual planning in the context of the Cohesion policy.**

As a result of the process objectives, priorities and measures shall be specified for funding from the international development assistance within 9 sectors: Justice, Home Affairs, Public Administration Reform, Transport, Environment, Energy, Competitiveness, Human Resources and Social Development, Agriculture and Rural Development.

The process will be organised through the mechanism of Sector Working Groups and finalization of the process is expected by the end of the 2nd quarter of 2019.

Planning and programming of IPA funds

In the current system of planning and programming of EU funds and other development assistance the NAD represents a reference document introduced to facilitate prioritisation of objectives and needs for the international assistance and to ensure their consistency with sectoral

⁶¹ Official Gazette of RS, No. 6p. 8/19

⁶² Official Gazette of RS, No. 6p. 8/19

strategic and wider development goals. NAD consolidates national strategic priorities suitable for external funding and structures them in sectorial format with clear hierarchy of objectives, results, measures and respective indicators suitable for the results oriented monitoring of the effectiveness of the assistance. **Evaluation of effectiveness and efficiency of development assistance to the Republic of Serbia** which examined the performance of international assistance from all sources over the period 2007-11 for each of the sectors/thematic areas defined in the previous NAD (2011-13) provided key inputs for definition of priorities and measures in NAD.

In order to prepare a basis for negotiations with the partner country, wide consultative process has been organized during the preparation of the NAD to define the thematic objectives for ETC. For that purpose, as a results of **Evaluation and Assessment of the effectiveness of the Cross Border and Transnational co-operation Programmes** (IPA Component II) on the territory of the Republic of Serbia, eight IPA/CBC thematic priorities, i.e. eleven ERDF/ETC thematic objectives were transposed through NAD sectors and the priority TOs/TPs were defined. That served as a basis for negotiations with partner country and public consultations on TOs/TPs that will be used in ETC programmes.

In accordance with **Annual plan for preparation of IPA Action Programme**, the process of **planning and programming** of IPA funds is carried out through comprehensive consultations, with the active participation of all authorized project/programme/action applicants, the European Commission, bilateral and multilateral donors, IFIs, representatives of civil society organizations, Autonomous Province of Vojvodina as well as local self-government bodies.

The overall coordination between the authorities and bodies with regards to programming of IPA funds is guided by the **principles of ownership, transparency and participation, result oriented management, complementarity and coherence among the various sources of financing** (EU and other grant/donor assistance, assistance by IFIs, budget funds, etc.).

Programming under the IPA II considers mainly **co-financing/contribution to implementation of priority measures/activities envisaged in relevant strategic framework**. Thus focus of the support is on contribution to the achievement of public policies results. In this sense, the new financial perspective introduces a novelty in the programming process, which is reflected in the preparation of three-year planning documents - **Sector Planning Documents** (hereinafter: SPD). SPDs are prepared for nine sectors and define medium-term priorities for IPA support, starting from the sector wide priorities and measures defined in NAD and relevant strategic framework. They also contain indicators of success to measure the progress in implementation of priorities.

SPDs **provide further guidance for the preparation of the more precise annual Action Documents** (hereinafter: AD). Relevant SPD elements (objectives, results, activities and implementation arrangements) are transposed into annual actions. Each AD has to be clearly specified in terms of the following elements: rationale; objectives pursued; expected results and main activities; implementation arrangements; budget and indicative timetable; any associated support measures and performance monitoring arrangements.

As already indicated in the bilateral screening, the exercising on the usage of the IPA II and the experience gained in the overall coordination of international assistance will serve as a precious asset. In the first instance, all **the main principles of programming are universally applicable both to cohesion policy and to pre-accession assistance**. Each of them will therefore be further pursued in practice of coordinating the EU Funds by improving and gradually adjusting the

already existing instruments. **The experience gained for the preparation of NAD will be used for preparation of PA**, while **annual Action Documents will be complemented with the multi-annual perspective** providing for the medium term coordination framework. **Limited number of multi-sector/thematic OPs** can be anticipated followed by interlinking of the associated sectors, their regrouping and adjusting key coordination mechanisms. **A good basis for development of the Operational Programmes⁶³ are the current SPDs for IPA II** while the important lessons have already been gained in drafting the OPs for Components III and IV in the scope of IPA 2007-2013 (though they have not been formalized eventually).

When it comes to the **Cross-Border Cooperation** (hereinafter: CBC) and **Transnational Cooperation** (hereinafter: TNC) **programmes in the IPA II perspective, Serbia participates in 7 CBC and 2 TNC programmes.**

For all abovementioned programmes OPs, covering seven year period, have been programmed coordinated by MEI and approved by European Commission. The implementation of OPs has already commenced through preparation and launching the respective Calls for Proposals.

MEI actively works on the preparation of ETC OPs, including description of management and control system and all other relevant programme documents and procedures prior to systems designation. Furthermore, MEI plans and implements technical assistance component, prepares the list of eligible expenditures as well as preforms state aid control of the beneficiaries from the Republic of Serbia. For those programmes implemented under shared management mode, MEI coordinates technical assistance related to the preparation of programme documents, organises public consultations, prepares ToR and coordinates activities regarding the interim and ex-ante evaluation, analysis of the evaluation reports, organises all activities for environmental impact assessment, including public consultation on the territory of the Republic of Serbia, incorporates the recommendations of interim and ex-ante evaluation as well as environmental impact assessment in cooperation programmes. Serbia's representatives as voting members participate in the work of JMCs. Finally, the National Authority actively participate in the process of programme closure for those programmes with EU Member States altogether with other programme bodies.

Total of 660 CBC and TNC projects financed from financial perspective 2007-2013 contracted through 26 Calls for Proposals have been successfully completed. Out of that, under the cooperation programmes with Non-Member States 12 additional projects have been contracted from previous perspective resources and implemented by the end of 2018.

As already **indicated in the bilateral screening**, MEI will continue to be responsible institution in charge of programming as National Authority for programmes with EU member states and transnational programmes and also the body in charge of programming and programme level monitoring tasks within overall programmes implementation for programmes between candidate countries.

All capacities and experience gained through preparation and implantation of ETC programmes shall be used for programmes financed under Cohesion policy as well.

Serbia together with four EU member states (Croatia, Greece, Italy, Slovenia) and three non-EU countries (Albania, B&H, Montenegro) participates in the EU macro-regional Strategy for the

⁶³ Term "OPs" shall also be used for programmes under ETC goal, also known as cooperation programmes.

Adriatic-Ionian region (EUSAIR). Although not a maritime country, Serbia supports and actively contributes to the activities of defining the Adriatic-Ionian region as a macro region and implementing the Strategy. Implementation of the Strategy corresponds with the EU enlargement policy in the Western Balkans and continued assistance to the countries of the Western Balkans in strengthening their economic and democratic potential. On 7 December 2014, the Government of the Republic of Serbia established a Working Group for Cooperation with the European Union in the Adriatic-Ionian Region. The task of the Working Group is to propose measures for achieving cooperation with the European Commission and other Member States involved in the Strategy on the implementation of the EUSAIR and propose other measures related to the Adriatic-Ionian region.

The Republic of Serbia participates also in the Danube Strategy and it has positive implications on the development not only of the part of the country that the Danube directly flows through, but also of the wider Danube River Basin, which, including all the tributaries, covers almost half of the territory of Serbia. The Danube Strategy was adopted in June 2011 during the Hungarian presidency of the EU. A total of 14 countries participate in its implementation.

Selection and Prioritisation of Infrastructure Projects

Concerning the infrastructure projects, the effective usage of available financial resources, regardless the source, calls for project selection process based on their strategic-relevance, thorough assessment of projects readiness and maturity for implementation. With the aim to systemically address this issues and effectively deploy resources dedicated to preparation and implementation of infrastructure projects, the Methodology for Selection and Prioritisation of Infrastructure Projects (hereinafter: the Methodology) has been prepared and adopted by the Government in November 2013, as an Annex to NAD. The Methodology covers transport, energy, environment and business related infrastructure sectors, while in the course of 2019 it will be extended also to the social infrastructure type of projects. The process was initiated by MEI and developed in close cooperation with the relevant ministries, Delegation of the EU in Serbia, international financial institutions and bilateral partners. As a result of the Methodology the **Single Project Pipeline (SPP) of investments** has been established.

The Methodology has integrated the experiences gained along the implementation of infrastructure investment projects so far supported through the EU funded Instrument for Pre-Accession (IPA). Lessons learned throughout the implementation of “bottleneck projects” which were accumulated over the previous several programing cycles, were of particular importance. **The Methodology puts focus on the institutions which are responsible for policy definition in the given sector and calls for their active engagement within the sector, in particular the line ministries. The line ministries which are responsible for the sectors covered by the Methodology are entitled to identify the priority projects within their area of responsibility.** In the process of project identification the line ministries communicate with the public utility companies (PUC’s), Public Enterprises (PE’s), local authorities etc. with the aim to ensure a comprehensive list of priority projects which are in line with sector strategy goals. Namely, infrastructure investment projects are considered as a tool which contributes to achievement of strategy and policy in the given sectors. The Methodology aims to address the fact that before its adoption, little attention has been paid to the strategic significance of projects i.e. to their potential contribution towards achieving strategic objectives. Also, the assessment of project readiness (maturity) didn’t take into account the quality (reliability of data) and completeness of planning and technical documentation. Those were mainly the reasons which caused the

appearance of the “bottleneck projects”. In response to these weaknesses, the process starts with identification of broader list of pipeline of infrastructure projects which might be important in the implementation of sector strategies/priorities. The Strategic Relevance Assessment and the Gap Assessment of the projects are key filtering steps in the Methodology for preparation of the final list of prioritized projects. In the process of identification and selection of priority projects the responsible line ministries are using the Project Identification Form (PIF), which includes the set of criteria based on which Strategic Relevance Assessment is done. The criteria are formulated in close cooperation between the line ministries and Ministry of European Integration, using the highly profiled Technical Assistance funded by the EU (Instrument for Pre Accession – IPA), managed by the Ministry of European Integration, the Project Preparation Facility (PPF). The respective Strategic relevance assessment criteria are summarizing the strategic goals of the sector, focusing in the obligations derived from the EU accession negotiation process, introduction of the contemporary standards, working practices and regional initiatives (e.g. Connectivity agenda). Once the projects proposed by the line ministries are assessed vis-à-vis their strategic relevance, those projects which are proven as strategically relevant are forming the Single Project Pipeline (SPP). For those projects which are on the SPP, the line ministries, in coordination with other relevant sector institutions are invited to answers to the set of questions related to technical, spatial, financial/economic, environmental and institutional aspect of the certain project and its readiness for implementation. Those questions are sector specific and structured in the form of the GAP Assessment Questionnaire. For the sake of better understanding of the information provided concerning the specific projects, the GAP Assessment Questionnaires are subject of detailed checking performed by the Technical Assistance (Project Preparation Facility – PPF). **The Methodology for selection and prioritisation of infrastructure projects is based on the inclusive, consultative approach, where the sector lead institutions are playing key role**, in line with the sector approach promoted by the EU. Indirectly, the Methodology for selection and prioritisation of infrastructure projects and corresponding SPP contribute to channelling of available funds towards those projects which are supporting the socio-economic development the given period of time. Practically, the SPP should be considered as a basis for investment planning and planning of the resources needed for achievement of strategic objectives, within the sector and a cross the sectors.

Taking into account the need for synergic planning of resources coming from different sources, a coherent system which takes into account recent developments done by the Ministry of Finance in the context of the Decree on the Content, Preparation and Assessment, Monitoring and Reporting on the implementation of Capital Projects and already functional Methodology for selection and prioritisation of infrastructure projects, should be set up. **In that sense, Ministry of European Integration, Ministry of Finance, but also other line ministries which were involved in preparation of the respective documents will be included in the working group which at technical level will explore all the options for setting effective coherent system for management of capital investment projects.** This process might result in the redefinition of the strategic relevance criteria, some modifications of the project appraisal practice, but also in the form of proposed recommendations which should be integrated in the relevant laws, bylaws, rulebooks etc. The Working group meetings will be open for discussion with the EU, IFIs and other parties interested in this matter. The coherent system should be set up in the course of 2019, as a result of the coordinated engagement of institutions which will be involved in the Working group. This coherent approach in planning the resources for preparation,

implementation and operational functioning of the infrastructure projects will be relevant for the future preparation of the OPs.

The support provided with the purpose of preparing the pipeline of investment projects ready for financing, such as IPA II funded Project Preparation Facility (PPF) or Western Balkan Investment Framework (WBIF) is very beneficial for the strengthening capacity of responsible institutions involved in the project preparation process and building capacities for the effective management of the Cohesion policy. Coherent approach would imply that also IFI funds, as well as national funds are used following the same principles and procedures.

Coordination of the available facilities aimed at project preparation is performed under the coordination of the Ministry of European Integration, in the capacity of NIPAC Technical secretariat (hereinafter: NIPAC TS). Also, Ministry of European Integration performs the role of the NIC secretariat. The NIC is co-chaired by the National IPA Coordinator (hereinafter: NIPAC) and the Minister of Finance. NIC provides political commitment to the realization of national investment priorities identified through the Methodology and summarized in the SPP. The line ministries which are members of the NIC are through this process getting valuable experience linked with the project planning; therefore they are reaching expertise which is required for effective engagement of the cohesion policy related issues. Further activities on setting up the coherent system might result in modifications of the NIC functioning and its expanding.

Coordination and partnership

The **principle of partnership** is built in the current IPA II programming and management process through three main mechanisms: Sector Working Groups for Programming of IPA funds and other development assistance (hereinafter: SWGs), SECO mechanism and Sectoral Monitoring Committees.

The **main mechanism by which the entire international assistance programming process is managed and coordinated is represented by the mechanism of SWGs**. The SWGs are established to provide a mechanism for effective participation, consultation and coordination of institutions/organizations relevant for the programming process. SWGs ensures transparent and inclusive dialogue between all relevant stakeholders within a given sector, not only the line ministries and state institutions, but also representatives of the EU and other development partners, provincial (AP Vojvodina) and local governments (Standing Conference of Towns and Municipalities). Representatives of civil society organizations (CSOs) are represented through SECO mechanism. **The SWG mechanism has two dominant functions:** 1) to ensure effective and efficient aid coordination which is led by a “task force” composed of the lead national institution, the lead donor and NIPAC TS and 2) to provide transparency and wide participation of relevant partners and stakeholders through all stages of IPA II programming process. The Groups are formally established by the NIPAC’s Decision. The composition, functioning, management and organization of SWGs are regulated by the Rules of Procedures. NIPAC TS/Body Responsible for Coordination, Programming, Monitoring and Evaluation (hereinafter: BCPME) performs tasks and duties of the SWGs Secretariat and bears the responsibility to ensure the efficient functioning and coordination of the SWGs.

SECO mechanism has been established in order to ensure transparent and effective involvement of CSOs, representing the interests of wider public, in the planning, programming and monitoring of EU funds and other development assistance. SECO stands for consortium of

minimum three and maximum five CSOs partners where one is clearly stated as a lead partner. The lead organization is a leader in the field for which it applies, it has many years of experience in working with other civil society organizations, it is supported by the organisations whose interests it represents and it has to be able to cover the whole territory of Serbia. Around each consortium a network of CSOs is created. In order to institutionalize the relations between MEI and SECO, as well as to commit to implementation of joint activities in processes of planning, programming, monitoring and reporting of EU funds and other development assistance Memorandum of Cooperation with lead SECO organizations was signed in November 2014. CSOs are consulted and are providing comments and suggestions during the preparation and revision of relevant planning documents (i.e. NAD, SPDs) as well as relevant programming documents (i.e. ADs and OPs)

In the course of **preparation of cooperation programmes** in the Republic of Serbia, partnership principle was embedded in the process and comprehensive consultations in accordance with partnership principle have been carried out. For financial perspective 2014-2020, 34 consultative workshops and round tables and 51 meetings of working groups were organized. MEI has formulated, dispatched and analysed specific questionnaires 10 times during the programming process. More than 2 000 institutions were contacted and involved in the process. Draft programming documents (all stages in preparation – territorial analysis, SWOT analysis, programme strategy, SEA reports etc.) were published on the web sites of the programmes and on ISDA CON IS web site. In addition to this, separate website has been developed, which is horizontal for all cross-border and transnational cooperation programmes and through which public notification and public consultations regarding the programme implementation shall be maintained.

The mechanism of Monitoring Committees is further elaborated under the *Section 5 – Monitoring and Evaluation*.

Communication and Visibility

The Ministry of European Integration is implementing the Communication Strategy for the Accession of the Republic of Serbia to the European Union (adopted 2011), defining the strategic framework of the Government for informing the public on the accession of the Republic of Serbia to the European Union. As a part of the implementation of the Communication Strategy, the Government of Serbia (with NIPAC having a leading role) has been implementing the IPA Communication Strategy aimed at enhancing visibility and communication activities on the EU financial assistance to Serbia (developed in 2013). Implementation of **IPA Communication Strategy** contributed to a better understanding and increased interest of citizens for the projects implemented from EU pre-accession funds. Special attention in the process of communication is given to developing and delivering more innovative approach, having in mind the specific momentum of the EU integrations process, but also due to wide expansion of the use of digital platforms/social media as a successful, achievable, affordable and more approachable communication tools to targeted audiences and getting the messages cross to the wider public.

Updating of the IPA National Communication Strategy is in process and it will be finalized during first half of 2019. The update of this cornerstone document for IPA visibility will put strategic focus on sector approach, make it easier-to-read and more operational for the beneficiaries and different target groups that might use it, with some additional information on

IPA II; public polls results; situational and SWOT analysis of communication in institutions, administration, media, projects and the EU in Serbia; further development of communication goals, target audience, channels and tools; risks' analysis, and first-ever developed indicators.

For the first time developed evaluation indicators in communication with easy-to-follow instructions and examples have been introduced together with visibility tools adjusted to new EU visibility requirements.

Within the IPA II, the National IPA Coordinator (NIPAC) supported by the NIPAC Technical Secretariat/Body for Coordination of Programming, Monitoring and Evaluation (hereinafter: BCPME) is, among other things, responsible for coordinating overall information and visibility activities on IPA. **Most important Communication Activities implemented by the end of 2018 include:** (1) Visibility officer network raised to completely operational level; (2) updating IPA National Communication Strategy; (3) writing five Sectoral Communication Frameworks (4) Development of annual Action Plan per programme for the Implementation of the IPA Communication Strategy; (5) Analysing on a daily basis the coverage of topics related to EU funds in Serbia, which resulted in monthly reports/the annual report (2018); (6) Conducted annual survey of awareness of EU funds; (7) Regular digital communication via the website and social media platforms; (8) Quarterly editing of Aid Matters Newsletter on development assistance to Serbia, with a specialized part devoted to EU funds/IPA; (9) updating and upgrading Chapter G - Manual for communication for IPA visibility officers, (10) Reports on communication activities during 2018 are consolidated with regards to inputs of Visibility Officers Network, (11) many public events organized regarding informing the public of Serbia on the use and potentials of EU Funds (EU Project Fairs; Day of EU Funds on MEI stand of Belgrade International Book Fair; photo exhibitions, conferences, workshops, EC Day celebration on national and local level, etc.) (12) regular cooperation with media regarding dissemination of information on EU funds in Serbia (organization of media trainings, media trips to successful EU projects, etc) (13) publishing of informational materials regarding EU funds available to Serbia (Guidelines for IPA II, dedicated to wider public).etc.

Implementation of majority of abovementioned activities is implemented with the support of IPA 2015 TA project *Reinforced implementation of visibility and communication activities of IPA programmes*. Its overall objective is to inform and communicate about the EU to the citizens of Serbia in order to achieve higher level of knowledge of the EU accession process, and a high level of visibility of EU activities in Serbia. Furthermore, the special focus of this project is the support to the improvement of visibility for the EU assistance in Serbia.

Ex-ante conditionalities

With regards to fulfilment of ex-ante conditionalities, prior to bilateral screening, initial self-assessment has been performed. The self-assessment has been performed in order to identify whether an appropriate regulatory and strategic policy framework and arrangements exists including existence of institutional and administrative capacity for each of both thematic and general ex-ante conditionalities.

The majority of ex-ante conditionalities are considered as being only partially or to less extent fulfilled. The major efforts will be needed for fulfilling conditionalities related to strategic framework, in the field Innovation and Research and Development (hereinafter: R&D), Information and Communication Technologies (hereinafter: ICT) and Small and Medium Sized Enterprises (hereinafter: SME) support.

As regards conditionalities related to low carbon economy, climate change, environment and transport, the further efforts will be needed in strengthening capacities in the area of climate change, risk prevention, setting proper pricing policy (water) and promoting economically viable investments.

As regards conditionalities related to employment, social inclusion, education and public administration, improvements are needed in the enhancing authorities' capacity for policy implementation, as well as in the development of strategic policy framework, such as for promoting youth employment and poverty reduction.

Ex-ante conditionalities related to legal framework are addressed in *Section 1 – Legal framework* while their monitoring will be secured through *Measure 4.2* in this Section.

4.3. MEASURES AND TIMETABLE

Measure: 4.1: Roadmap for revision and adoption of policy/strategic framework, meeting the requirements deriving from ex-ante conditionalities adopted

In order to provide consistent and reliable strategic basis for effective planning and prioritization of funds through preparation of Partnership Agreement and OPs the roadmap for revision and adoption of policy/strategic framework will be developed and adopted. Having seen the relevance of ex-ante conditionalities for programming of funds, the Roadmap will consider ex-ante conditionalities that relates to existence of adequate policy/strategic framework.

The starting point in preparation of the Roadmap will be the analysis of the existing strategic framework used in the preparation of the new multi-annual planning document that will define the national priorities to be co-financed by development assistance (i.e. new NAD).

Roadmap will be sector based, developed with reference to the existing coordination mechanisms (SWGs mechanism) and in close cooperation with Public Policy Secretariat (hereinafter: PPS). Its implementation will be organized and managed by MEI in accordance with the provision of legal framework for public policy management.

Measure 4.2: Tool for planning and monitoring of the fulfilment of ex-ante conditionalities prepared

With the aim to ensure proper fulfilment of ex-ante conditionalities, in accordance with relevant EU legal framework, particular tool for planning and monitoring will be developed. Ex-ante conditionalities consist of thematic and general prerequisites for the effective and efficient achievement of specific objectives of particular programme. They can be related to legal, institutional, administrative as well as strategic framework, being the subject of concern of numerous institutions or actors involved in management of the Funds. Therefore, there is a need for developing single tool which shall enable systematic and coordinated approach to proper and timely planning and monitoring of fulfilment of those conditions. It will thus enable that Measure 1.2 and Measure 4.1 are implemented and monitored in systematic manner.

The tool will be developed in the 2020 and updated in accordance with the defined dynamics.

Measure 4.3: All relevant partners in accordance with the requirements of the European Code of Conduct on Partnership selected and partnership established

Taking into account the relevant Articles of cohesion policy legal framework as well as the European Code of Conduct of Partnership, analysis of existing partnership mechanisms will be

conducted in terms of the degree of partner's involvement, their experience in the coordination, representativeness, transparency, territorial organization/coverage, experience and knowledge about EU funds etc.

Apart from scanning the current state of affairs, the analysis will recommend the most representative partners and propose method for their selection. Accordingly, partners will be selected in the beginning of 2020. Partners identified in that way will be included in capacity building activities in accordance with the awareness raising and capacity building programme targeting partners, final beneficiaries and wider public.

Measure 4.4: Draft Partnership Agreement prepared

The process of PA preparation will be led by the roadmap containing methodological approach and timeline. It will be conducted in wide consultative process using the mechanisms for preparation of NAD document.

For the purpose of PA preparation, IPA 2015 technical assistance project has been programmed and approved through the respective Financing Agreement.

Draft of the PA will be created in 2021.

Measure 4.5: Draft Operational Programmes for implementation of cohesion policy prepared

In parallel with the finalization of the draft PA, the preparatory activities for preparation of OP(s) will commence. Preparatory activities will include development of plan for OP(s) preparation with methodological guidelines and plan for ex-ante evaluation (including strategic environmental assessment where appropriate). As it was stated on the bilateral screening meeting, a limited number of multi-sector/thematic OP(s) for first Cohesion policy goal will be prepared while cooperation programmes for second Cohesion policy goal - ETC shall be prepared in cooperation with participating country(ies). OPs will reflect three overall priorities of Europe 2020 strategy (smart, sustainable and inclusive growth) in order to ensure more effective coordination and greater synergy between programmes and related investment priorities/operations. The decision on the number of OPs for first Cohesion policy goal will be made in 2019, together with the nomination of the institutions and bodies for implementation of cohesion policy.

Separate Communication strategy and Visual Identity Manual will be prepared for OPs so that importance and impact of the interventions foreseen in the OPs could be communicated to the public on adequate and timely manner and visibility rules respected in each programme stage by all relevant participants.

For the purpose of OPs preparation, assistance will be provided through IPA 2015 technical assistance project.

Draft of the Operational Programme(s) for the first Cohesion policy goal will be prepared in 2022, while the OPs for ETC will be prepared timely and in line with the rules for the financial perspective starting as of 2021.

Measure 4.6: Preparation of the technical and project documentation for infrastructure projects

Timely and adequate preparation of sufficient number of strategically relevant infrastructure projects, to be financed by ERDF and/or Cohesion fund, is a critical factor for absorption of the

future EU funds. That is why the current successful practice in the implementation of the Methodology and resulting SPP, based on which priority projects get selected and prepared, will be effectively continued.

The revision of the SPP has been initiated in 2018 and will be finalized in 2019 providing the inputs for effective programming of funds and preparation of respective OPs. Among others, the revision will result in introducing of the social infrastructure type of projects in the SPP. This will in parallel provide ground for continuous technical preparation of selected infrastructure projects.

The realization of complementary measure 4.6 will be supported primarily through EU funded technical assistance and the national budget.

No.	Measure	Deadline	Responsible Institution
4.1	Roadmap for revision and adoption of policy/strategic framework, meeting the requirements deriving from ex-ante conditionalities adopted	2019	MEI
4.2	Tool for planning and monitoring of the fulfilment of ex-ante conditionalities prepared	2020	MEI
4.3	All relevant partners in accordance with the requirements of the European Code of Conduct on Partnership selected and partnership established	2020	MEI
4.4	Draft Partnership Agreement prepared	2021	MEI
4.5	Draft OPs for implementation of cohesion policy prepared	2022	MEI
4.6	Preparation of the technical and project documentation for infrastructure projects	Continuously	MEI

5. MONITORING AND EVALUATION

5.1. COHESION POLICY REQUIREMENTS

Relevant provisions of the Regulation (EU) 1303/2013 stipulate the main requirements in terms of monitoring of programmes in order to review implementation and progress towards achieving the objectives and targets for each priority, while the preparation and implementation of the programmes should be followed by evaluations which shall be carried out in accordance with defined plan.

More specifically, provisions of the Article 47 of the Regulation (EU) 1303/2013 prescribe the establishment of **Monitoring Committees** by the Members State within 3 months as of the date of notification of the Commission decision on adopting a programme. They should be set up for each programme or could be single to cover more programmes, operate according to the adopted rules of procedures and are composed of the relevant bodies and stakeholders (Art. 48).

In accordance with the Article 49, the monitoring committee shall: review implementation of the programme and the progress made towards achieving its objectives; examine all issues that affect the performance of the programme, including the conclusions of the performance reviews; be consulted and shall, if it considers it to be appropriate, give an opinion on any amendment of the programme proposed by the managing authority and make observations to the managing authority regarding implementation and evaluation of the programme including actions related to the reduction of the administrative burden on beneficiaries. More specifically, for the Funds, list of functions of the monitoring committee is provided in the Article 110.

For the purpose of adequate monitoring of the programme, the Member State has to submit to the Commission an **annual report on implementation of the programme** in the previous financial year and **final report**, stating key information about the programme and its priorities. The annual and final implementation reports, as well as a summary for citizens of their content, shall be made available to the public. For the Investment for growth and jobs goal, the content of the annual implementation reports stipulated in the Article 111 should be followed.

Annual review meetings should be also organized according to provisions of Article 51 of Regulation (EU) 1303/2013, to examine the performance of each programme, taking account of the annual implementation report. It may cover more than one programme and shall be chaired by the Commission or, if the Member State so requests, co-chaired by the Member State and the Commission.

Setting up an adequate formal monitoring structure is just the last formal step before the implementation starts. However, the scope of the principle of monitoring itself is much broader. Monitoring envisages not only gathering required information for monitoring committees but a complete system of tasks related to identification of reliable indicators and data flow between implementation authorities, bodies, final beneficiaries and between future Managing authorities and the Commission.

With regard to **evaluation**, Articles 54, 55, 56 and 57 of Chapter II of Regulation (EU) 1303/2013 are specifying the necessity of carrying out ex-ante evaluations during the programming period and ex-post evaluations, which shall be carried out by internal and external experts functionally independent from the authorities in charge of programme implementation. Member States shall provide the resources necessary for carrying out evaluations, and shall ensure that procedures are in place to produce and collect the data necessary for evaluations, including data related to common and where appropriate programme-specific indicators. Furthermore, it is stipulated that all evaluations shall be available to the public. Additional requirements for the Funds are elaborated in the Article 114.

In order to improve the quality of each programmes design, ex ante evaluations shall be carried out under the responsibility of the authority responsible for the preparation of the programmes and, where appropriate, incorporate SEA requirements. In line with Article 56 of the Regulation (EU) 1303/2013, Member States or designated Managing Authorities are obliged to draw an **evaluation plan** for one or for more programmes, in line with the Fund-specific rules and shall ensure that appropriate evaluation capacity is available.

The Article 57 of the Regulation (EU) 1303/2013 states that ex post evaluations shall be carried out by the Commission, or by the Member States in close cooperation with the Commission. Moreover, at least once during the programming period, **interim evaluation** must be carried out

in order to identify how the ESI funds are contributing to the objectives of each priority. Ex-post evaluations shall assess effectiveness and efficiency of the ESI funds.

Finally, the Regulation (EU) 1303/2013 also states the obligation to establish electronic data exchange with the EC, as well as a verified system of storing data in computerised manner for all operations in detail, as well suitable aggregation on higher levels. In this regard according to the Article 15 of the Regulation (EU) 1303/2013, the Partnership Agreement shall set out arrangements to ensure efficient implementation of the ESI Funds, including an assessment of the existing systems for electronic data exchange, and a summary of the actions planned to gradually permit all exchanges of information between beneficiaries, and authorities responsible for management and control of programmes, to be carried out by electronic data exchange.

5.2. ASSESSMENT OF THE CURRENT SITUATION IN THE REPUBLIC OF SERBIA

Monitoring

The system, experience and capacities built for the purposes of managing the international development assistance to the Republic of Serbia and especially those built for the purpose of decentralized/indirect management of the IPA funded programmes/projects, constitute the most developed and mature system thus representing a solid basis of the future system of implementation of programmes/projects funded by the Funds. During the past several years, within the system for managing the foreign development assistance, **the RS has developed and established the system of results-oriented monitoring and evaluation of implementation of the national policy on international development assistance.**

Results-oriented monitoring of implementation of the national policy on international development assistance and monitoring and evaluation of the externally funded programmes, has been introduced through the process of integrated planning and programming of international development assistance, namely through the document NAD 2014-2017/2020. This will be continued and further strengthened with the development and adoption of the new multi-annual planning document for development assistance (i.e. new NAD 2019-2025).

IPA financed or co-financed programmes in IPA Decentralised/Indirect Management System are monitored through the system based on Monitoring Committees. **IPA Monitoring Committee** is in charge of reviewing overall progress and achievement of results/objectives/impact of all IPA financed interventions, while lower level committees – Sectoral Monitoring Committees formed on sector basis are in charge of reviewing physical and technical implementation, as well as the progress towards achieving results of interventions financed through IPA. Each of the Monitoring Committees receives and discusses on different levels the Reports compiled by the NIPAC TS on the basis of reports provided by the respective operating structure. The NIPAC is in charge of establishment, chairing and organizing the work of the monitoring committees, with the professional and technical assistance provided to him/her by the NIPAC TS. Regarding the programmes financed under IPA CBC, the specific Joint Monitoring Committees (hereinafter: JMCs) exist for each cross-border programme. The JMC is a decision making body of the CBC Programmes in which both participating countries nominate their representatives, including the representatives of both Operating Structures. Composition and meeting frequency of these committees are prescribed through the relevant Decentralised/Indirect Management System Manuals of Procedures. Monitoring system has been established for all cross-border and transnational cooperation programmes in which Serbia participates in by setting-up a website and

database (ISDACON/CBC), enabling broad and inclusive manner for objectives, impact and results monitoring of all programmes and projects. The database includes all projects applied and implemented so far under ETC goal and allows monitoring and reporting. Specific horizontal annual reports on cross-border and transnational cooperation programmes are prepared by reflecting the programme results on the territory of the Republic of Serbia and enabling monitoring of those results through monitoring of achievements on the level of thematic objectives and thematic priorities. In 2009, the specific module for on-line application and evaluation/assessment was created in ISDACON database.

The main national institutions/bodies/appointed persons involved in monitoring of IPA funds are:

- NIPAC (Minister of EU integration) and the NIPAC TS (MEI/ Department for Planning, Programming, Monitoring and Reporting on EU Funds and Development Assistance);
- Programme Authorizing Officer (Assistant Minister of Finance) and the Contracting Authority (Ministry of Finance/ Department for Contracting and Financing of EU funded projects);
- Officials of the national administration line ministries (and agencies or other organizations) in charge of implementation of the actions/ sector supports/ measures/ projects/ contracts under IPA;
- NAO and the NAO Management Structure (State Secretary within the Ministry of Finance and Department for Management of EU Funded Programmes);
- For the IPA CBC programmes with Non-Member States – the Head of Operating Structure (Assistant Minister of the Ministry of European Integration) and the CBC Body (MEI/ Department for Cross-Border and Transnational Cooperation Programmes and cooperation with local and regional authorities and organisations for more efficient use of funds, Division for planning, establishing and supervision of the cross-border and transnational cooperation programmes management system and for coordinating EU macro-regional strategies);
- For the IPA CBC programmes with Member States (Interreg V) – National Authority (MEI/Department for Cross-Border and Transnational Cooperation Programmes cooperation with local and regional authorities and organisations for more efficient use of funds) and Control Body (First Level Control Division for of Projects Financed under IPA Component Cross-Border and Transnational Cooperation under Ministry of Finance).

On the other side, limited capacity for results oriented monitoring and especially for “in the house” evaluation of public investment programmes exists both on the central and local levels. Serbian public administration is not equipped with general methodology, guidelines, manuals and IT system for monitoring and evaluation of investments/development programmes, which would be used and applied by the ministries and other responsible bodies for monitoring and evaluation of all investments/development programmes. The existing methodologies, guidelines, manuals and IT systems, as well as the human capacities for their implementation have been developed on a case-by-case basis, in accordance with the specific requirements or applicable procedures related to certain sources of funding, so the number of different methodologies, guidelines, manuals and IT systems are applied for the monitoring and evaluation of different policies, strategies, plans and programmes.

At present, the monitoring of public investments is primarily related to the monitoring of financial implementation of the investment programmes. There are entities which have the experience and capacity to perform monitoring of public investment programmes which are placed through the Government as well as regional and local levels. Besides the entities involved in the system for management of IPA and international development assistance in RS, there are number of entities throughout the Government in charge of monitoring and evaluation of the different sector or thematic policies, strategies, plans, programmes and projects, etc. Some of those entities are:

- PPS is in charge of preparation of a mid-term Action plan for implementation of the Government's Program, based on the development goals and high priority public policies stipulated in the Prime minister's Expose as well as monitoring and reporting on its results; developing capacities within public administration to establish a framework for monitoring and evaluation of public policies and measuring performance of different planning documents, including the Action plan for implementation of the Government program, as well as for performing expert tasks related to ex-ante and ex-post assessment of impacts of policies and legislation.
- The Departments/Units in certain Line Ministries in charge of monitoring the implementation of relevant sector Strategies/Action Plans/Programmes within the responsibility of those Ministries. Based on a horizontal functional analysis of a selected bodies and organizations prepared by the World Bank in 2016 within the project "*State Administration plus*", it was proposed to combine functions of strategic and financial planning and coordination of the internal control system at the level of institutions through the establishment of an internal organizational unit that would be in charge of performing strategic planning and management tasks, related monitoring and reporting activities, and in that respect support the process of improving budget planning. This would establish a consistent planning system in formulating the Government policy and policy of the authorities over which the Government exercises supervision on the basis of the Law;
- The Statistical Office of the Republic of Serbia is specialized, professional organization within the public administration, performing expert tasks related to the official statistics of the Republic of Serbia;
- Numbers of inter-institutional bodies which are formed for the implementation of specific tasks (working groups, project groups, councils etc.) are operating within their respective competencies, in majority of cases with established different level monitoring and reporting mechanisms.
- Office of Prime Minister, including delivery units established with the aim to assure achievement of the Government policy results in selected areas.
- Government of Serbia, General Secretariat reports on execution and implementation to the Government of Serbia on legal acts adopted. Reporting refers to follow-up of additional regulations envisaged to be prepared and/or adopted by the institutions of the Republic of Serbia through the original act adopted by the Government.

There are also capacities outside the public administration, namely – within various non-governmental organizations, civil society organizations, academic institutions, professional associations, etc. which have the capacity for monitoring and evaluation.

Along with development of the methodology and mechanisms for monitoring and evaluation of public investments, it is necessary to conduct continuous training of all stakeholders planned to be involved in the future implementation of programmes/projects funded by the Funds.

Evaluation

Experience and capacity to perform independent evaluations are limited within the administration, since the evaluations in most cases are carried out by externally engaged independent experts. The experience of public administration with evaluations varies and is reduced mainly to coordination and management of evaluations, but also ex-ante impact assessment for draft laws (which is regulated by the Government's Rules of Procedures). There are some capacities in place for the preparation of evaluation Terms of Reference, selection of independent evaluators, consultations in the evaluation process, quality assessment of the evaluation reports, as well as monitoring the implementation of evaluation recommendations and ex-ante impact assessment. Additionally, some government institutions and bodies are involved in assessments which on different levels have characteristics of impact-oriented evaluations (PPS, State Audit Institution).

Evaluations in IPA Decentralized/Indirect Management System are carried out by externally contracted independent experts. Coordination of contracting, organization of conducting evaluation and follow up of evaluation recommendations is performed by the MEI within its role of the NIPAC TS. Evaluations are outsourced to the external evaluators. The main entity in the process of organising and implementing interim evaluation is the NIPAC TS. Evaluation is executed as a participatory process implying the involvement of all stakeholders concerned by the management and implementation of IPA programmes, as described by relevant Decrees. The follow-up process of recommendations and feedback in the frame of management system completes the evaluation cycle. Once a report is issued, a debriefing meeting is organised by the NIPAC/NIPAC TS, where interested parties agree on the ways and means of applying recommendations made, as well as an appropriate timetable. Evaluations draw on monitoring reports. Evaluation reports together with the evaluators debriefing meetings' minutes (and methodology) are discussed by the Sectoral Monitoring Committees and the IPA MC.

By implementing cooperation programmes from 2003, MEI gained capacities for preparation of terms of reference and coordination of activities regarding the interim and ex-ante evaluation, analysis of the evaluation reports and incorporating the recommendations of interim and ex-ante evaluation in OPs.

Management Information System

IPA structures involved in the management and implementation of IPA assistance currently use the manual system for the implementation and management of IPA operations, with a limited use of existing IT systems for communication, data exchange and processing. An electronic version of IPA management information system (hereinafter: IPA MIS) is in the process of development. IPA MIS will provide information that is needed to manage and implement IPA assistance efficiently and effectively and will involve three primary resources: (a) people, (b) technology, and (c) information or decision making. The Ministry of Finance contracted and initiated the development of the IPA MIS in August 2017. The aim of the project is to develop an information system for electronic management of work processes and documents for the needs of the operational structure responsible for the decentralized / indirect management of IPA funds. The project envisages development of software and procurement of hardware necessary for the

successful functioning of IPA MIS, procurement of communication and server infrastructure, as well as certain quantities of peripheral computer equipment intended to support business processes of decentralized / indirect IPA management. IPA MIS will be in accordance with ISO: 9001 quality management standard and ISO: 27001/27002 information security management system standard. It is planned that the IPA MIS will be operational in 2019.

The part of future IPA MIS (modules which will be used for programming, monitoring, evaluation and visibility) will be, with its additional improvements, the existing Intersectorial Development Assistance Coordination Network Information System (hereinafter: ISDA CON IS). As it was mentioned earlier, different mechanisms were developed in order to improve the development aid effectiveness and efficiency in line with the Paris Declaration principles. This process has been extensively supported by the ISDA CON IS, a database, software and network for programming, monitoring and reporting on development assistance. It represents a sophisticated tool for the management of external aid, also serving as a tool for donor coordination as it ensures that there is no overlapping of donor funded projects and provides an insight into the priority measures not being supported by donor funds.

Although the system has a proven capacity to support planning, programming and reporting on international assistance, it needs a functional upgrading to fully support programming, monitoring, evaluation and visibility of international assistance/ investments/development programmes. An upgrade of the ISDA CON IS in order to fully support the processes of programming, monitoring, reporting, evaluation and visibility of international development assistance will be implemented during 2019 and 2020.

Regarding implementation of European Territorial Cooperation (hereinafter: ETC) programmes, ISDA CON IS is being used for the purposes of monitoring and reporting on all programmes and projects in which RS has been involved. Part of ISDA CON IS has been developed for evaluation process (the possibility of entry applications and fully developed and operational system for evaluation, both through the ordinary, and by the complex matrix of evaluation forms, where the assessors have limited powers, depending on their role; review the status of evaluation; in addition to the existing intake and evaluation process is fully developed application module for online applications, i.e. application of project proposals) as well as for implementation and monitoring (the system contains details of all signed contracts and of all held tenders) ETC programmes. In addition, ISDA CON IS is fully connected with a complex system of data archiving (Documentum). During 2016, a part of ISDA CON used for cooperation programmes has been improved with new functions through a project „*Support to the alignment of the Cross-Border and Transnational Programmes with the requirements of IPA II 2014-2020*“. These new functions are related to entering data that enable monitoring and reporting on programmes/projects. In addition to this, FLC module was upgraded and modules for monitoring, irregularities and appeals were developed. A detailed manual for ISDA CON IS has been prepared under this project in order to facilitate usage of this database by MEI as well as by FLC new staff in the induction process. Since the general tendency is to harmonize the implementation rules for ETC programmes across EU, four out of six ETC programmes in which Serbia participates in with EU MS use MS for the programme implementation that is developed by the Interact Programme.⁶⁴ Given that the beneficiaries from Serbia are proficient in applying and reporting through that system, it will be further used for management of ETC programmes

⁶⁴ More information at: <http://www.interact-eu.net/#o=harmonised-tools/ems>

by the RS in the future. Nevertheless, ISDA CON IS will remain to be important tool for monitoring of implementation and impact of all ETC programmes on the territory of RS. In the future period, MEI is planning to create interface between ISDA CON IS and the systems of all ETC programmes Serbia participates in, in order to import and compare data between different programmes on all aspects of the programme implementation and control.

The Law on Planning System of the Republic of Serbia prescribes the establishment of a Single Information System for Planning, Monitoring of Implementation, Public Policy Coordination and Reporting. That is a unique electronic system in which participants in the planning system will enter the content of their public policy documents and medium-term plans and will prepared reports in accordance with the Law. In order to enter the public policy documents, IT system has become operational since 1st January 2019, while the establishment of operability in the part referring to the mid-term plans is expected by 1st June 2019, since in accordance with the Law starting from 2020 public authorities are obliged to start preparing mid-term plans.

Single Information System will be integrated with all relevant IT systems of state administration bodies, in particular with the Information System for Budget Preparation. In that respect, a comprehensive process of planning, coordination, monitoring of implementation and reporting on the implementation of public politics will be established. Also, users of the system will be able to enter the planned and achieved values of the performance indicators related to all the objectives and measures of the Action Plans.

Under the Economic Reform Programme, and in accordance with the Decree on the content, method of preparation and evaluation, as well as monitoring of the implementation and reporting on the implementation of capital projects, Serbia plans to establish unified information database of capital projects. The future database will be taken into account when assessing Serbia's readiness for the results oriented monitoring and evaluation and accordingly - when defining the Roadmap for Establishment of the Monitoring and Evaluation System for the implementation of cohesion policy.

5.3. MEASURES AND TIMETABLE

Measure 5.1: Assessment of Readiness for the Monitoring and Evaluation in accordance with the requirements of Cohesion policy legal framework finalised

The Readiness Assessment is the first step/measure which represents the basis for creation of the Roadmap for Establishment of the Monitoring and Evaluation System (hereinafter: REMES) for the Funds in the Republic of Serbia, its implementation and eventually establishment of the monitoring and evaluation (hereinafter: M&E) system. The aim of this measure is to assess where Serbia stands in relation to a number of critical factors for the establishment of the functional and sustainable results oriented M&E system, according to the requirements stipulated in the Cohesion policy legal framework.

The Measure consists of the following activities:

- Assessment of the Regulation requirements regarding the monitoring and evaluation;
- Assessment of the existing legislative/legal framework in the Republic of Serbia related to the monitoring and evaluation;
- Assessment of the existing monitoring and evaluation structures in the Republic of Serbia, their roles and responsibilities and their capacity for the monitoring and evaluation;

- Identification of the capacities of the other subjects in the RS to be potentially included in the monitoring and evaluation system;
- Identification of the existing tools supporting the monitoring and evaluation in the Republic of Serbia;
- Identification of the existing gaps and barriers for the monitoring and evaluation of the Funds in RS;
- Definition of the activities aimed to fill the identified gaps and to overcome the existing barriers.

The completion of implementation of the Measure is scheduled for the 2019 and it will provide the information and recommendations necessary for preparation of the REMES.

Measure 5.2: Roadmap for Establishment of the Monitoring and Evaluation System for the implementation of cohesion policy adopted

On the basis of outcomes of the Readiness Assessment, Measures and deadlines defined in this Action Plan, the detailed measures, sub-measures and activities relating to the introduction of the system for monitoring and evaluation of the implementation of cohesion policy will be defined within the REMES. The REMES will represent a comprehensive set of the time-bounded measures with defined responsibilities for their implementation, to be undertaken in order for this system to be established and operational before the start of implementation of the Funds, and to be sustainable in the future.

The REMES shall cover all the sub-measures and activities to be undertaken within the implementation of the measures defined by this Action Plan in four areas:

- 1) The legislative and institutional changes necessary for the establishment of monitoring and evaluation system,
- 2) The establishment of monitoring and evaluation system,
- 3) The establishment of the Monitoring Committees,
- 4) The establishment of MIS/adaptation of EMS for ETC

Implementation of the first area will be conducted through the Measures defined in *the Section 1 – Legal Framework and Section 2 – Institutional Framework*, while for areas 2-4 separate Measures will be defined in this Section of the Action plan.

The start of development of the REMES will go in parallel with the finalization of Readiness Assessment, while its adoption is planned by the end of 2020.

Measure 5.3: The overall strategic and methodological framework for monitoring and evaluation of cohesion policy implementation created (in the framework of REMES implementation)

The second area of the REMES relates to creation of the overall M&E strategic and methodological framework of cohesion policy implementation.

Namely, the abovementioned framework will contain the activities in relation to: definition of the principles, criteria and methodology for M&E, definition of institutional framework – organizational structure of the M&E system, setting processes and activities that take place in the management structure, tools to these processes and activities that support monitoring (in particular information system for monitoring and evaluation and indicators), monitoring committees, system of monitoring reports and other related aspects.

The next step in establishing the M&E system shall be a drafting of Operating Manuals/Handbooks which will in details prescribe the procedures to be followed. This will be developed under the **Measure 2.3** in the *Section 2 - Institutional Framework*. These activities/measures will be implemented in close cooperation with PPS. In establishing the M&E strategic and methodological framework, overall monitoring and evaluation system of the Republic of Serbia defined through laws and by-laws shall be taken into account.

In the field of evaluation, in addition to above mentioned measures and activities, within the REMES the connection will be made with the IPA financed programmes that are already being implemented or will start with implementation in the pre-accession period. Within the preparations for the use of Funds, evaluations in the course of IPA programme (2013-2020) are envisaged, as well as the ex-ante evaluation of the future OPs, all according to the set plan of evaluations, whose drafting will be envisaged in the REMES.

The recruitment of the staff within the M&E system will be planned and implemented as the part of implementation of the overall HR recruitment and staff retention policy for the Funds. The planned capacity building programmes aimed to raise the M&E capacity, as well as to raise the awareness of MS institutions and beneficiaries of importance and benefits of the M&E will be done likewise, in line with the overall, Funds related capacity building and training programmes.

The overall M&E strategic and methodological framework will be prepared in 2021.

Measure 5.4: The Monitoring Committee(s) established (in the framework of REMES implementation)

The second area of the REMES includes activities related to the establishment of the Monitoring Committee(s) in line with the requirements set in the relevant EU legal framework. The Measure will include activities related to the preparation of the rules of procedures for the monitoring committees (to be developed under the **Measure 2.3** in the *Section 2 – Institutional Framework*), composition of the Monitoring Committee(s) and selection of the members.

The first constitutive meeting will be organized in 2024 where rules of procedures will be formally adopted by the members.

Measure 5.5: MIS established and operational (in the framework of REMES implementation) and eMS/ETC adapted and operational

Along with the introduction of M&E system, the REMES will envisage detailed activities related to the introduction of the MIS, having in mind already developed systems.

It will represent a comprehensive, complex and financially intensive process, very demanding in terms of coordination between the relevant RS institutions, as well as the timely implementation of the planned measures within the other sections of this Action Plan. Considering the conditions that must be met (clear institutional framework, existence of the overall M&E strategy/methodology, defined roles, responsibilities, mutual relations between the stakeholders and defined processes within the M&E system), it is planned that the activities on establishment of the MIS commence in 2022. The REMES will define detailed, time-bound activities related to the preparation of the MIS general requirements, purchasing of the equipment; purchasing, implementation and deployment of the software for virtualization and the main software, preparation of the manual on technical characteristics and the MIS procedures for the users of MIS, and finally the activities related to the training of MIS' users.

No.	Measure	Deadline	Responsible Institution
5.1	Assessment of Readiness for the M&E in accordance with the requirements of Cohesion policy legal framework finalised	2019	MEI
5.2	Roadmap for Establishment of the M&E System for the implementation of cohesion policy (REMES) adopted	2020	MEI
5.3	The overall strategic and methodological framework for M&E of cohesion policy implementation created (in the framework of REMES implementation)	2021	MEI
5.4	The Monitoring Committee(s) established (in the framework of REMES implementation)	2024	Managing Authorities
5.5.	MIS established and operational (in the framework of implementation of the REMES) and eMS for ETC adapted and operational	2025	Coordinating body

6. FINANCIAL MANAGEMENT AND CONTROL (INCLUDING AUDIT)

6.1. COHESION POLICY REQUIREMENTS

Implementation of the cohesion policy regulations requires that the acceding country must set up fully compliant, adequately staffed and tested system for sound financial management and control before full EU membership. Progress of acceding country is observed by the EU, to a large extent, through efficient management of IPA funding.

Regulation (EU) 1303/2013 Title VIII, Chapter I, Article 72 set up general principles of management and control system:

- A description of the functions of each body involved in management and control of EU funds, and the allocation of functions within each body;
- Compliance with the principle of separation of functions between and within such bodies;
- Procedures for ensuring the correctness and regularity of expenditure declared;
- Computerized systems for accounting, for the storage and transmission of financial data and data on indicators, for monitoring and for reporting;
- Systems for reporting and monitoring where the body responsible entrusts execution of tasks to another body;
- Arrangements for auditing the functioning of the management and control systems;
- Systems and procedures to ensure an adequate audit trail;
- The prevention, detection and correction of irregularities, including fraud, and the recovery of amounts unduly paid, together with any interest on late payments.

Behind these legal terms, there are many layers of different procedures that need to be established within national administration, firstly by legal acts and appointments and afterwards supported by trained and sufficient staff at all implementation levels, detailed manuals and adequate information system.

Experience from other acceding countries confirms that this is a very demanding process for any administration. It must deal with on-going regular activities and simultaneously train its staff for tasks in relatively distant future.

6.2. ASSESSMENT OF THE CURRENT SITUATION IN THE REPUBLIC OF SERBIA

As it is stated in the Screening report for Chapter 22, financial management and control system related to management of EU assistance in the Republic of Serbia is determined by the requirements of the pre-accession instruments. In this context, Serbia has established an operational framework for financial management and control (including audit) under IPA. The standards and procedures related to financial management and the internal control process as well as principle of separation between authorities involved in IPA implementation is provided for by the national legislation.

Since Serbia went through the processes of preparation for decentralised and indirect management of IPA funds and thus went to all phases for establishment of structures and system from institutional set-up to compliance assessment and verification audit by Commission there is a clear understanding of the requirements for effective functioning of the institutional framework for implementation of the instrument for pre-accession assistance.

In March 2014 Serbia received conferral of management powers i.e. accreditation of the structures and system for decentralised management of IPA funds (IPA financial perspective 2007-2013) which means that it has fulfilled criteria for internal control standards prescribed under Annex B – Internal control framework under Framework Agreement between the Government of the Republic of Serbia and the Commission of the European Communities on the Rules for Cooperation Concerning EC Financial Assistance to the Republic of Serbia in the Framework of the Implementation of the Assistance under the IPA (hereinafter: IPA FwA). The established management and control system is under the competence and coordination of the Ministry of Finance. The National Authorising Officer (State Secretary of the Ministry of Finance) bears the overall responsibility for the financial management of the IPA funds in the Republic of Serbia, as well as for ensuring the legality and regularity of expenditures. This means that relevant legal bases is set up for indirect management of IPA funds, procedures are developed respecting all requirements and principles, workload analysis is performed and adequate staffing is ensured in designated national institutions with clear division of tasks and responsibilities (please refer to *Section 2 – Institutional framework and Annex 3*).

Until December 2018, upon submitted requests for entrustment, Serbia received **entrustment for indirect management of IPA II** national action programmes 2014, 2015, 2016 and 2017, and for CBC programmes with Bosnia and Herzegovina, Former Yugoslav Republic of Macedonia and with Montenegro, with certain conditionalities stipulated in the respective financing agreements, while the entrustment procedure for indirect management of IPA II national action programme for 2018 is currently on-going.

All bodies involved in decentralised/indirect management of IPA perform their tasks and responsibilities in line with inter-institutional agreements and prescribed procedures (relevant rulebooks, checklists and chart flows). They are obliged to ensure audit trail and principle of segregation of duties as well as to respect principle of sound financial management of operations or programmes i.e. principles of economy, efficiency and effectiveness. However, NAO, supported by National Fund and NAO Support Unit, has the overall responsibility for legality and regularity of transactions and to ensure effective functioning of the system.

Moreover, on the level of operating structure, Contracting Authority safeguards legality and regularity of transactions as one of the main ex-ante criteria by verification of administrative, financial, technical and physical aspects of operations, including visibility rules, accounting

principles and potential irregularities supported by IPA Units throughout public administration. Verifications are conducted desk-based and on-the-spot.

When it comes to the IPA CBC programmes under shared management system, verification of the legality and regularity of the expenditures declared by each Serbian beneficiary participating in the operation is performed by First Level Control accountable to the Member State's Managing Authority for the programme in question. Appointed National Authority in the Serbia is responsible for establishment of First Level Control function in Serbia as participating country. First Level Control verifies the delivery of products and services co-financed, the soundness of the expenditure declared for operations or parts of operations implemented on its territory, and the compliance of such expenditure and of related parts of operations with Community and national rules. The verification covers: administrative, financial, technical and physical aspects of operations, including check of compliance with rules on public procurement, visibility rules, horizontal principles of equal opportunities and sustainable development, elimination of double-financing, accounting principles and potential irregularities. The verification combines the desk-based checks of submitted partner reports and on-the-spot verifications of operations procedures. Since 2010, more than 3000 Declarations on Validation of Expenditure has been issued by First Level Control. The Division is organisationally and functionally independent from other units of the Ministry and it is not involved in any programme as a lead beneficiary or project partner. The First level Controllers are not delegated to the Joint Monitoring and Steering Committees (hereinafter: JMSC) nor in the Joint Working Groups for assessment of projects (selection and approval of projects) and are functionally independent from the JMSC.

Audit of effective functioning of management and control system and the legality and regularity of the underlying transactions is subject by both internal and external audit.

Currently in Serbia public finance management is in the process of reforming as well as harmonising of its regulation and practices with the EU *acquis* under Chapter 32 Financial control.

In November 2015 Government of the Republic of Serbia adopted **Public Financial Management Reform Program 2016 – 2020 (hereinafter: PFM Reform Program)** with the aim to provide a comprehensive and integrated framework for planning, coordinating, implementing and monitoring the progress in the implementation of activities of public finance management in order to improve macroeconomic stability, ensure efficient and effective allocation and use of public resources, and thereby easier to achieve the priority objectives defined by the Government, improve the services provided by the public administration of the Republic of Serbia, while at the same time improving transparency and overall functionality of the public finance management and the fulfilling of the necessary requirements for EU accession. PFM Reform Program encompasses six interrelated pillars whereas main activities for financial management and control are developed in fourth pillar of the Program. Activities will contribute to the operational framework for financial management and control including audit that enables public funds users to apply effective and sound internal control and internal audit in line with the strategic documents in order to ensure *inter alia* protection of EU financial interest.

Significant progress in achieving the results foreseen in the PFM Reform Program Action Plan for the period 2016-2020 was achieved during the two-year period of the reform implementation, which is confirmed by statistical data according to which about 50% of the planned reform activities were carried out.

In the previous period, a draft of the new PFM Reform Program Action Plan was prepared for the period 2019-2021. With the new PFM Reform Program Action Plan for the period 2019-2021 and based on a detailed analysis of the results achieved in the previous two years of implementation of the PFM Reform Program, members of the Working Group for development, monitoring and reporting of the implementation of the Public Finance Management Reform Programme drafted the proposal of goals and activities for further improvement the public finances management in the Republic of Serbia in upcoming period. Furthermore, during the development of the new AP, special attention had been paid to the adequate formulation of indicators, a more realistic assessment of the time-lines and an even schedule of activities, as well as to a precise and reliable assessment of the financial effects or the necessary funds for the realization of all envisaged activities from different sources. Preparation of the new PFM Reform Program AP is expected to be finalized at the beginning of 2019 and revised PFM Reform Program is to be adopted by the Government of the Republic of Serbia followed by the consultations, which should be organized within the framework of the Public Financial Management Policy Dialogue meeting and according to received comments by all interested parties.

New **Public Internal Financial Control strategy 2017-2020 (hereinafter: PIFC strategy)** and related Action plan for the period 2017-2018 was adopted by the Government of the Republic of Serbia in May 2017. For the purpose of intergovernmental consultations prior to formal adoption of aforementioned strategic document, an inter-ministerial working group has been established by the Minister of Finance. Ultimate goal of the PIFC strategy is to ensure sound and effective financial management and control of public funds in line with the EU *acquis* and international practice which will represent the bases for further development related to the requirements under regional policy and coordination of structural instruments. Strengthening of internal control and audit capacities will lead to reduction irregularities and fraud in public fund management. Nevertheless, independent assessment reports on the state of play in the implementation of PIFC strategy have stressed the need for further efforts with regards to implementing the PIFC principals in line with the established legislative framework in Serbia and to improve harmonisation efforts and reporting to the Government by the Central Harmonisation Unit on the status of PIFC implementation by the public fund beneficiary institutions. Moreover, the new PIFC Strategy will reinforce links between PIFC and other public finance management subsystems and identify the key objectives and priorities which need to be addressed with this regards.

The national legislative framework for PIFC in the Republic of Serbia is based on the International Internal Control Standards which refers to the standards harmonized with the Guidelines for internal control for the public sector of International Organization of Supreme Audit Institutions (INTOSAI Standards) and the Institute of Internal Auditors' International Professional Practices Framework (IPPF) and consists of the following law and bylaws:

- **The Law on the Budget System**⁶⁵
- The Rulebook on the joint criteria and standards for the establishment, operation and reporting on financial management and control in the public sector⁶⁶ (**The FMC**)

⁶⁵Official Gazette of the RS, No. 54/09, 73/10, 101/10, 101/11, 93/12, 62/13, 63/13 – corr.,108/13, 142/2014, 68/2015– different law, 103/2015, 99/2016 and 103/17

⁶⁶ Official Gazette of RS, No. 99/11 and No.106/13

Rulebook).

- The Rulebook on the joint criteria for organization and standards and methodological guidelines for conducting and reporting of internal audit in the public sector⁶⁷ (**The IA Rulebook**).
- The Rulebook on the conditions and procedure for taking the exam for certified internal auditor in the public sector⁶⁸.

The 2009 Budget System Law, provides the overall legal framework for PIFC and stipulates under Article 81 that all public funds beneficiaries are obliged to establish a system of financial management and control in compliance with Committee of Sponsoring Organisations of the Treadway Commission (hereinafter: COSO) model while under Article 82 prescribes obligation for public funds beneficiary to ensure internal audit function. Also, introduces and defines the category of Managerial Accountability and the principal of separation/segregation of duties between the authorising and payment functions.

Also, relevant standards and procedures related to financial management and control and internal audit are provided for by national legislation. The Rulebook on joint criteria and standards for the setting up and functioning of the financial management and control in the public sector and the Rulebook on joint criteria for organising, standards and methodological instructions for performing internal audit in the public sector are in place since 2007 and have been last updated in 2013. The related implementing legislation includes the Rulebook on the conditions and procedure for taking the exam for certified internal auditor in the public sector in place since 2009 and have been last updated in 2014. A Financial Management and Control Manual, Internal Audit Manual and Guidelines for Risk Management exist as well.

Internal Audit

In the Screening report for Chapter 22 it is indicated that Serbia has operational framework for financial management and control under IPA, including internal audit. Considering that internal audit function is requirement under IPA, relevant public institutions involved have regular internal audits in accordance with the public internal audit regulations applicable in Serbia. Internal audit advise the respective institution on risks management, by issue independent opinions on the quality of financial management and control systems and by issuing recommendations for improving the conditions of implementation of operations in order to assure sound financial management. Internal audit was planned and implemented in the most of IPA bodies with final reports submitted to the NAO. Training events for internal auditors related to internal audit of management and control systems of IPA bodies are organized and implanted on a regular basis. Central Harmonisation Unit (CHU) is organizing regular workshops with internal auditors from the public sector in which special attention was paid to internal audit in the context of decentralized/indirect management of IPA. All internal auditors in PA institutions which have IPA bodies are certified. The methodology of internal auditors operations is in accordance with the requirements of Internal standards for internal audit professional practice of the Institute of Internal Auditors (IIA Standard).

The internal audit function has been established at 220 public funds beneficiaries and it is covered by 445 internal auditors in public sector (391 certified internal auditors in public sector

⁶⁷ Official Gazette of RS, No. 99/11 and 106/13

⁶⁸ The Official Gazette of the Republic of Serbia, No. 9/14

with national certificate)⁶⁹. Functional and institutional independence is stipulated by Article 82 of the Law on the Budget System (paragraphs 3 and 4) which prescribed that: “Internal audit is organizationally independent of the activities that are audited, not part of any business process or organizational part of the organization, and directly accountable to the Head of public funds beneficiary. Functional independence of internal audit is ensured through independent decision-making with regards to area of audits based on risk assessment, methods of conducting audit and reporting on the audit.”

The Overview of the Work Quality of Internal Audit for 2016 has been performed in ten Ministries⁷⁰ for the period from 1 January 2015 to 30 September 2016, and for 2017 in eight Ministries and three MSO⁷¹ for period from 1 January 2016 to 30 September 2017. The overview has included the verification of the fulfilment of prescribed requests for incorporation of the internal audit units, scope of audit, competence and skills of the internal auditors, functional and organizational independence of the internal audit, internal audit charter and ethic code, knowledge of the internal audit standards, strategic and annual plans of the internal audit, application of the methodologies of the internal audits, risk management of the internal audits, internal quality controls, need for future trainings and memberships in the professional associations. This report is based on the individual overviews of mentioned organisations, performed by the staff of the Department of internal control and internal audit of the Ministry of Finance (CHU).

Although legal bases for internal audit exists in national legislation and even represent obligation for all public institutions, not every public fund beneficiaries (except those involved in IPA management) have established an internal audit function due to the limitations regarding capacity and expertise of the available staff. Serbia acknowledges importance of the internal audit function and therefore through public finance management reform intent to support further development of internal audit function and strengthening of capacities.

External Audit

In order to meet the requirements of the relevant EC regulations both for IPA and for the Funds, the Government of Serbia has established the Governmental Audit Office of EU funds as a Government Service (please refer to Annex 2).

Establishing the Governmental Audit Office of EU funds as a Government Service ensured the functional and financial independence from relevant authorities in the system. Functional independence of the Governmental Audit Office of EU funds is ensured through Article 3 of the

⁶⁹ Cut-off date 30/09/2017.

⁷⁰ Ministry of Finance Ministry of Construction, Transport and Infrastructure; Ministry of Trade; Ministry of Agriculture and Environmental Protection; Ministry of Mining and Energy; Ministry of Culture and Information; Ministry of Health; Ministry of Justice; Ministry of Education, Science and Technological development; Ministry of Labor, Employment, Veteran and Social affairs. Link to the document: http://ifkj.mfin.gov.rs/user_data/posts/Overview%20of%20the%20work%20quality%20of%20the%20internal%20audit%20%202016.pdf

⁷¹ Ministry of Interior, Ministry of Defence, Ministry of Foreign Affairs, Ministry of Environmental Protection, Ministry of Trade, Tourism and Telecommunications, Ministry of Public Administration and Local Self-Government, Ministry for European Integration, Ministry of Youth and Sport, Republic Health Insurance Fund, Republic Pension and Disability Fund, National Employment Service. Link to the document: <http://ifkj.mfin.gov.rs/WP/wp-content/uploads/2018/06/Quality-review-of-IA-work.pdf>

Decree on Government Services which states that the Service Director, i.e. Director of the Office, is accountable to the Government and the Prime Minister. On the other hand, a Governmental Audit Office of EU funds is a direct budgetary user which ensures its financial independence.

In its work and within its competencies, the Governmental Audit Office of EU funds is independent from other authorities of the management and control system and acts in line with the internationally accepted auditing standards. The Office performs following audits:

- Audits of the effective functioning of the management and control system
- Audits of the projects, sectoral and national pre-accession assistance programmes
- Financial audits and
- Audits of information systems

System for audit of ETC programmes has been created in the Republic of Serbia and operational starting from 2010. Governmental Audit Office of EU funds is performing audits of all beneficiaries on the territory of Serbia for all programmes that did not decide to outsource the audit tasks (programmes Romania-Serbia, Bulgaria-Serbia, Croatia-Serbia), while also providing members in the joint Group of Auditors.

Serbia acknowledges importance of the function of Governmental Audit Office of EU funds and therefore through public finance management reform intent to support further development of audit function and strengthening of legal framework, institutional and operational capacities in order to be fully functional for performing audit function in the management and control system for the Funds.

In addition, for all public fund beneficiaries as well as other legal persons associated with the Auditees, State Audit Institution (hereinafter: SAI) of the Republic of Serbia performs external audits.

The Law on the State Audit Institution stipulates that as the supreme state audit body in Serbia shall exercise audit competence in line with the generally accepted principles and rules of audit and in compliance with internationally recognized audit standards, and mandates the SAI to perform: 1) Audits of financial statements, 2) Compliance Audits, and 3) Performance Audits.

Management of Irregularities and Fraud

In line with the IPA FWA requirements Serbia established irregularities management system. Further improvements are ongoing in accordance with respective DG NEAR audit findings and in consultations with European Anti-Fraud Office (hereinafter: OLAF).

By the Rulebook on internal organization and job classification in the Ministry of Finance 08 number: 112-01- 1/852-2018 of 19 December 2018, the Division for Combating Irregularities and Fraud in dealing with EU funds (AFCOS), was systematized as an internal unit outside the sectors, Secretariat and Cabinet of the Minister and it is responsible for affairs determined by the provision of Article 686 paragraph 1 of the on Law on the Budget System ("Official Gazette of the RS", No. 54/09, 73/10, 101/10, 101/11, 93/12, 62/13, 63/13 - corr., 108/13, 142/14, 68/15 - other law, 103/15, 99/16, 113/17 and 95/18). Pursuant to the aforementioned article, AFCOS performs coordination activities in the area of combating of irregularities and fraud in the handling of EU funds, provides support to the work of the Network for the Combating of Irregularities and Fraud in the Handling of EU Funds, coordinates legal, operational and

technical cooperation with the European Anti-Fraud Office (OLAF) and other competent bodies and services of the European Commission, and also performs administrative checks of reported irregularities in the handling of EU funds.

At a session held on 26 October 2017, the Government adopted the Strategy for combating Irregularities and Fraud in dealing with the EU Funds in the Republic of Serbia for the period 2017-2020 ("Official Gazette of the Republic of Serbia", No 98/17 - hereinafter: Strategy), with an accompanying Action Plan for its implementation. The strategy represents a document that treats, for the first time in the Republic of Serbia, the issue of protecting financial interests of the European Union and the issue of protecting its own budget funds in a comprehensive manner by defining the fields of application, networking a wide range of state bodies and institutions, which contribute to the efficient handling with identified irregularities and prosecution of perpetrators of criminal offences through cooperation and exchange of information. Monitoring of the implementation of the Strategy is under the responsibility of the Ministry of Finance, Department for Management of EU Funds, Division for Combating Irregularities and Fraud in dealing with EU funds (AFCOS) and represents a continuous activity since the adoption of the Strategy.

In accordance with the Law on the ratification of the Framework Agreement, the National Authorising Officer is in charge of making the necessary financial corrections and carries out reimbursement of Union contributions in relation to and in accordance with national recovery procedures. Moreover, the NAO puts into place effective and proportionate anti-fraud measures taking into account the risks identified and ensures reporting while keeping the OLAF informed of such reporting. In addition, the necessary certificates for the use of OLAF IMIS have been installed and orders for access to and work with this system have been created on the computers of Ministry of Finance staff in charge of managing irregularities and fraud in the framework of IPA indirect management. The National Authorising Officer reports on cases of irregularities in relation to funds under indirect management, thus providing OLAF with information for its annual statistical report on irregularities. The Irregularity Officer within the NAO Support Unit coordinates work and organizes meetings within the network of irregularity officers from all IPA bodies participating in indirect management of funds.

All potential irregularities that have been detected under IPA CBC and TNC programmes with Member States (Interreg) are firstly reported to the National Authority. The National Authority is responsible for ensuring the system for irregularities in the Republic of Serbia for these programmes.

Necessary certificate for using of OLAF IMIS has been installed on the MEI's computer and user profiles have been formed in support and cooperation with AFCOS and OLAF by the end of reporting year. Information for annual statistical report has been sent to the OLAF by IMIS. In the previous period reporting to the OLAF was made in paper version.

MEI has been developed the Brochure of the most common errors and irregularities for beneficiaries from the IPA cross-border cooperation programme Romania-Serbia, which could also be used for all other cooperation programmes.

Serbia acknowledges importance of the proper management of irregularities and fraud and therefore through public finance management reform intent to support further development of irregularity management, coordination and cooperation with regards to fight against fraud and protection of EU financial interest.

6.3. MEASURES AND TIMETABLE

As a part of preparatory activities for efficient use of the structural funds and cohesion fund, Serbian authorities will dedicate special attention, when designing the system, to development of procedures specifying financial flows. However, other measures under different sections of this Action Plan also contribute to this section. Relevant national legislation and existing system will for sure represent bases for further development in line with the needs of the EU Cohesion policy.

Measure 6.1: Audit Authority function developed

As it was emphasised in the *Section 2 – Institutional framework*, Governmental Audit Office of EU funds will perform the role of the AA. Having said, this measure is focusing on development of Audit Authority functions i.e. Governmental Audit Office of EU funds and its capacities for verification of the effective functioning of management and control system and the legality and regularity of the underlying transactions.

This process implies development of the procedures and tools for performing audit function and ensuring an adequate audit trail, preparing staffing plan in accordance with expected dynamics, and development of adequate capacities necessary for efficient exercise of this function. Development of the procedures will be adjusted to the dynamics within the framework of the implementation of the Measure 2.3 under *Section 2 - Institutional framework*. Capacity building measures as described in the *Section 3 – Administrative capacities* regarding the CBP for implementation of cohesion policy will contribute to the capacity building of Governmental Audit Office of EU funds.

As a final result of the implementation of this measure, Governmental Audit Office of EU funds will be able to perform independent audit assessing the fulfilment, by the nominated authorities, of the criteria relating to the internal control environment, risk management, management and control activities, and monitoring and provide its option.

Measure 6.2: System for preventing, detecting and notification of irregularities and system for implementation of anti-fraud measures for the OPs established

The Republic of Serbia implements a variety of measures and undertakes actions during the further course of the accession process in order to upgrade the legal framework, the institutional and administrative capacities to further strengthen the protection of the financial interests of the EU.

Therefore the implementation of this Measure shall primarily ensure the development of relevant procedures for body responsible for preventing, detecting and notification of irregularities in line with the requirements of cohesion policy, but also development of the procedures will be adjusted to the dynamics within the framework of the implementation of the Measure 2.3 under *Section 2 - Institutional framework*. In parallel, capacity building will be performed, for irregularities management and implementation of anti-fraud measures in order to enhance capacities of the relevant institutions to perform this function.

Capacity building measures as described under *Section 3 – Administrative capacities* regarding the CBP for implementation of cohesion policy will include the capacity building for irregularities and anti-fraud.

Measure 6.3: Draft description of the management and control system (for the OPs) prepared

Based on established legal framework, prepared organization development strategies and draft OPs draft description of the management and control system will be prepared.

Description will be done in accordance with the relevant legal provisions⁷², including information on the general principles of the management and control system.

Measure 6.4: Role of the internal audit in the management and control system defined

Prior to the preparation of procedures, the role of internal audit in the management and control system will be defined. Accordingly, further steps and actions in term of capacity building measures will be planned and implemented.

No.	Measure	Deadline	Responsible institutions
6.1	Audit Authority function developed	Year 2021	Audit Authority/ Governmental Audit Office of EU funds
6.2	System for preventing, detecting and notification of irregularities and system for implementation of anti-fraud measures for the OPs established	Year 2021	Managing Authorities
6.3	Draft description of the management and control system (for the OPs) prepared	Year 2021	Managing Authorities
6.4	Role of the internal audit in the management and control system defined	Year 2021	Managing Authorities

7. OTHER

7.1. AVAILABILITY OF THE STATISTICS FOR THE IMPLEMENTATION OF THE FUNDS

As the main producer and disseminator of official statistics, Statistical Office of the Republic of Serbia (hereinafter: SORS) is expected to provide informational basis and statistical support for the implementation of the OPs. **Availability, quality, comparability and reliability of the official statistical data, produced by the national statistical system represent precondition for effective and efficient decision making and management of development support.** In that respect, databases and surveys, expertise and experience of the SORS will provide necessary mechanisms for measuring results, monitoring and effective planning of policies and programs aimed at setting and achieving development goals of the cohesion policy.

SORS has a long tradition and rich experience in the production of numerous regional, sub-regional and municipal statistical indicators that are published on a standard schedule and summarized in the Municipal Statistical Yearbook. Methodologically, the indicators presented in

⁷² Within the financial perspective 2014-2020 the relevant legal acts are: Annex III of Implementing Regulation (EU) No 1011/2014, Regulation (EU) 1303/2013 Article 72 to 74 and designation criteria set out at the Annex XIII of the same regulation.

the Yearbook are fully aligned with the European statistical standards and practices of European statistics and all departments of the SORS responsible for various domains of statistics are in a constant process of harmonization with the EU legislation and methodological standards and requirements. Moreover, the SORS strengthened and formalized close cooperation and coordination through bilateral agreements with other subsystems of the national statistical system, i.e. authorities such as National Bank of Serbia, State Tax Administration, Serbian Business Register Agency, line ministries and their agencies, etc. This process of harmonisation with EU standards is closely monitored and guided by the Eurostat and International Monetary Fund and operationalized through various IPA projects as tools for planning and realization of the ultimate objective – full integration of the SORS into the European Statistical System (hereinafter: ESS) and its data transmission programs so as provision of statistical support for the future implementation of the OPs.

In production of regional statistics the SORS is using the official Nomenclature of statistical territorial units (hereinafter: NUTS) which is defined according to the EU NUTS principles.

If we look upon the portfolio of the main statistical indicators, grouped according to the objectives of the Europe 2020 strategy (R&D, Competitiveness and business environment, Education, Transport, Environment, Social inclusion, poverty and health), which are used to measure Cohesion at the sub-national level, it can be concluded that all indicators are available or could be obtained from the databases of SORS for this purpose.

More precisely, availability of the core regional statistical indicators required for the implementation of the OPs is as follows:

- **Regional GDP at NUTS level 2** (region) has been estimated and published on a regular schedule since 2011 together with per capita and level indices. Each 31st October, preliminary results of regional Gross Domestic Product (hereinafter: GDP) (for the previous year) are available to users in the Official Release of the SORS. Methodology for estimation of GDP is based on ESA 2010 and Eurostat's Manual on Regional Accounts. Regionalization of GDP is based on workplace principle i.e. using database on LKAUs (hereinafter: Local Kind of Activity Units) operated and maintained by SORS. Production approach is applied using various statistical and administrative data.
- **Estimation of Regional GVA at NUTS level 3** (district) has been introduced in 2014 and from 2015 onwards, SORS is regularly publishing data on GVA at NUTS 3 level in a special Working paper available to the public. Estimates are based on the same methodological principles as NUTS 2 indicators with regional GVA broken down by A*10 industries of NACE classification.
- Together with NUTS 3 estimates of GVA, in the year 2014, SORS launched compilation or **Regional Households Accounts** (hereinafter: RHA) aimed at providing data on Primary and disposable income of households by region (NUTS 2 level). First experimental estimates are made for the years 2011-2013. From 2015 onwards, compilation of RHA are being compiled on a regular basis and sent to Eurostat.
- Regionalized data on **Gross fixed capital formation** (hereinafter: GFCF) are available at NUTS levels 2 and 3 and on municipal level. Data are obtained via special survey on GFCF and regularly published in the Municipal Yearbook.
- Data on **regional accounts** (regional GVA and RHA) are sent to Eurostat without delay according to the timetable of the ESA2010 Transmission program.

- Regarding labour market statistics, the **Labour force survey** (hereinafter: LFS) which is in EU members states the main data source for evaluation of situation on the labour market i.e. production of statistical indicators on employment/unemployment of active population, is regularly conducted by SORS and data available and published on NUTS level 2. This survey is harmonized with International Labour Organisation (hereinafter: ILO) and Eurostat methodology. Data on formal employment and wages and salaries are available on municipal level and published regularly in monthly data releases.
- Successful completion of two major censuses – the Population & dwellings (2011) and the Agriculture (2012) provided the necessary foundations for further development of regional and sub-regional statistics. Apart from providing the inputs for production of exhaustive demographic statistics, the population census enabled introduction of the **SILC survey** aimed at collecting data on income, poverty, social exclusion and living conditions. This important socio-economic survey is now regularly conducted and indicators (such as people at risk of poverty or social exclusion) are available on NUTS level 2. In that respect, it is worth mentioning that the poverty map has been created. The map describes poverty rates and related indicators at the national, regional, district and municipal levels. The results are based on the Census year (2011), and SILC survey for the year 2013, which covers the incomes for the reference year of 2012. **Poverty maps** present poverty estimates for smaller territories, such as municipalities, for which no survey-based poverty estimates are available.
- In the **area of agriculture statistics**, the most important developments based on the data collected by Agriculture census is establishment of the data base on agriculture holdings. Moreover, the census enabled further improvements of agriculture statistics and production of statistical indicators both on national and regional level such as indicators on land use, crop and animal production so as production of other agricultural products.
- The main indicators on R&D such as: **R&D expenditure and personnel, human resources in science and technology, employment in technology and knowledge-intensive sectors, patent applications** are available on NUTS level 2 and regularly published in a special Release of the SORS.
- The main Cohesion statistical indicators related to **demographics** (Life expectancy at birth by sex and other demographic statistics), **education** (Tertiary educational attainment by sex, Early leavers from education and training), **environment** (Population connected to wastewater collection and treatment systems, Generation and treatment of municipal waste) and **transport** (Victims in road accident, Freight transported by road by region of loading) are also available on NUTS level 2 or can be obtained from existing databases.

In the future, production of more specific sub-regional and municipal (Local Administrative Units - LAU) indicators would require strengthening of the SORS and increased production capacity through technical and financial means and improved employee retention. Apart from appropriate staffing, increased resources for launching new and sample size extensions for the existing surveys which would enable regionalization of data and production of reliable indicators on above mentioned sub-regional levels of NUTS will be necessary.

8. ANNEX I – OVERVIEW OF KEY MILESTONES IN THE PREPARATION FOR EU COHESION POLICY

				START OF NEGOTIATIONS		FULFILMENT OF KEY COHESION POLICY REQUIREMENTS	BY THE DATE OF ACCESSION
				2019	2020	2021	
LEGAL FRAMEWO RK					Legal framework for introduction of the EU cohesion policy adopted (measure 1.1)	Legal framework ensuring necessary co-financing and budget flexibility in place (measure 1.3)	Legal basis for implementing European Grouping of Territorial Cooperation in place (measure 1.12, Y 2023)
					Roadmap for alignment of the legal framework with requirements of the cohesion policy adopted (measure 1.2)		Roadmap for alignment of the legal framework with requirements of the Cohesion policy implemented (related to the measure 1.2)
INSTITUTI ONAL FRAMEWO RK	Preparatory activities in definition of the Institutional Structure/Model in the RS performed (5 Guiding Principles defined, comparative analysis of Member State options conducted, mapping			Institutions and bodies for implementation of cohesion policy nominated (measure 2.1)		Organizational development strategies for bodies involved in the OPs management (per OPs) prepared (measure 2.2)	Responsible bodies for the OPs management designated (following the opinion of the independent audit body) (measure 2.4, Y 2023)

				START OF NEGOTIATIONS		FULFILMENT OF KEY COHESION POLICY REQUIREMENTS	BY THE DATE OF ACCESSION
				2019	2020	2021	
	the institutions and capacities at the sector level performed) (related to measure 2.1)						
						Draft procedures and working arrangements for OPs management prepared (measure 2.3)	
ADMINISTRATIVE CAPACITIES						Retention policy to ensure efficient absorption of EU funds established (measure 3.1)	
		Capacity Building Programme for institutions and bodies involved in the implementation of cohesion policy developed (related to measure 3.2, revision on annual basis)					
		Awareness Raising and Training Programme for partners, potential final beneficiaries of and general public developed (related to measure 3.3, revision on annual basis)					
		Implementation of Capacity Building Programme for institutions and bodies involved in the implementation of CP (measure 3.2)					
		Implementation of Awareness Raising and Capacity Building Programme for partners, potential final beneficiaries and general public (measure 3.3)					
				Roadmap for revision and adoption of policy/strategic framework, meeting	All relevant partners in accordance with the requirements of the ECCP selected and	Draft Partnership Agreement prepared (measure 4.4)	Draft OPs for implementation of cohesion policy prepared

	2016	2017	2018	START OF NEGOTIATIONS	2020	FULFILMENT OF KEY COHESION POLICY REQUIREMENTS	BY THE DATE OF ACCESSION
				2019		2021	
PROGRAM MING				the requirements deriving from ex-ante conditionalities adopted (measure 4.1)	partnership established (measure 4.3)		(measure 4.5, Y 2022)
					Tool for planning and monitoring of fulfilment of ex-ante conditionalities prepared (measure 4.2)		Communication strategies for OPs prepared (related to measure 4.5)
	Preparation of the technical and project documentation for infrastructure projects – continuously (measure 4.6)						
MONITORI NG AND EVALUATI ON				Assessment of Readiness for the M&E in accordance with the requirements of Cohesion policy legal framework finalized (measure 5.1)	Roadmap for Establishment of the M&E system for the implementation of cohesion policy (REMES) adopted (measure 5.2)	The overall strategic and methodological framework for M&E of cohesion policy implementation created (in the framework of REMES implementation) (measure 5.3)	Monitoring Committee(s) established (in the framework of REMES implementation) (measure 5.4, Y 2024)
							MIS established and operational (in the framework of implementation of the REMES) and eMS for ETC adapted and operational (measure 5.5, Y 2025)

				START OF NEGOTIATIONS		FULFILMENT OF KEY COHESION POLICY REQUIREMENTS	BY THE DATE OF ACCESSION
	2016	2017	2018	2019	2020	2021	
						Ex ante evaluation of Partnership Agreement conducted (related to measure 4.4)	Ex ante evaluation and strategic environmental impact assessment of OPs conducted (related to measure 4.5, Y 2022)
FINANCIAL MANAGEMENT AND CONTROL						Audit Authority function developed (measure 6.1)	
						Role of the internal audit in the management and control system defined (measure 6.4)	
						System for preventing, detecting and notification of irregularities and system for implementation of anti-fraud measures for the OPs established (measure 6.2)	
						Draft description of the management and control system (for the OPs) prepared (measure 6.3)	

9. ANNEX II - LEGAL AND INSTITUTIONAL FRAMEWORK FOR IMPLEMENTATION OF THE INSTRUMENT FOR PRE-ACCESSION ASSISTANCE 2014-2020 IN THE REPUBLIC OF SERBIA

1. Framework Agreement between the Republic of Serbia and the European Commission on the Arrangements for Implementation of Union Financial Assistance to the Republic of Serbia under the Instrument for Pre-Accession Assistance (IPA II) (*Official Gazette of the Republic of Serbia – international contracts 19/14*)

In order to promote co-operation between the Parties and to assist the IPA II beneficiary in its progressive alignment with the standards and policies of the Union, including the *acquis*, with a view to Union membership, the Agreement includes the following policy areas as applicable to the IPA II beneficiaries: reforms in preparation for Union membership and related institution and capacity building; socio-economic and regional development; employment, social policies, education, promotion of gender equality and human resources development; agriculture and rural development and regional and territorial cooperation.

Agreement provides **rules for indirect management by the IPA II beneficiary** (management and control systems, specific provisions relating to entrusting the IPA II beneficiary with budget implementation tasks, rules for programming), **rules for implementation** (general rules and principles for implementation, transparency and visibility, data protection and confidentiality, granting of facilities and taxation) **rules on financial management of IPA II assistance** (rules relating to indirect management by the IPA II beneficiary, closure of a programme, supervision, control and audit and protection of financial interests) **monitoring, evaluation and reporting provisions and rules for cross-border cooperation programmes**.

2. Decree on the Management of EU Pre-Accession Assistance Programmes under the Instrument for Pre-Accession Assistance (IPA II) for the period 2014-2020⁷³

The Decree regulates in detail the method for the management of Pre-Accession Assistance programmes of the European Union (EU) in the Republic of Serbia, which are funded through the Instrument for Pre-Accession Assistance (IPA II) for the period 2014 - 2020, the tasks of the responsible persons and bodies, as well as the means of regulating their interrelations, with regards to the preparation, coordination, implementation, monitoring, evaluation and reporting on the implementation of programmes funded under IPA II in the case when European Commission entrusts to the Republic of Serbia budget implementation tasks for particular programs.

3. Decree on establishment of the Governmental Audit Office of EU funds⁷⁴

The Decree establishes Governmental Audit Office of EU funds and prescribes its organization and scope of work. Within this decree functional and financial independence of the AA Office from relevant authorities in the system is ensured.

4. Decree on appointing the Audit Authority for auditing the management system for pre-accession assistance programmes of the European Union under the instrument for pre-

⁷³ Official Gazette of the RS No. 85/15

⁷⁴ Official Gazette of the RS No. 41/11 and 83/11

accession assistance IPA II⁷⁵

The Decree defines the Governmental Audit Office of EU funds in Serbia as the Audit Authority, defines its scope of work, types of audit and procedures as well as the responsibilities of the auditors and Head of the AA.

5. The Decision on the Appointment of the Persons and Bodies responsible for the Management of the EU Pre-Accession Assistance Programmes under the Instrument for pre-accession for period 2014-2020 (IPA II)⁷⁶

The Decision appoints the responsible persons and bodies for the following:

- Horizontal functions,
 - Operating structure for the management of the National action programmes,
 - Operating structure for the management of the CBC programmes and
 - Operating structure for the implementation of IPARD II.
6. Government Conclusion 05 No. 337-9895/2017 of 12 October 2017 on the Appointment of the National Authority for Cross-border and Transnational Cooperation Programmes with EU Member States in the Republic of Serbia.

The above mentioned legal acts adopted by the Government of the Republic of Serbia established and appointed the following structures and responsible persons and bodies for managing the EU Pre-Accession Assistance programmes for the period 2014-2020:

HORIZONTAL INSTITUTIONS/PERSON	
IPA institution/person	National Institution/person
National IPA Coordinator (hereinafter: NIPAC)	Minister of European integration
Technical Secretariat of the National IPA Coordinator (hereinafter: NIPAC TS)	Ministry of European Integration, Department for Planning, Programming, Monitoring and Reporting on EU Funds and Development Assistance
National Authorizing Officer (hereinafter: NAO)	State Secretary in the Ministry of Finance
Management structure supporting NAO consists of: National Fund Body for support to the National Authorising Officer (hereinafter: NAO SO)	Ministry of Finance, Department for EU Funds Management National Fund Division for management of EU pre-accession assistance funds Division for the control of the European Union pre-accession assistance funds management
Body for combating irregularities and fraud in the handling of EU funds (hereinafter: AFCOS)	Ministry of Finance, Department for Control of Public Funds, Division for Combating Irregularities and Fraud of EU funds
Audit Authority (hereinafter: AA Office)	Governmental Audit Office of EU funds
OPERATING STRUCTURE FOR MANAGEMENT OF THE ACTION PROGRAMMES	
IPA institution/person	National Institution/person

⁷⁵ Official Gazette of the RS, No. 86/15

⁷⁶ Official Gazette of the RS No. 101/17 and 68/18

Body for coordination of programming, monitoring and evaluation (hereinafter: BCPME)	Ministry of European Integration, Department for Planning, Programming, Monitoring and Reporting on EU Funds and Development Assistance
Contracting Authority	Ministry of Finance, Department for Contracting and Financing of EU Funded Projects (hereinafter: CFCU)
Final Beneficiaries (FB)	Authorities accredited for the implementation of actions within action programmes
OPERATING STRUCTURE FOR MANAGEMENT OF CBC PROGRAMMES WITH NON-EU MEMBER STATES	
IPA institution/person	National Institution/person
Person responsible for the activities of the operating structure (OS) for the management of Cross-Border Cooperation (hereinafter: CBC) programmes	Acting Assistant Minister in the Department for Cross-Border and Transnational Cooperation Programmes and cooperation with local and regional authorities and organisations for more efficient use of funds within the Ministry of European Integration – Head of the Operating Structure
Professional, administrative and technical activities for the person responsible for the activities of the operating structure for the management of CBC programmes	Ministry of European Integration, Section for supporting the Head of the Operating Structure and the National Authority within the Department for Cross-Border and Transnational Cooperation Programmes and cooperation with local and regional authorities and organisations for more efficient use of funds
CBC Body ⁷⁷	Ministry of European Integration, Division for planning, establishing and monitoring the cross-border and transnational cooperation programme management system and for coordinating EU macro-regional strategies within the Department for Cross-Border and Transnational Cooperation Programmes and cooperation with local and regional authorities and organisations for more efficient use of funds
Contracting Authority	Ministry of Finance, CFCU
STRUCTURE FOR CBC PROGRAMMES WITH EU MEMBER STATES	
IPA institution/person	National Institution/person
National Authority	Ministry of European Integration, Department for Cross-Border and Transnational Cooperation Programmes and cooperation with local and regional authorities and organisations for more efficient use of funds
Head of National Authority	Acting Assistant Minister in the Department for

⁷⁷ For the programmes implemented through the indirect management modality, the Republic of Serbia will act as a lead country where Contracting Authority is situated (for IPA CBC Programme Serbia-Montenegro 2014-2020, IPA CBC Programme Serbia-Bosnia and Herzegovina 2014-2020 and IPA II CBC Programme Serbia-Former Yugoslav Republic of Macedonia 2016-2020).

	Cross-Border and Transnational Cooperation Programmes and cooperation with local and regional authorities and organisations for more efficient use of funds within the Ministry of European Integration
First Level Control	Ministry of Finance, Department for Contracting and Financing of EU Funded Projects, Division for First Level Control of Projects Financed under IPA Component Cross-Border and Transnational Cooperation (hereinafter: FLC Division)
OPERATING STRUCTURE FOR MANAGEMENT OF IPARD PROGRAMME	
IPA institution/person	National Institution/person
Managing Authority	Ministry of Agriculture, Forestry and Water Management, Department for Rural Development
IPARD Agency	Ministry of Agriculture, Forestry and Water Management, Directorate for Agrarian Payments

10. ANNEX III - COMPARATIVE OVERVIEW OF THE FUNCTIONS PERFORMED BY AUTHORITIES FOR ESI AND IPA FUNDS FOR FIRST CP GOAL

Comparison between IPA structures and requirements under ESI funds is presented in line with the **Framework Agreement between the Republic of Serbia and the European Commission** on the arrangements for implementation of Union financial assistance to the Republic of Serbia under the Instrument for Pre-accession Assistance (IPA II) (hereinafter FwA) and **Regulation (EU) No 1303/2013** Common provisions regulation (hereinafter CPR). In order to be embedded into nation legislation FwA is transposed and further elaborated in the **Decree on the management of EU Pre-accession Assistance programmes** under the Instrument for Pre-accession Assistance (IPA II) for the period 2014-2020, **Decree on appointing the Audit Authority** for auditing the management system for pre-accession assistance programmes of the European Union under the instrument for pre-accession assistance (hereinafter AA Decree) as well as in **Decision on the Appointment** of the Persons and Bodies responsible for Management of the EU Pre-Accession Assistance Programmes within the Instrument for Pre-Accession Assistance (IPA II) for the period 2014-2020, other interinstitutional agreements and procedures.

Please note that some FwA articles are partially quoted in order to correspond to the certain requirements under articles in question from the Regulation (EU) No 1303/2013. For any further consideration consult complete version.

ESI Funds	IPA II under indirect management in Serbia
<p><i>Article 123, Designation of authorities</i></p> <ol style="list-style-type: none"> Each Member State shall designate, for each operational programme, a national, regional or local public authority or body or a private body as managing authority. The same managing authority may be designated for more than one operational programme. The Member State shall designate, for each operational programme, a national, regional or local public authority or body as a certifying authority, without prejudice to paragraph. The same certifying authority may be designated for more than one operational programme. The Member State may designate for an operational programme a managing authority, which is a public authority or body, to carry out, in addition, the functions of the certifying authority. The Member State shall designate, for each operational programme, a national, regional or local public authority or body, functionally independent from the managing authority and the certifying authority, as audit authority. The same audit authority may be designated for 	<p><i>FwA, Article 6. Principle of ownership, points 2 and 3</i></p> <ol style="list-style-type: none"> The IPA II beneficiary shall appoint a National IPA Co-ordinator (NIPAC), who shall be the main counterpart of the Commission for the overall process of: strategic planning, coordination of programming, monitoring of implementation, evaluation and reporting of IPA II assistance. The NIPAC shall: <ol style="list-style-type: none"> ensure coordination within the IPA II beneficiary's administration and with other donors and a close link between the use of IPA II assistance and the general accession process; Endeavour that the IPA II beneficiary's administration takes all necessary steps to facilitate the implementation of the related programmes. The NIPAC shall be a high-ranking representative of the government or the national administration of the IPA II beneficiary with the appropriate authority.

<p>more than one operational programme.</p> <ol style="list-style-type: none"> 5. In the case of the Funds relating to the Investment for growth and jobs goal and in the case of the EMFF, provided that the principle of separation of functions is respected, the managing authority, the certifying authority, where applicable, and the audit authority may be part of the same public authority or body. 6. The Member State may designate one or more intermediate bodies to carry out certain tasks of the managing or the certifying authority under the responsibility of that authority. The relevant arrangements between the managing authority or certifying authority and the intermediate bodies shall be formally recorded in writing. 7. The Member State or the managing authority may entrust the management of part of an operational programme to an intermediate body by way of an agreement in writing between the intermediate body and the Member State or managing authority (a 'global grant'). The intermediate body shall provide guarantees of its solvency and competence in the domain concerned, as well as of its administrative and financial management capacity. 8. The Member State may, at its own initiative, designate a coordinating body whose responsibility shall be to liaise with and provide information to the Commission, to coordinate activities of the other relevant designated bodies and to promote the harmonised application of applicable law. <p>The Member State shall lay down in writing rules governing its relationship with the managing authorities, certifying authorities and audit authorities, the relations between such authorities, and the relationship of such authorities with the Commission.</p>	<p><i>FwA, Article 10. Establishment of structures and authorities for indirect management by the IPA II beneficiary</i></p> <p>The following structures and authorities shall be established by the IPA II beneficiary in the event of indirect management:</p> <ol style="list-style-type: none"> 1. The National IPA Coordinator (NIPAC) 2. The National Authorising Officer (NAO) 3. The NAO shall establish a management structure composed of a National Fund (NF) and a support office for the NAO (NAO SU). 4. The Operating structure 5. The IPA II beneficiary shall provide for an audit authority. 6. The IPA II beneficiary shall ensure adequate segregation of duties between and within the structures and authorities referred to in paragraphs (1) to (3). Duties are segregated when different tasks related to a transaction are allocated to different staff, thereby helping to ensure that each separate task has been properly undertaken <p><i>FwA, Article 11. Functions and responsibilities of the structures and authorities</i></p> <ol style="list-style-type: none"> 1. The structures and authorities mentioned in Article 10 shall be assigned functions and responsibilities as set out in Annex A to this Agreement and shall comply with the internal control framework of Annex B to this Agreement. The IPA II beneficiary shall immediately inform the Commission of any substantial changes concerning the structures and authorities mentioned in Article 10. 2. Policy area or programme specific assignments of functions and responsibilities may be set out in Sectoral or Financing Agreements in line with the basic approach chosen for the assignment of functions and responsibilities as set out in Annex A to this Agreement. 3. Where under indirect management by the Republic of Serbia (hereinafter used as IPA II beneficiary) specific persons and/or entities have been given responsibility for an activity in relation to the management, implementation, control, supervision, monitoring, evaluation, reporting or audit of programmes, the IPA II beneficiary shall enable such persons and/or entities to exercise the duties associated with that responsibility. The IPA II beneficiary shall, in particular, provide those persons and/or entities with the authority to establish: <ol style="list-style-type: none"> (a) formal working arrangements between them and the bodies concerned; (b) an appropriate system for the exchange of information between them and the bodies concerned, including the power to require information and a
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	<p>right of access to documents and staff on the spot, if necessary;</p> <p>(c) the standards to be met and the procedures to be followed.</p>
<p><i>Article 125, Functions of the managing authority</i></p> <ol style="list-style-type: none"> 1. The managing authority shall be responsible for managing the operational programme in accordance with the principle of sound financial management. 2. As regards the management of the operational programme, the managing authority shall: <ol style="list-style-type: none"> a) support the work of the monitoring committee referred to in Article 47 and provide it with the information it requires to carry out its tasks, in particular data relating to the progress of the operational programme in achieving its objectives, financial data and data relating to indicators and milestones; b) draw up and, after approval by the monitoring committee, submit to the Commission annual and final implementation reports referred to in Article 50; c) make available to intermediate bodies and beneficiaries information that is relevant to the execution of their tasks and the implementation of operations respectively; d) establish a system to record and store in computerised form data on each operation necessary for monitoring, evaluation, financial management, verification and audit, including data on individual participants in operations, where applicable; e) ensure that the data referred to in point (d) is collected, entered and stored in the system referred to in point (d), and that data on indicators is broken down by gender where required by Annexes I and II of the ESF Regulation. 3. As regards the selection of operations, the managing authority shall: <ol style="list-style-type: none"> a) draw up and, once approved, apply appropriate selection procedures and criteria that: <ol style="list-style-type: none"> (i) ensure the contribution of operations to the achievement of the specific objectives and results of the relevant priority; (ii) are non-discriminatory and transparent; (iii) take into account the general principles set out in Articles 7 and 8; b) ensure that a selected operation falls within the scope of the Fund or Funds concerned and can be attributed to a category of 	<p><i>FwA, Annex A, Clause 1 The National IPA Coordinator</i></p> <p>The NIPAC shall be established by the IPA II beneficiary. The NIPAC shall be a high-ranking representative of the government or the state administration of the IPA II beneficiary with the appropriate authority. In addition to the functions and responsibilities under Articles 6(2), 16(2), 59 and 75 of this Agreement, where budget implementation tasks are entrusted to the IPA II beneficiary, the NIPAC shall:</p> <ol style="list-style-type: none"> (a) take measures to ensure that the objectives set out in the actions or programmes for which budget implementation tasks have been entrusted are appropriately addressed during the implementation of IPA II assistance. (c) In accordance with Article 57 of this Agreement, coordinate the drawing up of an evaluation plan in consultation with the Commission presenting the evaluation activities to be carried out in the different phases of the implementation as per provisions of Article 55 of this Agreement. <p><i>FwA, Annex A, Clause 2 The National Authorising Officer</i></p> <ol style="list-style-type: none"> 1. The NAO shall be established by the IPA II beneficiary. The NAO shall be a high-ranking representative of the government or the national administration of the IPA II beneficiary with the appropriate authority. 2. The NAO shall bear the overall responsibility for the financial management of IPA II assistance in the Republic of Serbia and for ensuring the legality and regularity of expenditure. The NAO shall in particular be responsible for: <ol style="list-style-type: none"> (a) the management of IPA II accounts and financial operations; (b) the effective functioning of the internal control systems for the implementation of IPA II assistance in accordance with Annex B to this Agreement. <p>While carrying out these functions the NAO may carry out on the spot verifications.</p> 5. For the purpose of paragraph 2(b), the NAO, supported by the NAO support office, shall in particular fulfil the following tasks: <ol style="list-style-type: none"> (a) provide assurance about the legality and regularity of underlying transactions; (b) put into place effective and proportionate anti-fraud measures taking into

<p>intervention or, in the case of the EMFF, a measure identified in the priority or priorities of the operational programme;</p> <ul style="list-style-type: none"> c) ensure that the beneficiary is provided with a document setting out the conditions for support for each operation including the specific requirements concerning the products or services to be delivered under the operation, the financing plan, and the time-limit for execution; d) satisfy itself that the beneficiary has the administrative, financial and operational capacity to fulfil the conditions referred to in point (c) before approval of the operation e) satisfy itself that, where the operation has started before the submission of an application for funding to the managing authority, applicable law relevant for the operation has been complied with; f) ensure that operations selected for support from the Funds or the EMFF do not include activities which were part of an operation which has been or should have been subject to a procedure of recovery in accordance with Article 71 following the relocation of a productive activity outside the programme area; g) determine the categories of intervention or, in the case of the EMFF, the measures to which the expenditure of an operation shall be attributed. <p>4. As regards the financial management and control of the operational programme, the managing authority shall:</p> <ul style="list-style-type: none"> (a) verify that the co-financed products and services have been delivered and that expenditure declared by the beneficiaries has been paid and that it complies with applicable law, the operational programme and the conditions for support of the operation; (b) ensure that beneficiaries involved in the implementation of operations reimbursed on the basis of eligible costs actually incurred maintain either a separate accounting system or an adequate accounting code for all transactions relating to an operation; (c) put in place effective and proportionate anti-fraud measures taking into account the risks identified; (d) set up procedures to ensure that all documents regarding expenditure and audits required to ensure an adequate audit trail are held in accordance with the requirements of point (g) of Article 72; 	<p>account the risks identified and ensure reporting in accordance with Article 51(2) while keeping the Anti-fraud coordination service referred to in Article 50(2) informed of such reporting;</p> <ul style="list-style-type: none"> (c) be responsible for monitoring the continuous fulfilment by the management structure and the operating structures of the applicable requirements set out in points (a), (b) and (d) of Article 12(3) and Annex B to this Agreement and in case of failure to satisfy these requirements for informing the Commission without delay and taking any appropriate safeguard measures regarding payments made or contracts signed; (d) ensure the existence as well as effective functioning of the internal control systems for the implementation of IPA II assistance; (e) ensure reporting on the management and control systems and review the programming and implementation capacities of staff within operating structures involved in the programming and implementation of the actions; (f) ensure that a reporting and information system is put in place and functioning; (g) follow-up the findings of audit reports from the audit authority, drawn up in accordance with Clause 5(2) of Annex A of this Agreement. While doing so the NAO shall: <ul style="list-style-type: none"> (i) decide whether any improvements to the management and internal control systems are required, record the decisions in that respect and ensure the timely implementation of those improvements; (ii) make adjustments to the payment requests to the Commission, if necessary; (h) take account, when drawing up the management declaration as referred to in point (b) of Article 59(2), of the results of all audits carried out by or under the responsibility of the audit authority; (i) immediately notify the Commission of any substantial change concerning the management and control systems for examination and approval in advance of their implementation; (j) coordinate, whenever relevant, the preparation of consolidated action plans addressing any outstanding weaknesses detected in the management and control systems <p><i>FwA, Annex A, Clause 4 The Operating Structure, points 1, 2 and 4</i></p> <ol style="list-style-type: none"> 1. Operating structure(s) shall be established, within the administration of the IPA II beneficiary to prepare, implement and manage the IPA II assistance. 2. The operating structure shall be responsible for preparation, implementation, information and visibility referred to in Articles 23 and 24 of this Agreement,
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<p>(e) draw up the management declaration and annual summary referred to in points (a) and (b) of Article 59(5) of the Financial Regulation.</p> <p>5. Verifications pursuant to point (a) of the first subparagraph of paragraph 4 shall include the following procedures:</p> <p>(a) administrative verifications in respect of each application for reimbursement by beneficiaries;</p> <p>(b) on-the-spot verifications of operations.</p> <p>The frequency and coverage of the on-the-spot verifications shall be proportionate to the amount of public support to an operation and to the level of risk identified by such verifications and audits by the audit authority for the management and control system as a whole.</p> <p>6. On-the-spot verifications of individual operations pursuant to point (b) of the first subparagraph of paragraph 5 may be carried out on a sample basis.</p> <p>7. Where the managing authority is also a beneficiary under the operational programme, arrangements for the verifications referred to in point (a) of the first subparagraph of paragraph 4 shall ensure adequate separation of functions.</p> <p>8. The Commission shall be empowered to adopt delegated acts, in accordance with Article 149, laying down rules specifying the information in relation to the data to be recorded and stored in computerised form within the monitoring system established under point (d) of paragraph 2 of this Article.</p> <p>The Commission shall adopt implementing acts laying down the technical specifications of the system established under point (d) of paragraph 2 of this Article. Those implementing acts shall be adopted in accordance with the examination procedure referred to in Article 150(3).</p> <p>9. The Commission shall be empowered to adopt delegated acts, in accordance with Article 149, laying down the detailed minimum requirements for the audit trail referred to in point (d) of the first subparagraph of paragraph 4 of this Article in respect of the accounting records to be maintained and the supporting documents to be held at the level of the certifying authority, managing authority, intermediate bodies and beneficiaries.</p> <p>10. The Commission shall, in order to ensure uniform conditions on the implementation of this Article, adopt implementing acts concerning the model for the management declaration referred to in point (e) of the first subparagraph of paragraph 4 of this Article. Those</p>	<p>monitoring and reporting of programmes, and evaluation thereof whenever relevant, in accordance with the principle of sound financial management. It shall be responsible for ensuring the legality and regularity of the expenditure incurred in the implementation of the programmes under its responsibility.</p> <p>3. The operating structure shall fulfil the following functions and assume the following responsibilities:</p> <p>(a) As regards the management of a programme, the operating structure shall:</p> <p>(i) monitors the implementation of the programme, propose amendments, as needed, and provide to the sectoral monitoring committee information on the progress of the programme in achieving its objectives, in particular being based on set milestones and related indicators (targets), as well as financial data;</p> <p>(ii) delivers all the necessary information for the purposes of the reports drawn up by the NIPAC and the NAO and submitted to the Commission as provided for in Article 59 of this Agreement. It may be required to draw up a comprehensive annual report covering the full financial year, to be submitted by the NIPAC to the Commission, after examination by the responsible sectoral monitoring committee;</p> <p>(iv) shares within the operating structure any information that is relevant to the execution of the tasks allocated and to the implementation of actions.</p> <p>(v) be responsible for drawing up an evaluation plan and conducting, as appropriate, ex-ante, interim and ex-post evaluations of the programmes it manages, following the provisions of Article 55 of this Agreement.</p> <p>(b) As regards the selection and control of actions and financial management, the operating structure shall in accordance with the relevant Articles of this Agreement:</p> <p>(i) ensure that actions are selected for funding and approved in accordance with the procedures and criteria applicable to the policy area or programme;</p> <p>(ii) arrange for procurement and grant award procedures and contracting;</p> <p>(iii) set up procedures to ensure retention of all documents regarding procurement, grant award, contracting, financial management, controls and audits required to ensure an adequate audit trail;</p> <p>(iv) make payments to, and recovery from, the recipients of IPA II assistance;</p>
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<p>implementing acts shall be adopted in accordance with the advisory procedure referred to in Article 150(2).</p>	<ul style="list-style-type: none"> (v) ensure that all bodies within the operating structure involved in the implementation of actions maintain either a separate accounting system or an adequate accounting codification for all transactions relating to an action; (vi) ensure that the NAO receives all necessary information on the procedures and management verifications carried out in relation to expenditure; (vii) set up an accrual based accounting system which records and stores, in computerised form, accounting records for each action/ activity and which supports all the data required for drawing up payment request and annual financial report or statement and making commitments and payments and monitoring the implementation of the action; (viii) set up a system for timely reporting of irregularities and for effective and proportionate anti-fraud measures, taking into account the risks identified; (ix) set up a system for the recognition of all amounts due and for the recording in a debtors' ledger of all such debts, including irregularities, prior to their receipt. (x) verify that the expenditure incurred, paid and declared to the NAO complies with applicable Union and national law, the programme, the conditions for support of the action and the conditions of the contract, the goods or services have been delivered, and the payment requests by the recipient are correct. These management verifications shall cover administrative, financial, technical and physical aspects of each action and shall include: <ul style="list-style-type: none"> • full administrative verification of the supporting documents in respect of each commitment and payment; • physical on-the-spot verifications, the frequency and scope of which shall take into account, inter alia, the type of action, the amount of public expenditure involved and the level of risk identified; (xi) ensure internal audit of the bodies within the operating structure; (xii) ensure compliance with information, publicity, transparency, visibility and communication requirements as provided for in Articles 23 and 24 of this Framework Agreement; <p>(c) The bodies within the operating structure shall record arrangements between them formally in writing. The heads of these bodies shall be clearly designated and shall be responsible for the assigned tasks. The</p>
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	<p>IPA II beneficiary shall enable them to exercise their duties and responsibilities. They shall be accountable to the head of the operating structure, where applicable.</p> <p>All FwA requirements are reflected in the IPA II Decree and supporting implementing, operating agreements, end recipient agreement and procedures.</p>
<p><i>Article 126, Functions of the certifying authority</i></p> <p>The certifying authority of an operational programme shall be responsible in particular for:</p> <ul style="list-style-type: none"> (a) Drawing up and submitting payment applications to the Commission, and certifying that they result from reliable accounting systems, are based on verifiable supporting documents and have been subject to verifications by the managing authority; (b) Drawing up the accounts referred to in point (a) of Article 59(5) of the Financial Regulation; (c) Certifying the completeness, accuracy and veracity of the accounts and that the expenditure entered in the accounts complies with applicable law and has been incurred in respect of operations selected for funding in accordance with the criteria applicable to the operational programme and complying with applicable law; (d) Ensuring that there is a system which records and stores, in computerised form, accounting records for each operation, and which supports all the data required for drawing up payment applications and accounts, including records of amounts recoverable, amounts recovered and amounts withdrawn following cancellation of all or part of the contribution for an operation or operational programme; (e) Ensuring, for the purposes of drawing up and submitting payment applications, that it has received adequate information from the managing authority on the procedures and verifications carried out in relation to expenditure; (f) Taking account when drawing up and submitting payment applications of the results of all audits carried out by, or under the responsibility of, the audit authority; (g) Maintaining, in a computerised form, accounting records of expenditure declared to the Commission and of the corresponding public contribution paid to beneficiaries; 	<p><i>FwA, Annex A, Clause 2 The National Authorizing Officer, point 3</i></p> <p>3. For the purpose of paragraph 2(a), the NAO, supported by the National Fund, shall in particular fulfil the following tasks:</p> <ul style="list-style-type: none"> a) draw up and submit to the Commission statements of expenditure detailing: <ul style="list-style-type: none"> (i) incurred and paid costs; (ii) and where applicable, include information on pre-financing in the payment requests, and certify that these result from reliable accrual based accounting systems as established in compliance with point (b), are accurate and based on verifiable supporting documents, and have been subject to verifications by the operating structures and by the management structure. At the closure of a programme, the NAO shall provide a final statement of expenditure; b) ensure that there is an accrual based accounting system which records and stores, in computerised form, accounting records for each action/activity/operation and which supports all the data required for drawing up payment requests and annual financial reports or statements. Such system shall provide accurate, complete and reliable information in a timely manner and shall also include records of amounts recoverable, amounts recovered and amounts withdrawn following cancellation of all or part of the IPA II assistance for a programme or action or programme; c) ensure the transfer of funds to the operating structures or recipients; d) verify, where applicable, the existence and correctness of the co-financing elements and ensure the existence of sufficient resources in the National Fund to cope with possible shortages due to late transfer of funds from the Commission or recovery orders issued by it; e) make financial adjustments required in connection with irregularities according to Article 51, in accordance with Article 17 of the IPA II Implementing Regulation and Article 42 of this Agreement and recover the Union contribution paid to the recipient in accordance with national recovery procedures in case of situations referred to in Article 51(5) and, as provided for in Article 41 of this Agreement; f) take account, when drawing up and submitting financial reports or

<p>(h) Keeping an account of amounts recoverable and of amounts withdrawn following cancellation of all or part of the contribution for an operation. Amounts recovered shall be repaid to the budget of the Union prior to the closure of the operational programme by deducting them from the subsequent statement of expenditure.</p>	<p>statements and payment requests as referred to above under point (a) of paragraph (3), of the results of all audits carried out by or under the responsibility of the audit authority;</p> <p>g) be the contact point for the flow of financial information between the Commission and the IPA II beneficiary and for any questions in connection with the financial provisions of this Agreement.</p> <p><i>FwA, Annex A, Clause 3 The Management structure, points 2 and 3</i></p> <ol style="list-style-type: none"> 1. The National Fund shall be accountable to the NAO and shall be located in a national level ministry of the IPA II beneficiary with central budgetary competence and shall act as central treasury entity. It shall support the NAO in fulfilling his/her tasks, in particular those of management of IPA II accounts and financial operations referred to under Clause 2(3) of this Annex and shall be in charge of tasks of financial management of IPA II assistance, under the responsibility of the NAO. 2. The National Fund shall in particular be in charge of: <ol style="list-style-type: none"> a) holding and organising the central IPA bank accounts; b) requesting funds and receiving all payments from the Union budget; c) authorising the transfer of such payments to the operating structures or to the recipients; d) returning funds to the Union budget following recovery orders issued by the Commission; e) support NAO in preparing financial reporting to the Commission; f) operating computer based accrual accounting system that provides accurate, complete and reliable information in a timely manner. <p>All FwA requirements are reflected in the IPA II Decree and supporting implementing agreements and procedures.</p>
<p><i>Article 127, Functions of the audit authority</i></p> <ol style="list-style-type: none"> 1. The audit authority shall ensure that audits are carried out on the proper functioning of the management and control system of the operational programme and on an appropriate sample of operations on the basis of the declared expenditure. The declared expenditure shall be audited based on a representative sample and, as a general rule, on statistical sampling methods. <p>A non- statistical sampling method may be used on the professional judgement of the audit authority, in duly justified cases, in accordance with internationally accepted audit standards and in any case where the number of operations for an accounting year is insufficient to allow the</p>	<p><i>FwA Art. 10(3), 12 (c) and Annex A, Clause 5</i></p> <ol style="list-style-type: none"> 1. The IPA II beneficiary shall provide for an audit authority which shall be independent from the NIPAC, the NAO, the management structure and the operating structure(s) and be ensured the necessary financial autonomy. It shall comply with internationally accepted auditing standards. A head of the audit authority shall be appointed by the IPA II beneficiary. S/he shall possess adequate competence, knowledge and experience in the field of audit to carry out the required tasks. 2. The audit authority shall carry out audits on the management and control system(s), on actions, transactions and on the annual accounts in line with internationally accepted auditing standards and in accordance with an audit

<p>use of a statistical method.</p> <p>In such cases, the size of the sample shall be sufficient to enable the audit authority to draw up a valid audit opinion in accordance with the second subparagraph of Article 59(5) of the Financial Regulation.</p> <p>The non-statistical sample method shall cover a minimum of 5 % of operations for which expenditure has been declared to the Commission during an accounting year and 10 % of the expenditure which has been declared to the Commission during an accounting year.</p> <p>2. Where audits are carried out by a body other than the audit authority, the audit authority shall ensure that any such body has the necessary functional independence.</p> <p>3. The audit authority shall ensure that audit work takes account of internationally accepted audit standards.</p> <p>4. The audit authority shall, within eight months of adoption of an operational programme, prepare an audit strategy for performance of audits. The audit strategy shall set out the audit methodology, the sampling method for audits on operations and the planning of audits in relation to the current accounting year and the two subsequent accounting years. The audit strategy shall be updated annually from 2016 until and including 2024. Where a common management and control system applies to more than one operational programme, a single audit strategy may be prepared for the operational programmes concerned. The audit authority shall submit the audit strategy to the Commission upon request.</p> <p>5. The audit authority shall draw up:</p> <ul style="list-style-type: none"> b) an audit opinion in accordance with the second subparagraph of Article 59(5) of the Financial Regulation; c) a control report setting out the main findings of the audits carried out in accordance with paragraph 1, including findings with regard to deficiencies found in the management and control systems, and the proposed and implemented corrective actions. <p>Where a common management and control system applies to more than one operational programme, the information required under point (b) of the first subparagraph may be grouped in a single report.</p> <p>6. The Commission shall, in order to ensure uniform conditions for the implementation of this Article, adopt implementing acts laying down models for the audit strategy, the audit opinion and the control report. Those implementing acts shall be adopted in accordance with the advisory procedure referred to in Article 150(2).</p> <p>7. The Commission shall be empowered to adopt delegated acts, in</p>	<p>strategy. Further guidance and definitions from the Commission may complement those standards.</p> <p>3. Under the responsibility of its head, the audit authority shall in particular fulfil the following functions and assume the following responsibilities:</p> <ul style="list-style-type: none"> (a) prepare an audit strategy on a tri-annual basis, following the model in Annex G to this Agreement, which will be up-dated annually. The audit strategy shall set out the audit methodology, the sampling methods for audits of actions and transactions and the planning of audits. The audits shall aim at verifying: <ul style="list-style-type: none"> (i) the completeness, accuracy and veracity of the annual financial reports or statements and the underlying annual accounts; (ii) the efficient and effective functioning of the management, control and supervision systems; (iii) the legality and regularity of the underlying transactions. <p>The audit authority shall submit the audit strategy for the following three years by end of November each year to the Commission with a copy to the NAO. Where a common management and control system applies to more than one programme, a single audit strategy may be prepared for the programmes or actions concerned.</p> (b) draw up and submit to the Commission and the Government of the Republic of Serbia, with a copy to the NIPAC and the NAO reports and opinions as follows: <ul style="list-style-type: none"> (i) by 15 March each year, an annual audit opinion in accordance with the second subparagraph of Article 60(5) of the Financial Regulation and following the model set out in Annex E to this Agreement, on the annual financial reports or statements and the underlying annual accounts for the preceding financial year, covering their completeness, accuracy and veracity and on the functioning of the management, control and supervision system and the legality and regularity of the underlying transactions; (ii) by 15 March each year, together with the annual audit opinion, an annual audit activity report following the model in Annex D to this Agreement and setting out the findings from the audits carried out in accordance with the audit strategy during the period concerned and supporting the annual audit opinion. The annual audit activity report shall set out, inter alia, any deficiencies found in the management, control and supervision systems and any corrective measures taken or planned by the NAO, National Fund and/or the operating structures concerned; (iii) an opinion on any final statement of expenditure that the NAO has
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<p>accordance with Article 149, to set out the scope and content of audits of operations and audits of the accounts and the methodology for the selection of the sample of operations referred to in paragraph 1 of this Article.</p> <p>The Commission shall be empowered to adopt delegated acts, in accordance with Article 149, laying down detailed rules on the use of data collected during audits carried out by Commission officials or authorised Commission representatives.</p>	<p>submitted to the Commission for the closure of any programme or of any part thereof. Such opinion shall address the validity of the final payment application and the accuracy of the financial information. Where appropriate, a final audit activity report shall support the opinion. The opinion on any final statement of expenditure shall follow the model provided in Annex F to this Agreement. The audit authority shall send the opinion within three months of the submission of the relevant final statement of expenditure by the NAO.</p> <p>(c) Further specific requirements for the audit strategy and/or the reports and opinions mentioned under point (b) may be set out in the Sectoral or Financing Agreements.</p> <p>All FwA requirements are reflected in the IPA II and AA Decree and supporting interinstitutional agreements and procedures.</p>
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