

**NATIONAL PRIORITIES FOR INTERNATIONAL
ASSISTANCE (NAD) 2014-2017 WITH PROJECTIONS
UNTIL 2020**

28/1/2014

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Abbreviations

SBRA	Serbian Business Registers Agency
AC	Asylum Centre
ACAS	Anti-Corruption Agency
ADR	European Agreement concerning the International Carriage of Dangerous Goods by Road Fra. "Accord européen relative au transport international des marchandises Dangereuses par Route".
ADN	European Agreement Concerning The International Carriage of Dangerous Goods By Inland Waterways Fra.-Accord européen relative au transport international des marchandises Dangereuses par voies de Navigation intérieures
AETR	European Agreement concerning the Work of Crews of Vehicles Engaged in International Road Transport
AGTC	European Agreement on Important International Combined Transport Lines and Related Installations
AMS Directive	Audio-visual Media Service Directive
ANEM	Association of Independent Electronic Media
ARD	Agriculture and Rural Development
ATS	Accreditation Body of Serbia
AP	Autonomous Province
BIA	Security Information Agency
BOD	Biochemical Oxygen Demand
CAP	Common Agricultural Policy
CARDS	Community Assistance for Reconstruction, Development and Stabilization
CBC	Cross Border Cooperation
CEFTA	Central European Free Trade Agreement
CERD	Committee on the Elimination of Racial Discrimination
CoE	Council of Europe
COTIF	Convention concerning International Carriage by Rail
CPC	Criminal Procedure Code
CPE	Comission for Protection of Equality
CPI	Corruption Perceptions Index
CRR	Comprehensive Regulatory Reforms
CRS	Commissariat for Refugees and Migration of the Republic of Serbia
CSF	Common Strategic Framework
CSO	Civil Society Organisations
CSP	Country Strategy Paper
CULTEMA	Cultural Territorial Network
EBRD	European Bank for Reconstruction and Development
EC	European Commission
ECB	European Central Bank
ECENA	Environmental Compliance and Enforcement Network for Accession
ECHR	European Court on Human Rights
ECRAN	Environment and Climate Regional Accession Network
ECTS	European Credit Transfer System
EEA	European Economical Area
EFRD	European Fond for Regional Development
EFTA	European Free Trade Association
EHEA	European Higher Education Area
EIB	European Investment Bank
ELV	Emission Limit Values
EMAS	EMAS - The European Eco-Management and Audit Scheme
EMS	Electric Network of Serbia
ENE	Energetics
ENR	Lower Navigation Level Fra. ENR - Etiage navigable et de régularisation
ENV	Environment

EPS	Electric Power Industry of Serbia
ESCO	Energy Service Company
ESPAD	European School Survey Project on Alcohol and Other Drugs
EU	European Union
EURES	European Employment Service
EUROSTAT	European Statistics
FADN	Farm Accountancy Data Network
FAO	Food and Agriculture Organisation
DABLAS Task Force	Danube Black Sea Task Force
DAC	Development Assistance Committee
DFI	Direct Foreign Investment
DFID	UK Department for International Development
DMDM	Directorate for Measures and Precious Metals
DMS	Decentralised Management System
DP	Displaced Persons
DR	Death rate
GAP	Gross Agricultural Production
GDP	Gross Domestic Product
GDERD	Gross Domestic Expenditure on Research and Development
GGE	Total Greenhouse Gas Emissions
GFEC	Gross Final Energy Consumption
GIZ	German Association for International Cooperation - Ger. Deutsche Gesellschaft für Internationale Zusammenarbeit
GMO	Genetically Modified Organisms
GMPT	General Master Plan for Transport
GRECO	Group of States against Corruption - Council of Europe anti-Corruption Group
GS	General Secretariat
GSP	U.S. Generalized System of Preferences
GTS	Guaranteed Traditional Specialty
GVA	Gross Value Added
HCC	High Court Council
HFCS	Household Finance and Consumption Survey
HR (MD)	Human Resources (Management and Development)
HSC	Horizontal Support for Coordination With International Financial Institutions
IA	Internal Affairs
IACS	Integrated Administration and Control System
IATTM	Interim Agreement on Trade and Trade-related Matters
ICT	Information and Communication Technology
ICSS	Independent Cultural Scene of Serbia
IDC	Interdepartmental Commission
IDP	Internally Displaced Persons
IFI	International Financial Institutions
ILO	The International Labour Organization
IMF	International Monetary Fund
IPA	Instrument for Pre-Accession Assistance
IPA-MC	IPA Monitoring Committee
IPARD	IPA for Agriculture and Rural Development
IPPC	Integrated Pollution Prevention and Control
IRENA	International Renewable Energy Agency
ISDACON IS	Information System for Coordination of the Development Assistance to the Republic of Serbia
ISDEC	International Standard Classification of Education
ISS	Institute for Standardisation of Serbia
IT	Information Technology
ITS	Intelligent Transport System
JA	Judicial Academy
JASPERS	Joint Assistance to Support Projects in European Regions
JICA	JICA - Japan International Cooperation Agency

JISP	Unified Information System in Educational Institutions
JUS	Judiciary
KfW	German Development Bank
KKIM	Government Office for Kosovo and Metohia of the Republic of Serbia
LAG	Local Action Group
LEADER	Links between the rural economy and development actions, Fra.- Liaison Entre Actions de Développement de l'Économie Rurale
LFS	Labour Force Study
LGBT	Lesbian, gay, bisexual and transgender
LM	Line Ministries
LNG	Liquified Natural Gas
LPIS	Land Parcel Identification System
LSG	Local Self-Government
LSMS	Living Standard Measurement Study
MA	The Managing Authority
MDTF-JSS	The Multi Donor Trust Fund for Justice Sector Support
MDGs	Millennium Development Goals
MFP	Multi-factor productivity
MISP	Municipality Infrastructure Support Programme,
MLA	Mutual legal assistance
MoE	Ministry of Economy
MoF	Ministry of Finance
Moi	Ministry of Interior
MTOE	Million tons of oil equivalent
NACE	European Classification of Economic Activities
NAD	Needs Assessment Document
NBS	National Bank of Serbia
NCA	National <i>Codex Alimentarius</i>
NCP	National Contact Points
NDNV	Independent Journalists' Association of Vojvodina
NES	National Employment Service
NIP	National Investment Plan
NIPAC	National IPA Coordinator
NIPAC TS	NIPAC Technical Secretariat
NMVOOC	Non-methane volatile organic compounds
NPAA	National Programme for the Adoption of the Acquis
NPI	National Plan for Integration with the European Union for 2008-2012
NQF	National Qualification Framework
NREAP	National Renewable Energy Action Plan
NRDP	National Regional Development Plan
NSC	National Security Council
NUNS	Independent Journalists' Society of Serbia
NUTS	Nomenclature of territorial units for statistics
OHMR	Office for Human and Minority Right
OSCE	Organisation for Security and Co-operation in Europe
OTIF	Intergovernmental Organisation for International Carriage by Rail
PA	Public Administration
PAR	Public Administration Reform
PAF	Performance Assessment Framework
PC	Public Company
PCB/PCT	Polychlorinated biphenyl/Polychlorinated terphenyls
PDO	Protected Designation of Origin
PEFA	Public Expenditure and Financial Accountability Assessment
PGI	Protected Geographical Indications
PIF	Project Identification Form
PISA	PISA - The Programme for International Student Assessment
PMS	Public Media Service
PPF	Project Preparation Facility

PPP	Public-Private Partnership
PPPC	Public-Private Partnership Commission
PUC	Public Utility Company
RATEL	Republic Agency for Electronic Communications
RBA	Republic Broadcasting Agency
RD	Directorate for Railways
RDBE	Research and Development Business Expenses
REBIS	Regional Balkans Infrastructure Study
REC CEE	Regional Environmental Center for Central and Eastern Europe
RENA	Regional Environmental Network for Accession
RHP	Regional Housing Programme
RID	Regulations Concerning the International Carriage of Dangerous Goods by Rail
RPP	Republican Public Prosecutor
RPPO	The Republican Public Prosecutor's Office
RS	Republic of Serbia
SAA	Stabilisation and Association agreement
SAI	State Audit Institution
SBPOK	Counter-Organized Crime Service
SCSO	Sector Civil Society Organizations
SCTM	Standing Conference of Towns and Municipalities
SECI	Southeast European Cooperative Initiative
SEE	South-East Europe
SEIO	Serbian European Integration Office
SELEC	Convention of the Southeast European Law Enforcement Centre
SEPA	Serbian Environmental Protection Agency
SFRY	Socialist Federative Republic of Yugoslavia
SIDA	Swedish International Development Cooperation Agency
SIEPA	Serbia Investment and Export Promotion Agency
SIM	Special Investigation Measures
SMC	Sector Monitoring Committees
SME	Small and medium enterprises
SWG	Sector Work Groups
SORS	The Statistical Office of the Republic of Serbia
SPC	State Prosecutors' Council
SPO	Senior Programming Officer
SSP	Sector Support Programme
SWOT	Strengths, Weaknesses, Opportunities and Threats
TA	Technical Assistance
TAIB	Transition Assistance and Institution Building
TEN	Trans-European Networks
TEN-E	Trans-European Networks - Energy
TEN-T	Trans-European Networks - Transport
TFEU	Treaty on the functioning of the European Union
TIMSS	Trends in International Mathematics and Science Study
TKM	Ton-kilometer
TN Programmes	Transnational Programmes
TPP	Thermal Power Plant
TRA	Transport
TRKM	Traveller-kilometer
UAA	Used Agricultural Area
UIC	International Union of Railways
UN	United Nations
UNCAC	United Nations Convention Against Corruption
UNDP	United Nations Development Programme
UNESCO	United Nations Educational, Scientific and Cultural Organization
UNFCCC	The United Nations Framework Convention on Climate Change
UNICEF	United Nations International Children's Emergency Fund
UNODC	United Nations Office for Drugs and Crime

UNS	Journalists' Society of Serbia
USA	United States of America
USAID	The United States Agency for International Development
VAT	Value-Added Tax
WB	World Bank
WHO	World Health Organisation
WTO	World Trade Organisation
YOP	Yearly Operational Planning
ZAPROKUL	Center for Studies in Cultural Development
ZIS	Integral Railway Transport

SECTION A: BACKGROUND AND CONTEXT

A.1 Introduction

A.1.1. Scope and Objectives of the Document

The strategic objective of Serbian economic policy¹ is to accelerate European integration /EU accession by implementing the systematic reforms needed to meet the Copenhagen criteria. The progressive achievement of these reforms and the subsequent closer integration of Serbia with the EU should create a more attractive economic environment which will act as a driver for increased economic development and social cohesion e.g. by incentivising entrepreneurship and promoting social inclusion.

Document '*National Priorities for International Assistance in the Republic of Serbia 2014-17, with projections until 2020*' (hereinafter: NAD) is strategic programming document which provides a means for increasing the alignment of international assistance² with national priorities so that targeted donor interventions will support mainstream public spending on policy reforms from the national budget. In addition, the NAD makes it possible to eliminate the duplication of donor activities and to rationalize these activities so that they are as cost-effective as possible. This approach is a widely recognized way of increasing the efficiency and effectiveness of international assistance and is based on the conclusions of the Paris Declaration³ on Aid Effectiveness.

Whilst the NAD is the fourth in a series of such planning documents since 2007⁴, it is the first to fully anticipate the complete introduction of a Sector Approach (as recommended by the Paris Declaration⁵) over the planning period it covers i.e. from 2014 onwards. For this reason the NAD has a wide policy scope, covering all sectors and policy areas which are judged to be significant in preparing the country for EU accession and its socio-economic development. In total the NAD defines nine separate sectors, three thematic areas and two cross-cutting issues as listed in Table 1 below. The reasons for choosing the NAD sectors and the differences between sectors and thematic areas are explained in Section A5 below (*Sector Approach*).

Table 1: Sectors, Thematic Areas and Cross-Cutting Issues in the NAD

NAD Sectors	Thematic Areas
1. Justice	1. Civil Society
2. Home Affairs	2. Media
3. Public Administration Reform	3. Culture
4. Competitiveness	Cross-Cutting Issues
5. Energy	
6. Environment and Climate Change	
7. Transport	
8. Human Resource and Social Development	1. Local /Regional Development
9. Agriculture and Rural Development	2. Gender Equality

Given that the NAD is intended to become the basis for implementing a Sector Approach, it is also the first external assistance planning document in Serbia to contain indicators and to set verifiable, annual and mid-term, targets which can be used for assessing the progress of reforms in each sector /thematic area.

On the basis of the above, the specific objectives of the NAD are as follows:

¹ As given in the Fiscal Strategy for 2014, with projections for 2015 and 2016, Government of the Serbia, November 2013.

² The term International assistance is used throughout this document and covers both grants and concessional loans. Grants can be in the form of humanitarian aid and development assistance, while concessional loans are always development assistance. Humanitarian aid is focused on relieving suffering caused by natural disasters or conflict; it is not necessarily considered a long-term solution. Development assistance is given to economic development and /or social development and is aimed at removing the root causes of poverty or vulnerability. See Section A.4.1 for a further discussion of types of assistance in Serbia.

³ The Paris Declaration on Aid Effectiveness (OECD, 2005): Conclusion 3(iv): 'Eliminating duplication of efforts and rationalising donor activities to make them as cost-effective as possible'. Indicator 3 (see Section A.4.3, Table 4).

⁴ Preceding planning documents were: Needs Assessment Document (NAD) 2007-9; NAD 2009-11; NAD 2011-13.

⁵ The Paris Declaration on Aid Effectiveness (OECD, 2005): Indicator 4 (see Section A.4.3, Table 4).

- (i) To align international assistance with national strategies so as to ensure the most efficient use of available financial resources, and the deployment of international assistance funding to co-finance the national budget actions.
- (ii) To maximise the effectiveness and eventual impacts of international assistance funds by concentrating them in a relatively small number of accession-relevant measures which can be monitored on a regular basis
- (iii) To improve strategic planning for the benefit of EU accession and national socio-economic development within the line ministries by further development and consolidation of the Sector Approach in Serbia.

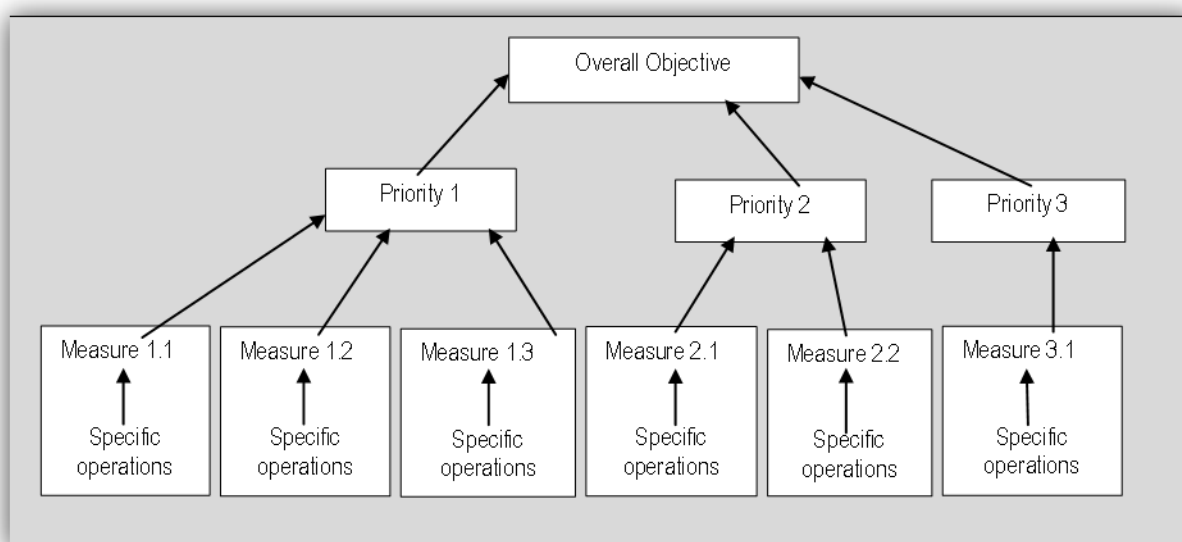
A.1.2 Intervention Strategy

According to established EC procedures, intervention strategy is made up of three inter-linked elements: (i) intervention rationale (which shows how identified needs, problems and challenges are addressed); (ii) intervention logic (which shows how planned activities are linked to outputs, results and different levels of expected impacts); (iii) intervention relationships (which assesses how interventions interact with others in similar or overlapping policy fields).

NAD intervention rationale is developed separately for each sector /thematic area and is presented in Section B of this document. Specifically, Section B2 for each sector /thematic area (*Strategic Framework*) describes the main objectives and priorities contained in the relevant national strategies (the actual strategies are listed per sector /thematic area in Annex 1). Similarly, Section B3 (*EU Agenda*) describes the EU policy and accession related framework. On the basis of the information presented in Sections B2 and B3, together with that given in B1 (defining sector scope) and B8 (evaluation of past assistance), a summarized analysis of priority needs, problems and challenges is given in Section B4 (in the form of a SWOT analysis) and is the basis on which the intervention logic has been formulated for each sector /thematic area.

NAD intervention logic follows the standard EU programme format and is defined at three levels, namely: Overall Objectives, Priorities and Measures, which are described for each sector /thematic area in Sections B4 (*Objectives and Priorities*) and B5 (*Measures*) respectively. The overall objectives and priorities for sectors /thematic areas, which are covering period up to 2020, are derived from the objectives of the sector strategies which make up the strategic framework presented in Section B2. The overall objective is usually based on a synthesis of the highest level objectives in the sector strategies whereas priorities usually reflect some, or all, of the specific objectives of these strategies. The intervention logic is as follows: *overall objectives are achieved by means of one or more priorities which, in turn, are achieved through measures implemented by the various activities and actions undertaken in specific operations.* This causal sequence is shown in Figure 1 below; this figure shows the intervention logic for a hypothetical sector which is implemented by means of six measures focused through three priorities.

Figure 1: Intervention Logic used in the NAD for each Sector /Thematic Area



In fact, overall, the nine sectors covered in the NAD are addressed by 27 priorities which are implemented by means of 72 measures. Each sector has between two and four priorities (on average three) implemented by five to 14 measures (on average eight). The NAD sector /thematic area priorities and objectives are shown diagrammatically in Annex 2.

The third element in intervention strategy, intervention relationships, focuses on identifying and eliminating potential conflicts between the outputs, results and impacts of individual measures and maximizing potential synergies by means of identified cross-impacts i.e. when the measures in one priority have positive impacts on those in another priority. Theoretically, a programme might consist of the juxtaposition of independent projects, of which the total effect is simply the sum of the individual effects. In such a situation, programming would be a purely formal exercise since programme objectives could be reached just as easily by managing the projects independently. Programming adds value because the projects reinforce one another, creating an effect of synergy. Attempting to achieve such synergy is one of the basic reasons for undertaking an analysis of intervention relationships.

Matrices of potential cross-impacts at both the priority and measure levels are presented in Annex 3. These show a high level of potential synergies across the whole NAD intervention logic. At the priority level, 15 sector priorities show positive cross-sector synergies whereby the impacts of achieving priorities in one sector reinforce or add to the impacts of priorities in other sectors. Table 2 below shows four (of the 15) sector priorities which have potentially positive synergies, for example, the sustainable management of resources and the reduction of pollution (environment sector, priority 3) will increase the attractiveness of rural areas (rural development priority 2) and a more effective public administration (public administration reform, priority 1) should improve the policy framework in the energy sector (energy, priority 1). Overall, if measures and their operations are managed to maximize positive cross-impacts this should lead to an increase in the future efficiency, effectiveness and impacts of the NAD.

Table 2: Identification of Potential Positive Cross-Impacts for NAD Sector Priorities

Environment & Climate Change Priority 3	Agriculture & Rural Development Priority 2
Ensuring environmental sustainability through sound management of natural resources and reduction of pollution	Improving quality of life & attractiveness of rural areas
Public Administration Reform Priority 1	Energy Priority 1
Increasing the effectiveness & efficiency of public administration	Improving the policy, institutional & legislative framework to ensure a sustainable development in the energy sector

The design of the NAD has taken into account that the selection of appropriate indicators will be essential for the future monitoring of progress made in the implementation of sector reforms. In general, the choice of indicators is closely related to the nature of the intervention logic. The NAD intervention logic is marked by a significant change in scope between the measure and priority levels in that:

- NAD overall objectives and priorities are formulated at the level of national sector strategy objectives and are therefore set at the impact level of national public policies and will be achieved by means of the full range of national resources (domestic budget, international assistance, IFI loans etc.). This means that indicators at this level should be national 'context' indicators of impacts e.g. average national employment rate, average survival rate of business start-ups etc.
- Measures, by contrast, are mechanisms delivering sector priorities. Measures are implemented by means of specific operations (usually projects or grants) which have the same, or closely related, objectives. This means that actions can be concentrated and thus made more effective in the delivery of specific priority reforms. It is expected that NAD measures will in large part be implemented by means of operations funded by international assistance. Indicators at the level of measures should be 'programme' indicators e.g. survival rate of business start-ups which received direct programme /project support. Measure indicators are set at the level of outputs and results.

It should be noted that indicators for the two cross-cutting issues (local/ regional development and gender equality) will be identified at both the priority and measure levels and will be used as part of the performance assessment for each sector /thematic area.

For *local/ regional development*, indicators will focus on the achievement of balanced regional development which is the main objective of government regional policy⁶. At present there are significant socio-economic disparities between the north and south of Serbia and currently Belgrade and the Vojvodina region generate some 67% of national GDP. Economic

⁶ Draft National Plan for Regional Development, 2014-2020

asymmetries are reflected not only between developed and undeveloped regions, but also between cities and municipalities. With regard to *gender equality*, indicators should reflect the principle of promoting equal opportunities between men and women. At present there are inequalities in the participation of women in the jobs market and there is also a significant wage gap between men and women. Furthermore, women are generally more affected by unemployment than men in all age groups, particularly as regards to long-term unemployment.

Indicators for cross-cutting issues are not presented in this document but will be developed as part of the performance assessment framework of the NAD once measures start to be implemented (see Section A.5 for description of monitoring arrangements).

Generally NAD measures contain a wide range of different activities which are focused on the delivery of results in five main areas, namely: (i) the improvement of the regulatory framework; (ii) socio-economic development; (iii) the implementation of sector strategies; (iv) extensive institution-building activities; (v) the preparation and implementation of infrastructure projects. In relation to the infrastructure projects, a national project selection and prioritization methodology⁷ has been developed together with the necessary supporting documents. This supporting documentation is focused on assessing the strategic relevance, institutional capacity and technical maturity of proposed projects.

It is foreseen that the priorities and measures defined by the NAD will serve as the basis for programming international assistance and the development of future assistance programmes and projects. NAD measures will be financed by international assistance, such as the EU Instrument for Pre-Accession (IPA), bilateral and multilateral donor programmes, EU Programmes, together with support provided by International Financial Institutions (IFIs); for details see Section A.4.1 below (*Types and Amounts of International Assistance*). Close links and complementarity will be established with actions financed by the national budget in line with the rules for national budget planning as part of Serbia's adoption of a Sector Approach in the management of international assistance.

A.1.3 Preparation of the Document

The preparation of the NAD was led and coordinated by the Serbian European Integration Office (SEIO) which is a governmental service responsible for coordinating programming and monitoring the use of international assistance in Serbia. The overall objectives, priorities and measures for each sector/ thematic area were drafted in cooperation with the responsible line ministries, other state institutions and were discussed and commented on by the appropriate Sector Working Groups (SWGs). SWGs were established in 2010 to ensure inter-ministerial coordination and have been of great importance in the development of the Sector Approach in Serbia. The functions and responsibilities of SWGs are described in detail in Section C.2 (*Sector Coordination*).

The NAD was prepared between December 2012 and October 2013 and involved comprehensive consultations with the SWGs and the active participation of national authorities, the EU Delegation, bilateral and multilateral donors, representatives of civil society organizations (CSOs), as well as local self-government bodies. These consultations were spread over a number of SWG meetings, in order to present draft documents and fully discuss recommendations and inputs provided by CSOs and donor community representatives. Recommendations provided were taken into consideration and are reflected in the final text of the document. The full process of NAD preparation, from initiation by SEIO to government approval, has involved 15 separate steps which are described in the Annex 5.

The preparation of NAD followed a defined methodology and a set timetable for the completion of four progressive versions of the sector /thematic chapters in Section B. The preparatory methodology is explained in an annotated standard template which was developed to structure Section B chapters. Additional supporting guidance was issued to all sector experts in order to standardise the descriptions of institutional and strategic frameworks across all the sectors /thematic areas. The template, guidance and other regular briefings and papers were drafted with support from two parallel technical assistance projects (the EU funded Project Preparation Facility plus SIDA support to SEIO). The final text was reviewed and agreed with SEIO and SWG before its approval by the Government.

The methodological guidance given to sector experts together with the annotated standard template for Section B chapters is presented in the Annex 5.

The following guiding principles were taken into account in the preparation of the NAD:

- (i) **Concentration** - The intervention logic of the NAD has been designed to maximise the *strategic relevance* and *impact of international assistance*. For interventions to be *strategically relevant* they should be guided by widely-scoped sector objectives /priorities which are set at the national level. For interventions to have long-term *impacts* available resources should be concentrated on achieving a limited set of reforms or solving a restricted number of problems (rather than spreading resources over the entire sector reform agenda). An additional reason for concentration is that in the future the amount of donor support is set to decrease and the 'fiscal space' for further borrowing is very limited (as explained in Sections A.2.1 and A.4.3 below).

⁷ This Project Prioritisation Methodology is presented in Annex 4.

- (ii) Ownership and inclusiveness – The NAD was prepared in close cooperation with all relevant national authorities and in partnership with other relevant stakeholders, namely the main donors and CSOs. The NAD is a national strategic planning document which has been adopted by government and which will correspond to equivalent donor planning documents such as the EU Country Strategy Paper (CSP) for Serbia.
- (iii) Coherent and strategic approach – The consultative methodology used in preparing the NAD has facilitated the increased consistency of measures and enabled stakeholders to work more closely together in defining joint priorities for each individual sector /thematic area. This document will support strategic multi-annual planning in Serbia and will be updated on a three-yearly basis.
- (iv) Measurement of the performance – The definition of indicators and targets at the level of priorities and measures makes it possible to develop a Performance Assessment Framework (PAF) for measuring the achievement of sector reforms. Indicators and targets will be reviewed and assessed for suitability on a regular basis. The establishment and operation of PAFs marks an important stage in the development of the Serbian Sector Approach.
- (v) Greater efficiency and effectiveness of future international assistance – The NAD defines national mid-term priorities for EU integration /socio-economic development and identifies those which could be wholly, or partly, delivered with international assistance financing. Given that the costs and administrative demands of preparing the country for accession are very large, the government's main aim in adopting the NAD is to make the most efficient use of all available financial resources (i.e. from both domestic and international sources). Effective sector level support calls for complementarity with the national budget actions and extensive cooperation with donors and IFIs to attract and focus grants and soft loans. Complementarity with national budgets and effective donor coordination are two of the main principles of the Serbian Sector Approach (see Section A.5, below).
- (vi) Lessons learned and sequencing – The preparation of the NAD, especially in relation to the identification and definition of measures, took into account the various thematic and sector evaluations which have been carried out to date⁸, and also planned interventions to be supported in the immediate future by IPA 2012-13 and various bilateral and IFI projects. This means that the future implementation of NAD measures can be progressively sequenced on the basis of already programmed sector interventions.

A.2 National Economic and Policy Context

A.2.1 Economic Situation

Over the past five years Serbia has taken a number of significant steps towards EU membership, which include the signing of the Stabilization and Association Agreement (SAA) in May 2008, the full implementation of the Interim Trade Agreement with the EU in February 2010 and being granted EU Candidate Country status in March 2012. On June 28, 2013 the European Council endorsed the Council of Ministers conclusions and recommendations to open accession negotiations with Serbia, and announced that they would commence by January 2014 at the latest. In addition, Serbia is also pursuing membership in the World Trade Organization (WTO) and, at the time of preparing this document, accession negotiations with the WTO are at an advanced stage. These important milestones demonstrate that the prospect of EU membership represents a constant and substantial strategic-political orientation in the development of national public policies. This is reflected in the most recent statement of economic policy⁹ which states that a key objective for national economic development is the acceleration of the necessary policy reforms and institutional preparations for EU accession. These reforms, it is argued, will gradually establish a more favourable economic and fiscal environment and will provide establishment of market economy, macroeconomic stability and rule of law, with suppression of corruption and organised crime.

As it is the case with other European countries, Serbia has entered a period of economic austerity. Governments throughout Europe are seeking to reduce their deficits by cutting spending and increasing revenues and ultimately pay off their national debts. Combined with de-leveraging by households, limited bank lending and corporate caution over investment, the squeeze on spending across the continent is having major negative social as well as economic consequences for European citizens, in terms of unemployment and poverty. There are over 20 million people unemployed in the Eurozone (12%). In January 2013, the 'Fiscal Compact' entered into force in the Eurozone which is designed to strengthen fiscal discipline by requiring national budget deficits not to exceed 0.5% of nominal GDP. The treaty contains an automatic correction mechanism. In the short to medium term, the discipline imposed by the Compact makes front-loaded economic stimulus

⁸ Evaluation of Effectiveness and Efficiency of Development Assistance to the Republic of Serbia per Sector (April 2013), SIDA. Technical Assistance for Evaluation of Agriculture and Rural Development Sector Implemented and Financed by IPA Programmes and other Donors in the Republic of Serbia. Evaluation Report (EU Delegation, January 2013). Remaining sector and thematic area evaluations in progress (EU Delegations).

⁹ Fiscal Strategy for 2014 with projections for 2015 and 2016, Government of the Republic of Serbia, November 2013

programmes in the Eurozone very difficult and unlikely. The Serbian economy is closely tied to the Eurozone economy (the majority of Serbian exports being to the EU and CEFTA).

Serbia is an upper middle income economy, with a GDP estimated at 31,500 million EUR or 4,336¹⁰ EUR per capita in 2011. The population in Serbia, based on the census in 2011, is 7,186,862. Prior to 2008, GDP growth rate showed a steady rate of increase, averaging around 5% in the period 2001-7¹¹. This growth was supported by flexible monetary and fiscal policies that stimulated consumption, but which was not sustainable and did not address underlying weaknesses in productivity. Moreover, funds accumulated from the privatisation process were used to cover current spending needs, public salaries and pension increases (2007-2008) and propping up state-owned companies, rather than productive investments.

As with the Eurozone economies, such fiscal flexibility is no longer a policy option. In 2012, Serbia's budget deficit was 5.7% of GDP (consolidated deficit was 6.4% GDP). The Government estimates that the deficit will be 4.7% in 2013, although the Fiscal Council takes a more pessimistic view at 5.5%. Serbia's national debt (general State debt) was 61% of GDP in 2012 (the legal limit is 45%), and for year 2013 it is estimated at 64.2% GDP, as estimated, unemployment is over 26% (unemployment rate 15+ is 24.1% according to labour survey) - double the Eurozone average and economic growth estimate is 2% for 2013. The IMF's concerns regarding Serbia's national finances have been clearly expressed:

Serbia faces significant economic challenges, including a weak economy and large internal and external imbalances. Macroeconomic policies should urgently aim to tackle the underlying vulnerabilities and ensure macroeconomic stability. Significant and sustained fiscal consolidation, underpinned primarily by curbing mandatory expenditures, is needed to reverse the rise in public debt¹².

Failure to introduce robust fiscal consolidation measures and public expenditure cuts, combined with continued tax revenue shortfalls, unbudgeted spending initiatives, public bank resolution costs, clearance of arrears, and the payment for called guarantees would result in an insufficient reduction in fiscal deficit in 2014 (Fiscal Committee estimate is that sustainability of public finance requires deficit reduction in 2014 of over 2% GDP comparing to 2013) and inability to reach projections of public debt of 56% GDP defined by Public Debt Management Strategy 2013-2015.

The inefficient state owned sector absorbs much needed investment funds and is not increasing Serbia's productivity nor creating new employment generation opportunities. For example, out of nearly 500 public enterprises with over 200,000 employees, a total of 198 ended 2012 with losses which represented four-fifths of total losses of the Serbian economy. The companies with the heaviest losses included Serbian Railways (RSD 16.6 billion), Petrohemija (RSD 12.4 billion), and Roads of Serbia (RSD 7.8 billion). The Ministry in charge of finance has responded to the financial situation by introducing expenditure reductions of RSD 50 billion (EUR 439 million) in 2013 and plans to reduce the size of the public administration, and to privatise state companies, which will need to be managed carefully to avoid past mistakes in the privatisation process and to produce the desired impact in terms of competitive change. The Ministry in charge of economy has significantly intensified the process of modifying relevant legal provisions since September 2013 to enhance privatisation process and make it more transparent by publishing data on companies in privatisation and reconstruction. The approach to subsidies to public companies working with losses has also been changed, with the objective of incentivising solutions for economic issues of these companies.

Critically, the structural imbalance between public expenditure and tax revenues, which has been an on-going issue prior to the present economic crisis, has to be addressed. Tax decreases introduced in 2007, the transfer of EUR 400 million of national funds to local self-government under fiscal decentralisation and the expanding 'informal economy' have further distorted tax revenue generation. With the on-going recession, the informal economy continues to expand in Serbia, at between 20% and 30% of GDP. The high fiscal burden of employing labour, costly tax procedures, complex tax system, under-staffed tax administration, poor quality of public services and the important role of the informal economy as a social safety net, makes formalising the sector difficult. Moreover, due to low productivity and weak business models, enterprises rely on informal employment as a competitive cost advantage.¹³ The need to generate more tax revenues is compounded by the continued increases in costs to the state due to unemployment, previously wide-spread subsidy provision practice (particularly to attract FDI) and social welfare payments. Un-planned additional costs have emerged with the re-purchasing of former privatised entities such as Sartid in Smederevo and the OTE's¹⁴ 20% share in Telekom Serbia. Clearly, these investor exits from Serbia are linked to the general downturn in the European economy which has also contributed to over EUR 1.5 billion of funds transferred back from Serbian banks to their parent countries, but also the funds were unable to identify good investment projects in Serbia.¹⁵

At such state of play Serbia faces restricted policy choices. The financial situation means that the Government cannot engage in fiscal stimuli programmes. Any funds available will have to be used to decrease the national debt in line with

¹⁰ Statistical Office of the Republic of Serbia, www.stat.gov.rs

¹¹ Ranging from 2.5% in 2003 to 9.3% in 2004

¹² Article IV Consultation: Concluding Statement of IMF Mission to Serbia May 2013

¹³ USAID (2013) The Shadow Economy in Serbia: USAID Business Enabling Project Report. Foundation for the Advancement of Economics.

¹⁴ Hellenic Telecommunications Organization S.A.

¹⁵ The Serbian Banking Association, 2013

government policy. The forecasted economic growth is too low to have an impact on reducing the 26% unemployment rate (unemployment rate 15+ is 24.1% according to labour survey). To reduce this scale of unemployment, the Serbian economy will have to return to at least a 4% growth rate. The restructuring and privatisation of costly state owned companies will reduce the burden to the national finances but will also result in a further increase in unemployment. This will have political ramifications unless supported by employment generation programmes to absorb former state-owned company employees.

In this context, the Ministry in charge of Economy has stressed the need for Serbia to switch economic models from one based on consumption and public expenditure to one strengthening domestic economy and export demand where Serbia competes globally by exploiting its comparative advantages, based on improvement of business climate and securing guarantees for more favourable financing instead of subsidising favoured companies, which mainly work with losses.

The share of primary agriculture in Serbia's GDP (in constant 2002 prices) is currently 10% and it has been steadily decreasing over the last decade (from 13.1%). The real annual growth rate of the agricultural sector has mainly been negative over the past 10 years, with the exception of 2008–2009, when it was boosted by soaring food prices on the international market, which benefited Serbian agricultural exports. In the same period, while the average annual growth rate (AGR) of GDP was 4% (2001-2010=3.7%; 2002-2011=3.3%; 2002-2012=2.9%), the average AGR of agriculture was only 0.9%.¹⁶

To illustrate this under-performance - the Netherlands with 1.9 million hectares of agricultural land¹⁷ exported €75 billion in 2012¹⁸, while Serbia with 3.4 million hectares¹⁹ exported around €2 billion²⁰. While the gross value of the sector to the Serbian economy is EUR 4.5 billion and represents 25% of exports, in terms of resources the gross value contribution should be closer to Euros 12 billion. Serbia exports low added value agricultural products and has low productivity in the sector - one farmer in Serbia feeds 15 people on average, while in Germany the number is 156. (Economics Institute, Belgrade). Moreover, the prices of Serbian agriculture demonstrate high volatility which indicates a lack of competition and inefficiencies in value marketing chains. This highlights a problem in servicing export markets in terms of continuity of supply and quality standards. The combination of Serbia's agriculture resources, forecast global food demand (expected to increase by 70% by 2050, according to FAO), free trade agreements (e.g. Russia, Turkey) and attractive investment incentives should point to Serbia becoming a major food manufacturing location and an attractive investment opportunity for foreign direct investors. SIEPA markets Serbia as a manufacturing hub that can enable duty free exports to a market of almost 1 billion people (Russia, Turkey etc.) but to date none of the major global agro-food firms have located in Serbia.

The Fiscal Strategy for 2014-2016 reflects the focus on creating the conditions for growth based on increased investments and exports which will underpin an improvement in the labour market and a general rise in living standards. National programmes encouraging economic growth, fiscal consolidation, public debt reduction and structural reforms are envisaged to support these directions. The Fiscal strategy recognises that in the past transition period, economic growth resulted mainly from the growth of consumption (based on privatization proceeds) and from heavy borrowings made abroad by the private sector. The contribution to economic growth from the policy reforms performed over this period was not sufficient. The results from investments such as the National Investment Plan have not realised planned objectives. For the period 2012-2013 there has been a continuation of unfavourable tendencies in decrease of production and unemployment in majority of economic sectors, illiquidity and insolvency of economy, unfavourable transactions in capital balance regarding low foreign direct investments and bankruptcy of companies and banks to impact depreciation of Dinar, decrease in credit operations of banks, decrease in actual values of economy credits and increase in bad credits, high unemployment rate, reduction in average net income, increase in fiscal deficit and public debt. In the next period and with the objective of decreasing fiscal deficit and public debt, the Government will implement a very ambitious plan of fiscal consolidation and structural reforms which secure stability of public finance and support economic growth and competitiveness. Closing fiscal disbalances is necessary to strengthen public finance sustainability and to create conditions for economic recovery and long term sustainable development. Consequently, fiscal consolidation, improvement of business conditions and strengthening of development will continue primarily through efficient use of EU funds.

New model of state development means reduction in irrational expenditure, bureaucracy and unnecessary expenses of state and at the same time increase in investment expenditure to stimulate economic growth and improvement, along with social protection of most vulnerable social groups. The government has recognised that this model of growth depends on the consistent implementation of a comprehensive agenda of reforms that ensure the following: (1) Creating stable and predictable business environment by establishing adequate regulations, primarily regarding Labour Law and Law on Planning and Construction, as well as more energetic continuation of "regulations guillotine" and introduction of e-Government, (2) Completion of privatization of remaining companies through reconstruction and bankruptcy process according to set deadlines and improved regulations on privatization and bankruptcy, (3) introducing professionalisation of

¹⁶ World Bank (2013) Serbia Partnership Programme Snapshot.

¹⁷ http://knoema.com/ES_agr_r_landuse-8?tsld=1001690 (taken from Eurostat)

¹⁸ <http://www.hollandtrade.com/sector-information/agriculture-and-food/?bstnum=4909>

¹⁹ <http://popispoljoprivrede.stat.rs/>

²⁰ SORS, Statistical Yearbook, 2012 (figures for 2011)

public companies and responsible corporative management in companies which would still be controlled by state, along with dislocation of social policy from public companies to social protection system, (4) A tax policy to stimulate economy and employment, (5) Gradual and responsible reduction of state share in economy, including conversion to concession financing models and public – private partnerships wherever it is economically feasible and justified and (6) zero tolerance to Law evasion and crime and corruption in reformed institutions of the system.

According to long term plan for regional development of Serbia and established system and institutional regulation mechanisms, the policy and measures to stimulate balanced development of all areas in Serbia will be applied in the next mid-term period, including development of underdeveloped areas. Based on the Constitution of the Republic of Serbia, a support to this policy is reflected in preparation of National Plan for Regional Development (NPRD) for 2014-2020 as multi-sector strategic document.

A.2.2 Policy Context

In order to regain pace of growth and achieve high standards set on the path to the EU, Serbia needs to focus and streamline funding from national, private and international sources on three domains of activity, namely:

- ☞ The creation of an efficient and effective public administration;
- ☞ The increase in national and regional prosperity
- ☞ The improvement of connections within, and to, the Western Balkans and macro regions

Efficient and Effective Public Administration

Strengthening the rule of law and good governance are central not just to the achievement of the EU reform agenda, they are also essential for the achievement of sustainable socio-economic development. These are indispensable elements that are essential to secure creation of growth and attracting investment, economic development and job creation and dealing with common challenges such as the fight against organised crime and corruption. Promoting the development of rule of law, democratic principles and better governance are at the core of the reform process in Serbia. Reforms are underpinned with the principles of an independent, transparent, accountable and efficient judicial and legal system, with a government that applies fair and equitable laws to all of its citizens. Public administration reform, at all government levels, aims to offer high quality services to citizens and the private sector, at reasonable costs.

In this domain, as described in Section B of the NAD (chapters 1, 2 and 3), it is expected that international financial assistance will be focused on measures within the following sectors:

Justice – Covering judicial reform, prevention and fight against corruption, support to the protection of human and minority rights. The national objective for this sector is to deliver independent, impartial, accessible and efficient judiciary guaranteeing the rule of law, human right protection and promotion, as well as the quality of justice.

Home Affairs – Covering the fight against organised crime and drugs, money laundering, terrorism, human trafficking, border management and control, including migration and asylum, and the protection of human rights of refugees and internally displaced people. The national objective for this sector is to enhance safety and security at the individual level, different social groups and communities and the state levels.

Public Administration Reform –Covering a wide range of public sector institutions, together with the executive power branch at the central level (ministries, special organisations, and public agencies), autonomous provinces, local government authorities and public utilities and services. This encompasses also the independent state bodies (e.g. state audit), parliamentary competences, central monetary policy and banking, and the relevant reform aspects concerning anti-corruption, protection of citizens' rights, access to information of public importance. The national objective for this sector is to achieve standards of "Good Governance" by creating efficient, effective, transparent and professional public administration that fits the needs of the citizens and business and contributes to sustainable social and economic development of Serbia. Special objective for all companies in which state has got ownership share is to respect and apply principles of corporative management, rational expenditure, accurate financial reports and transparent reporting.

National and Regional Prosperity

Sustainable socio-economic growth will be achieved through development of the productive capacity of the economy by building on strengths in agriculture and food production, improvement of business climate and attracting Foreign Investments, moving into higher-value manufacturing and higher-end services with export potential, expanding medium-sized business base and strengthening potential for innovation. Mobilisation of the economy cannot be achieved without aligned investments in human capital through education and training, especially in vocational skills, and facilitating a better-qualified and motivated labour force to access new job opportunities, especially those facing the toughest challenges either

through discrimination or disadvantage. Social cohesion will be assured by combining economic growth policies with inclusion policies designed to facilitate access to education, employment, social and health services.

Socio-economic development is highly dependent on the quality of infrastructure in transport, environment, energy and Information and Communication Technology (ICT). Economic development is reliant on a strong transport sector which is essential for development of competitiveness, better education possibilities, agriculture production and placement of products in the market. Serbia is committed to ensure transport services which are in line with the EU standards and best practice principles, that will enable smooth flow of freight and mobility of people. The Environment and Climate Change Sector must address pollution problems and prepare for accession negotiations on the 'investment-heavy directives' for meeting EU standards through the strengthening of administrative capacity and further investments in infrastructure. Safe and reliable supply of energy and energy sources are a prerequisite for the improvement of living standard of households and economic activities. National priorities include ensuring that energy is supplied to the end users at minimal price, that investments are made in energy infrastructure and that the necessary investments are secured for the integration of national energy markets into a single European energy market by means of trans-European networks. In addition, the government has also identified that both energy efficiency and renewable energy deployment are crucial to sustainable development in the energy sector. Development of ICT and support for technological innovations will enhance human capabilities for communication, working, and learning and consequently will lead to improved quality of life achieved through increased knowledge, enhanced creativity and full participation in the social and economic life.

In this domain, according to Section B of the NAD (chapters 4-9), it is expected that international financial assistance will be focused on measures within the following sectors:

Competitiveness – Covering financial instruments for Small and Medium Sized Enterprises, modern infrastructure linked to business services, applied research activities, delivery of a range of innovation support services, policies and legislation based on proper research of problems in the operating environment for businesses in Serbia, the creation of an institutional framework designed to ensure adequate enforcement and the provision of support services to companies. The national objective for this sector is to increase the competitiveness and innovation of enterprises within a well-functioning market economy.

Energy – Covering electricity, oil, gas, energy efficiency, renewable energy sources, mining, and security of supply, with the overall objective projected towards 2020. The national objective for this sector is to integrate into European energy markets by achieving secure, safe, reliable and quality supply of energy and energy sources following principles of sustainable development.

Environment and Climate Change – Covering horizontal requirements (Environmental Impact Assessment, Strategic Environmental Assessment, public participation, etc.), air quality, waste management, water quality, nature protection, industrial pollution prevention and control, chemicals, noise, climate change. The national objective for this sector is to improve environmental quality by means of: aligning policy and regulatory mechanisms with the EU environmental *acquis*, integration of environment protection policy with economic and policy of other sectors; more responsible management of natural resources and developing environmental infrastructure.

Transport – Covering rail, road, inland waterways, civil aviation and intermodal transport modes. The national objective for this sector is to provide efficient, quality, reliable and sustainable services contributing to a comprehensive and safe transport system of the Republic of Serbia as an integral part of the Trans-European Transport Network.

Human Resource and Social Development – Covering employment, labour market issues, education, social inclusion, health and youth. The national objective for this sector is to contribute to smart, sustainable and inclusive growth enabling greater opportunities for a better standard of living, as well as reduction of gap between economic requirements and education products.

Agriculture and Rural Development – Covering agricultural production, forestry, fisheries, food safety, animal welfare, and sustainable rural development. The national objective for this sector is to attain viable and competitive agriculture sector that respects high environmental, quality and food safety standards ensuring at the same time improved quality of life in rural areas.

According to Section B of the NAD (chapters 10 and 11), it is expected that international financial assistance will be focused on the following measures in these thematic areas:

Culture – Covering contemporary art and culture, creative industries, cultural heritage, intercultural dialogue, human and civil rights, cultural tourism and culture & business. The national objective for this thematic area is to attain full achievement of professional EU standards in the implementation of the overall cultural policy aimed at protection of public interest, freedom of expression, cultural identities, social cohesion and regional development

Media – Covering media and digital switchover. The national objective for this thematic area is to secure full achievement of professional EU standards in the domain of audio-visual services aimed at protection of democratic values, rule of law, freedom of expression and information, cultural identities, public interest, social cohesion and regional development.

In addition, it should be noted that the thematic area covering Civil Society is considered to be a cross-cutting theme for all nine sectors. The national objective for this thematic area is to ensure active participation of CSOs in policy making.

Links within the Western Balkans and macro regions

The NAD focuses on certain aspects where it is important to foster the cooperation between the countries of the Western Balkans and macro regions (WB) to achieve improvements. The impact of the economic crisis being felt throughout the Western Balkans, the Western Balkans fell back into recession i.e. returning to conditions of low levels of competitiveness, income, investment and of rising unemployment. The improvement of the Western Balkans socio-economic development can be ensured through implementation of well-targeted joint actions. In some sectors the cross border and transnational nature of many activities require strong cooperation between authorities within the Western Balkans, together with EU Member States.

The unique status of the Danube River and its hinterland demands international cooperation and coordination, within and outside the EU. That is why, on 13 April 2011, Member States endorsed the *EU Strategy for the Danube Region* (the Danube Strategy), proposed by the European Commission. According to the Danube Strategy “by 2020, all citizens of the Region should enjoy better prospects of higher education, employment and prosperity in their own home area. The Strategy should make this a truly 21st century region, secure and confident, and one of the most attractive in Europe”. This Strategy is built on a set of cooperation “pillars” (1. Connecting the Danube Region; 2. Protecting the Environment in the Danube Region; 3. Building Prosperity in the Danube Region and 4. Strengthening the Danube Region), which are then further elaborated into priorities (tasks) through an Action Plan.

In addition, it is expected that by end of 2013 the strategy for South East Europe 2020 will be adopted by the EC, while by end of 2014, **the EU Strategy for the Adriatic and Ionian Region** will be adopted at the Ministerial conference of the South East Europe Investment Committee (SEEIC). Both strategies will be directed to limited number of thematic pillars and priorities.

Cross-border and Transnational Cooperation programmes in the new financial perspective 2014-2020 are required to have more strategic and focused approach. The participating countries will have to focus on limited number of thematic objectives/priorities of those that have been identified by the EC. In that respect, Thematic Objectives, that apply to all ERDF CBC and transnational programmes are the following:

- TO1: Strengthening research, technological development and innovation;
- TO2: Enhancing access to and use and quality of information and communication technologies;
- TO3: Enhancing the competitiveness of small and medium-sized enterprises;
- TO4: Supporting the shift towards a low-carbon economy in all sectors;
- TO5: Promoting climate change adaptation, risk prevention and management;
- TO6: Protecting the environment and promoting resource efficiency;
- TO7: Promoting sustainable transport and removing bottlenecks in key network infrastructures;
- TO8: Promoting employment and supporting labour mobility;
- TO9: Promoting social inclusion and combating poverty;
- TO10: Investing in education, skills and lifelong learning;
- TO11: Enhancing institutional capacity and an efficient public administration.

At IPA II CBC at intra-Western Balkans border – 8 IPA Thematic Priorities²¹ listed below will apply to all IPA-IPA programmes:

- TP1: Promoting employment, labour mobility and social inclusion;
- TP 2: Protecting the environment and promoting climate change adaptation and risk prevention;
- TP 3: Promoting sustainable transport and improving public infrastructures;
- TP 4: Encouraging tourism and cultural heritage;
- TP 5: Investing in youth and education;
- TP 6: Promoting local and regional governance, planning and administrative capacity building;

²¹ List of thematic objectives has not yet been completed

TP 7: Enhancing competitiveness, business and SME development, trade and investment;

TP 8: Strengthening research, technological development, innovation and ICT.

A.3 EU Integration

After being granted Candidate Country status in December 2012, on June 28, 2013 the European Council endorsed the Council of Ministers conclusions and recommendations to open accession negotiations with Serbia, and announced that they would commence by January 2014 at the latest. The start of negotiations will represent a major change in relations with the EU and will significantly shape the work of the public administration for the coming years.

An important benchmark in this process was the adoption by the Government (on 28 February 2013) of a National Plan for Adoption of the *Acquis* (NPAA) for the period 2013-2016. The NPAA represents a multiannual programme of all legislation to be adopted in order to implement obligations from the SAA²² and prepare for further alignment with the *acquis*. The document defines development and strategic goals, relevant policies, reforms and the measures required for the realisation of these goals which have also been taken into consideration when preparing the NAD.

Moreover, it establishes a detailed plan for the harmonisation of legislation and defines human and budget resources and other resources required for the implementation of the envisaged tasks. The goals set down in the NPAA are to be completed by 31 December 2016. After that, the adoption of a new document will be considered, depending on the progress and results achieved in the framework of EU accession negotiations.

Furthermore, in order to respond to the findings of the EC Progress Report 2012, Serbia prepared the comprehensive Action Plan (adopted in December 2012) and intends to publish periodical reports on its execution during 2013. In order to pave the way for the coordination of the process of Serbia's accession to the EU, the Coordination Body for the European Union accession process has been established²³ in order to examine all issues and coordinate the work of Ministries and government bodies related to EU accession. The Coordination Body is headed by Prime Minister. Expert group of the Coordination body – headed by the Director of the European Integration Office and comprising of heads of working groups for negotiations; it is the main body for horizontal coordination of the accession process. Expert Subgroups /35/ - are the working groups for negotiations as key mechanism for coordination of various areas of the EU *acquis*, whose division, competence and composition substantially match the negotiation chapters.

Considering previous experience in implementing National Programme of Integration of the Republic of Serbia into the EU for 2008–2012 (NPI)²⁴, with accomplishment in the period from 1 July 2008 to 31 December 2012 at a level of 88% (1030/1172), considering that from 1172 planned measures, 1030 were adopted, and the adoption of 243 laws was planned whereby 201 were adopted (represents 83% of the programme accomplishment)²⁵, it is worth of emphasising expectations that achievements in this process will be even greater, having in mind a Candidate Country status and expected opening of the negotiation process.

After opening the accession negotiations, the first step will be the screening of Serbian legislation in light of further harmonization of domestic legislation with EU law. Accession negotiations will lead towards further harmonisation of domestic legislation with EU law and will mean further mobilisation of the existing structures; it will also require the involvement of highest possible spectrum of society in order to gain support to this most challenging national task. Experiences of other countries are showing that the composition of every negotiation group (and position) has to reflect the broadest possible interests in every area. Accurate organisation of the accession negotiations and preparation of the negotiation positions will have to be arranged to reach the widest public support.

²² The Stabilisation and Association Agreement (SAA) and the Interim Agreement on Trade and Trade-Related Matters (ITA) were signed on 29 April 2008. The Serbian National Assembly ratified the SAA and ITA on 9 September 2008 (Official Gazette of RS No. 83/08). The ITA came into force on 1 February 2010 after being ratified in December 2009. The SAA came into force on 1 September 2013.

²³ Decision on establishing the Coordination Body for EU Accession Process (Pursuant to Article 25, paragraph 1 of the Regulation on Principles for Internal Organisation and Systematisation of Work Posts in the ministries, special organisations and agencies of the Government ("Official Gazette of RS" no. 81/07 – consolidated text and 69/08))

²⁴ Adopted by the Government on 9 October 2009

²⁵ Source NPAA 2013-2016

A.4 Development Assistance, Results, Principles and Perspectives

A.4.1 Types and Amounts of International Assistance

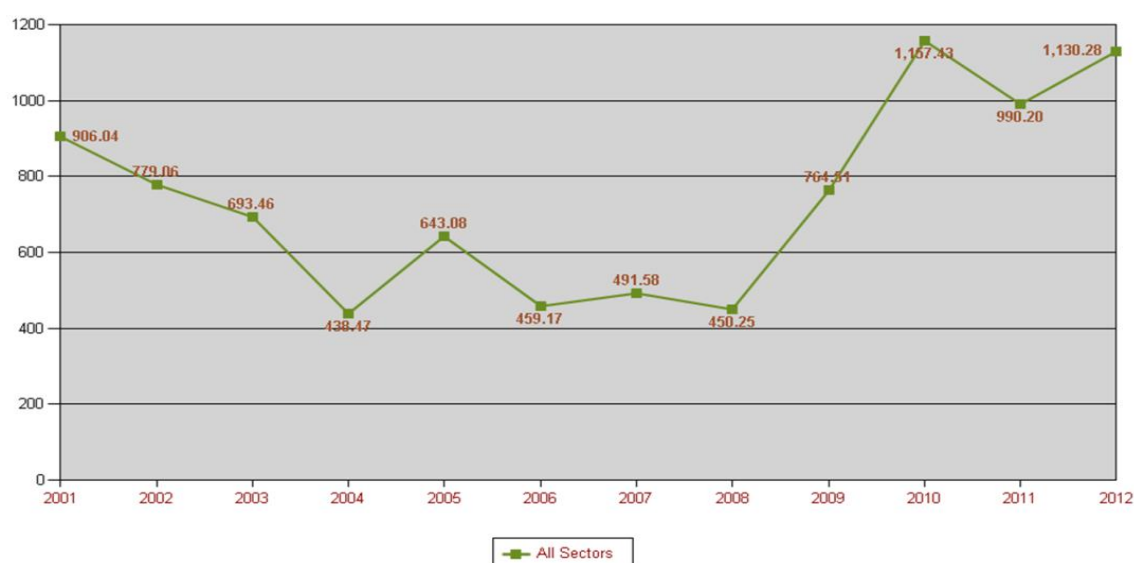
The international community started providing extensive assistance to Serbia at the end of 2000. At that time, after a decade of isolation and economic devastation, the country was in considerable need of economic revitalization including the reconstruction of neglected infrastructure and the significant reduction in levels of poverty. Over the period 2000-2, donor support consisted mainly of humanitarian assistance aimed at meeting urgent human welfare needs and alleviating immediate suffering e.g. providing support for electricity import and the recovery of national energy systems, supplying missing medicines, resolving issues of refugees. However, from 2003 onwards, donor support moved gradually towards the provision of development assistance to support structural/legal reforms and to build administrative and institutional capacities. The term '*international assistance*' used throughout this document covers both types of assistance but refers principally to development assistance. International assistance encompasses support from bilateral and multilateral donors together with that from international financing institutions (IFIs). IFI support is normally provided in the form of grants and concessional loans²⁶

The estimated annual disbursements of international assistance over the period 2001-2012 are shown in Figure 2, below. In total 8.9 billion EUR was disbursed over this 11 year period, i.e. an average disbursement rate of 800 million EUR per year. However, Figure 2 shows that disbursements varied greatly from year to year and that the average rate is rarely achieved in any one year. The initial trend, from 2001-2004 is a steep downward decline in disbursement from an initial figure of over 906 million EUR in 2001 to 438 million EUR in 2004, a reduction of over 50%. Many different factors influenced disbursement over this period; of particular note were the political turbulences and constant government changes at this time together with insufficient administrative and absorption capacities, negative global economic trends and the unpredictability of various humanitarian crises. These factors affected the allocation as well as the disbursement of both grants and concessional loans and had an adverse effect on the disbursement of humanitarian assistance during the past period.

There was an increase of more than 200 million EUR in the disbursement international assistance in 2005 due to the government launching an urgent appeal towards donor community to support the resolution of the urgent humanitarian crisis in the country during that year. As a result there was a significant increase in grants, particularly for humanitarian assistance.

²⁶ The IMF defines concessional (=soft) loans as being loans that are extended on terms substantially more generous than market loans. The concessional nature is achieved either through interest rates below those available on the market or by grace periods, or a combination of these.

Figure 2: The Estimated Disbursement of International Assistance in the Period 2001-2012



As noted above, international assistance consists of both grants and concessional loans. Figure 3 below, shows the breakdown between grants and loans over 2001-12 and indicates that there has been a steady rise in the proportion of loans since 2007. It should be pointed out that whilst grants can be used to deliver both humanitarian and development assistance, concessional loans are always perceived as delivering development assistance. There was a sharp increase in development assistance after 2008, with disbursements rising from 450 million EUR in 2008 to almost 1.2 billion EUR in 2010, an increase of 260% (Figure 2). An inspection of Figure 3 shows that this was the result of increases in disbursements of both grants and concessional loans. In relation to loans, disbursements were associated with major infrastructure projects financed through loans from the EIB, WB, EBRD and KfW²⁸ and the large jump in the disbursements for 2010 (up to an annual maximum of 734 million EUR) was the consequence of increased administrative capacities and improved procedures, particularly in relation to inter-ministerial coordination. Similar considerations apply to grants which reached 423 million EUR /year (a maximum level for the 2001-12 period) and were mostly attributable to the disbursement of EU IPA funds related to budget support and assistance for public finance management.

For the upcoming 2014 -17 period, information on future allocations of international assistance is partial since data are available only for a limited number of donors. However, on the basis of information provided by these donors the estimated total of new allocations is approximately 1.1 billion EUR i.e. 275 million EUR per year (as compared to 800 million EUR over the period 2001-12). In this regard it is important to emphasize that several key donors were unable to provide data on estimated commitments since at the time of drafting the NAD they were in the process of preparing new assistance strategies and financial frameworks. This means that the actual new commitments for the period 2014-2017 will almost certainly be higher than the estimate above. However, despite this, the analysis of available data shows that the levels of bilateral assistance will slowly decrease and that the predominant source of international grant assistance over this period will be the EU under IPA-2 (which covers national IPA, Multi-Beneficiary IPA, Cross Border Cooperation and Transnational IPA programmes). In addition, when programming IFIs resources relevant institutions have to take into consideration limited fiscal space for future borrowing.

In order to accelerate the infrastructure development that the EU needs and to provide better access to the internal market and terminate the isolation of certain economic "islands" a Connecting Europe Facility has been created. In some cases, parts of the EU that are not yet linked to the main electricity and gas grids, transportation and ICT networks depend on investments made in the Western Balkans. **Hence, it is necessary to support the realisation of future projects of common interest through access of Western Balkan countries to the Connecting Europe Facility.** Access of the Western Balkans to this instrument would allow for a greater impact of the EU-Western Balkans win-win project in terms of achieving both EU's internal and external objectives and it would link Western Balkans more closely to the EU, physically and economically.

In summary, the following trends in international assistance can be observed from 2001:

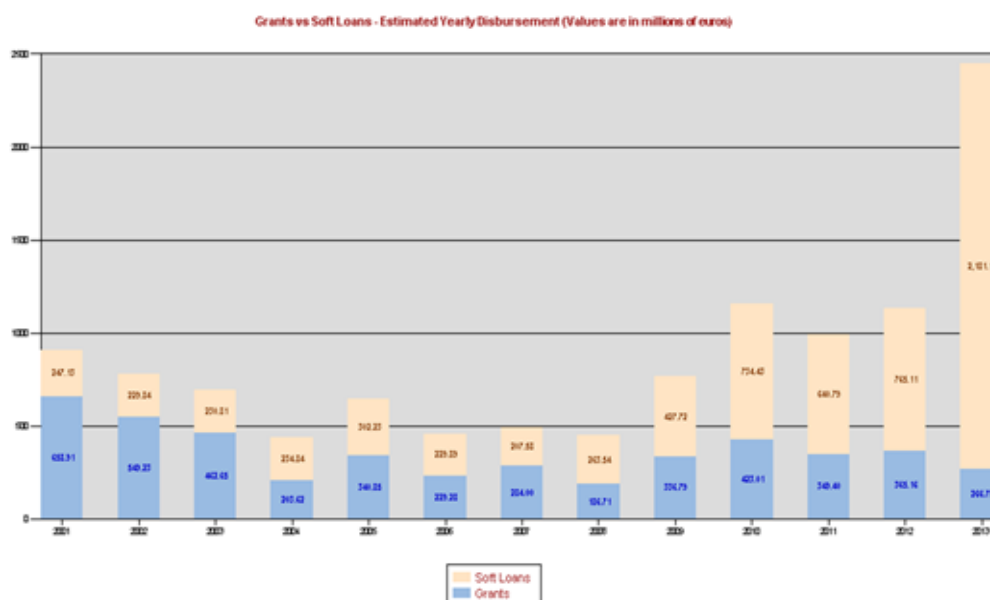
- ➡ The proportion of humanitarian assistance decreases and development assistance starts to dominate overall international assistance

²⁷ Source: ISDACON IS, www.evropa.gov.rs

²⁸ EIB=European Investment Bank; WB=World Bank; EBRD=European Bank for Reconstruction and Development; KfW=Kreditanstalt für Wiederaufbau

- The share of grants declines in favour of concessional loans
- International assistance becomes progressively more oriented towards supporting structural reforms and sustainable socio-economic development
- The overall amount of international assistance will be reduced and the major source of grant assistance will be IPA-2 programmes.

Figure 3: The estimated disbursement – Grants vs. Soft loans in the period 2001-2012



A.4.2 Results of International Assistance

As explained above, the government is committed to making the best use of international assistance in support of the national development and reform agenda. In order to ensure the most efficient and effective use of on-going and future assistance it is important to look back and assess what has been achieved to date. To this end, a number of evaluations of past assistance have been carried out; the most recent and wide ranging of these has been financed by the Swedish International Development Cooperation Agency (SIDA)²⁹ and was carried out by independent evaluators. This evaluation 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)³⁰. The evaluation scope covered 1,425 active projects³¹ (1,340 grants and 85 concessional loans) with a total value of 4.2 billion EUR, making it one of the most comprehensive evaluations to have been carried out in Serbia and one of the few to examine the Serbian Sector Approach.

The performance of assistance was assessed against the five standard OECD/DAC evaluation criteria, namely: (i) relevance; (ii) effectiveness; (iii) efficiency; (iv) impact and (v) sustainability.

The general conclusions of the SIDA evaluation are briefly described below. However, the specific conclusions and recommendations varied widely from sector to sector and are presented in more detail in Section B.8 for each sector /thematic area. Section B.8 also includes the findings of a series of completed and on-going sector-specific evaluations³² which have been launched by the EU Delegation.

The results of the SIDA evaluation are summarized in Table 3, below.

Table 3: Summary of the Evaluation of International Assistance per NAD (2011-2013) Sectors

OECD / DAC Criteria	Relevance	Effectiveness	Efficiency	Impact	Sustainability
NAD sectors					

²⁹ Evaluation of the effectiveness and efficiency of development assistance to the Republic of Serbia per sector. SIDA, April 2013

³⁰ There were eight sectors in the previous NAD (2011-13), these have been slightly readjusted in the present NAD by the disaggregation of the two large sectors 'Rule of Law' and 'Environment and Energy' into four separate sectors in the NAD (2014-20) namely: Justice; Home Affairs; Environment; Energy.

³¹ As registered on the ISDA CON IS database managed by SEIO

³² Six evaluations have been launched, these are: (i) Civil society, media and culture; (ii) Rule of law; (iii) Agriculture and rural development; (iv) Competitiveness; (v) Transport; (vi) Human resource development. At the time of preparing the NAD, evaluations (iii) and (v) had been completed.

Rule of Law	High	Medium	Low-Medium	Low	Low
Public Administration Reform	Very-High	Medium	Low-Medium	Very-Low	Low
Civil Society, Media and Culture	High		High	Low-Medium	Low-Medium
Competitiveness	High	High	High	Low	Medium
Human Resource Development	Very-High	Medium	Medium	Low	Low
Agriculture & Rural Development	High	Medium	Low	Low	Low-Medium
Transport	High	Medium	Low	Low	Low
Environment & Energy	Very-High	Medium-High	Medium	Low	Low

The overall results and conclusions for each evaluation criterion were as follows:

- **Relevance** – as shown in Table 3 above the evaluation found that international assistance was highly responsive to the national needs and that the collection of projects supported by this assistance was assessed as highly relevant to Serbia's needs and consistent with both national priorities and donor policies.

One reason for this is that the challenges faced by Serbia, as well as the requirements set by the programming processes, (both national and donor's), encouraged the development of a large number of sector strategies /programmes making it possible for almost every development assistance initiative to be cross-referenced to government objectives.

- **Effectiveness** – the evaluation findings on effectiveness showed that, on the whole, most intervention objectives were achieved, or are expected to be achieved, taking into account their relative importance.

Effectiveness was rated at the medium level in six out of the eight sectors and at the high level for the two remaining sectors. In general it was concluded that international assistance contributed to: (i) improvement of national capacities and systems; (ii) improvement of the regulatory framework; and (iii) strengthening of administrative management structures. However, the evaluators pointed out that sometimes the objectives were unrealistic or that findings of lower effectiveness resulted from missed outcomes and under-performance against expected results, where international assistance managed to achieve the objectives only at a superficial level (e.g. the adoption of new regulations /laws which were not subsequently enforced).

- **Efficiency** – the evaluation provided observations on both the resourcing of interventions and their management. In this regard, it was concluded that international assistance was predominately rated at the low to medium levels (efficiency was rated at the high level only in two sectors). The most efficient interventions were those where the government used a mix of different resources and financing sources to meet public policy objectives.

Efficiency was high when the most suitable mix of resources/inputs was used, and this varied from sector to sector, but efficiency also depended on whether the purpose of the intervention was well matched to the capacity of the beneficiary. However, there was a wide range of reasons for observed inefficiencies e.g. (i) some interventions were inefficient because small amounts of financial assistance were overwhelmed by much larger, hidden, administrative costs; (ii) poor quality of technical assistance provided; (iii) the length of the procurement processes; (iv) high turnover of consultants; (v) repetition of activities due to failures in achieving initial objectives; (vi) failures to match international assistance interventions with national priorities.

- **Impact** – an important conclusion of the evaluation was that whilst most interventions financed by international assistance reach their specific objectives they often failed to achieve higher (strategic) objectives.

In other words, assistance can be effective and efficient, but still have no impact. The evaluation took into consideration that some international assistance was programmed in a fragmented manner and that the setting for development assistance was hostile (i.e. the economic crisis which escalated over the period 2007-2011). However, despite this consideration the evaluation concluded that the prospects for impacts were poor. It is important to emphasize that the impact was not confined to the parameters of individual projects but subject to the availability of other non-project conditions. It may be unrealistic to expect all planned impacts to be achieved by any international assistance intervention, but it is to be expected that progress should be made towards achieving impacts through efficient programming, project design, the organisation of non-project factors (e.g. partner commitment, procedures, budgets, human resources, coordination with other projects, political support) and increased implementation capabilities. Furthermore, the failure to achieve planned impacts cannot be the responsibility of international assistance alone, since this is also the consequence of weaknesses in the beneficiary, particularly weak strategic planning, lack of mature projects, resource weaknesses and political will.

- ☉ **Sustainability** – in general the sustainability of results achieved by international assistance interventions was rated at the low to medium level mainly due to insufficient government commitment in terms of both human and financial resources to sustain the outputs and results achieved.

In order to deliver planned policy reforms and meet the challenges of sustained national development e.g. decrease of long-term unemployment, improvement of the trade balance, diminishing rural poverty and depopulation of the country (as described in Section B of the NAD) there is a need to streamline all capacities and resources. The fundamental challenge facing the Serbian authorities managing international assistance over the period 2014-2020 “*will be to do better with less*”. In this regard, the evaluation made four main recommendations to improve the relevance, effectiveness, efficiency, impact and sustainability of international development assistance, these are:

- (1) Concentrate and integrate international assistance to maximise impact;
- (2) Strengthen policy planning and coordination in central government;
- (3) Apply the most effective and efficient modalities based on agreed rules;
- (4) Establishing a culture of performance monitoring and embedding a system of monitoring and evaluation within the Serbian public administration.

In terms of preparing Serbian institutions generally and the wider public for EU membership, Serbian participation in EU Programmes and Agencies is of great importance. This opportunity stems from the adoption of the 2005 Framework Agreement with the EU and is open to a wide range of Serbian organizations including: SMEs, universities, research institutions, cultural institutions and CSOs. Currently Serbia participates in 11 EU Programmes³³ for which the cost of participation (the ‘entry ticket’ for each programme) is met from IPA national and multi-beneficiary programmes. Given the recognized importance of these activities it is important to analyse the efficiency and effectiveness of this usage of IPA funds. Such an analysis poses particular challenges for SEIO because, unlike the rest of IPA funding, there is no clear role for neither the EU Delegation nor SEIO in the preparation and implementation of EU Programmes. Instead, EC policy DGs and executive agencies communicate directly with national line institutions and contact points, while applicants submit proposals directly to the responsible DGs /Agencies. Furthermore, National Contact Points (NCPs) often cannot provide complete information on the absorption levels of the various EU Programme funds in Serbia. For these reasons SEIO will undertake a separate evaluation for participation in EU Programmes which will assess the effectiveness of participation in each programme individually. This evaluation will aim to provide important information to the NCPs on the functioning of each programme, categories of beneficiaries, types of projects and the absorption of funds and will be the basis of the decision on Serbia’s participation in EU Programmes over the 2014-20 financial perspective.

A.4.3 Principles and Perspectives for International Assistance

It is evident that there is a need to streamline the use of both national and international resources in order to be successful in implementation of reforms and strategic economic goals, the adoption of EU standards and faster EU integration. The preparation and subsequent regular updating of the NAD is an integral part of the governments’ efforts to increase the efficiency and effectiveness of international assistance in delivering necessary reforms by focusing it on priorities defined in national strategic documents and strengthening institutional ownership. In addition, improvements have been made in: (i) the coordination of the reform processes; (ii) the better articulation of needs for strengthening the functions of strategic and operational planning throughout public administration; (iii) and in fulfilling the obligations which Serbia took on by signing the Paris Declaration³⁴.

The Paris Declaration outlines five principles³⁵ in order to increase effectiveness and efficiency of the international assistance and to support beneficiary country efforts to strengthen governance and improve development performance. In order to address the Paris Declaration principles and provide a more comprehensive understanding of how increased aid effectiveness contributes to meeting development objectives, the government has defined an ‘*Aid Effectiveness Agenda*’³⁶ which has five specific objectives:

- (1) To improve the planning and prioritization process
- (2) To better align international assistance with national programmes
- (3) To adopt a Sector Approach in the management and coordination of international assistance
- (4) To monitor the performance of international assistance

³³ (1) Seventh framework programme for research, technological development & demonstration activities; (2) Culture programme 2007-13; (3) Competitiveness & innovation framework programme; (4) Fiscalis; (5) Customs; (6) PROGRESS (2007-13); (7) Lifelong learning; (8) Safer internet; (9) Europe for citizens; (10) Tempus /Erasmus Mundus; (11) Youth in action.

³⁴ Paris Declaration on Aid Effectiveness, signed on 2 March 2005

³⁵ Paris Declaration principles are: 1) Ownership; 2) Alignment; 3) Harmonization; 4) Managing for results; 5) Mutual accountability

³⁶ Annex of the NAD (2008-10). Adopted by the Government (2008).

- (5) To improve the predictability of sector financing

The progress made to date in achieving these goals is reviewed in Table 4 below.

Table 4: Progress Made in Implementation of the Government Aid Effectiveness Agenda

Specific Objectives	Progress Achieved
<p>(1) Improvement of the planning process in line ministries and overall inter-sector planning and prioritization in connection with international assistance.</p> <p><i>(Indicator 1 of the Paris Declaration³⁷)</i></p>	<p>SEIO is responsible for preparation of the NADs which are multi annual national planning documents defining national priorities for international assistance. This document is the fourth consecutive NAD since 2007. Line ministries and other state institutions are actively involved in NAD preparation by providing inputs for the identification of national sector and cross-sector priorities which can be implemented by international assistance. The NAD 2011-13 was partially based on the Sector Approach, the NAD 2014-17 (this document) is wholly based on the Sector Approach. In addition, line ministries take an active part in programming of international assistance and the identification of projects to be financed by it.</p> <p>The development of administrative capacity in line ministries for strategic sector planning has been supported by the introduction of Annual Operational Planning (AOP). AOP introduces functional, objective-oriented, planning which is linked to the national budget and whose performance is subject to results-based monitoring/reporting. The aim of AOP is to improve strategy development and policy coordination at sector and cross-sector level. The achievement of this aim will allow for the alignment of international assistance with national planning and monitoring procedures and thereby provide a sound basis for the further development of the Serbian Sector Approach.</p>
<p>(2) Better alignment of projects and programmes financed from international assistance with national priorities</p> <p><i>(Indicator 3 of the Paris Declaration³⁸)</i></p>	<p>The NADs cover successive 3 year periods and are used as instruments for streamlining and aligning international assistance with national priorities through comprehensive consultative processes that involve both national and international stakeholders (line ministries, local self-government, CSOs, donor community). For the NAD (2011-13), according to the data entered in the SEIO database (ISDAICON, see Section C) 84.9% and 91.3% of international assistance interventions in 2011 and 2012 respectively supported NAD priorities. With respect to <i>indicator 3 of the Paris Declaration</i>, it is important to note that the NAD corresponds to the donor strategic planning documents e.g. the MIPD (2011-2013) and the EC Country Strategy Paper (2014-20).</p>
<p>(3) The promotion of international cooperation and Sector Approaches for better alignment of donor activities with national priorities</p> <p><i>(Indicator 4 of the Paris Declaration³⁹)</i></p>	<p>The NAD 2011-13 and NAD 2014 -17 provide a framework for the operation of the Serbian Sector Approach. The drafting of these documents was based on intensive donor coordination as well as coordination within the government and inter/intra-ministerial coordination. To strengthen the capacities of sector lead ministries for the management of international assistance, the mandate of the IPA Units in line ministries was increased to include coordination and management of all donor-funded projects.</p> <p>Sector Working Groups (SWGs) were established in 2010. The main SWG tasks are to ensure coordination and cooperation between all the institution(s) involved in a sector with respect to responsibilities for planning, programming, monitoring/reporting of international assistance (operational level). The establishment of SWGs has led to an improvement in the programming of IPA and in the quality of implementation of national sector policies and strategies.</p>
<p>(4) Introduction of Decentralized Management System (DMS) for the management of EU funds in order to ensure the channelling</p>	<p>After adoption of the Decree on DMS for managing the EU development assistance funds under IPA⁴², Serbia started the final stages of establishment of the system. All the required DMS structures and posts have been established, namely: Competent Accrediting Officer; National IPA Coordinator</p>

³⁷ Countries put in place national development strategies with clear strategic priorities (OWNERSHIP).

³⁸ Donors align their aid with national priorities and provide the information needed for it to be included in national budgets (ALIGNMENT)

³⁹ Co-ordinated programmes aligned with national development strategies provide support for capacity development (ALIGNMENT)

⁴² Official Gazette of RS No 70/2011 and 49/2012

Specific Objectives	Progress Achieved
<p>of the EC assistance through national systems for the management of public finance and public procurement.</p> <p>(Indicators 5a⁴⁰ and 5b⁴¹ of the Paris Declaration)</p>	<p>and NIPAC Technical Secretariat; National Fund; Central Contracting and Financing Unit; Project Implementation Units; National Authorising Officer; Programme Authorising Officer; Senior Programme Officers; CBC Body and Audit Authority. By submitting the request for conferral of management powers and by delivering accreditation package for IPA in June 2012, the fourth out of five stages for establishing decentralized management of EU funds has been closed. The last fifth stage, meaning verification and conferring management powers by EC to manage funds commenced in November 2012 by intervention of verification auditors of the EC and continued in spring 2013 on the basis of draft verification audit report. The estimated time for completion of all stages is six to eight months period. The conferral of management for IPA funds is expected by the end of 2013. See Section C.4 ('Implementation Modalities').</p>
<p>(5) Improved level of external financing predictability, with the aim of providing support to line ministries in annual planning of activities and budget planning</p> <p>(Indicator 7⁴³ of the Paris Declaration)</p>	<p>An 'Action Plan for Programming and Reporting on EU funds and International Assistance' is prepared by SEIO. The purpose of this document is to ensure synchronization of international assistance programming and specific donor timetables with national planning and budgeting processes. It contains data on future expected international assistance commitments in total amounts and per sector. These data are regularly obtained by SEIO from the donor community in order to: (i) increase the predictability external financing; (ii) improve national budget planning and focus available resources /funding (both national and international) on national priorities. The NAD also provides data on estimated new commitments of international assistance in the mid-term perspective (three years), providing a basis for the reliable planning of activities by the line ministries.</p>

A.5 Sector Approach

As defined in numerous government publications (including the previous NAD), the Sector Approach in Serbia is based on the application and operation of a programme intervention logic across whole sectors. The adoption of the Sector Approach in the management of international assistance marks a move away from stand-alone projects addressing separate (albeit sometimes related) objectives, to a more focussed approach where projects are clustered and sequenced within measures and have the same objective(s). The two basic pillars of the Serbian Sector Approach are the NAD and the SWGs. As explained in Section A.1, the NAD is a strategic planning document based on a programme logic which defines concrete measures for each sector within the context of national priorities for socio-economic development and EU accession. NAD priorities and measures are prepared by the responsible sector institutions coordinated and led by *sector lead ministries* (see below) within a timeframe established by SEIO. The priorities and measures are open to scrutiny by the key donors and CSOs during preparation and adjusted according to comments /suggestions made by them. This process intrinsically: (i) ensures transparency and accountability; (ii) leads to donor alignment; and (iii) results in a high degree of institutional ownership. These are the principle benefits of a Sector Approach and are directly correlated with improved prospects for future impact and sustainability.

The SWGs are the main mechanisms by which this planning process is managed and coordinated (as explained in Section C); they were established in 2010 and were actively involved in the preparation of both the current and the previous NAD (2011-13). This timeframe coincided with the EC's shift from supporting individual stand-alone projects to a Sector Approach which was initiated in the last two programming years of IPA1 (2012-2013). The Serbian response in the first year of the IPA Sector Approach was gradual with some 60% (106 M€) of the national IPA Component I allocation being programmed by means of Sector Fiches (rather than Project Fiches), this rose to 86% (168 M€) in 2013.

In principle the great majority of assistance under the upcoming IPA-2 Regulation (2014-20) should be delivered via Sector Approaches. According to the EC Explanatory Memorandum to the draft IPA-2 Regulation⁴⁴, IPA will be redesigned so that it has a role in:

⁴⁰ As their first option, donors use fiduciary systems that already exist in recipient countries (ALINGNMENT).

⁴¹ As their first option, donors use procurement systems that already exist in recipient countries (ALINGNMENT).

⁴³ Aid is released according to agreed schedules (ALINGNMENT).

'Reinforcing (co-)financing of agreed sector strategies contributing to the policy objectives, as opposed to individual projects, thus moving away from purely grant financed projects and increasing the share of assistance funded through support at sector level'.

With regard to IPA-2, EC judgments of whether beneficiary countries are ready to adopt a Sector Approach will be based on five criteria which collectively provide an assessment of sector maturity, and these are as follows:

1. Sector definition and quality of national sector policies /strategies;
2. Institutional setting, leadership and capacity for implementation;
3. Sector and donor coordination;
4. Monitoring of sector policy implementation and in particular the development of Performance Assessment Frameworks (PAFs).
5. Mid-term budgetary perspectives for sector policy implementation based on sector budget analysis and sector allocations in Mid-Term Expenditure Frameworks (MTEFs)

Few, if any, IPA beneficiary countries are expected to fulfil all five of these criteria at the start of IPA-2 programming in 2014. In recognition of this DG ELARG current guidance states that this does not prevent the adoption of Sector Approaches in IPA provided that the first three criteria are fulfilled (these are considered essential) and that there is a government commitment to establish functional PAFs and MTEFs in the beginning years of sector support programmes⁴⁵. In fact, this situation corresponds to the present stage of development of the Serbian Sector Approach. The current status, and future development, of the Serbian Sector Approach in relation to the above criteria is briefly described below. More detailed information on each criterion is given in Sections B and C (as explained below).

Sector Definition

The EC have provided the following guidance on sector definition:

'A sector should be defined by the government and have relevance for EU accession and/or national socio-economic development. With regards to accession this means that the sector policy objectives should address specific political and/or legal and/or administrative reforms that have been identified in past Progress Reports as being necessary for national compliance with the Copenhagen criteria'.

The nine sectors selected by the Serbian government for the adoption of a Sector Approach are listed in Table 1 (Section A.1) and are described in Section B of this document. The descriptions given in Section B follow a standard format for each sector /thematic area, as shown in the Table 5 below. Sectors were selected on the basis that their scope covered policy reforms of significance for EU accession (as described in Sections B.3 for each sector, 'EU Agenda') and was wide enough (as described in Section B.1, Table 5) to absorb and benefit from the multi-annual sector support programmes envisaged under IPA-2.

The three thematic areas are also important for national socio-economic development and EU accession, however, it is judged from their relatively restricted scope that the reform agenda in these thematic areas is better achieved by means of projects rather than multi-annual programmes. It should be noted that international assistance in these areas will also be managed under a Sector Approach and projects will not be 'stand-alone' but will be implemented within measures as part of an intervention logic which parallels that of the sectors.

Table 5: Standardised Description of Sectors /Thematic Areas in NAD Section B

Section	Title /Content
B.1	Scope and background of the sector
B.2	Strategic framework
B.3	EU Agenda
B.4	Overall objectives and priorities in the sector (2014-20)
B.5	Sector measures for implementation of priorities in the sector
B.6	Institutional framework for implementation of Sector Approach

⁴⁴ Proposal for a Regulation of the European Parliament and of the Council on the Instrument for Pre-Accession Assistance (IPA II), COM (2011) 838 final 2011/0404 (COD), SEC (2011) 146 final, SEC (2011) 1463 final.

⁴⁵ Sector Approach in Pre-Accession Assistance. Ref. Ares(2013)65573 – 18/01/2013 Section 2.8 'Overall Assessment'.

B.7	Indicators for measuring progress
B.8	Aid effectiveness, efficiency and sustainability

In addition, it can be noted that some of horizontal topics such as the use of international assistance to support Serbia's accession negotiations and project preparation are presented per sector, while the needs related to them will be programmed more centrally. NAD covers the needs of the Belgrade-Pristina dialogue. However, since these needs are yet to be defined they will be treated as unallocated measures and will be programmed centrally.

Sector Strategies

With regard to the implementation of Sector Approaches by means of sector support programmes, EC requirements are that relevant national strategies, at the sector level, are in place and that they are of good quality.

'Good quality sector policy documents would be the primary basis for preparing IPA sector support programmes'⁴⁶.

The nine sectors and three thematic areas that collectively constitute the Serbian Sector Approach are underpinned by comprehensive strategic frameworks of sector strategies adopted by the government, spanning the entire scope of each sector /thematic area. The strategic framework described in Section B.2 is based on these national strategies but also covers Serbia's commitments to regional and transnational strategies. National sector and sub-sector strategies are listed in full in Annex 1.

There are currently 106 strategic documents in Serbia relevant to the NAD sectors, of these, 14 cover multiple sectors and 92 are specific to the NAD sectors /thematic areas. It is recognized by the Serbian authorities that not all sector strategies are of the same quality and that many may need substantial improvement, particularly with regard to administrative arrangements, institutional responsibilities and timeframes for implementation. SEIO, supported by EU technical assistance⁴⁷, is currently undertaking an assessment of the quality of the sector strategies with a view to identifying those which need improvement or which are redundant. Seven benchmarks for this assessment have been developed and strategies are expected to meet those benchmarks to be judged as being of acceptable quality. The seven benchmarks are shown in Table 6, below.

Table 6: Benchmarks for Assessing the Quality of Sector Strategies

Benchmarks	Description
Unambiguous scope:	The scope of the strategy should be clear whilst describing links to other strategies that are influential or inter-dependent. The strategy should refer to existing laws, obligations, institutions and stakeholders.
Baseline analysis:	The strategy should be founded on a solid evidence base, which explains the problems and needs that the strategy seeks to address. Quantitative and qualitative information should be combined with informed interpretation. Statistics should be the most recent available and qualified by definitions and sources. Trends and patterns should be assessed and placed in the context of wider socio-economic factors.
Long-term vision and objectives:	Strategies should deal with medium-to-long term planning horizons. The document needs to articulate an attainable vision of the desired future state in the sector at the end of the period, objectives should focus on outcomes for the sector's beneficiaries
Measure design:	The strategy needs to incorporate: (i) lessons from past practice, including interventions to be built upon and mistakes to be learned from; (ii) comparison of different options for likely costs and consequences; (iii) analysis of underlying assumptions, pre-conditions and risks affecting the prospects for its measures.
Prioritised action planning	Strategies involve difficult choices about resource use and interventions need to be prioritized and sequenced in the form of an implementation plan which specifies for each measure, the responsible institution, the timescale, the costs / budget and funding source and indicators.
Monitoring:	Achieving expected outcomes means being clear about the direction, the ultimate destination, and milestones to measure progress. This requires well-designed 'SMART' performance /impact indicators for measure /priority objectives and implementation of a monitoring system to measure them.
Shared ownership:	Strategies should be widely accepted by policy-makers and affected parties. The aim should be to build a consensus around solutions which cut across political boundaries. They should be consulted with stakeholders from public bodies, socio-economic partners and civil society.

⁴⁶ DG ELARG, 'Mapping of Sector Strategies' June 2013

⁴⁷ Project Preparation Facility (PPF5)

It is necessary for future strategies of the Government to follow these seven referent points and to define in advance if the document should be issued as a strategy of the Government, action plan or workplan of ministry in certain area.

Institutional Setting and Leadership

Sector institutional frameworks are presented in Section B.6 for each sector /thematic area. The information presented in these sections is based on the detailed mapping of all institutions involved in sector management on the basis of their legal mandates and responsibilities for sector policy formulation and implementation. Sections B.6 also show the composition of the SWGs and identify the lead institution for each sector. Sector lead institutions are responsible for coordinating relevant institutions in sector policy making, implementation, monitoring and reporting. They work closely with SEIO and lead donors in coordinating the work of the SWGs. The lead institutions for the NAD sectors are listed below in Table 7. The roles and responsibilities of sector lead institutions are described in more detail in Section C.3 ('*Sector Lead Institutions*').

Table 7: Lead Institutions for NAD Sectors

NAD Sector	Lead Institution
Justice	Ministry responsible for Justice
Home Affairs	Ministry responsible for Home Affairs
Public Administration Reform	Ministry responsible for Public Administration
Competitiveness	Ministry responsible for Economy
Energy	Ministry responsible for Energy
Environment & Climate Change	Ministry responsible for Environmental Protection
Transport	Ministry responsible for Transport
Human Resource & Social Development	Ministry responsible for Employment
Agriculture & Rural Development	Ministry responsible for Agriculture

Sector and Donor Coordination

The SWGs are the main mechanism for both sector and donor coordination. As described above, the internal coordination of sector institutions is carried out by the sector lead institutions whilst overall coordination is the responsibility of SEIO. SWGs are well established, official government structures and operate by rules of procedures which have been adopted by government. They meet on a regular basis at least four times a year but often more frequently, particularly in relation to specific tasks such as the drafting of the NAD, consultations with donors/CSO representatives, programming of international assistance. Each SWG is led by a 'task force' composed of the lead sector institution, the lead donor and SEIO. The secretariats for SWGs are provided by SEIO which is responsible for ensuring the efficient functioning and coordination of their activities. More detailed information on the functioning of SWGs is provided in Section C.2 ('*Sector Coordination*').

In addition to SWGs, regular coordination with the donor community is secured through the Overall Aid Coordination Meeting. It is a high level forum between SEIO Director and Deputy Director and high-level representatives of the donors (sometimes includes line ministers) which meets at least once a year with the main purpose to provide a place for a high level policy dialogue, discussion on international assistance priorities and programming, monitoring implementation at sector and national level.

Monitoring Performance

The basis for establishing PAFs for each sector /thematic area is given in Section B.7 which defines indicators at the level of both measures and priorities and formulates seven annual targets for these over the period 2014-20. There is as yet relatively little experience of performance monitoring in Serbia, this being the first NAD to contain sector targets, and it will be necessary to review indicators and their targets in the light of practical experience early on in the NAD planning period, say at the end of 2015. Under present arrangements monitoring data will be sent by the institutions responsible for collecting them (as indicated in Section B.7) to SEIO. Monitoring data will be analysed and stored in the SEIO database (ISDACon) and used to compile regular SEIO reports on the use and performance of international assistance.

As explained in Section C.4 ('*Implementation Modalities*'), Serbia is in the final stages of establishing structures and procedures for the decentralized management of IPA financial assistance. It is expected that the EC will grant the conferral of management under DMS with *ex-ante* controls for IPA⁴⁸ Components I and II by the end of 2013. This means that the

⁴⁸ Under the IPA 2007-13 Regulation

monitoring arrangements required for the decentralized management of IPA should be in place and operational by the start of 2014 i.e. in time to be used for performance monitoring of international assistance over the NAD planning period.

Under the DMS procedures being established in Serbia, monitoring will be carried out by means of Implementation Reports which are examined by two sorts of Monitoring Committees: (i) an 'IPA Monitoring Committee'⁴⁹ (IPA-MC) to oversee the implementation, progress and performance of all IPA Components under implementation in Serbia; (ii) 'Sectorial Monitoring Committees'⁵⁰ (SMCs) which correspond to the NAD sectors to examine the effectiveness and quality of implementation of programmes and operations. The IPA-MC meets once a year to examine the reports produced by the SMCs and by the Sector Coordinator. According to the IPA Regulation the IPA-MC must: '*satisfy itself as to the overall effectiveness, quality and coherence of the implementation of all programmes and operations towards meeting the objectives set out in the financing agreements as well as in the multi-annual indicative planning documents*'. The SMCs meet twice a year to examine reports submitted by the Operating Structures and they report to the IPA-MC on the progress made in implementing the programmes, by priorities, measures and operations.

Technically these monitoring arrangements only apply to assistance programmed under the IPA (2007-13) Regulation. However, in order to avoid the potential duplication and inefficiencies of operating parallel monitoring systems, it is likely that the DMS committees will be used for monitoring all international assistance. In this context it is important to note that under the existing rules of procedure for SWGs, it is planned that the composition of the SWGs and SMCs will be the same.

Mid-Term Expenditure Frameworks

Whilst Mid-Term Expenditure Frameworks (MTEFs) are part of the existing Fiscal Strategy process they are determined at the level of budget users and cannot directly be transformed into sector MTEFs. However, as is explained in Section B.3.1 (Scope of the Public Administration Sector) recently adopted legislation requires the merging of strategic planning of public policies with the budget process within the government and the parliament. This will include mandatory three-year budget planning and the introduction of programme budgeting by 2015. It is planned that MTEFs for sectors will be developed alongside programme budgeting. For this to be feasible it will be necessary to ensure correspondence between the budget programmes and the NAD sectors. Discussions between SEIO and the Ministry of Finance are on-going on this issue with the expectation of establishing sector-MTEFs by the end of the NAD planning period i.e. by 2016-17.

⁴⁹ IPA Implementing Regulation (Article 58)

⁵⁰ IPA Implementing Regulation (Article 59)

SECTION B: SECTORS AND THEMES

B1 JUSTICE SECTOR

B1.1. Scope and background of the sector

The Justice Sector encompasses **judiciary, prevention and fight against corruption, support to protection of human and minority rights.**

Reform of the judiciary in the Republic of Serbia has begun in 2006 by adoption of the National Judicial Reform Strategy in which key principles and objectives of the reform were defined, accompanied with and further reform of the penal system, based on the Penal Reform Strategy. According to the assessment of fulfilment of measures from this Strategy,⁵¹ and results in the establishment of a legal and institutional framework are largely achieved. However, judicial network, reappointment of judges and prosecutors, capacities of the key stakeholders, procedural laws, prosecutorial investigation, availability of legislation and case-law have only been partially addressed. It was predicted that new court and prosecutorial network established on January 1, 2010, and conducted process of re-election of judges and public prosecutors from the end of 2009 should have led to: reduced backlog of cases, shorter duration of court procedures and lower budgetary expenditure. These predictions were not fully fulfilled and further improvement and reform activities are required. Redesign of the network of courts and public prosecutions followed by need for better access to justice and improved rationalisation is on-going requiring further assistance in completion of tailoring the Serbian judicial system. Furthermore, it is envisaged to introduce new judicial professions (such as Public Notaries and Private Enforcement Agents/ Bailiffs) to the Serbian legal system in order to raise legal certainty and improve overall efficiency of the entire judicial system.

After the completion of the previous phase of the **reform of the judiciary** further improvement of legal framework, institutional and professional capacities of newly established institutions proved as key impediment for further development of democracy and rule of law concept. Related to the independence of the judiciary, *High Judicial Council and the State Prosecutorial Council* took over competences for the administration of the budget of courts/public prosecution offices from 1 January 2012. Constitutional Court of Serbia during 2012 by its rulings revoked all the decisions taken by the High Judicial Council and the State Prosecutorial Council of non-reappointment challenged by the judges and prosecutors removed from tenure in 2009 in line with the re-election process and returning their previous status. *Judicial Academy*, effective from January 2010, continued with regular activities in organization of training programmes tackling basic and actual themes in areas related to judiciary fight against organized crime and corruption, as well as protection of human and minority rights, enrolling third generation of new candidates for judicial officials 2012.

With regards to the **efficiency of the judicial system**, procedural laws were improved, but Serbia is still facing a great number of backlogs and as addressed in latest EC Progress Report⁵² and in recommendations of the Venice Commission^{53,54} constitutional changes and further actions need to be adopted to reduce the growing backlog. In 2012 the Chamber of bailiffs was established and full implementation of public notaries is envisaged for September 2014. Further comprehensive implementation actions are necessary to ensure the successful introduction of these professions. According to the statistical data of the Supreme Court of Cassation⁵⁵, in 2012 all courts of the Republic of Serbia counted a total number of 5.315.547 cases in process, received 1.969.270 cases, resolved 2.156.958 cases. Altogether 3.158.400⁵⁶ cases remained unresolved. Due to measures undertaken to address courts caseload, the data shows that courts overcame the inflow and they even have resolved more cases than the number of received. In 2012 all courts received 11,55% less cases than in 2011 and despite the fact that at the end of the reporting period they had 5,48% less cases than in 2011, compared to the total number of cases in work, courts have resolved 40.58% of cases, which requires further attention and support of coherent judicial network. A system of professional evaluation, effective disciplinary rules and stronger integrity safeguards are recognized as crucial for further improvement of judiciary efficiency. In terms of **quality of justice**, the HJC and the SPC have not yet adopted rules on regular evaluation of the work and performance of serving judges and prosecutors. The

⁵¹ Report of the Council of Europe Project "Support to the reform of the judiciary in Serbia in the light of Council of Europe standards", as well as Reports of the European Commission on Serbia's progress for 2007, 2008, 2009, 2010, 2011 and the Analytical Report accompanying the document Communication from the Commission to the European Parliament and the Council with the Commission Opinion on Serbia's application for membership in the European Union from October 2011.

⁵² Serbia Progress Report 2012 accompanying, Com. Enlargement Strategy and Main Challenges 2012-2013 European Commission (COM(2012) 600 final

⁵³ OPINION ON DRAFT AMENDMENTS TO LAWS ON THE JUDICIARY OF SERBIA No 709/2013, Venice Commission, Council of Europe, Strasbourg CDL-AD(2013)005

⁵⁴ European Commission for Democracy through Law (Venice Commission), Opinion on the Constitution of Serbia, adopted by the Commission at its 70th plenary session (Venice, 17-18 March 2007)

⁵⁵ Supreme Court of Cassation – Analyses of the work of all courts in the Republic of Serbia (January 1 – December 31, 2012), <http://www.vk.sud.rs/>

⁵⁶ Higher Court in Zajecar did not show 189 cases as unresolved at the end of the reporting period, and related to this figure the number of unresolved cases is changed in the total result of higher courts and total result in all courts

foreseen evaluation of the magistrates newly recruited in 2009 for a three year term is in particular pending. The need for further development of “a proper merit-based career system for judges and prosecutors.⁵⁷” has been acknowledged by EC Report 2012 and EU Joint Report on Serbia’s achievements towards accession⁵⁸. Judicial Academy is conducting initial and continuous training for judicial officials and candidates for judicial officials, extending the network of lectures and mentors, improving its curricula by evaluation of its trainings, technical equipping of its premises, strengthening of cooperation with national and foreign institutions and organizations. Administration for execution of criminal sanctions continuously implements activities related to the capacity expansion and overcrowding of prison facilities, which has been reduced for approximately 10% in 2012 with a construction of the new prison facility. Alternative dispute resolution remain low in implementation and the new law on Mediation is envisaged to be adopted by the end of 2013, in order to define procedure of standardization and accreditation of basic and specialized training programmes of mediators and promote the system of mediation.

Serbia has established the relevant institutional and legal framework to **fight against corruption**. Anti-Corruption Agency is mainly focusing on prevention, while investigating and processing of corruption cases requires improved coordination among institutions with special attention to the Public Prosecution Office. According to the data available from the Report on policy on preventing and fighting corruption⁵⁹ related to the control of declarations of assets, the Anti-Corruption Agency has performed 192 controls in 2010, 513 in 2011, and 486 in 2012. In 2013 as, a result of asset control, the Agency had, by September 2013 initiated 283 procedures and filed seven charges⁶⁰. With regards to control of financing of political parties, the Agency filed 39 charges for non-submission of reports on electoral campaigns and 78 misdemeanour charges. Regarding control of electoral campaign financing, the Agency had filed 176 requests for initiation of offence proceedings by 30 April 2013. In 2013 the Agency received 877 cases regarding only conflict of interests, which matches the total number of cases in 2012. 160 proceedings have been initiated ex officio, which equals sum of these proceedings in 2011 and 2012. 135 proceedings have been initiated based on reports, which is only 12 less than the number of proceedings based on the same grounds in 2011 and 2012. In order to help public entities to design correctly integrity plans, the Agency has drafted 69 types of integrity plans and have provided full access to them to 4500 institutions. In 2012, the Prosecutor’s Office for Organized Crime, filed reports against 139 persons, initiated investigations against 136 persons, indictments raised against 81 persons for criminal offences including abuse of office, taking bribe and giving bribe – cases of high level corruption. For the same period and same criminal offences against 55 persons judgments were reached.⁶¹ The special prosecutor for corruption and organised crime launched investigations into 115 corruption cases in 2011. These included several medium- to high-level cases. There has been a marked increase in the number of lower-level corruption cases for which the prosecutor’s offices initiated investigations in 2011, but in the great majority of such cases sanctions remained lenient. Serbia shows its commitments for fight against corruption by encompassing more proactive approach to investigating and prosecuting corruption and the judiciary needs to gradually build up a solid track record of convictions, including in high-level cases, particularly in cases of misuse of public funds.

Ministry responsible for the judiciary with all relevant stakeholders has prepared a new National Anti-corruption Strategy⁶² aiming at improving anti-corruption policy on horizontal level for the period 2013-2018 along with the implementation of GRECO recommendations coupled with the findings of the on-going - and soon to be completed – review of Serbia in the context of the UNCAC Review of Implementation Mechanism. The Strategy takes into account both substantive and procedural aspects of the domestic legislation and policies. Anti-Corruption Agency increased its activities with focus on prevention and started to implement the Law on the Financing Political Activities. Prosecutor’s Office for Organized Crime acted upon the new competences related to criminal offences of high and severe corruption. Nevertheless, available data show that **corruption** in Serbia is still widespread and a survey conducted by the UN Office for Drugs and Crime (UNODC) in July 2011⁶³ showed that it is still high perceptions of corruption and political influence in Serbian society. Moreover, in 2012 the Anti-Corruption Agency conducted research, supported through IPA 2008 and it showed that 18 % of Serbia’s

⁵⁷ EC Progress Report 2012 , COM

⁵⁸ JOINT REPORT TO THE EUROPEAN PARLIAMENT AND THE COUNCIL on Serbia’s progress in achieving the necessary degree of compliance with the membership criteria and notably the key priority of taking steps towards a visible and sustainable improvement of relations with Kosovo, European Commission, JOIN(2013),22.04.2013

⁵⁹ Report on policy on preventing and fighting corruption, result of the assessment mission conducted in Serbia between March 4th and March 8th, 2013, prepared by Laura Stefan

⁶⁰ In these proceedings, the Agency passed the following: 14 warning measures for restraining from transfer of rights on authority when on public duty by legal deadline (Article 35); Two warning measures for not informing the Agency on public procurement by legal deadline (Article 36); 23 warning measures against authority in body where officer is on public duty for not informing the Agency duly when an officer assumed or left the office (Article 43, Paragraph 1); 145 warning measures (Article 43, Paragraph 2); 16 warning measures upon leaving the office (Article 43, Paragraph 4) and 4 measures of recommendation for dismissal for restraining from transfer of rights on authority when in public office even when the warning measure had been passed (Article 45); The Agency pressed four new charges based on reasonable doubt that the officer had not declared his/her assets to the Agency or gave false information on assets in order to hide true information (Article 72). By June 2013 the Agency had also submitted three charges to Anti-Corruption department of Public Prosecutor’s Office of the Republic of Serbia, in Belgrade. Seven reports based on reasonable doubt that other officers whose assets had been checked, had done other offences provided by criminal Law or other regulations were submitted to the Public Prosecutor’s Office of the Republic of Serbia, and other bodies of authority.

⁶¹ Analytical report on statistics of high profile corruption , Prosecutor’s office for organized crime, Belgrade, March 8th 2013

⁶² Adopted by the National Assembly of the Republic of Serbia on July 1, 2013

⁶³ *Corruption in Serbia: Bribery as Experienced by the Population*, UNODC and the Serbian Statistical Office, Vienna, Belgrade, 2011.

population was detected in participating in corruption, i.e. in bribe giving in the 2011. According to an analysis of crimes containing an element of **corruption** committed in the territory of the Republic of Serbia (by the Serbian Ministry in charge for home affairs), the number of detected criminal offences with the element of corruption had constantly risen over the last several years. In 2011 a total of 3792 offenses with corruption element were revealed, this figure is 38% higher than in the six year period 2000-2005 (2,748). Abuse of office (1,699) constitutes the largest number of corruption offences. The number of detected criminal offenses of bribery was 152 and a total of 3369 persons were reported. Two organized crime groups with a total of 42 members formed with the aim of corrupt activity were detected. A number of investigations have been launched, including into high level corruption, in part on the basis of the problematic privatisations cases identified in the past by the Anti-Corruption Council. In the recent European Commission Joint Report it was noted that, "...Serbia's track record in effectively investigating, prosecuting and convicting perpetrators of corruption and organised crime needs to be further improved, and additional human and financial resources made available, including in the fields of witness protection, financial intelligence and the special prosecution for organised crime"⁶⁴.

Protection and promotion of **human and minority rights** have been advanced through the development of national strategies and legislation; the establishment of institutions monitoring the enforcement of anti-discrimination and equality laws and bylaws and strengthening institutional capacities. The legislative and institutional framework for the observance of human rights is in place and awareness raising activities targeting civic society and promoting tolerance, anti-discrimination and respect for human rights were carried out. Anti-discrimination laws are mainly in line with EU standards, though further harmonization with the *acquis* is required especially in terms of equal treatment and accommodation of PwD. Overall, the implementation of the existing legal and strategic framework needs to be strengthened. Findings from the EC Progress Report in 2012 point out to challenges in civil, political, social, economic and cultural rights. Poor living conditions and ill-treatment of persons deprived of their liberty (for example in mental health institutions, social care centres and police stations) have been identified and reported. The rights of children and youth from vulnerable groups are unevenly protected and inclusive education is still not fully developed. The groups most discriminated against are the Roma, persons with disabilities and LGBT.

Improving status of **minorities and protection of human and civil rights** largely encompass: legal aid and capacity building of Roma groups CS and institutions; action plans for the improvement of the status of Roma; assistance to the increase of minority participation in decision-making and in socio-economic processes; strengthening of employability and employment of vulnerable groups also through social economy. Namely, achievements are achieved through: Three-year programme for implementation of the Strategy for Improvement of the Status of Roma in the Republic of Serbia implemented in cooperation with OSCE mission in Serbia with financial support from the Swiss Agency for Development and Cooperation; Implementation of the Strategy for Improvement of the Status of Roma in the Republic of Serbia – IPA 2012 Component V; "Implementation of Anti-discriminatory Policies – IPA 2011" implemented from November 2012 to November 2014 in the Office for Human and Minority Rights and the Office of Commissioner for the Protection of Equality; Drafting of the Anti-Discrimination Strategy supported by the project financed by the governments of Great Britain; Council of Europe "Fight against Discrimination based on sexual orientation and gender identity" together with Albany, Italy, Latvia, Montenegro, Poland. "Internship for Young – members of national minorities in state institutions in the Republic of Serbia". Constitutional guarantees of **access to justice** are in place but legislation and funding for an effective system of free legal aid still need to be developed.

EC Progress Report 2012 concludes that "There has been little progress regarding the judiciary and fundamental rights". EC Progress Report highlights following shortcomings: the review of reappointments of judges and prosecutors, need for new strategy for judicial reform, pending issues regarding a new Anti-Corruption Strategy and Action Plan, need for stronger political direction, more effective inter-agency coordination and a proactive approach in investigating and prosecuting corruption. Implementation of the legal framework to fight corruption has continued. Regarding fundamental rights it is stated that the legislation is in place and freedom of expression is in general guaranteed. Highlighted shortcomings are as follows: implementation of the media strategy, need for development of further measures to fight all forms of discrimination, need for proactive approach towards better inclusion of the LGBT population and a greater understanding across society, need for additional efforts in order to improve the situation of minorities, including the Roma, although some positive steps were already undertaken. Regarding alignment with the *acquis* in the area of the judiciary and fundamental rights Serbia has started to address its priorities, while Ombudsman insufficient capacities are also noted in EC Progress report 2012.⁶⁵

⁶⁴ JOINT REPORT TO THE EUROPEAN PARLIAMENT AND THE COUNCIL on Serbia's progress in achieving the necessary degree of compliance with the membership criteria and notably the key priority of taking steps towards a visible and sustainable improvement of relations with Kosovo, European Commission, JOIN(2013),22.04.2013

⁶⁵ The Ombudsman's Offices continued to be effective and have increased their accessibility. The term of office of the State Ombudsman was renewed by Parliament in August 2012. The number of citizens' complaints has increased. The largest number of reported violations relates to governance. Changes to the Law on the Ombudsman, which should enhance the Ombudsman's independence, still have not been adopted. After adopting necessary legislative amendments, further strengthening of this institution will aim at improvement of the protection of human and minority rights

B1.2. Strategic framework

National Strategic Framework

Based on the main strategic documents for the sector, which are presented in Annex1, sector and SWOT analysis, the following priorities for the sector have been identified:

(i) Independence of the judiciary - work of judicial institutions and judicial office holders is free of any undue/prohibited interference or pressures that might obstruct the course of justice, regardless of its source. Particular attention shall be paid to: transparent and independent functioning, in full capacity of independent judicial bodies with strengthened analytical capacities for strategic planning, full independence and transparency of judiciary related to budgetary powers, process of election, promotion, and responsibility of judicial office holders based on clear, objective, transparent and predetermined criteria, introduction of career system for judicial office holders

(ii) Impartiality and quality of justice - with regulations that are clear, conceivable, precise, easily accessible and harmonised both mutually and with the EU Acquis and international case law and with uniform and accessible case law. A judicial system ensuring equal treatment and access to justice to each individual under equal conditions, free of discrimination on any grounds, as well as equal opportunities to protect and exercise their rights and interests. Particular attention shall be paid to: standards of professional ethics and integrity of the judiciary, transparent measures for prevention of conflict of interest, improvement of the access to justice, uniformity of case law with the aim to improve predictability of the judicial system, improve access to justice for citizens - appropriate access to court records and proceedings, enhanced public outreach and participation.

(iii) Competence - A judicial system providing comprehensive/organised in-service training and education, enabling judicial office holders and judicial and prosecutorial assistants and trainees to acquire and upgrade their theoretical and practical knowledge and skills. Judicial official holders and staff as well as members of other judicial professions will perform their duties professionally/ competently/ responsibly, bringing quality decisions within the reasonable time and establishing proactive and transparent communication channels with citizens, which will gradually lead toward raising public trust in the judiciary. Particular attention shall be paid to improvement of the initial training in the Judicial Academy and increasing its importance in the process of election for the judicial office holders until its establishment as a mandatory condition for first election of the judicial office holder and strengthening the capacities of the Judicial Academy aimed at full integration of its activities in the judicial system

(iv) Accountability of the judicial system - with an accountability mechanism applicable to judicial institutions and criteria of accountability of judicial official holders for quality, equity, performance with the allocated public funds. Objective and predetermined criteria for performance appraisal and promotion of judicial office holders, clear and transparent rules on disciplinary responsibility and ethical principles, enable judicial office holders to primarily get acquainted with standards they must fulfil regarding results of the performance appraisal, ethics and discipline. Professional IT case management system enables efficient and timely monitoring of each phase of the proceedings. Collection and merging of data on all court cases is also performed through this system, thus providing important information for management and evaluation of the judicial system performances.

(v) Efficiency of the judicial system - characterised by effective management and rational use of resources, the processing of cases within reasonable deadlines in proceedings compliant with law, respecting human rights and freedoms guaranteed by both national and international instruments. Establishment of an effective and efficient network of courts and prosecutors' offices and improvement of internal procedures of work with enhancement of the infrastructure will enable meeting the needs of the justice system. Establishment of e-justice represent a new concept that refers to the method of adequate judicial system functioning, in which all information and services are in line with regulations, available to all stakeholders according to their level of authorization in the virtual manner in electronic format, with an exception of some services and information that may be exempt from this rule with grounded justification. Concerning the improvement of judicial efficiency, it is important to further strengthen legal profession of public notaries that will lead to enhancing legal certainty and to establish an effective and sustainable system for enforcement of the court decisions. Since efficiency of judicial system does not depend solely on internal organization, but also on the established mechanisms of international judicial cooperation it is necessary to further develop international judicial cooperation. **Further development of the system for execution of criminal sanctions** is in line with particular attention paid to further development and widely implementation of alternative sanctions and increased needs in the system of execution of alternative measures and sanctions, introduction of new ways of alternative sanctions, training for judicial function holders, probation officers, police officers, etc., and introduction of the new ICT.

(vi) Improved anticorruption policy - in accordance with the general principles: the principle of the rule of law, principle of "zero tolerance" for corruption, principle of accountability, principle of universality of implementation of measures and cooperation of entities as a duty to implement measures comprehensively and consistently in all fields, and in cooperation, principle of efficiency and principle of transparency as a guarantee of publicity in the process of adoption and

implementation of decisions, as well as enabling citizens to access information, in accordance with the law. The fields of priority actions are identified on the basis of the qualitative and quantitative analysis of indicators of trends, scope, forms and other issues related to corruption and they are: political activities, public finance, privatization and public-private partnership, judiciary, police, spatial planning and construction, health care system, education, sport and media. Particular attention shall be paid to: effective horizontal and vertical cooperation and the exchange of information among the police, prosecutors, judiciary, other state authorities and institutions, control and supervising bodies, and EU and international institutions and organisations, establishment of uniform records (database) for criminal offences with corruption element, protection of whistleblowers, application of proactive approaches to investigation in the cases of criminal events related to corruption, with the developed capacity for implementation of financial investigations, including anti-corruption policies on public spending and privatization, public enterprises, healthcare, urban and spatial planning and political corruption.

(vii) Effective Human Rights protection and promotion-Priority areas in H&MRs remain in the field of promotion of antidiscrimination and minority protection. A comprehensive Strategy on fighting discrimination for the period 2013-2018 is being prepared and actively consulted with stakeholders. Amongst others, priorities to be addressed by the Strategy will include continuing efforts initiated by the Commissioner for protection of Equality : prevention of on-the-job discrimination with monitoring and enforcement mechanisms; protection of the rights of Lesbian, Gay, Bisexual and Transsexual (LGBT) population; continuous awareness raising of civic sector stakeholders against all forms of discrimination, violence and violations of human rights. Attention will also be paid to the identification, punishment, elimination and prevention of “hate” crimes motivated on grounds such as ethnic origin, religion or sexual orientation. Partnerships with all sectors of society is sought for both anti-discriminatory and minority protection measures. In addition, participation of local communities and minority and vulnerable groups is also of focal importance. **Further development of the system for execution of criminal sanctions** aiming with continuous improvement of conditions in which the sanctions are carried out with modern advances in the treatment of convicted persons shall lead to their successful reintegration into the society and reduction of recidivism, further development of the post penal care of convicted persons.

The current sector strategic framework and the new National Judicial Reform Strategy 2013-2018⁶⁶ (with references to the drafting of the ICT strategy and the Strategy for the Development of the System for Execution of Criminal Sanctions) and the new National Anti-Corruption Strategy 2013-2018 are based on above mentioned principles and priorities and on the EU policy framework. The challenge in achieving these national priorities is that they will require the integration of a wide range of actions across the whole sector.

In order to support national strategic objectives presented above and to focus international assistance on the most pressing issues, the NAD sets out two following priorities:

NAD Priority 1: Improved judicial system, legal certainty and fight against corruption are considered as horizontal and contribute to all the Sector priorities listed above.

NAD Priority 2: Improved protection of human and minority rights in Serbia contributes to the priority (vii).

Regional and Transnational Strategies

The EU Strategy for Danube Region is closely related to Serbia’s national priorities and addresses a wide range of issues and proposed areas of cooperation that are divided among 4 pillars, of which the pillar “Strengthening the Danube Region” corresponds most closely to the NAD sector ‘Justice’. Priority areas relevant for the sector are:

- “To step up institutional capacity and cooperation”, and
- “To work together to promote security and tackle organised and serious crime”.

Security and rule of law, providing register within the framework of River information services in order to combat smuggling and illegal trade⁶⁷.

EU documents and international agreements related to the sector

The European Partnership with Serbia from 18 February 2008 (2008/213/EC) aims-to “support the efforts of Serbia to strengthen democracy and the rule of law (article 1)”. Also, it sets out a number of short and medium term priorities, including key priorities - improving the functioning of the judiciary, guarantee its independence, accountability, professionalism and efficiency and ensure that the career development and recruitment of judges and prosecutors are based on technical and professional criteria and free from political influence; step up the fight against corruption at all levels and regarding human rights and protection of minorities - fulfil all obligations arising out of membership of the Council of Europe. The **Stabilization and Association Agreement** (Title I, General principles, Article 2) specifies “Respect for the

⁶⁶ Adopted by the National Assembly of the Republic of Serbia on July 1, 2013.

⁶⁷IV pillar „ Establishment of a safe transport system and affirmation of the rule of law principles along the entire Danube River Basin, ” PARTICIPATION OF THE REPUBLIC OF SERBIA IN THE DEVELOPMENT OF AN OVERALL EUROPEAN UNION STRATEGY FOR THE DANUBE REGION, adopted by Government of Republic of Serbia, Decision of 10 June 2010

democratic principles and human rights as proclaimed in the Universal Declaration of Human Rights and as defined in the Convention for the Protection of Human Rights and Fundamental Freedoms, in the Helsinki Final Act and the Charter of Paris for a New Europe". Also, SAA (Title VII, Justice, Freedom and Security, Article 80 – Reinforcement of institutions and rule of law) stipulates that "the Parties shall attach particular importance to the consolidation of the rule of law, and the reinforcement of institutions at all levels in the areas of administration in general and law enforcement and the administration of justice in particular. Cooperation shall notably aim at strengthening the independence of the judiciary and improving its efficiency, improving the functioning of the police and other law enforcement bodies, providing adequate training and fighting corruption and organised crime". Serbia is signatory to numerous international and regional conventions having its relevance for strengthening of the judiciary, human rights protection and prevention mechanisms, impacting anti-corruption policies. In terms of judiciary, Serbia follows **UN and Council of Europe Conventions and Recommendations⁶⁸ particularly CEPEJ conclusions in evaluation reports on judicial systems in Europe** and complies with its findings aligning with European standards in terms of integrity, efficiency and quality of justice.

B1.3. EU Agenda

Europe 2020 sets out a strategy for smart, sustainable and inclusive growth. The relevant flag ship initiative is the European Platform against Poverty and Social Exclusion stressing the need to closely integrate social inclusion and antidiscrimination, and is addressing, among other issues, upholding human rights and antidiscrimination policy, especially regarding gender equality, Roma population, and people with disability and with mental health problems. Other relevant policies are EU Framework for National Roma Integration Strategies up to 2020, Strategy for Equality Between Women and Men (2010 – 2015), European Disability Strategy 2010-2020. The EU's justice, fundamental rights, citizenship and equality policies are based on the EU's fundamental values and principles, such as democracy, freedom, tolerance, non-discrimination and the rule of law. The fundamental document is the European Convention on Human Rights and Fundamental Freedoms and related resolutions and recommendations. Also, well-functioning area of justice, where obstacles in cross border judicial proceedings and access to justice in cross-border situations are eliminated, should be developed as a key element to support and promote the specific objectives and flagship initiatives of the Europe 2020 Strategy.

Link with NPAA:

23. Judiciary and Fundamental Rights

The establishment of an **independent, reliable and efficient judiciary** is of paramount importance and it is recognized within the EU acquis. It notably requires sufficient human resources and qualified staff, adequate and modern equipment, acceleration of court proceedings, reduction of the number of pending cases so as to avoid unreasonable delays, measures, institutions and capacities to ensure the enforcement of judgments, and procedures to ensure ethical conduct by the judiciary and the effective access to justice. By strengthening European Judicial Area, EU among other objectives aims at protection of licit economy from organised crime by strengthening the effectiveness of the recovery of criminal assets in the EU. Progress in this area contributes to achieving the Europe 2020 strategy objectives and Justice for Growth policy was adopted by introducing scoreboard for measuring the **performance of national judicial system** of Member State and its impact on economic growth and economic policies. With the **Stockholm Programme(2010-2014⁶⁹)**, and the proposal for new Regulation on Justice Programme for 2014-2020, the EU reaffirmed its commitment to securing justice systems within its MS ⁷⁰, protection of citizen rights by ensuring correct, coherent and consistent application of Union law across the Union.

The Copenhagen political criteria established by European Council in 1993 and the new approach introduced by European Council 2011 European Council as regards the chapters on judiciary and fundamental rights and justice, freedom and security have reaffirmed the significant role of the judicial policies for EU accession.

Serbia has reiterated its efforts to strengthen the independence, transparency, responsibility and improvement of the efficiency of judicial system. The significance of the regional initiatives proved as key factor in achieving the objectives and priorities in this sector and it will lead towards active participation in existing initiatives, such as Regional Anti-Corruption Initiative, as well initiating EU modelled initiatives(establishing Regional Arrest Warrant) aiming at the improved judicial cooperation.

The JHA Council's approval (14 April 2005) of the **Commission's Communication on Comprehensive EU Policy against Corruption** (Brussels, 28.5.2003 COM (2003) 317final) encompassed 10 Principles for Improving the Fight against Corruption in Acceding, Candidate and Other Third Countries. The combating corruption measures in the EU member states

⁶⁸ Recommendation CM/Rec. (2010)12 of the Committee of Ministers to member states on judges: independence, efficiency and responsibilities, adopted by the Committee of Ministers on 17 November 2010 at the 1098th meeting of the Ministers' Deputies.

⁶⁹Stockholm Programme 2010-2014, (2010/C 115/01)

⁷⁰ "The EU Justice Scoreboard A tool to promote effective justice and growth", Communication from the Commission to the European Parliament, the Council, the European Central Bank, the European Economic and Social Committee and the Committee of the Regions COM(2013) 160 final

are incorporated in the **Stockholm Programme**⁷¹, **Council of Europe Criminal Law Convention on Corruption, its additional Protocol, the Civil Law Convention on Corruption, the United Nations Convention against Corruption** (approved by the EU in 2008).. The most inclusive existing instrument relevant for the EU is Council of Europe Group of States against Corruption (GRECO) .As a member of GRECO Committee of the Council of Europe, Serbia harmonised its legislation with the GRECO member states with the Criminal Law Convention on Corruption its additional Protocol, the Civil Law Convention on Corruption and the field of funding of political parties.

According to Article 21 of the **Charter of Fundamental Rights of the EU**, members of national minorities shall not be discriminated against. Article 1 of the **Framework Convention for the Protection of National Minorities** confirms that human rights include **minority rights**. The latter include the right to non-discrimination of a person belonging to a national minority; the freedom of association, to assembly, of expression; the freedom of religion; the right to use one's language; and the effective participation in public affairs. Measures against racism and xenophobia cover areas such as anti-Semitism, Islam phobia, anti-Roma. The importance of preventing and combating these phenomena is stressed in Article 2 of the **Treaty on European Union**. After the entry into force of the Lisbon Treaty, the rapid accession of the Union to the European Convention for the Protection of Human Rights and Fundamental Freedoms is of key importance. This will reinforce the obligation of the Union, including its institutions, to ensure that in all its areas of activity, fundamental rights and freedom are actively promoted. The case-law of the Court of Justice of the European Union and the European Court of Human Rights will be able to continue to develop in step, reinforcing the creation of a uniform European fundamental and human rights system based on the European Convention and those set out in the Charter of Fundamental Rights of the European Union. European Prison Rules and Recommendations have been followed the reform of the penitentiary system, including the Recommendation on the European Prison Rules⁷² and shall refer on new Recommendation on the European Code of Ethics for Prison Staff⁷³. According to the NPAA, the Republic of Serbia is expected to fulfil expectations (measures) in the upcoming period 2014-2016 related to adoption and submission of national reports on implementation of international agreements in the field of human and minority rights. In that regard, Serbia has adopted measures pursuant to the priorities defined in the **NPAA** and harmonised with the European Convention on Human Rights and Fundamental Freedoms with the Protocols, Charter of Fundamental Rights of the European Union, UN Convention on the Elimination of All Forms of Racial Discrimination (CERD), European Convention for the Prevention of Torture and Inhuman or Degrading Treatment or Punishment, UN Declaration on the Elimination of Violence against Women.

24. Chapter Justice, freedom and security

Judicial cooperation within European Area of Justice continues to reinforce appropriate structures for co-operation among Member States on the basis of EU instrument, such as revision of the Brussels I Regulation and the proposed Regulation on cross-border debt recovery, which will contribute to reducing costs for businesses in line with the objectives of the Europe 2020 flagship initiative and the international and regional conventions on judicial co-operation in criminal and civil matters included in the *acquis*, such as European Convention on Mutual Assistance in Criminal Matters and its Protocols, including further progress in the direct transmission of requests, the appointment of contact authorities, administrative offences, spontaneous information, requests for extradition, recognition and enforcement of civil judgements, and the transfer and enforcement of criminal judgements.

The NPAA priorities set out under Chapters 23 and 24 contain Serbia efforts to complete approximation of legislation in the judiciary sector with international and European standards and improve the work of judicial bodies in terms of the strengthening the independence, impartiality, professionalism and efficiency of judicial system, all activities for the purpose of achieving the overall goal - establishing democracy and rule of law, enhanced anti-corruption policy and reaffirmed promotion and protection of fundamental rights.

The EU priorities for IPA II will be defined in the Common Strategic Framework (CSF) aiming at better alignment of financial assistance with EU enlargement policy. The priorities for individual countries will be identified in the Country Strategy Paper (CSP) prepared by the European Commission and the basis for will be NAD and relevant national sector strategies.

B1.4. Overall objectives and priorities in the sector (2014-2020)

The SWOT analysis of the Justice sector has been undertaken additional to the situation analysis presented in previous sections, to set out the long term objectives and medium term strategic priorities and realistic and targeted measures

Strengths	Weaknesses
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⁷²Recommendation Rec(2006)2of the Committee of Ministers to member states on the European Prison Rules

⁷³Recommendation CM/Rec(2012)5 of the Committee of Ministers to member State son the European Code of Ethics for Prison Staff

<ul style="list-style-type: none"> • National and EU approximation strategies and other policy documents in place • Most of EU legal requirements addressed by country policy documents • Coordination mechanisms established for Chapter 23 and Chapter 24 • Existence of the new National Strategy on judicial reform • Existence of the new Strategy on combating corruption • Existence of the new draft Strategy of the Reform of Penitentiary System in Serbia • Existence on implemented and updated strategies on protection and promotion of human and minority rights 	<ul style="list-style-type: none"> • Lack of clear, coherent and stable institutional framework, • Unsatisfactory results of the re-election of judicial officials lowering the public trust • Lack of systematic planning documents and identified policies • Lack of institutional capacity • Heavy administrative burden on judges reducing efficiency and lowering morale in the judiciary ranks • Relevant laws not in place • Increasing overall case backlog • Increasing number of the ECtHR applications on Serbia • Increasing ECHR violations under right to fair trial and non-enforcement of the court decisions • Insufficient capacities of the newly established institutions (HJC and SPC) • Insufficient capacities of the institutions for protection and promotion of Human and Minority rights • Insufficient reducing of the over-crowding of prison facilities • Inadequate court and prosecution infrastructure and working facilities • Unsustainability of the reform projects due to insufficient public funds available
Opportunities	Threats
<ul style="list-style-type: none"> • Improve the public confidence in judiciary • Strengthen the business environment • An acceleration of the EU accession process • Availability of financing from EU and bilateral funds • Promotion of clear impacts of justice sector on economic development of Serbia • Horizontal impact on all NAD sectors by providing efficient judicial protection 	<ul style="list-style-type: none"> • Unclear organizational structure and competences of the relevant stakeholders • Slowdown in EU approximation process • Lack of coordination and capacities of the administration responsible for the sector of justice • Lack of impetus for reform due to insufficient reform results undertaken during previous programming period • Economic recession and budgetary cutbacks

To reflect the above and guide assistance programming the overall objective is formulated as follows: **Independent, impartial, accessible and efficient judiciary guaranteeing rule of law, human rights protection and promotion, as well as quality of justice.**

The implementation of the above objective requires that available resources should be concentrated on measures directed to reaffirm country's commitment towards building public confidence in judicial system, EU aspiration respecting obligations arising from international agreements and conventions, as well as strengthen country's competitiveness. Necessary measures need to provide further development and strengthening of institutions in order to create a judicial system capable for protecting human rights.

Priority 1- Improving judicial system, legal certainty and fight against corruption

Overall, relevant legal framework that accompanies and elaborates constitutional arrangements in relation to the provisions on the judicial system was introduced and strategic reforms were conducted towards further strengthening of legal certainty and predictability, taking into consideration relevant international standards. Reforms in this sector were directed towards establishment of independent institutions and relevant control bodies. According to the EC Progress Report for 2012, the number of laws came into force aimed at improving the efficiency of the judiciary and applying international standards in

national courts and some progress was made, but mostly in enforcing new legislation aimed at improving the efficiency of the judicial system. Continuation of these activities, improvement of the adopted legal framework, institutional and professional capacity building of newly formed institutions, as well as alignment of the process with the European integration processes remain to be done. Also, rational organization of judicial network is prerequisite for the effective prosecution and adjudication. Effective administration of justice, coupled with automatization of procedures and development of the infrastructure, will enable meeting the needs of the justice system. The total number of **backlogged cases** in general and special jurisdiction courts has been over **3 million** for several consecutive years⁷⁴. Also, as it was pointed out in the Joint Report to the European Parliament and the Council on Serbia's progress from 2013, that there are still major imbalances in the workload of judges and length of proceedings remains excessive in many cases.

Variety and scope of corruption cases in Serbia, require in the further reform phase to clearly define priorities and proper allocation of available resources. The fight against corruption has been a central element of the government's activities and a number of investigations have been launched, including into high level corruption⁷⁵. Nevertheless, track record in effectively investigating, prosecuting and convicting perpetrators of corruption needs to be further improved.

Still, ineffectiveness remains and an identified source is located in the legislative process itself and in not effectively considered financial and administrative implications of legislation implementation and control mainly through Judiciary and Public Administration. Comprehensive stakeholder participation, efficient inter-institutional coordination and transparent law-making procedures are essential preconditions for implementable laws and regulations.⁷⁶ Implementation of laws needs additionally attention to afore-mentioned procedural conditions institutional and individual capacities, especially in judiciary and Public Administration. Civil society organisations can play an important role in raising attention regarding non-implementation of law, specifically in the area of anti-corruption. Established institutions still did not accomplished to fully implement their competences and capacities are not fully established. Further reform process needs to be continued. With regards to the correlation between the implementation of the rule of law and quality of life, such as access to employment, public services and crime reduction, there is still much to be achieved. Improvement of the judicial system in order to create the system that is proficient to manage resources effectively, to process cases in timely manner and which is in accordance with the national legal framework, international and European standards for efficiency and quality of justice is crucial. Improvement of legal certainty and anti-corruption policy can strengthened the role and status of relevant institutions; increase their independence, but accountability as well. It is necessary to secure substantial independence and obey decisions and recommendations made by Anti-Corruption Agency and other independent institutions, and intensify checks of assets belonging to public officers, revealing conflict of interests and control of political party financing. Improvement of the quality and efficiency of justice can improve access to justice and restore trust in the judicial system and an efficient and transparent regulatory system as essential for further development.

Priority 2 – Improving the protection and promotion of Human and Minority rights

Overall, the introduction of international standards and new regulatory areas such as fundamental rights and anti-discrimination has characterized improvements of the Judiciary system in terms of Human and Minority Rights. Development of legal and strategic frameworks to protect human and minority rights and strengthening of institutional capacities have created the basis to further promote and increase access to civil, political, socio-economic and cultural rights of citizens and minority groups. This priority will focus on the improvement of the status of human and minority rights by: supporting the implementation of the existing strategic and legal framework and continuing to create and strengthen a culture of tolerance. Both the implementation of H&MR mechanisms and the continuous contribution to inter-cultural process for democratic and open society will be based on the integration, coordination and cooperation across the sector. Partnerships at the national and local levels with all relevant sector stakeholders and between the public, private and CS actors will be built and/or strengthened in order to maximize the impact of the results. Incentives and mechanisms to boost CSO participation and cooperation with public institutions at the national and local levels will be designed and realized.

B1.5. Sector measures for implementation of priorities in the sector

Priority 1- Improving judicial system, legal certainty and fight against corruption

Measure 1.1: Further supporting the reform of the judicial system in line with the EU accession requirements

⁷⁴For example, according to the Supreme Court of Cassation – Analyses of the work of all courts in the Republic of Serbia (January 1 – December 31, 2012), if calculate number of backlog cases by date of receipt in the court, at the end of 2012 courts had 1,647,349 backlog cases, which is 18.86% higher than at the end of 2011. An increase in the backlog exists also if it is calculated by date of initial act and in relation to the end of 2011 it is 18.33%

⁷⁵Related to data from the Analytical report on statistics of high profile corruption, in 2012 indictments for the criminal offence abuse of office were raised against 23 persons having the status of an official, and against 57 persons having the status of responsible person.

⁷⁶ See: "Survey On The Improvement Of The Legislative Process In The Republic Of Serbia", GIZ, Belgrade 2012

This measure will focus on facilitating judicial reform in line with new National Judicial Reform Strategy⁷⁷ and thus provide continual support aimed at strengthening independence, impartiality and professionalism, competence, accountability and efficiency. Human and technical capacities related to implementation of the strategy (planning, budgeting, statistical system, analyses, etc.), as well as related to monitoring the progress of strategy implementation will be strengthened. Support will be provided to the Commission for the implementation of the Strategy and the Secretariat for the implementation of the Strategy⁷⁸. This measure addresses the shortcomings of the newly formed judicial network, reflected in the unequal case burden of the courts, led to preparation of new Law on the Seats and Territorial Jurisdiction of Courts and Public Prosecutor's Offices on the ground of establishing the basic and additional criteria for better access to justice and rationalisation and it is envisaged to be adopted in 2013. Law Amending the Law on Judges, the Law Amending the Law on Courts and Law Amending the Law on Public Prosecution will be adopted in 2013 in order to comply with the Constitution of the Republic of Serbia, the EC Progress Report and expert opinions of the Council of Europe.

The measure will provide support to Ministry and institutions responsible for justice and its activities related to drafting legislation aligned with the EU acquis and participation of accession negotiations within chapters 23 and 24 of the EU acquis. It will aim at strengthening the capacities of the Ministry responsible for justice as leading institution in this sector in terms of EU negotiations, regional and international cooperation. The measure will also continue building capacities of the High Judicial Council (HJC), State Prosecutorial Council (SPC) in the field of human resource management including introducing merit-based system for judicial administration, statistical analysis, setting up organizational structures and operating procedures for the execution of their tasks. Strengthening the professional capacity of HJC and SPC to analyse the results of reform (develop a system of data collection, training members of HJC and SPC in the field of analytics, statistics and strategic planning). This will be a continuation of support to strengthening the strategic and administrative capacities of the Serbian High Judicial and State Prosecutorial Councils through USAID and IPA 2013. It shall build on the on-going project results focused on key challenges of legal reforms in Serbia, such as jointly implemented project by the GIZ (German Organisation for International Cooperation) and Serbian European Integration Office, on improvement of the comprehensive legislative process, implementation of the reformed laws and the popularisation of statutory provisions, particularly in the field of civil and commercial law, covering period of 2008-2018.

Support will also be provided in improving organization and work processes of the Judicial Academy (JA) and current structure in order to strengthened competences of the JA related to initial and continuous training, as well as training activities intended for judges and prosecutors assistants, trainees and administrative staff. Support is need for introduction of the systematic approach to the training of the judicial profession representatives, because they are entrusted with public authority and they are newly introduced professions. Also with regards to the uniform application of the law and harmonization of the case law, support will be provided to the Supreme Court of Cassation related to its role in this process. Assistance will secure the process of uniform application of national case law by the judiciary, its harmonization and education conducted through JA on methodology for drafting court decisions, apart from harmonization process with the case law of the ECHR, envisaged through IPA 2013. Assistance will be provided to continuous training activities in some specific and important areas of organised crime and corruption. In respect of the introduction of career system for judicial officials - strengthening and maintaining the quality of human resources in the judiciary shall be supported, in particular by improving the system of professional evaluation and management of human resource and promotion of Judges/Prosecutors' Profession.

Furthermore, support to the public prosecutions network will be provided with specific attention to their newly established competences. Support will focus on enhancement of institutional capacities and technical capacities through infrastructure upgrading with purpose to accommodate the courts and prosecutors' offices in separate buildings, considering their role in the justice system and the court proceedings. Support will be provided with regards to functional needs and requirements of new introduced adversarial system emphasising prosecutors led investigation. The measure will also support establishment of the viable, efficient and sustainable alternative dispute resolution mechanisms, through mediation and improve promotion of the alternative ways for solving disputes⁷⁹.

Taking into account effectiveness of the judicial system aiming at completion of judicial reform process, assistance will be provided in relation to introduction of an efficient probation system, further development and widely implementation of alternative sanctions by spreading the network of probation offices and creation of new organizational framework in accordance with the new legislation and increased needs in the system of execution of alternative measures and sanctions, introduction of new ways of alternative sanctions, as well as training for judicial function bearers, probation officers, police officers, etc. Also, assistance will be provided to development of the post penal care of convicted persons as support to

⁷⁷ Adopted by Government on 18.06.2013

⁷⁸ Responsibility for the implementation of the objectives and activities envisaged by the Judicial Reform Strategy and the Action Plan will be given to the Commission for the implementation of the Strategy. Administrative and technical support to the work of the Commission shall be provided by the Secretariat for the implementation of the Strategy. Until the establishment of the Secretariat, the Ministry of Justice and Public Administration will provide administrative and technical support to the Commission.

⁷⁹ In terms of achievement of the priorities of this sector, based on the National plan for the adoption of the acquis (2013-2016), the Law on mediation should be adopted by the end of 2013

implementation of the new legislation, as well as introduction of the new ICT. These actions will take into account the capacities of the Prison system in line with EU requirement and Recommendations from the Council of Europe (CPT) by improvement the accommodation conditions and health treatment.

Measure 1.2: Increasing the efficiency and quality of the judicial system in accordance with international and European standards

The measure will focus on improvement of the judicial system in order to create the system that is proficient to manage resources effectively, to process cases in timely manner, and which is in accordance with the national legal framework, international and European standards for efficiency and quality of justice. It will be achieved by enforcing mechanisms for reducing court backlog, backlog of enforcement cases, reducing length of judicial proceedings, improving supervisory capacities of the Ministry in charge for justice and modernization of the work of the relevant judicial institutions, as well fostering educational and vocational system in the justice sector. This measure will focus on support for drafting and applying a unified backlog-clearance program and continuous monitoring of its implementation based on the USAID-supported backlog reduction plan as set forth in the best practice guide and proposed national backlog reduction strategy. Also as it is envisaged within the new National Judicial Reform Strategy and the Action Plan, an improved plan for the reduction of the backlog will be developed. (This should follow up the new judicial network and specific criteria that should be taken into consideration regarding the number of courts and judges).

After new judicial and prosecutorial network established, this measure will build on synergy with the Measure 1.1 focused on the quality of organization and under 1.2 it will address quality in services. Moreover, it will embrace activities aimed at the quality of the system of serving justice in accordance to the HJC and SPC competences, such as evaluation of the work of judicial officials. It will also reflect on efficiency in functioning of these mechanisms, for instance through conducting “A comprehensive analysis of the functioning of the new court network is needed in terms of cost, efficiency and access to justice. The quality of judicial statistics needs to be improved.”⁸⁰

Internal capacities in the justice sector institutions, related to strengthening of professional and administrative capacities for budgeting, planning and investment planning will be improved. (Develop the planning process of infrastructure investments based on the priorities, to enable Ministry responsible for justice assessment of clearly defined and prioritized list submitted by the HJC and SPC). Support will be provided to further building and upgrading of uniform ICT system already in the justice sector that will enable automation of work processes, statistics, and analytics.

Also, within this measure, actions will be undertaken aimed at improving system for enforcement of the court decisions and improving functioning of newly established judiciary professions (notaries, private enforcement agents/ bailiffs). Mainly, this will be undertaken through design of training programs for the Judicial Academy based on training curriculum already developed with USAID support. A focus should be to strengthen capacities of monitoring in Ministry in charge of justice regarding new judicial professions. Comprehensive public awareness measures should help introducing those professions and their services to specific target groups and the general public.

Measure 1.3: Improving anticorruption policy in line with enhancing prevention, prosecution and processing of corruption cases

This measure will focus on efficient implementation of related legal framework in line with implementation of the new Anti-corruption Strategy with the focus on the areas vulnerable to corruption, specifically to the public finances and establishment and strengthening mechanisms of internal financial control in public sector and development of training programmes for auditors in public sector. Support will also be provided to strengthening mechanisms of internal control within the police sector, building intra and interoperability of all relevant institutions and bodies to efficiently fight corruption, toward proactive approach to investigating and prosecuting corruption cases and introduction of unique record (electronic record) for criminal offenses with elements of corruption “the prosecution service still has to demonstrate its ability to obtain convictions in high-level cases against well-funded defence teams” as stated in the EC Progress Report 2012.

The measure will support cooperation and coordination of different national institutions, exchange of data and access to relevant data with regards to registries which are conducting on public officials, their assets, incomes and gifts, public procurement procedures, cost of campaigns of political parties. It will be achieved through protection of whistleblowers and relevant national institutions with regards to the new competences after the adoption of the specific Law on protection of whistleblowers. It shall improve efficiency and proactive approach in investigation and prosecution of corruption cases, by harmonization of the substantive criminal law with international standards.

Support will be provided to the prevention of the corruption with regards to the preparation of the education programme on the fight against corruption in the state bodies and organizations, territorial autonomy and local self-government, public services, organizations for social insurance, and other legal entities. Also, the measure will focus on development and implementation of corruption prevention measures and implementation mechanisms for public and private sector, specifically on establishment efficient mechanisms for implementation, control and monitoring of risk based integrity plans in

⁸⁰ EC Progress Report 2012

most corruption vulnerable ministries and public institutions. In order to improve preventive mechanisms this measure will also focus on support for improvement of integrity plans specifically for each sector related to competences of different institutions. The measure will focus on support to the introduction of regular and constant analyses of legislation regarding risks for corruption and organization of necessary trainings, in order to establish effective horizontal and vertical cooperation and exchange of information among the police, Public Prosecution Office, judiciary and other relevant institutions, control bodies and supervisory organs, as well as European and international organizations. In that respect, it will address Serbia's obligation in line with implementation of Review Mechanism provided for in the UN Convention against Corruption and its second review cycle, which will start in 2015, covering chapter II on preventive measures.

Priority 2: Improving the protection and promotion of Human and Minority rights

Measure 2.1. Implementing existing strategic and legal framework for the protection of human and minority rights

This measure will build on existing mechanisms for implementation and monitor of the respect of H&MR and will strengthen their implementation at the national and local level. This measure will support implementation of CB mechanisms, solutions and services for the promotion of H&MRs and anti-discriminatory practices. Also, this measure will continue to strengthen capacities of Independent institutions (such as The Ombudsman, Commissioner for protection of Equality, Commissioner for free access to information) and Minority Councils and promote local and national partnerships of public, private and CS stakeholders. In order to facilitate implementation of anti-discrimination action plans, active participation of CSOs as implementing agents will be supported, as to remove obstacles and circumstances that hinder the achievement of full equality of deprived, vulnerable and marginalized groups: Roma, LGBT persons, people with disabilities, women, the elderly, refugees and IDPs, and groups with multi-layered vulnerability. The enforcement of respect and protection of H&MRs will be rendered possible through an improved national mechanisms to prevent and eliminate torture, ill treatment, hate speech, gender and all other types of violence and pain-infliction in prisons. In order to improve access to justice, measure will also support further work on normative framework for the free legal aid system⁸¹, prepare costs analyses of the system and provide assistance in defining monitoring structure and mechanism for fully functional system.

Measure 2.2. Promoting the culture of tolerance, diversity, equality to prevent H&MR violation in employment, education, health and public information

This measure will focus on the mainstreaming non-discrimination, gender equality, diversity, non-violent communication into education curriculum and teaching tools, employment environments, health centres/institutions and mass-media. This is to be realized through the coordination and cooperation of cross-sector institutions and line ministries in order to guarantee systematic approaches and intervention. Partnership will be built/strengthened also between local and national stakeholders from the CS, public and private sectors. Direct involvement and participation of education, health, mass media and labour market actors will be stimulated and the actors and beneficiaries (schools, students, parents, teachers, local communities, employers, representatives of minority groups, health-care centres and providers...) will be empowered also through participatory, innovative methods and tools to identify and prevent discrimination, violence and inequality also by participating in designing solutions changing behaviour based on discriminatory practices and human rights violations.. Specific attention will be paid to ensure that public service broadcasters and companies promote equality, tolerance and non-discrimination, and that their actions raise public awareness and changes of social and cultural patterns and practices that are based on stereotypes and prejudice against minority and marginalized social groups. Monitoring mechanisms will be activated to make sure that public broadcasting services produce and broadcast programs that express the cultural identity of national minorities and ethnic groups.

Regional, Cross-border and Transnational Themes in Justice Sector

Instruments of importance for regional cooperation, such as Multi-Beneficiary IPA support, CBC and Trans National Programmes, should be provided to those actions where benefit of regional approach is obvious.

MB IPA

Following the experience so far with implementation of MB IPA, it would be important for MB IPA to focus primarily on areas where objectives can be better achieved at regional rather than at national level. Especially sub-component on judicial cooperation entails important synergies and better impact can however be achieved with combined actions, which will be also an important sector priority under the national programme. The following areas could be the MB programme focus: strengthening regional cross-border cooperation between prosecutors in the fight against organised crime and corruption, mainly through networking, mutual legal assistance, transfer of proceedings, requests for extradition, joint investigation teams, witness protection programmes. In addition, in case of future actions related to prison facility reforms financed by the International Financial Institutions, it is expected to continue with the WBIF support related support.

⁸¹ The MDTF-JSS supported the Ministry in charge of judiciary in the drafting of legislation (Law on Free Legal Aid) aimed at ensuring access to justice for disadvantaged population groups. In May 2013, the new Working group was established which continued to further improve the draft prepared in the previous period. According to the Ministry in charge of justice, it is planned that Law on FLA to be adopted by the end of 2013.

Cross Border and Transnational Priorities are linked with the following ERDF thematic objectives: Promoting employment and supporting labour mobility (Thematic objective 8), Promoting social inclusion and combating poverty (Thematic objective 9), Investing in education, skills and lifelong learning (Thematic objective 10) and Enhancing institutional capacity and an efficient public administration (Thematic objective 11). In context of CBC, priorities should contribute to strengthening of people-to-people interaction and correlate to the actions supporting Priority 2 on protection and promotion of human and minority rights. Possible areas of interventions are regarding promotion of H&MRs, equal employment opportunities, social and education inclusion for vulnerable and marginalized groups (e.g. Roma, people with disabilities, women, refugees and IDPs).

EU Strategy for Danube Region

After adoption of the MLA⁸² instruments, further regional administrative cooperation and continued improvement of the qualifications police and judicial authorities for enforcement and adjudication of the cross-border crime will be enhanced. This is reflected in the EU Strategy for Danube Region targets set for 2015 for the implementation of, and training on mutual legal assistance instruments. Links with relevant EU policies, such as the Danube Strategy support the national authorities for justice and police to achieve the objectives set for the fight against corruption, organised and serious crime. And to meet the targets set for the time-frame until 2015 (these targets are set in relation to the smuggling of goods, the trafficking of human beings, and to the elimination of cross border black markets). This will require the strengthening of the law enforcement bodies, both within, and across, jurisdictions by the improved sharing of intelligence and the increased support for joint international action.

Under cross-border and transnational priorities initiatives strengthening regional cooperation shall be covered, especially:

- Regional initiatives for the judicial cooperation in criminal matters
- Regional initiatives for judicial cooperation in civil matters
- Initiatives for protection of human and minority rights.

B1.6. Institutional framework for implementation of Sector Approach

The justice sector in the Republic of Serbia, in context of Sector Approach, is managed by the following institutions: Ministry in charge of judiciary independent/autonomous judicial institutions: the High Judicial Council, the State Prosecutorial Council, the Supreme Court of Cassation, the Republic Public Prosecutor's Office, the Prosecutor's Office for Organized Crime, the Judicial Academy and administration organ within the Ministry in charge of judiciary - the Administration for Execution of Criminal Sanctions and the Directorate for Management of Seized Assets, but also the Anti-Corruption Agency, Office for Human and Minority Rights, Ombudsman Office, Office of the Commissioner for Equality, Directorate for Gender Equality of the Ministry in charge of labour and social policy. *The lead institution for the sector is the Ministry in charge of justice.*

In context of Sector Approach, the Ministry in charge of judiciary coordinates the work of all relevant institutions in the sector in regard to planning, programming, implementation and monitoring of the Justice sector measures/operations which will be supported by EU funds and other international development assistance. Responsibility for formal submission and later implementation of measures/operations depends of their content and responsibility of institutions involved in the Justice sector.

In order to improve and coordinate activities related to planning, programming, implementation and monitoring of EU funds and international assistance and to increase the efficiency and effectiveness of development assistance, the Sector Working Group (SWG) for Justice⁸³ has been established. The SWG for Justice is responsible to coordinate activities related to planning, programming and monitoring of EU funds and international assistance, to identify relevant measures/operations and activities and to support the introduction of Sector Approach in Justice sector. The functioning, management, organization and composition of SWG is more precisely defined by the "Rules of Procedure for Sector Working Groups for the Programming and Monitoring of the EU funds and development assistance". The national institutions participating in the SWG are Ministry in charge of justice, Ministry in charge of internal affairs, Intellectual Property Office, Office for Human and Minority Rights, Ombudsman Office, Office of the Commissioner for Equality, Anti-Corruption Agency, Directorate for Gender Equality of the Ministry in charge of labour, employment and social policy, Ministry in charge of finance and economic development and Office responsible for European integration affairs (SEIO). Members of the SWG are officially appointed representatives of the above mentioned line ministries, at the level of State Secretary or Assistant Minister, or appointed Senior Programming Officers (SPOs) and the Serbian EU Integration Office.

Representatives of the donor community including the Lead Donors are participating at the SWG meetings based on the needs and requirements of each SWG meeting and takes part in consultation processes for analysing sector priority goals,

⁸²MLA - Mutual legal assistance

⁸³Act on establishing the SWG from 5.11.2012. No: 119-01-68/2012-03

measures and operations for financing from EU funds and international assistance as well as they secure data on the expected assistance during the planning period. The Lead donor(s) is responsible to support the work of the SWG and represent the interests of donors active in particular sectors.

In order to enable more inclusive and transparent dialog, consultation and communication with all relevant stakeholders in the respective sectors, SEIO established a consultation mechanism with the civil society organisation (CSOs)⁸⁴. This mechanism is based on the consultative process with Sectorial Civil Society Organisations (SECOs) and serves as a platform that enables exchange of information and contribution of CSOs in relation to planning development assistance, particularly programming and monitoring of the Instrument for Pre-Accession Assistance (IPA). The SECO indicates a consortium of maximum three CSOs as partners, one of which is clearly indicated as leading partner. SECO is composed of the CSOs that have significant experience with public advocacy, analyses and research in the sector, as well as experience in direct work with service providers and beneficiaries. They are influencing public policy due to their successful networking and partner work with other local and international civil society organisations well as constructive cooperation with state institutions and the constant monitoring of their work. Members of SECO are participating at the SWG meetings based on the needs and requirements of each SWG meeting and takes part in consultation processes for analysing sector priority goals, measures and operations for financing from EU funds and international assistance. Other relevant stakeholders (agencies, private, academic sector, CSOs, etc.) can participate at the SWG meetings based on the topic, needs and requirements of each Sector Working Group meeting.

Under the Rules of Procedure for Sector Working Groups, SEIO⁸⁵ is responsible for coordination and ensuring the efficient functioning of all activities of the Sector Working Group. Coordination and leadership of the SWG is supported by a Task force made up of representatives from the Sector Lead Institution, Lead donor and SEIO. SWG is also acting as Sectorial Monitoring Subcommittee for IPA.

⁸⁴ Introduced in 2011

⁸⁵ Sector for Planning, Programming, Monitoring and Reporting on EU Funds and Development Assistance

B1.7 Indicators for measuring progress

PRIORITY 1: Improving judicial system, legal certainty and fight against corruption													
Indicator	Unit	Baseline (2012)*	Target								Means of Verification	Institution in charge for reporting	
			2013	2014	2015	2016	2017	2018	2019	2020			
1.1. Closed chapters 23 and 24 of the EU acquis communautaire	Y/N		Positive assessment ⁸⁶	Positive assessment	Positive assessment	Positive assessment	Positive assessment	Provisionally closed chapters			yes	European Commission Report on Progress in fulfilling EU requirements for full accession	Ministry in charge of Justice
1.2.% legal predictability of the court proceedings(civil and commercial cases) (time per case x costs per case ⁸⁷ x procedures (second instance, third instance))	% n/a	5	4.6	4	3.6	3	n/a	n/a	n/a	n/a	n/a	MoJPA HJC, CPS new index/ Doing Business Report (enforcement of contracts)	Ministry in charge of Justice
1.3 % of implementation of National Strategy for Fighting Corruption	%	0	0	50%	60%	70%	80%	90%				ACA Report	ACA
MEASURE 1.1: Further supporting the reform of the judicial system in line with the EU accession requirements													
Indicator	Unit	Baseline (2012)*	Target								Means of Verification	Institution in charge for reporting	
			2013	2014	2015	2016	2017	2018	2019	2020			
1.1.1.Progress noted in line with Chapter 23 on quality of judicial organization through assessment on independence, impartiality and accountability of the judiciary	Y/N	Progress Report for 2012	Positive assessment	Positive assessment	Positive assessment	Positive assessment	Positive assessment	Positive assessment				EC Progress Report/	Ministry in charge of Justice
1.1.2 No of disciplinary sanctions (final decisions) adopted against judicial officials ⁸⁸	#	5	0									Reports of the Public Prosecutor in charge of disciplinary proceedings to the HJC and SPC on annual level	HJC/SPC

⁸⁶ Positive assessment in EC Progress Report, Screening Report, Monitoring Report

⁸⁸Value of the case as estimated at the beginning of the proceedings

⁹⁰ Baseline is a number of decisions approved by High Judicial Council. In addition, HJC collects statistical data on number of disciplinary procedures, number of disciplinary procedures initiated by Disciplinary Prosecutor and number of decisions rendered by Disciplinary Commission. At the moment, HJC cannot provide precise projections.

1.1.3. Fully operational and strengthened administrative offices of the HJC by 2017/8	#	EC Progress Report for 2012 partly operational	Amendments (drafted) of the Rules of Procedure	Adopted disciplinary measures and internal management and control mechanisms	Judicial staff equipped	% of staff Trained on analytics and planning	% of staff Trained on analytics and planning	HJC administrative office fully operative	Analytical and planning acts adopted according to international standards	Analytical and planning acts adopted according to international standards	Reports of the Commission for the implementation of the National Judicial Reform Strategy/Annual Report of the HJC	Ministry in charge of Justice
1.1.4. Fully operational and strengthened administrative offices of the SPC by 2017/8	#	EC Progress Report for 2012 partly operational	Amendments (drafted) Rules of Procedure	Adopted disciplinary measures and internal management and control mechanisms	Judicial staff equipped	% of staff Trained on analytics and planning	% of staff Trained on analytics and planning	HJC administrative office fully operative	Analytical and planning acts adopted according to international standards	Analytical and planning acts adopted according to international standards	Reports of the Commission for the implementation of the National Judicial Reform Strategy/Annual Report of the SPC	Ministry in charge of Justice
1.1.5. Full independence and transparency of judiciary in budget authorizations by 2016		EC Progress Report for 2012 Partial HJC/SPC competences in budgeting of judiciary		Adopted Reports and Need assessment for planning and executing of the budget on judiciary	Required Laws and sub-laws amendments drafted in regard to new budgetary competences of the	Required Laws and sub-laws amended/adopted in regard to new budgetary competences of the HJC/S	HJC/SPC proposal conducted on budget for the judiciary				Reports of the Commission for the implementation of the National Judicial Reform Strategy/Annual Report of the HJC	Ministry in charge of Justice

					HJC/S PC	PC							
1.1.6. % of allocated funds for the Judicial Academy	%	Budget /international assistance 111,427,000 rsd /1.000.000rsd	176,837,000 rsd /4.000.000rsd	Foreign assistance estimated /1,000,000rsd	Foreign assistance estimated /700,000 rsd	99.99 % /0.01%	99.99 % /0.01%	99.99 % /0.01%		State Budget /260,000,000 rsd (100%)	State Budget /270,000,000 rsd (100%)	ISDACON-ODA Report/Budget of the RS	Ministry in charge of Justice
1.1.7. % of resolved cases by mediation in comparison to total of civil and commercial cases court decisions	%	n/a	Laws adopted	Sub-legislation adopted and association established	10% of mediation resolved cases	15% of mediation resolved cases	20 % of mediation resolved cases	25 % of mediation resolved cases				Reports of the Commission in charge for implementation of APs on NSRJ	Ministry in charge of Justice
1.1.8. % of alternative sanctions imposed in court decisions (of total judgments in criminal cases)	%	4.05	5.00	6.40	7.50	8.40	9.30	10.2	11.0	12.0		Reports of the Administration for Enforcement of Criminal Sanctions	Ministry in charge of Justice
MEASURE 1.2: Increasing the efficiency and quality of the judicial system in accordance with international and European standards													
Indicator	Unit	Baseline (2012)*	Target								Means of Verification	Institution in charge for reporting	
			2013	2014	2015	2016	2017	2018	2019	2020			
1.2.1. Progress noted in line with Chapter 24 on judicial cooperation in criminal and civil matters	Y-N	EC Progress Report for 2012	Positive assessment	Positive assessment	Positive assessment	Positive assessment	Positive assessment					European Commission Report on Progress in fulfilling EU requirements for full accession	Ministry in charge of Justice
1.2.2. No of cases (pleas) regarding mutual legal assistance in criminal actions by 2020 No of cross border cases initiated, processed and enforced (criminal and civil cases) by 2020 ⁸⁹	%	10.500	10-15% increase	10-15% increase	10-15% increase	10-15% increase	10-15% increase	10-15% increase	10-15% increase	10-15% increase	10-15% increase	Report of MLA Department on criminal actions within Ministry in	Ministry in charge of Justice

⁸⁹ Baseline for indicator 1.2.2. contains number of submitted/received pleas. This data can be classified in accordance with international assistance forms.

												charge of Justice	
1.2.3. No of cases (pleas) regarding mutual legal assistance in civil action by 2020	%	10.000	10% increase	20% increase	20% increase	20% increase	20% increase	20% increase	20% increase	20% increase	20% increase	Report of MLA Department on civil actions within Ministry in charge of Justice	Ministry in charge of Justice
1.2.4. % of trained judges and prosecutors according to Law and Programme of JA for continuous training	%	72%	77%	82%	88%	92%	96%	100%				Report of the JA	Judicial Academy
1.2.5. Increased clearance rate (% of incoming and resolved cases)	%	40.,58%	50%	55%	60%	70%	75%	80%				Annual Report of SCC ⁹⁰	SCC
1.2.6. Reduced No of violations found by ECtHR under ECHR Article 6	No	4 violations of 12 verdicts	4 violations	4 violations	3 violations	3 violations	2 violations	2 violations	1 violation	1 violation		Report of the Government Representative before the ECtHR/ European Court of Human Rights annual Report	Ministry in charge of Justice
1.2.7. % of successful ⁹¹ indictments out of total amount of PPOs cases compared to previous year	%	71.63% ⁹²	72%	73%	73%	74%	77%	78%	80%	83%		Report of the Republic Public Prosecution Office(RPPO)	RPPO
1.2.8. 100% use of ICT tools for case and content management system in courts	%	65%	70%	75%	90%	100%						HJC Report, Report of Justice Sector in Ministry in charge of Justice	Ministry in charge of Justice
1.2.9. 100% use of ICT tools for case and content management system in Public Prosecution Offices	%	40%	45%	55%	65%	85%	95%	100%				SPC Report, Report of Justice Sector	Ministry in charge of Justice
1.2.10. 100% use of ICT tools for case and content management system in institutions of penitentiary system	%	0%	60%	70%	80%	100%						Report of Execution of Criminal Sanctions Administration	Ministry in charge of Justice
MEASURE 1.3: Improving anticorruption policy in line with enhanced prevention, prosecution and processing of corruption cases													
Indicator	Unit	Baseline (2012)*	Target								Means of Verification	Institution in charge for reporting	
			2013	2014	2015	2016	2017	2018	2019	2020			
1.3.1. Progress noted in line with Chapter 23 on anti- corruption policy	Y/N	EC Progress	Positive	Positive	Positive	Positive	Positive					European Commission Report	Ministry in charge of Justice / Ombudsman

⁹⁰ Supreme Court of Cassation

⁹¹ "successful" refers to indictments followed by the judgment of conviction

⁹² Baseline is percentage of final judgements and closed confessions of guilt in a calendar year compared to total number of indictments raised against adults and minors and number of suggested agreements on guilt confession that year. In this regard, it is emphasised that the prosecutor's office have raised indictments against 59,824 persons, where 42,150 people have been convicted and out of 869 agreements on confession 706 have been closed. This means that success rate is 71.63% in prosecution cases.

		Report for 2012 (Little progress)	assessment	assessment	assessment	assessment	assessment					on Progress in fulfilling EU requirements for full accession / Ombudsman Report	
1.3.2. Removed legislative obstacles for supervision of financing of political parties	Y/N	n/a	Formulating required legislative amendments on financing of political parties	Adopted legislative amendments on financing of political parties	Application of regulations	Application of regulations	Application of regulations	Application of regulations				ACA Report , Report of Ministry in charge of Justice,	Ministry in charge of Justice
1.3.3. No of investigations of corruption cases and cases with element of corruption	No											Report of Mol / Ombudsman Report	Ministry in charge of home affairs / Ombudsman
1.3.4. No of prosecuted high level corruption cases	No	139 ⁹³	140	140	140	140	140	140	140	140	140	Report of the RPPO	Ministry in charge of Justice
1.3.5. No of processed corruption cases and cases with element of corruption	No	3730 ⁹⁴										Report of the SCC	Ministry in charge of Justice
1.3.6. No of final judgments on corruption cases and cases with element of corruption	No	933 ⁹⁵										Report of the SCC	Ministry in charge of Justice
1.3.7. No of institutions included in the education on corruption	No											ACA Report	Ministry in charge of Justice
1.3.8. No of proceedings of cases envisaged by Law on Anti-Corruption Agency												ACA Report	Anti-Corruption Agency
PRIORITY 2: Improving the protection and promotion of Human and Minority rights													
Indicator	Unit	Baseline (2012)*	Target								Means of Verification	Institution in charge for reporting	
			2013	2014	2015	2016	2017	2018	2019	2020			
2.1. Ratio between number of directed and implemented recommendations addressed by Ombudsman and other independent institutions to	Ratio	1.66 ⁹⁷	1.60	1.55	1.50	1.45	1.40	1.35	1.30	1.25		Annual Report to EP	OHMR / Ombudsman and Commissioner for Protection of Equality

⁹³ It should be taken into consideration that report on initiated cases and statistics showed reflect number of persons, not number of offences.

⁹⁴ The data represent a summary report of Courts of Appeal and they reflect number of cases not entirely finished in first instance proceedings, along with the total number of proceeded cases with element of corruption initiated in first instance courts, which process the following: Article 359, 360, 363, 364, 366, 367, 368, 369, 238, 234 from Criminal Law of the Republic of Serbia.

⁹⁵ Same as previous

bodies of state authority regarding improvement of human and minority rights. ⁹⁶												
MEASURE 2.1: Implementing existing strategic and legal framework for the protection of human and minority rights												
Indicator	Unit	Baseline (2012)*	Target								Means of Verification	Institution in charge
			2013	2014	2015	2016	2017	2018	2019	2020		
2.1.1. The number of human rights violations	No	908 ⁹⁸	870	845	800	765	720	680	650	600	Report of the Ombudsman, Report of the Commissioner for the Protection of Equality	Ombudsman, Commissioner for the Protection of Equality
2.1.2. Number of reported incidents against minority groups in relation to the situation before 2013	#										Report of Mol, Report of the Ombudsman, Report of the Commissioner for the Protection of Equality; Reports of CSOs	OHMR or Ministry in charge of Justice, Ombudsman, Commissioner for the Protection of Equality
2.1.3. Anti-discrimination local action-plans and coordination mechanisms at the local and national levels established	No											
2.1.4. Proportion of seats in local parliament held by the women	%											
2.1.5. Women that are mayors												
2.1.6. Proportion of public service positions held by women												
MEASURE 2.2: Promoting the culture of tolerance, diversity, equality to prevent H&MR violation in employment, education, health and public information												
Indicator	Unit	Baseline (2012)*	Target								Means of Verification	Institution in charge
			2013	2014	2015	2016	2017	2018	2019	2020		
2.2.1 The level of public awareness on the rights of vulnerable groups in relation to the period before 2013											Report of the OHMR, Report of the CPE, Survey on Public Opinion about	OHMR Ministry in charge of Justice Ministry of Labour and Social Policy Ombudsperson

⁹⁷ Defined recommendations: 222; implemented recommendations: 134 (60.36%)

⁹⁶ (disaggregated by gender, age, religion, ethnic background, nationality, place of origin and residence)

⁹⁸ Number of complaints submitted to Ombudsman regarding gender equality (55), rights of incarcerated persons (119), rights of disabled persons (98), children's rights (425) and minority rights (211)

												Discrimination and Inequality	Commissioner for the Protection of Equality
2.2.2. Timeframe and coverage of policies and programs to provide protection against violation of HMR and discriminatory practices												Reports to the UN contracting bodies, Reports to the Council of Europe ⁹⁹ ,	OHMR Ministry in charge of Justice Ministry of Labour and Social Policy Ombudsperson Commissioner for the Protection of Equality
2.2.3. Ratio of girls to boys completing secondary education													
2.2.4. Dropout rate of Roma students in secondary education													
2.2.5. Unemployment rates by sex and target groups												Labour force survey	
2.2.6. Number of journalists and other media persons who reported sanctions, political or corporate pressure for the publication of information													
2.2.7. Proportion of women who have experienced physical and/or sexual violence by current or former partner													
2.2.8. Prevalence/incidents of crimes, including hate crime and domestic violence by target population													

⁹⁹ Comments and recommendations of UN contracting bodies / UN Committee and the Council of Europe, EC Report, Reports of national and international organizations dealing with protecting and improving human and minority rights.

B1.8. Aid effectiveness, efficiency and sustainability

According to the ISDACON database, Justice sector received substantial assistance from the international donor community over the period 2007-2012, with estimated total disbursement amounting to 91,5 million EUR. Largest and most important donor in the sector has been the EU with total disbursement within IPA component I amounting to 67.38 million EUR in the period 2007-2013.

In seven annual 2007 – 2013 programmes, **IPA component I** financed projects oriented towards improvement of efficiency and transparency of the judicial system, the introduction of case management system in the courts and prosecution, criminal asset confiscation, reform of the penitentiary system and strengthening of alternative sanctions, the fight against corruption, the establishment of the Judicial Academy. In the field of human and minority rights, projects through IPA supported development of the policy framework for protection of human and minority rights, as well as strengthening institutional capacities to implement, monitor and report on its implementation; but also IPA projects focused on economic or social rights of individual targeted groups: resolving the problem of refugees and IDPs by finding durable solution to address their situation, enhance their livelihood and ensuring full access to their rights, assuring availability and quality of education for children from marginalised groups, social inclusion and poverty reduction among the most vulnerable groups in the society, and improvement of the quality of life and access to rights of the Roma, Ashkalj and Egyptian communities. IPA 2012 support was structured with the aim to improve efficiency, effectiveness and quality of court proceedings, to support newly established system of enforcement of court decisions, to enable coordinated fight against all forms of crime, to improve capacity of courts to measure their performance, involving civil society and general public into the evaluation of the criminal justice system; to provide support in closure of all remaining Collective Centres, improving living conditions of refugees, IDPs and returnees under Readmission Agreements and to ensure sustainable return of IDPs to the territory of Autonomous Province of Kosovo and Metohija (hereinafter: Kosovo and Metohija). IPA 2013 support focused on improving professionalism, human resource management competences and technical capacities of judicial bodies for effective and efficient delivery of justice, on improving capacities and capabilities of the penitentiary system and on improving capacities in the area of human and minority rights and implementation of anti-discrimination and access to justice for youth policies

Other donors, such as SIDA, UNDP, UNICEF, Italy and Norway, have supported improving Roma access to social services at a local level, implementation of anti-discrimination legislation as well as combating sexual and gender-based violence, policy development and legislative reforms to ensure fulfilment and respect of the rights of the children without parental care or with special needs, and settlement and integration of refugees. The Norwegian Government is also supporting improvement of the delivery of justice and juvenile justice system, as well as institutionalisation of victim witness support service network. In the area of judiciary reform, a World Bank managed, Multi-Donor Trust Fund (MDTF) for Justice Sector Support has been established as a mechanism for coordinated allocation of foreign assistance. The main recommendations in the MDTF Mid-term Report¹⁰⁰ for the development of the coordination and capacity for the Sector Approach and establishment of the M&E system and reliable data together with 4 recommendations in Evaluation Report ¹⁰¹ on improvement of the policy in terms of coordination and sector specific need to make inter-sector linkages explicit in justice support programme for IPA 2014-2020, already addressed by adoption of this document will be followed throughout the implementation of the NAD measures. USAID and the U.S. Embassy Department of Justice each provide judicial sector strengthening assistance. The UNHCR, USA and Germany have also provided resources to assist in resolving the housing concerns of refugees and IDPs. This support was particularly important for consolidating the necessary statistics on the targeted population and their whereabouts.

As recommended in the Report on the “Evaluation of the effectiveness and efficiency of development assistance to the Republic of Serbia per sector”, the programming of future ODA justice should firmly link the institutional/technical aspects of judicial reform, tackling corruption and anti-discrimination within the context of improved quality of life, and improve “low impact of the sector actions”¹⁰² Generally, justice reform process in Serbia has been driven by the production of new legislation and institutional building. There has been less foresight and investment in determining the capacities to ensure compliance with, and enforcement of, new legislation or policies. The financial and administrative implications of implementing new legislation, procedures, or institutions must be in place before ODA funding is committed and the Ministry of Finance has signed off on the necessary budget commitments. This also requires increased financial planning and budgeting capabilities by all institutions to effectively manage resources and deliver policies. In that respect, ODA in justice sector was assessed as low in sustainability and efficiency, though measures undertaken have produced outputs that contributed effectiveness at medium level¹⁰³.

¹⁰⁰MID-TERM EVALUATION REPORT, The World Bank, Multi Donor Trust Fund for Justice Sector Support (MDTF-JSS), Republic of Serbia, December 2012

¹⁰¹Evaluation of effectiveness and efficiency of development assistance to the Republic of Serbia per sector’, draft final report, SIDA 2013

¹⁰² Ibid.

¹⁰³ Ibid.

Justice sector also has an important role to play in the competitiveness of the Serbian economy, increasing investment and creating new employment opportunities. Serbia desperately needs investment and particularly foreign direct investment (FDI). While it is impossible to segregate one aspect of the justice/legislative process, future ODA should strongly focus on addressing the main regulatory and policy impediments to building a better business-enabling environment for investment, which reiterates its high relevance for different policy objectives to rule of law¹⁰⁴. The World Economic Forum's Global Competitiveness Report for 2012-2013, which considers performance on various indicators against 144 countries worldwide (with 1st being best) has Serbia ranked 130th on property rights, 116th on intellectual property protection, 129th on judicial independence, 132nd in favouritism in decisions of government officials, 133rd in the efficiency of the legal framework in challenging regulations, and 138th in the efficiency of the legal framework in settling disputes¹⁰⁵.

¹⁰⁴Ibid.

¹⁰⁵Perhaps surprisingly by comparison, Serbia ranks 'just' 86th on irregular payments and bribes, and 85th on the business costs of crime and violence, which may indicate both the effect of lower levels of corruption within the private sector, and endemic corruption and crime in many other countries worldwide respectively.

B2 HOME AFFAIRS SECTOR

B2.1. Scope and background of the sector

The Home Affairs sector deal with security and safety, crime prevention and defence, and it covers policies related to protection of citizens and the communities, fight against organised crime, drugs, money laundering and terrorism financing, terrorism, human trafficking, border management and control, including migration and asylum, and protection of human rights of refugees and IDPs.

Most common types of organized crime in Serbia are: organized narcotics crime, organized financial crime, human trafficking and smuggling, trafficking and smuggling in firearms, property crime, kidnapping, organized forms of cyber-crime, corruption and money laundering.

According to the statistical data for organized narcotics crime in 2010, 35 criminal groups were uncovered and a total of 1.7 tons of narcotics seized. This is almost 400 kg more than in 2009, indicating that smuggling of heroin and modified marijuana was increasing. In the year 2011, 22 criminal groups were uncovered, 5,253 seizures realised in which more than 1.4 tons of narcotics are been seized. In 2012, Ministry in charge of home affairs was involved in 15 operations at regional and international levels in which significant amounts of cocaine, heroin, marijuana and synthetic drugs were seized in Serbia and abroad. In addition in the Republic of Serbia, 3 illicit laboratories for manufacturing synthetic drugs were discovered. Ministry in charge of home affairs has taken extensive measures and activities in the fight against all forms of organized crime and to improve international police cooperation. There has been an increase of indictments for computer fraud under the new criminal code; approximately 90 persons were charged with bribery in 2009. In 2011 this number has increased to 126 persons; the number of persons charged with abuse of an official position increased to over 1,500 persons in 2011. As a result seizure and confiscation of proceeds of crime was €350 million. There has been an increase in detection of illegal travellers at border points, with the annual figure increasing four times in one year - from 2,797 (2010) to 10,217 (2011), in the context that the total number of travellers (by land, air and sea) remained the same. However, the EC 2012 Progress Report concludes that organised crime remains a serious concern in Serbia. Although criminal investigations have been launched in a number of organised crime cases, final convictions remain rare.

In early 2012, an improved system of electronic record-keeping of offences became operational in the Ministry in charge of home affairs. Data entry for the relevant operational and strategic analysis was harmonised and improved, enabling proactive approach in the fight against organised crime and increasing the efficiency through implementation of preventive and repressive actions.

When it comes to organized financial crime, 10 organized criminal groups were revealed in 2010 (3 organized groups specializing in money laundering, organized criminal activity in the field of health and 5 groups that were engaged in various abuses in the trade of excise goods and consumer goods). In 2011, 4 organised groups were uncovered out of which two were involved in illegally providing of credit for the unemployed citizens and companies, and two for tax evasion. There is a need that for Law enforcement bodies to develop the ability to conduct proactive financial investigations.

Organised crime still remains a serious concern in Serbia and capacity to carry out complex, in particular financial, investigations needs to be strengthened. The Financial Investigation Unit (FIU) within Service for Combating Organized Crime (SCOC) lack sufficient means and technical expertise and this is the reason why additional seminars, workshops and trainings for police officers are needed.

Steps are being taken to modernise **police work**, to improve internal coordination, as well as international and regional cooperation and to bring the police close to the citizen via community policing. Efforts to improve coordination within the police structures as well as with other stakeholders have resulted in adoption of several key strategies and laws and the establishment of specialised inter-ministerial structures, such as the Commission for Inter-ministerial Coordination in the field of Justice and Home Affairs. Also in September 2010 the Agreement on the cooperation in fight against of all types of crimes was signed between Ministry in charge of home affairs, Ministry in charge of finance and Ministry in charge of justice. The **Law on the organisation and competences of the State Organs in combating organised crime**,¹⁰⁶ corruption and other severe criminal offences extended the powers of the Prosecutor for Organised Crime and police. Financial investigation, cyber-crime and drug smuggling units have been established within the Ministry in charge of home affairs allowing greater specialization and expertise.

¹⁰⁶ Official Gazette RS, no. 42/2002, 27/2003, 39/2003, 67/2003, 29/2004, 58/2004 – other law, 45/2005, 61/2005, 72/2009, 72/2011 – other law, 101/2011 – other law 32/2013

However, capacity to carry out complex financial investigations needs to be strengthened. The level of inter-agency cooperation, information flow and exchanges between law enforcement agencies needs to be improved. Risk assessments and crime mapping need to be used more broadly and intelligence-led policing needs to be developed. Identified problem is the absence of legislative and policy implementation follow-through. An identified factor for (source of) ineffectiveness is located in the legislative process itself namely weak policy-driven legislation, which is often rushed in attempt to deal with urgent issues (requiring subsequent amendments) and is not followed up with by-laws and institutional arrangements for implementation.

With regard to terrorism, the commitment of the Republic of Serbian has been significant. Recent amendments to the Criminal Code adopted in early 2013 have contributed to Serbia's compliance with the international anti-terrorism legal instruments. Serbia is party to 14 of the 18 such instruments. Although it has not ratified the 2005 Amendment to the Convention on the Physical protection of Nuclear Material, Serbia has largely incorporated the criminalization provision of these instruments into its Criminal Code. Serbia has also amended its Code of Criminal Procedure and the Law on Mutual Legal Assistance¹⁰⁷ is also applicable to cases of international cooperation in criminal matters related to acts of terrorism. Institutionally, the National Security Council (NSC) was established in 2012 and has responsibility for overall coordination of counter-terrorism efforts at the policy level. Also the specialized prosecutor's office for organized crime, deals with crimes related to terrorism and its financing. With regard to anti-money laundering and countering the financing of terrorism, Serbia adopted an AML strategy in 2008.

Regarding the fight against human trafficking, from 2000, there are trends of "internal trafficking" which affected mainly Serbian citizens. Data for 2010 shows that out of 76 victims 73 were citizens of Serbia and 72 out of 74 in 2011. Last available statistics indicates that in 2011 the number of victims increased to 88 victims, number of perpetrators significantly increased to 198, but only 52 criminal charges were submitted and in the end only 14 persons were sentenced. The Government of the Republic of Serbia established national mechanism for coordination of activities and creation of policies for fight against human trafficking, acting on two levels – central (strategic) and operative. Within the Ministry in charge of home affairs, special police units have been formed for fight against human trafficking, within Service of Combating Organised Crime within the Criminal Police Directorate and the Department for suppression of cross-border crime and criminal intelligence within Border Police Directorate. In 2012 the Centre for the Protection of Victims of Human Trafficking was established, as a social welfare institution, with the purpose of providing assistance and support to victims of trafficking, including child victims of human trafficking. In the same year contact points for prosecution and coordination of human trafficking cases at all Higher Prosecutor's Offices in Serbia was appointed. However, main shortcomings of the national referral mechanism in Serbia is the weakness of the procedures, both for identification and for handling of identified victims; victims are expected to report the crime and witness before the court, but their protection and their safety need to be improved. In addition, trials are lengthy and victims are summoned to give statements over a long period of time, sentences for traffickers are around prescribed minimum and a small number of them end in jail. The EC Progress Report 2012 states that Serbia remained a country of origin, transit and destination for trafficking in human beings. Government of Serbia has taken some concrete steps which have been discussed through public debates in February 2013 to implement the action plan of the national strategy to combat human trafficking but the effective compensation and social inclusion of victims, through a special fund, in line with existing EU standards remains to be ensured. These issues are tackled by the new Strategy for prevention and suppression of human trafficking and protection of victims which adoption is expected in 2013.

The total length of the border of the Republic of Serbia is 2,351.7 km. The Republic of Serbia borders with: Hungary, Romania, the Republic of Bulgaria, the Republic of Macedonia, the Republic of Albania, Montenegro, Bosnia and Herzegovina and the Republic of Croatia. The total number of border crossings is 94.

The Strategy for the Integrated Border Management (2012) stipulates establishment of the Coordinating Body and the Operational Working Group for Coordination of Integrated Border Management at the Central Level with its six inter-sectorial sub-groups. Within the Ministry in charge of home affairs, an information system for the border control, with the use of the automatic document reading, has been developed and operates at the border crossings.

However the impact of border control measures can only be assured if there is integration of all border services into one intelligence-gathering and implementation system (border police, customs, phyto-sanitary and veterinary inspections) covering all the services involved.

As of 2009, The Republic of Serbia faces a new form of illegal migration – secondary illegal migration of nationals of countries of the Afro-Asian block through the Western Balkan countries, from Greece as the starting point. A multiple growth trend is caused by the progressive pressure of illegal migration at the Greek-Turkish border, which continued in 2012. In comparison with 2011, when 10,383 persons were prevented from illegal border crossing (an increase of 459% compared to 2010), in 2012 there were 14,793 people who were prevented (an increase of 42.5% compared to 2011). The largest number of illegal crossings was prevented on the border with the Republic of Macedonia (8,348), which is the entry point

¹⁰⁷Official Gazette of the RS, No.20/2009

into the territory of RS. Irregular migrants transit through the state territory in an attempt to illegally cross the border with Hungary, Croatia and Romania or to stay in the territory of the Republic of Serbia for a certain time and abuse the right to asylum. The most frequent in this category of illegal immigrants are the citizens of Afghanistan, Pakistan and Somalia.

From April 1, 2008, when the Law on Asylum¹⁰⁸ entered into force, there was a constant growth of evidenced asylum seekers in Serbia. In 2008 there were 77 requests recorded, 275 in 2009, while the total number of registered asylum seekers in 2010 was 522 exceeding to 3,134 in 2011. Until 2011, the existing capacity for providing accommodation and basic living conditions were adequate but 600% increase in the number of asylum seekers has produced additional challenges for the institutions of Serbia. In 2010 and 2011, the arrival of whole families with small children has been recorded which previously was not the case; the number of minors seeking asylum is increasing and currently amounts to 25%; women asylum seekers make up 15% ; while in 2011 a constant flow of unaccompanied minors asylum seekers (UMAS) accounted for 4% of the total population. In 2011 771 persons has been provided with accommodation in the asylum centres. Until September of 2012, 1,806 persons claimed asylum in the Republic of Serbia and 1,021 of them have been accommodated in the two asylum centres. The EC 2012 Progress Report states that the number of asylum claims has increased. Criteria for verifying safe countries of origin and the list of safe third countries remain to be fully aligned with the acquis.

The initial state body deciding on asylum claims is Ministry in charge of home affairs, and the final decision is made by an independent Asylum Commission of the Government of the RS. The asylum seekers are granted a legal basis to stay and right to be accommodated in the Asylum Centre (AC). According to the Law on Asylum persons accommodated in AC enjoy complete freedom of movement, health protection, right on elementary and secondary education, while those outside of AC have access to financial assistance provided by the Centres for Social Welfare. In 2012, a database of asylum seekers was set up and ultimately, the Republic of Serbia for the first time granted refugee protection, i.e., shelter (in three cases).

Until 2011, the existing capacity for providing accommodation and basic living conditions to AS were adequate. However, due to the sudden increase in the number of asylum seekers in 2011 (a 600% increase in the number of AS in relation to 2010), the government of RS decided to increase existing capacities by 180 places by opening another Asylum centre. Apart from the need to increase the accommodation capacities, additional challenges have emerged, particularly in the provision of adequate facilities for persons with disabilities, unaccompanied minors seeking asylum, pregnant women and the infirm. Since April 2009, the reception of underage asylum seekers has been conducted in two centres (in Belgrade and in Nis) for Accommodation of Underage Aliens Unaccompanied by Parents or Custodians for a short period during (after initial treatment they are transferred to the two existing Asylum centres). The Centre is a separate unit, founded according to the Decision on Social Protection Institution Network of the Government of the Republic of Serbia.¹⁰⁹

From the point of view of UNHCR's in order to address the shortfalls in the asylum and refugee protection system, the national authorities in Serbia would first need to tackle the following challenges: Information flow should be improved in the area of asylum; Organisational structures are not yet in line with Law on Asylum, the Law on Migration management has been adopted and systematic monitoring of policies has just started.

In the past two decades, the Republic of Serbia (RS) was challenged to solve the problems of a vast number of forced migrants. After the disintegration of the Socialist Federal Republic of Yugoslavia (SFRY), a massive influx of refugees came to Serbia, mostly from Croatia and Bosnia and Herzegovina. According to the Official data (UNHCR and SCRM) states that there are around 57.247 refugees and 210.000 Internally Displaced Persons (IDPs) in Serbia. Following the 1999 conflict, a large number of Serbs and members of other non-Albanian communities fled Kosovo and Metohija and sought refuge in Southern and Central Serbia and adjacent countries. Around 210,000 IDPs, mainly residing in Southern and Central Serbia and Belgrade, have been so far registered on the territory of inner Serbia (not including the territory of Kosovo). As a response to the protracted Refugees situation after the 1991-1995 conflicts in Former Yugoslavia, "Joint Regional Programme on Durable Solutions for Refugees and Displaced Persons" known as the "Regional Housing Programme" (RHP) was initiated. It is a joint initiative of Bosnia and Herzegovina, Croatia, Montenegro and Serbia with the aim to contribute towards resolving the protracted displacement situation of the most vulnerable refugees and displaced persons (DPs) and it is expected that 27,000 households will benefit from it.

Although voluntary return is the best solution for refugees and IDPs, only a quarter of refugees realised a durable solution through return. The situation is worse concerning IDPs. According to UNHCR data, only 17.000 Serbs and other non-Albanians returned to Kosovo. It is estimated that only 5.000 persons actually achieved sustainable return. Apart from the refugee and IDP issues, Serbia also faces problems in the field of reintegration of returnees under the readmission agreements.

IDPs face numerous problems protecting their land, housing property and other acquired rights in Kosovo due to absence of comprehensive administrative mechanisms for resolving these issues. Freedom of movement in Kosovo is a major constraint for IDPs in accessing their rights as well as for the lawyers representing them. This is an additional limiting factor

¹⁰⁸ Official Gazette of the RS, no. 108/07

¹⁰⁹ Official Gazette RS, no. 51/08

for which providing legal aid to IDPs in Kosovo is not the same as providing legal aid to IDPs in the rest of the Serbia. For these reasons, international oversight and involvement remains a necessary element in the provision of legal aid to IDPs.

Reforms in the **area of defence** shall ensure more efficient and economically sustainable system of intervention in regard to protect support civilians in the case of natural disaster and danger. In this regard the possibility for developing regional coordinated programs may be assessed. The third mission of Serbian Armed Forces is a support to civil authorities in fighting safety threats. Ministry of Defence and Serbian Armed Forces do not develop special capacities for involvement in tasks of protection and rescue, but support civil authorities and persons in charge of protection and rescue with existing capacity when necessary. Military Security Agency and Military Intelligence Agency perform security activities of importance for the defence proscribed by the law for the military security services as well as with other laws.¹¹⁰ The most relevant policy document in this sector is the Strategy for the National Security of the Republic of Serbia from 2009. Terrorism, organized crime, corruption, proliferation and trafficking with firearms, problem with the internally displaced persons and refugees as well as the national and other type of disasters are listed as main challenges for the national security that are to be addressed via the national security system in its wider and narrow meaning.

B2.2. Strategic framework

National Strategic Framework

Based on the main strategic documents for the sector, which are presented in Annex1, sector and SWOT analysis the following priorities for the sector have been identified:

(i) Strengthen the security of citizens through democratic, responsible and efficient police service is the main strategic vision and key priority described in the Development Strategy of the Ministry of Interior which also defines values and mission for the coming period up to 2016 emphasising also the need to respond to the EU enlargement requirements. Following priority areas have also been recognized for future development: Organization and management; Security of the individual, the community and the state; Partnerships on national, regional and international level; System of internal and external control and transparency in work. This key priority is also based on the improvement and implementation of strategic and normative framework for crime fighting and prevention;

(ii) Prevention and fight against organised crime, foresees the long-term trends and directions of functioning of the organised crime structures, as well as the capacities of the Republic of Serbia for prevention and its reduction to the lowest possible rate. According to the National Strategy on prevention and fight against organised crime the notion of organised crime is understood as conducting criminal offences by an organised criminal group or its members. As organised crime group it is considered a group of 3 or more persons, which exist for a certain period of time and acts in agreement with the goal of perpetrating one or more criminal offences for which a sentence of four year or more severe sanction is proscribed, with the purpose of gaining, directly or indirectly financial or other gain. The types of organised crime registered in Serbia are illicit drug trafficking, extortions, kidnapping, blackmailing, human trafficking, smuggling of human, corruption, money laundering, abuse of the official duty, forfeiture of currencies and other payment instruments, prostitution, illicit firearms and explosives trafficking, international smuggling of vehicles' and excise goods as well as high technology crime.

(iii) Safe community based on professional police services and cooperation aiming at reduction and control of security challenges, to be realised through prevention, community policing, problem oriented work and partnerships with other stakeholders. The concept of Community Policing is based on participation of citizens in police decision making process as a modern approach of security. Strategic goals in this regard are defined in the Strategy for the Community policing aiming to: Modern standards in the police work; Trust of citizens and communities; Continuous cooperation and partnership with the community; Effective safety prevention; safer communities and decrease of the fear of crime; Problem-oriented approach and Respect of ethical principles and diversities. Prerequisites for achieving these goals are education and development of trust between the police and citizen.

(iv) A comprehensive, efficient and effective system to reduce the risk and consequences of natural disasters and other catastrophes is a strategic priority which includes integrated emergency management in the Republic of Serbia and contributes to increased security and sustainable development in the region. The National Strategy defines and determines the national coordinating mechanisms and program guidelines for reducing disasters caused by natural hazards and the risks of accidents, protection, response and recovery. The Strategy shall ensure meeting of the recommendations of the European Union for development of the national security systems. In order to develop an integrated protection and rescue system, greater technical innovations and equipment is needed, as well as the improvement of the infrastructure, information and technological systems accompanied by the application of modern technology and standards of the European Union.

¹¹⁰The Constitution of the Republic of Serbia, Law for the Defence, law for the army of Serbia, Law for the fundamentals of Regulating the Security Agencies in the Republic of Serbia, Law for the Military Security agency and Law for the Military Intelligence Agency, Criminal Code, Law for the Criminal Procedures and other laws.

Also in the Republic of Serbia there is no single number that citizens can call in a case of emergency as each emergency service has its own emergency number and a dispatch centre. Moreover, the system for identification / location of the caller need to be functional and the database for tracking all risks, events, emergencies and disasters have not been properly developed. The Republic Headquarters for Disaster Management shall annually prepare and publish reports on the implementation of the Strategy and the Report shall be made public.

(v) Sustainable Integrated Border Management that will ensure comprehensive and efficient safety and security of movement of citizens and goods through the borders as well as securing efficient functioning of IBM will be provided through adequate infrastructure and technical conditions, corresponding to EU standards and recommendations. Areas of common interests to all border services will be developed and managed through further harmonised and synchronised sector strategies, capacity building, infrastructure, equipment and information technology and telecommunications systems.

(vi) Migration management and Illegal migration is a key priority for the development of a strategically, legally and institutionally arranged domain of migration. A planned, organized and integrated migration management implies the monitoring of external and internal migration trends and the implementation of activities that will encourage regular migration, while preventing illegal and irregular migration. Some of the basic elements of the migration management and combating illegal migration are the visa policy, the integrated border management, the regulated stay of foreigners. The precondition for the successful migration management is to ensure an effective coordination between institutions, the central ones that are responsible for creating policies as well as for the operating ones which will conduct them as well establishing system for monitoring of policies and measures. This key priority also contains actions to be taken in order to ensure coordinated, timely and comprehensive response to the problem migrants

(vii) Respond to the needs of the IDP's and refugees is a key priority for resolving their problems as it is stipulated in the National strategy for resolving the problems of refugees and internally displaced persons¹¹¹. This Strategy is a framework for generating initiatives and implementing activities with the goal to resolve problems of refugee and IDP issues for the period 2011-2014 and cover two target groups: a) Refugees in accordance with the Status defined by the Law on Refugees¹¹² and b) IDP from the territory of Kosovo and Metohija who are temporary staying in the Republic of Serbia out of the territory of Kosovo and Metohija. This Strategy defines two directions for sustainable actions: to support the return or the integration. In addition, the strategic goal is also to develop the conditions for the return of refugees in the Republic of Croatia and Bosnia and Herzegovina and the institutional mechanisms for full realisation of rights in countries of origin. The second strategic goal is to create the conditions for refugees, in particular the most vulnerable groups of refugees (individuals and families) who decide to stay in the Republic of Serbia, to resolve their problems and to support their integration in local communities.

(viii) Fight against trafficking in human beings with special emphasis on the protection of human rights of victims is the strategic objectives in the fight against trafficking in human beings. The vast majority of the victims, 90%, are from Serbia, while the others are from the Western Balkan and former Soviet Union Countries. The MoI data shows that the most frequent occurrence in human trafficking is sexual exploitation. Trafficking humans is also used for the purposes of labour exploitation, to use the victims to commit criminal acts, forced begging and forced marriage. Considering the typologies and the method used for this type of crime it is not always an organized crime activity which can also be prevented by other priorities for this sector as defined above. These priorities are grouped into five areas: institutional framework, prevention, assistance, protection and reintegration of victims, international cooperation and monitoring and evaluation of results.

In order to support national strategic objectives presented above and to focus international assistance on the most pressing issues, the NAD sets out two following priorities:

NAD Priority 1 *Improving of overall security and fight against crime* in line with National Strategic priorities for the sector as identified in (i), (ii), (iii), (iv). The NAD envisages attainment of this priority by focusing and implementation of strategic and normative framework for crime fighting and prevention and by strengthening the capacities of state authorities to efficiently process cases of organised crime, corruption, money laundering and terrorism financing, terrorism, war crimes and other criminal acts.

NAD Priority 2 *Ensuring integrated border management and management of migration flows* is in line with National Strategic priorities for the sector identified in (iv), (v), (vi), (vii). This NAD priority directly addresses key themes covered by the integrated border management national priority. More specifically, the measures referring to this priority will target support to: implementation of the IBM Strategy and to enhancing integrated border mechanisms. In the first case, improvement of the organisation and management of borders by developing operational action plans of relevant border services and securing coordination in their implementation will be realized. The second measure will focus on improving migration management capacities of all competent institutions on national and local level including those responsible for providing education, health protection, employment, social welfare and administrative (such as issuance of documentation) services. Improvement of mutual horizontal and vertical coordination of all institutions involved in Migration Management as well as strengthening their capacities

¹¹¹ For the period 2011 – 2014

¹¹² Official Gazette of RS, N°18/92, 45/02 –SUS and 30/10

Regional and Transnational Strategies

The **EU Strategy for Danube Region** addresses a wide range of issues and proposed areas of cooperation that are divided among 4 pillars out of which the “Strengthening the Danube Region” corresponds to the sector. Priority areas relevant for the sector are “To step up institutional capacity and cooperation” and “To work together to promote security and tackle organised and serious crime”.

Also, Serbia participates to the Regional Cooperation Council. RCC developed Strategic Document on Justice and Home Affairs 2011-2013 and the Action plan.¹¹³ RSD converges and integrates the most relevant, strategic targets and activities of several programmatic documents (strategies, action plans or policies), from the region.¹¹⁴

EU documents and international agreements related to the sector

The European Partnership with Serbia of 18 February 2008 (2008/213/EC) identifies a set off short-term and medium term priorities in the area of in the justice, freedom and security related to Visa, border control, asylum and migration; Money laundering; Drugs; Police; Fight against organised crime and terrorism. Under *Fight against organised crime* it is stated: a) “Adopt outstanding legislation, b) develop the capacity to seize assets, c) implement a national strategy against organised crime and d) strengthen criminal intelligence; Continue the fight against trafficking of human beings, including implementation of the strategy for prevention of trafficking and provision of adequate assistance and protection to victims”. The short-term priority within the *Justice, freedom and security (Visa, border control, asylum and migration)* highlights the importance to implement the Integrated Border Management (IBM) Strategy and strengthen cooperation between the IBM agencies. The medium-term priority is to continue to strengthen the capacity of the Border Police and the Customs Service, improve facilities at the border crossing points and enhance cooperation with the neighbouring countries in the fight against human trafficking.

The Stabilization and Association Agreement (Article 6), states “Serbia commits itself to continue to foster cooperation and good neighbourly relations with the other countries of the region including an appropriate level of mutual concessions concerning the movement of persons, goods, capital and services as well as the development of projects of common interest, notably those related to border management and combating organised crime, corruption, money laundering, illegal migration and trafficking, including in particular in human beings, small arms and light weapons, as well as illicit drugs. This commitment constitutes a key factor in the development of the relations and cooperation between the Parties and thus contributes to regional stability”. Also, Article 80 – Reinforcement of institutions and rule of law (Title VII, Justice, Freedom and Security,) states that cooperation shall be established with the aim of strengthening the independence of the judiciary and improving its efficiency, improving the functioning of the police and other law enforcement bodies, providing adequate training and fighting corruption and organised crime. Other relevant articles are: Article 82 - Visa, border management, asylum and migration; Article 83 - Prevention and control of illegal immigration, readmission; Article 84- Money laundering and financing of terrorism; Article 85 - Cooperation on illicit drugs; Article 86 - Preventing and combating organised crime and other illegal activities; and Article 87 - Combating terrorism.

A flagship initiative of the Sarajevo process, Western Balkan Regional Housing Programme demonstrates the renewed commitment of four partner countries (Serbia, Montenegro, Croatia and Bosnia and Herzegovina) to provide all necessary support required to end the displacement of refugees, returnees and displaced persons and to enable them to live as equal citizens, without discrimination. The commitment was confirmed during the Ministerial Conference held in Belgrade in November 2011 when Joint Ministerial Declaration was signed for “Joint Regional Programme on Durable Solutions for Refugees and Displaced Persons”.

With respect to fighting threats to public security and/or order as well as with respect to prevention, detection and police investigation of criminal offences countries SEE countries have adopted the Police Cooperation Convention in Southeast Europe.¹¹⁵

In addition under the auspices of the Southeast European Cooperative Initiative (SECI) the SEE countries have adopted the Convention of the Southeast European Law Enforcement Centre¹¹⁶ that establishes coordinated support to the member countries in investigations and crime prevention.

B2.3. EU Agenda

Europe 2020

¹¹³ The Strategic Document was endorsed by the Ministers in Budva, Montenegro, on 18 March 2011.

¹¹⁴ See: <http://www.rcc.int/docs/0/183/regional-strategic-document-on-justice-and-home-affairs-2011-2013-and-the-action-plan-for-its-implementation>

¹¹⁵ Vienna, 5th of May 2006,

¹¹⁶ Bucharest, 10th December 2009

The Communication from the Commission on Europe 2020 sets out a strategy for smart, sustainable and inclusive growth. The flag ship initiative European Platform against Poverty and Social Exclusion is stressing the need to closely integrate social inclusion and antidiscrimination, addressing among other issues, migration management, integration of migrants, upholding human rights and antidiscrimination policy.

The aim of the European Union's home affairs policy is to create an area without internal borders where people may enter, move, live and work freely, confident that their rights are fully respected and their security assured. The strategic framework is based on the Tampere (1999-04), Hague (2004-09) and Stockholm (2010-14) programmes – An open and secure Europe serving and protecting citizens, and contains several strategies and policies tackling individual safety and security issues: EU Internal Security Strategy "Towards a European Security Model", European Security Strategy (2003), Strategy for effective implementation of Charter of fundamental rights, Strategy on the external dimension of the area of freedom, security and justice (2005), Towards a general policy on the fight against cybercrime (2007), EU Drugs Strategy (2005 – 2012), EU Strategy towards the Eradication of Trafficking in Human Beings (adopted in 2012), Directive on sexual abuse, sexual exploitation of children and child pornography, Cyber Security Strategy (2013), Third Anti-Money Laundering Directive (adopted in 2005), Revised Strategy on Terrorist Financing (adopted in 2008) etc. Strategic framework derives from Title V of the Treaty on the Functioning of the European Union, which regulates the "Area of freedom, security and justice". The EU Internal Security Strategy ("Towards a European Security Model") sets out challenges, principles and guidelines for dealing with security issues within the EU. To implement this strategy, the Commission adopted the Communication "EU Internal Security Strategy in Action - Five steps towards a more secure Europe" in November 2010. It proposes 41 actions targeting the most urgent security challenges that Europe is facing. The European Union's (EU) priorities for developing an area of justice, freedom and security during the period 2010-14 are set out in the Stockholm Programme that provides a roadmap for European Union (EU) work in these areas.¹¹⁷

Chapter 24: Justice Freedom and Security

EU Home Affairs policy is grouped under two fields: migration and asylum, and internal security. The first includes issues related to legal and irregular migration, integration, readmission and return. The second encompasses the fight against organized crime and terrorism, police cooperation and the management of the EU's external border with a view to improving the protection of citizens and the fight against organised crime and terrorism. Within the spirit of solidarity, the EU strategy aims to enhance police and judicial cooperation in criminal matters, as well as cooperation in border management, civil protection and disaster management. The EU internal security strategy consist of a pro-active, horizontal and cross-cutting approach with clearly divided tasks for the EU and its countries focused on the fight against cross-border crime, such as trafficking in human beings; sexual abuse, sexual exploitation of children and child pornography; cybercrime; economic crime, corruption, counterfeiting and piracy and drugs.

Supporting and promoting the rights of persons within the Union, tackling discrimination and inequalities and promoting citizenship contribute to the promotion of the specific objectives and flagship initiatives of the Europe 2020 Strategy.

The NPAA 2013 – 2016 defines priorities and measures for the forthcoming period for the Chapter 24:

External border and Schengen

In regard to the border management the priorities are related to development of organisational structure and operational effectiveness of border police at all levels of organisation in accordance with the best EU practices and standards; Updating the curricula for specialist training of border police; Building and modernising facilities and infrastructure at border crossings, with the goal of faster movement of people and goods, and raising the quality of border controls; and further modernisation and improvement of infrastructure and equipment at border crossings, for the purpose of surveillance and providing state border security as well as other societal issues such as human rights, regional Partnerships and increased engagement by CSO. Also, it is planned to complete activities on the establishment and operation of joint contact services/centres on the borders with neighbouring countries. Establish joint patrols and joint border crossings where the need arises.

Migration

The priorities for Migration management are completing of the regulatory framework for implementation of the Law on Foreigners; Creating a Central data base of foreigners connected to all the authorities involved in visa issuing procedures, residence and work permits (Ministry in charge of foreign affairs, Ministry in charge of home affairs, National Employment Service); Issuing biometric documents for foreigners and development of a new Strategy and Action Plan to Combat Illegal Migration; and improving the position of particularly vulnerable groups, especially social inclusion of children with disabilities and adults with intellectual disabilities and mental health problems, as well as victims of human trafficking

Visa policy

For the Visa policy, establishment of a full visa information system that would be linked to diplomatic missions, Ministry in charge of foreign affairs, Ministry in charge of home affairs, border crossings and area police administrations is priority.

¹¹⁷http://europa.eu/legislation_summaries/human_rights/fundamental_rights_within_european_union/jl0034_en.htm

Asylum

During forthcoming period, priority will be full harmonisation of national legislation in the field of asylum with all relevant EU directives, as well as full implementation of all standards that apply to this area in the territory of EU member states. In addition, full consideration will be given to expanding the existing capacities to accommodate asylum seekers, as well as to improve the efficiency of the procedure to test the merits of asylum applications (to reduce the time required for the processing, while improving the quality of processing of application), which would, among other things, lead to the fact that, in the ordinary state of things, decrease risks of lack of capacities.

Police cooperation and fight against organized crime

Legal framework for the police cooperation and the fight against organised crime is planned to be completely set up by 2016, by adopting organisational structure and to develop administrative capacities, especially databases needed to establish the NCIS and to have it implemented in at least two organisational units of the Ministry in charge of home affairs.

In relation to Cooperation in the fight against drugs planned activities are: Drafting of a strategy for supervision in the field of controlled psychotropic substances and precursors; Amendments to the Law on psychoactive controlled substances in accordance with Council Decision 2005/387/JHA; Amendment of the Law on substances used in the illicit production of narcotic drugs and psychotropic substances (precursors) in accordance with Regulation (EC) No 273/2004; Drafting of by-laws related to the Law on psychoactive controlled substances; Drafting of by-laws related to the Law on substances used in the illicit production of narcotic drugs and psychotropic substances (precursors); Establishment and institutionalisation of a national centre for the collection, processing and reporting; Drafting of by-laws regulating the field of drug abuse prevention, treatment and rehabilitation; Evaluation of the National Strategy for the Fight against Drugs 2009-2013; and Implementation of the ESPAD survey.

In the area of Customs cooperation activities are going to be focused on revision of the Strategy on Information and Communication Technology of the Customs Administration for the period 2011–2020.

Judicial cooperation in criminal and civil matters will focus on drafting proposals of basis for negotiations and conclusion of agreements on legal assistance in criminal and civil matters, extradition and mutual enforcement of court decisions in criminal and civil matters with a number of other countries will be implemented in the future. The Ministry in charge of justice will consider the possibility to reach full compliance of the Criminal Code with relevant international law sources, primarily with *acquis communautaire* during the period 2014-2016. The Directorate for Management of Seized Assets will, in order to facilitate the management of assets located outside of Belgrade, open organisational unit in Nis and Novi Sad. Moreover Special investigative techniques should be further developed¹¹⁸.

Effective democratic oversight over the use of special investigative measures – (SIM) need to be established considering the fact that SIM are used by the law enforcement agencies. In this regard the Parliament needs to develop its ability to the use of the SIM.

The Ministry in charge of defence plans to sign an administrative agreement with the European Defence Agency and implementation of this agreement is planned for 2014.

The EU priorities for IPA II will be defined in the Common Strategic Framework (CSF) aiming at better alignment of financial assistance with EU enlargement policy. The priorities for individual countries will be identified in the Country Strategy Paper (CSP) prepared by the European Commission and the basis for will be NAD and relevant national sector strategies.

B2.4. Overall objectives and priorities in the sector (2014-2020)

The SWOT analysis of the HA sector has been undertaken additional to the situation analysis presented in previous sections, to set out the long term objectives and medium term strategic priorities and realistic and targeted measures.

<i>Strengths</i>	<i>Weaknesses</i>
<ul style="list-style-type: none">• National and EU approximation strategies and other policy documents in place• Most of EU legal requirements and other international standards addressed by country policy documents• Specific sector plans for the police cooperation and the fight against organised crime elaborated and planned to be completely set up by 2016• Sufficient and well trained personnel in place within	<ul style="list-style-type: none">• Weak institutional cooperation and information flow for fight against organised crime, money laundering, human trafficking and all other areas of the sector of Home Affairs• Lack of systematic planning documents and sub-laws regulations and procedures for fight against organised crime, money laundering, human trafficking and all other areas of the sector of Home Affairs

¹¹⁸ See NPAA, page 468 and page 469

<p>the sector</p> <ul style="list-style-type: none"> Existence of Strategies in the Home Affaire sector 	<ul style="list-style-type: none"> Absents of systematic monitoring of policy implementation Lack of full implementation of the criminal law Lack of implementation of strategic framework for home affairs sector Lack of inter and intra-institutional coordination for the implementation of the Strategic framework Not enough capacities for Asylum seekers accommodation Inadequate professional qualification, and specialized personnel, unpreparedness and a low level of the local self-government capacity for prevention of the risk and national disasters
<i>Opportunities</i>	<i>Threats</i>
<ul style="list-style-type: none"> An acceleration of the EU accession process Availability of financing from EU and bilateral funds To develop clear organizational and coordinating institutional capacity within the relevant stakeholders structures responsible for the fight against organised crime To develop clear organizational and coordinating institutional capacity within the relevant stakeholders structures in the areas of the Home Affairs sector To enhance competences for the efficient implementation of the policy and legal framework of the relevant stakeholders Established sustainable financing of an integrated protection and rescue system Improved functional cooperation of protection and rescue system entities at the national and local level 	<ul style="list-style-type: none"> Low results in fighting all forms of crimes Not adequate response to emergency situation Low technical and human capacities for the border management, for the prevention and the fight against crime. Increased number of refugees as result of the extension of the Schengen border Increase of illegal migrants Insufficient capacity in the neighbouring countries that have not started the process of EU integration Unclear legal framework for coordination of the organised crime investigations

To reflect the above and guide assistance programming the overall objective is formulated as follow:

Enhance safety and security at the individual level, different social groups and communities and the state

This overall objective is based on further promotion of a safe and secure environment as necessary precondition for the economic, cultural and social growth. To pursue this, a comprehensive, coherent and effective response is needed to address the safety and security challenges. Based on two Home Affair priorities the focus is put on increasing effectiveness, harmonization of sector strategic and legal frameworks, integration and coordination of sector measures and approaches.

Priority 1: Improving the overall security and fight against crime

To achieve this priority an overarching precondition needs to be met: the legal and strategic framework in the sector needs to be improved, and institutional organisation and coordination strengthened. To provide a secure and safe environment, especially at the individual level as well as different social groups and communities, an efficient and effective response is needed in addressing the threats of serious and organized crime, money laundering and terrorism financing, terrorism, cybercrime, trafficking in human beings and other threats and swift respond to emerging crises caused by man-made or natural disasters.

Priority 2: Ensuring integrated border management and management of migration flows

Improve operational effectiveness of border police and related services at all levels, with the aim of fostering movement of people and goods, but also securing safety and protection from all cross-border criminal activities which could jeopardize safety and stability in the region. The management of migration flows and security threats present challenges that are going to be addressed by ensuring efficient functioning of integrated border management. Comprehensive, coherent and effective measures are going to be implemented to properly address the challenge of migration and address illegal migration. Also, more protective and efficient Asylum System will be set-up and measures implemented with the respect fundamental rights and needs of all migrants (including IDPs, Refugees and Returnees).

B2.5. Sector measures for implementation of priorities in the sector

Priority 1: Improving the overall security and fight against crime

Measure 1.1: Improving and implementing strategic and normative framework for crime fighting and prevention

This measure will support prevention and fight against crime by further aligning of the policy and legislative framework with the Chapter 24 of the Aquis, its effective implementation and further approximation with other international standards. It will be realized through strengthening institutional capacities for strategic planning and development of a coherent strategic framework within the ministry in charge for home affairs, as well as advancing implementation of the strategic and legal framework for the prevention and fight against crime. This measure will also support implementation of Action plans, both in human and technical terms, through the system for monitoring, evaluation and reporting. Also, it will strengthen the capacities of relevant ministry in charge for home affairs organisational units directly responsible for the implementation of the above. This measure will support development of the efficient coordination and cooperation within the ministry in charge for home affairs and related institutions and bodies, as well as establishing an efficient monitoring of the implementation of the strategies and laws. The framework Strategy for this measure is the Development Strategy of Ministry of Interior (2011 – 2016) with the Action Plan for the implementation of the Strategy.

Measure 1.2: Strengthening the capacities of state authorities to efficiently process cases of organised crime, corruption¹¹⁹, money laundering, terrorism financing, terrorism, war crimes and other criminal acts

These measures will strengthen legal and institutional capacities, in order to carry out complex investigations and improve performance in combating all forms of crime. Special attention should be given to, proactivity, more efficient information exchange, creation of a national Criminal Intelligence System, strengthening of analytical work, improving forensic capacities for crime scene investigation and forensics analyses, improving capacities for financial investigation, risk assessments, cybercrime, crime statistics, crime mapping, data collecting and processing, and establishing uniformed databases in order to develop ILP-Intelligence-led Policing as a policing model built around the assessment and management of risk. Moreover, ILP should be connected to Strategic decision making and Long Term planning. The measure should improve coordination between all relevant stakeholders, including those within the ministry in charge for home affairs. As mentioned above, according to the National Strategy on prevention and fight against organised crime the notion and the types of organised crime are determined as conducting criminal offences by an organised criminal group or its members, and organised crime group it is considered a group of 3 or more persons, which exist for a certain period of time and acts in agreement with the goal of perpetrating one or more criminal offences. Specific requirement according to the Criminal code is a sentence of four year or more severe and the purpose of gaining, directly or indirectly financial or other gain. All this material elements will need to be accordingly applied within the clear procedure for investigation and prosecution, acquiring for further institutional and legislative developments.

Measure 1.3 Strengthening the capacities of police, state authorities, local municipalities, minorities and civil society for the comprehensive and efficient protection of human and minority rights, safety and security of citizens.

This measure will ensure strengthening of Community Policing in the Republic of Serbia through development of police competences, capabilities and ethics in respecting human rights, diversities and professional and lawfully action; Establishment and development of partnerships with local communities' and their inclusion in solving safety issues; Joint development of prevention and problem-oriented work of the police and the community. Through the implementation of the Community Policing Strategy with Action Plan and improved professional knowledge, conditions will be created for the new police culture to act proactively and ensure the safety of the community by respecting the view of citizens. This measure include also: the development of prevention for the overall security protection of children, students, women and other potential victims of violence in the family; minority groups and other vulnerable groups; the efficient prevention and fight against violence in public and sport events; development of the method of Problem oriented work of the police; the efficient control of police authorities (during arrests and detention), the development of professional and ethical police capacity building with the goal of strengthening the professional integrity and responsible police work.

Measure 1.4: Enhancing capacities of state authorities for the efficient reaction in emergency situation and effective protection of citizens

This measure will continue to develop and support implementation of the efficient and effective integrated protection and rescue system in emergency situations, through reduction of risks and consequences of natural disasters and other catastrophes, in local, national and regional level. The measure will: strengthen identification, assessment and monitoring of the risks and enhance early warning by developing and implementing standards and assessment methodology for the identification of risks from natural disasters and other catastrophes in line with EU recommendations¹²⁰ for development of

¹¹⁹ Refer to Justice Priority 1., Measure 1.3

¹²⁰ By virtue of its Council Decision 2007/779/E3, the European Union established a Civil Protection Mechanism of the EC (hereinafter referred to as: the Mechanism). The Mechanism is aimed at facilitating cooperation in civil protection emergency assistance interventions, when preparedness of the country

the national security systems: the establishment of institutional, organizational and personnel requirements for implementing protection in emergency situations; providing well-trained personnel; establishment and training of the existing fire and rescue units establish 112 emergency call system and support reorganization of monitoring, early warning alert system, as well as reduce risk factors by improving methods for the forecasting assessment and socio-economic analysis of multiple risks; and establish efficient emergency reaction at all levels. This measure will support building of the mechanism for inter institutional coordination in quick response to the emergency situations, especially of all key stakeholders, such as Ministry of Defence, as well as enhancement of their capacities related to emergency response mechanisms. Further development of the procedures for weapons and munitions control and implementation of activities for cleaning unexploded ordnance, storage and destruction of explosive devices.

Priority 2: Ensuring integrated border management and management of migration flows

Measure 2.1: Enhancing integrated border management (Implementation of the IBM Strategy)

This measure will contribute to the implementation of regulatory framework harmonized with EU models, standards and recommendations, as well as with recommendations for Western Balkans¹²¹, in order to secure safe and protected borders and suppress all cross-border criminal activities which could threaten safety and stability in the region. The measure will be focused at improvement of the organisation and management of borders by developing operational action plans of relevant border services and securing coordination in their implementation – reorganisation of border services and development and implementation of joint risk assessment. It will harmonize the existing administrative procedures, develop the missing ones for joint operation of border services in regular operation and in emergency situations and ensure their practical implementation. The measure will also contribute to the development of the system for planning of personnel in border services, adapt existing training models to training programmes of border services in EU member states and implement the training program. Also, measure will ensure synchronized development of the telecommunications and information technologies in the part relating to the support system of integrated border management. The impact of border control can only be assured if there is an integration of all border services into one intelligence-gathering and implementation system (border police, customs, phyto-sanitary and veterinary inspections) covering all the services involved.

Measure 2.2: Improving migrations management mechanisms

This measure will support further capacity building in the area of migration management and will focus on coordination of all relevant institutions, contributing to the improvement of migration management system in the Republic of Serbia and its full compliance with the EU standards and coordinated migration policy implementation, from country entrance to the integration of some categories of migrants. The focus will be on improving migration management capacities of all competent instantiations on national and local level responsible for providing education, health protection, employment, social welfare and administrative (such as issuance of documentation) services. Also, statistical data gathering and sharing, monitoring of the migration flows will be improved and existing regulations will be aligned with the EUROSTAT standards. The mechanisms for reporting towards EUROSTAT, European Migration Network and other relevant networks will be developed as well as exchange the best practices and relevant experience. This measure will support further development of legal and strategic framework and creation of mechanisms for successful implementation of the policies in the area of asylum, illegal migrants and labour migrants align with the aquis with the special emphasis on creation of necessary preconditions for the unimpeded exercise of all migrants' rights¹²². To encourage synergy between migration and development a comprehensive partnership with the countries of origin and transit of legal and irregular migration will be created as well as exchange of the experience and cooperation with the EU MS. To prevent secondary migration additional measures for successful reintegration of the returnees according readmission agreements will be developed and implementation capacities of the competent institutions on local and national level, responsible for the migration management, employment, health protection, local government, internal affairs, social welfare enhanced. Also, programs and effective mechanisms for voluntary return of persons who stay illegally on the territory of the Republic of Serbia will be established. Provision of adequate conditions for accommodation of the asylum seekers and persons granted protection, compliant with the EU standards in terms of quantity and quality and establishment of the procedures and necessary infrastructure for assistance in the crisis situations caused by the unexpected migration flows through construction of necessary facilities. Through this measure a voluntary sustainable return of internally displaced persons from Kosovo and Metohija to the places of their origin will be supported. Also, all those IDPs, refugees and people from readmission who have unresolved legal issues (property rights, violation of human rights, lack of personal documents etc.) and issues related to supporting of their return will be supported through free legal assistance. Information flow and Institutional cooperation will be improved; Organisational structures align with the Relevant Law and systematic monitoring of policies and implementation of measures will be further developed.

Regional, Cross-Border and Transnational Themes in the Home Affairs sector

affected by a disaster is not sufficient for an adequate response due to insufficiently available resources. As Article 10 of the Decision foresees that the Mechanism should be open for participation of future member countries.

¹²¹ The Guidelines for Integrated Border Management in the Western Balkans were first established by the European Commission (EC), 2004, updated 2007

¹²² See NPAA, page 459 and page 463

Instruments of importance for regional cooperation, such as Multi-Beneficiary IPA support, CBC and Trans National Programmes, should be provided to those actions where benefit of regional approach is obvious.

MB IPA

The priority in regional cooperation with support of instrument such as MB IPA are to create the necessary legal, institutional, financial and human resources to ensure efficient regional police cooperation particularly in the area of border surveillance, migration management, witness protection, fight against organized crime and emergency situations management.

The Regional Programme “Joint Program for Priority Durable Solutions for Refugees and Internally Displaced Persons – Regional Cooperation” is providing durable housing solutions for the displaced population and significantly ameliorated access to their rights.

To resolve the protracted displacement situation, the four Partner Countries (Bosnia and Herzegovina, Montenegro, Republic of Croatia and Republic of Serbia) together with the international Community, have launched a regional initiative aimed at ensuring the voluntary return and reintegration or local integration of refugees and internally displaced persons (IDPs) in need. As part of this regional initiative, the Partner Countries have developed a Regional Housing Programme (RHP) which will provide durable and sustainable housing solutions to an estimated 27.000 households or 74.000 individuals. The RHP should be implemented over a five-year period, beginning in 2012. According to initial estimates, the total investment cost of the Programme should amount to EUR. 583 million and be spread over the 5-year period.

CBC

In this sector possible areas of CBC and TN programmes are connected with the ERDF thematic objective 5. Promoting climate change adaptation, risk prevention and management plans is related to emergency management measures with special focus on forest fire, floods and other natural disasters and catastrophes. Fight against organized crime, such as trafficking or cooperation between border authorities are of particular importance for implementation of thematic objective 11 – Enhancing institutional capacities and an efficient public administration with specific focus on authorities dealing with integrated border management.

Transnational Themes

Under the Action Plan **EU Strategy for Danube Region**: “To support the Danube states in the administrative cooperation and improvement of qualifications of law enforcement, judicial authorities and other services”, the priority is to improve Danube region cooperation in areas of: Target collection and sharing of key criminal information; Identifying most significant threats; Serious and Organised Crime Threat Assessment (OCTA); Prosecution of Internet crime (cybercrime); Customs information; Demining in the mine-suspected areas, Managing migration.

B2.6. Institutional framework for implementation of Sector Approach

In the context of sector approach, following institutions are responsible for the Home Affairs sector: Ministry in charge of home affairs (including General Police Directorate, Criminal Police Directorate), Ministry in charge of justice (including Directorate for Management of Seized Assets and State Prosecutor Office), Ministry in charge of foreign affairs, Ministry in charge of defence (including Defence Inspectorate, Military Security Agency, Military Intelligence Agency), Ministry in charge of finance (including the Customs Administration, Administration for preventing money laundering), Public Agencies (Anti-Corruption Agency, Security-Information Agency), Serbian Commissariat for Refugees and Migration, and Office for Kosovo and Metohija. The lead institution for the sector is the Ministry in charge of home affairs.

In context of sector approach, the Ministry coordinates the work of all relevant institutions in the sector in regard to planning, programming, implementation and monitoring of the Home Affairs sector measures/operations which will be supported by EU funds and other international development assistance. Responsibility for formal submission and later implementation of measures/operations depends of their content and responsibility of institutions involved in the Home Affairs sector.

In order to improve and coordinate activities related to planning, programming, implementation and monitoring of EU funds and international assistance and to increase the efficiency and effectiveness of development assistance, additional mechanisms have been introduced, that is to say, the Sector Working Group (SWG) for Home Affairs¹²³ has been established. The SWG for Home Affairs is responsible to coordinate activities related to planning, programming and monitoring of EU funds and international assistance, to propose relevant measures and activities and to support the introduction of sector approach in Home Affairs sector. The functioning, management, organisation and composition of SWG are more precisely defined by the *Rules of Procedure for Sector Working Groups for the Programming and Monitoring of the EU funds and development assistance*. The institutions participating in the SWG are the Ministry in charge of home affairs,

¹²³Act on establishing the SWG from 5.11.2012. No: 119-01-68/2012-03

Ministry in charge of justice and public administration; Ministry in charge of finance, Ministry in charge of economy, Ministry in charge of foreign affairs, Ministry in charge of defence, Office responsible for Kosovo and Metohija, Commissioner for Refugees and Migration and Office responsible for European integration affairs (SEIO). Members of the SWG are officially appointed representatives of the above mentioned line ministries, at the level of State Secretary or Assistant Minister, or appointed Senior Programming Officers (SPOs) and the Serbian EU Integration Office.

Representatives of the donor community including the Lead Donors are participating at the SWG meetings based on the needs and requirements of each SWG meeting and takes part in consultation processes for analysing sector priority goals, measures and operations for financing from EU funds and international assistance as well as they secure data on the expected assistance during the planning period. The Lead donor(s) is responsible to support the work of the SWG and represent the interests of donors active in particular sectors.

In order to enable more inclusive and transparent dialog, consultation and communication with all relevant stakeholders in the respective sectors, SEIO established a consultation mechanism with the civil society organisation (CSOs)¹²⁴. This mechanism is based on the consultative process with Sectorial Civil Society Organisations (SECOs) and serves as a platform that enables exchange of information and contribution of CSOs in relation to planning development assistance, particularly programming and monitoring of the Instrument for Pre-Accession Assistance (IPA). The SECO indicates a consortium of maximum three CSOs as partners, one of which is clearly indicated as leading partner. SECO is composed of the CSOs that have significant experience with public advocacy, analyses and research in the sector, as well as experience in direct work with service providers and beneficiaries. They are influencing public policy due to their successful networking and partner work with other local and international civil society organisations well as constructive cooperation with state institutions and the constant monitoring of their work. Members of SECO are participating at the SWG meetings based on the needs and requirements of each SWG meeting and takes part in consultation processes for analysing sector priority goals, measures and operations for financing from EU funds and international assistance. Other relevant stakeholders (agencies, private, academic sector, CSOs, etc.) can participate at the SWG meetings based on the topic, needs and requirements of each Sector Working Group meeting.

Under the Rules of Procedure for Sector Working Groups, SEIO¹²⁵ is responsible for coordination and ensuring the efficient functioning of all activities of the Sector Working Group. Coordination and leadership of the SWG is supported by a Task force made up of representatives from the Sector Lead Institution, Lead donor and SEIO. SWG is also acting as Sectorial Monitoring Subcommittee for IPA.

¹²⁴ Introduced in 2011

¹²⁵ Sector for Planning, Programming, Monitoring and Reporting on EU Funds and Development Assistance

B2.7. Indicators for measuring progress

PRIORITY 1: Improving the overall security and fight against crime													
Indicator	Unit	Baseline (2012)	Target								Means of Verification	Institution in charge for reporting	
			2013	2014	2015	2016	2017	2018	2019	2020			
1.1. The level of security perception by citizens	%	58%	increased	increased	increased	increased	increased	increased	increased	increased	increased	OSCE-report	Ministry in charge for home affairs
1.2 The level of security according to the national institutions, Number of crimes recorded by the Mol	Y/N		Positive assessment ¹²⁶	Positive assessment	Positive assessment	Positive assessment	Positive assessment	Positive assessment	Temporarily closed chapters			Annual EC Report on progress	Ministry in charge for home affairs
MEASURE 1.1: Improving and implementing strategic and normative framework for crime fighting and prevention													
Indicator	Unit	Baseline (2012)	Target								Means of Verification	Institution in charge for reporting	
			2013	2014	2015	2016	2017	2018	2019	2020			
1.1.1. % of adopted legal acts as envisaged by the NPAA measures annually.	%		100%	100%	100%	100%	100%					SEIO annual report	SEIO
Percentage of approximation in accordance to Chapter 24 of the Aquis	%	XX									100%		
1.1.2. Number of criminal offences recorded by police according to EUROSTAT methodology	Index 100 (Index of offences)	100	95	90	85	83	80	75	70	65		EUROSTAT reports	Republic Public Prosecutor's Office/ Ministry in charge for home affairs
1.1.3. % of implementing activities from Action plan of Mol development strategy (2011-2016) annually	%	80%	increased	increased	increased	increased	100%					Mol – report on implementation	Ministry in charge for home affairs
1.1.4.. Established and effective system for monitoring	No of the Strategies	1	increased	increased	increased	increased	increased	increased	regular	regular		Mol annual report	Ministry in charge for home affairs
MEASURE 1.2: Strengthening the capacities of state authorities to efficiently process cases of organised crime money laundering and terrorism financing, terrorism, war crimes and other criminal acts													
Indicator	Unit	Baseline (2012)	Target								Means of Verification	Institution in charge for reporting	
			2013	2014	2015	2016	2017	2018	2019	2020			

¹²⁶ Positive assessment in EC progress report, screening report and monitoring report.

1.2.1. Establishing transparent record of organised crime activities	No	No statistics for all types of organised crime	Statistics methodology established on central level	Statistic data collected on central level	Statistics methodology established on national level	Statistic data collected on national level	Statistic data collected on national level	Mapping of organised groups on national level	Mapping of organised groups on national level	No statistics for all types of organised crime	Mol annual report	Ministry in charge for home affairs
1.2.2. The number of prosecutions launched	No	No statistics for all types of organised crime									RPP report	Ministry in charge for home affairs
1.2.3. Number of proactive intelligence-led cases compared to re-actively opened cases	No %	No record	Established transparent record								Mol annual report	Ministry in charge for home affairs
1.2.4. Amount of assets frozen	EUR/din value of assets acquired through criminal activities	No transparent record	Established transparent record	increased	increased	increased	increased				Directorate for Seized Assets / Ministry of Justice and State Administration	Ministry in charge for justice

MEASURE 1.3: Strengthening the capacities of police, state authorities, local municipalities, minorities and civil society for the comprehensive and efficient protection of human and minority rights, safety and security of citizens.

Indicator	Unit	Baseline (2012)	Target							Means of Verification	Institution in charge for reporting	
			2013	2014	2015	2016	2017	2018	2019			2020
1.3.1. % of implementation of the activities provided in the Community Policing Strategy and Action Plan	%	0%	30%	50%	75%	80%	100%				Mol annual report	Ministry in charge for home affairs
1.3.2. The training for policemen allocated to implement police work programme within community is established and performed	No of appointed officers who passed the training	0	100	300	500	700	850				Mol annual report	Ministry in charge for home affairs
1.3.3. Police stations/units working with community and	No of police	0					170				Mol annual report	Ministry in charge for home

partnerships with local communities Functional and efficient	stations working with community on all levels											affairs
1.3.4 Greater trust of citizens in police force	Decreasing of the incidents within the public security	41%	50%	55%	60%	65%	70%	75%	75%	80%	OSCE research	Ministry in charge for home affairs
MEASURE 1.4: Enhancing capacities of state authorities for the efficient reaction in emergency situation and effective protection of citizens												
Indicator	Unit	Baseline (2012)	Target								Means of Verification	Institution in charge for reporting
			2013	2014	2015	2016	2017	2018	2019	2020		
1.4.1. The number of established units responsible for emergency responses	No of established units	159	162	165	168	172	177	182	184	186	Mol annual report	Ministry in charge for home affairs
1.4.2. Respond time of emergency respond units	Minutes	9,7	9,5	9,0	8,5	8,0	7,5	7,0	6,5	6	Mol annual report	Ministry in charge for home affairs
1.4.3. Number of confiscated small arms and light weapons	No	1292									Mol annual report	Ministry in charge for home affairs
PRIORITY 2: Ensuring integrated border management and management of migration flows												
Indicator	Unit	Baseline (2012)	Target								Means of Verification	Institution in charge for reporting
			2013	2014	2015	2016	2017	2018	2019	2020		
2.1. The level of illegal migrants reduced.	No	20,000 (2010/2011)	decreased	decreased	decreased	decreased	decreased	decreased	decreased	decreased	Mol annual report / Commissioner for Refugees annual report	Ministry in charge for home affairs
2.2. Improved infrastructure and equipment on border-crossings	Y/N	Coordination body to implement integrated border management became operation	Positive assessment ¹²⁷	Positive assessment	Positive assessment	Positive assessment	Positive assessment	Positive assessment	Positive assessment	Positive assessment	EC Report on implementation of EU pre-accession conditions	Ministry in charge for home affairs

¹²⁷ Positive assessment in EC Progress Report, Screening Report, Monitoring Report

		al										
MEASURE 2.1: Enhancing integrated border management (Implementation of the IBM Strategy)												
Indicator	Unit	Baseline (2012)	Target								Means of Verification	Institution in charge for reporting
			2013	2014	2015	2016	2017	2018	2019	2020		
2.1.1. Reduced Number of recorded illegal border crossings	No	3083	decreased	decreased	decreased	decreased	decreased	decreased	decreased	decreased	Mol annual report	Ministry in charge for home affairs
2.1.2 number of adopted operational action plans of relevant border services for securing reorganization of border services	No	Strategy for integrate border management adopted	Action Plan adopted and implemented								Report of coordinative bodies	coordinative bodies / Ministry in charge for home affairs
2.1.3.% of number of border crossings covered by synchronized IT system	%	80%	85%	90%	95%	100%					Mol annual report	Ministry in charge for home affairs
MEASURE 2.2: Improving migrations management mechanisms												
Indicator	Unit	Baseline (2012)	Target								Means of Verification	Institution in charge for reporting
			2013	2014	2015	2016	2017	2018	2019	2020		
2.2.1. Number of signed protocols on readmission and Bilateral readmission agreements	No	26	increase	increase	increase	increase	increase				Reports of MFA and Mol	Ministry in charge for home affairs
2.2.2. Harmonisation of Statistical methodology for gathering data of the Migration flows with Eurostat requirements.		17745 (Eurostat Report 2012)	decrease	decrease	decrease	decrease	decrease	decrease	decrease	decrease	Eurostat Report	Ministry in charge for home affairs / SCRM
2.2.3. Joint system for monitoring, collection, organisation and exchange of data on migrations is functional	Y/N	Established legal grounds	Adopted sub-legal acts for Law implementation	Secured technical capacities for Law implementation	Data from relevant records entered into system	Statistical data secured	Statistical data secured	Statistical data secured	Statistical data secured	Statistical data secured	Migration profile of RS Annual SCRM report	SCRM

					m							
2.2.4. Number of Councils for Migration established in accordance with the Law on Migration and supported by the budget	No	20	20	20	20	20	20	20	20	20	Annual Report from SCRM	SCRM
2.2.5. Number of Informal Collective Centres decreased	No	40				36	32	28	24	20	Annual Report from SCRM	SCRM
2.2.6. Total number of resolved cases of IDP's (legal and other according to their needs) from Kosovo and Metohija	No	620	1100	1650	2250	2850	3450	4000	4600	5200	Annual Report from SCRM	SCRM
2.2.7. Number of sustainable returnees to Kosovo and Metohija annually	No	442	200	300	300	300	300	300	300	300	Annual Report from SCRM and OKiM	OKiM

B2.8. Aid effectiveness, efficiency and sustainability

According to the ISDACON database, the Home Affairs sector has received substantial assistance from the international donor community over the period 2007-2012, with estimated total disbursement amounting to 88.25 million EUR. Largest and most important donor in the sector has been the EU with total disbursement within IPA component I amounting to 29.4 million EUR in the period 2007-2013.

In the seven annual **2007 – 2013 programmes, IPA component I** financed projects oriented towards the introduction of case management system in the courts and prosecution, criminal asset confiscation, reform of the penitentiary system and strengthening of alternative sanctions, the fight against corruption, the fight against money laundering and terrorism financing prevention and suppression of illegal migrations, improving border control standards, development of the information system for border crossing control, strengthening of Ministry in charge of home affairs. Furthermore IPA support focused on creating adequate living conditions and safeguarding integration of forced migrants who choose to stay in Serbia while supporting the sustainable return of those wishing to return to Kosovo, and also on putting in place a system for monitoring legal migration by establishing a Central database. Support was also provided on strengthening capacities of law enforcement institutions (Criminal Police Directorate and Public Prosecutors Office) to investigate and prosecute organised crime, on improving living conditions, securing integration and access to rights of asylum seekers and on providing legal aid and assistance necessary for improving the access of IDPs, refugees and people from readmission to property rights, health, education, employment and social welfare.

The Regional Programme “Joint Program for Priority Durable Solutions for Refugees and Internally Displaced Persons – Regional Cooperation” is providing durable housing solutions for the displaced population and significantly ameliorated access to their rights. Several **Multi Beneficiary IPA** project address relevant issues within Home Affairs sector with a purpose: to promote a coordinated and harmonized use of witness protection procedural and non-procedural measures, at regional and European level, to combat organised crime and corruption through reinforcing institutional capacity of Witness Protection Units and other relevant agencies; to strengthen the operational capacity and capabilities of the Public/State Prosecutors' Offices in the Beneficiaries in order to prosecute and investigate cross-border organized crime and linked cases of economic and financial crime and corruption; to bring the Beneficiaries closer to the Community Civil Protection Mechanism and contribute to the development of their civil protection capacities and collaborate regionally.

In addition to the above-mentioned EU IPA projects, the Home Affairs Sector has benefited from the assistance of **other donors** rendered in issue-based projects by the OSCE, USDOJ and World Bank, as well as the projects of the foreign Embassies to Belgrade, such as the UK, French, German Embassy and Norwegian Government. These project were aimed at: Strengthening of Laboratory Examinations and Crime Scene Investigations; training professionals working in the field of human trafficking; Promoting integrated emergency management mechanisms; improvement of the delivery of justice and juvenile justice system, as well as institutionalisation of victim witness support service network; enhancing core capacities for strategic planning and management; training on the new Criminal Procedure Code and on financial crime investigations; expert assistance with drafting and public presentation of Disciplinary Rules, Code of Ethics, etc.

During the past seventeen years significant financial support, provided by various donors, mainly EU and UNHCR and bilateral donors, was intended towards provision of housing solutions, enhancement of the livelihood, ensuring full access to the rights of the refugees and IDP's. Limited support was provided by UNHCR in the area of asylum system. Government of Swiss Confederation (SDC) should support the CRS in providing psychosocial support to the asylum seekers through various occupational activities and promotion of tolerance in local communities. Also a surveillance system shall be supplied in order to improve security of accommodated asylum seekers.

As recommended in the Report on the “Evaluation of the effectiveness and efficiency of development assistance to the Republic of Serbia per sector”, the programming of future international assistance to the home affairs sector should firmly link the institutional/technical aspects of reform and support to home affairs within the context of improved quality of life. Assistance should incorporate conditionalities for the beneficiary to develop out-reach mechanisms and to communicate the benefits of reform to the general public. Generally, there has been less foresight and investment in determining the capacities to ensure compliance with, and enforcement of, new legislation or policies. The financial and administrative implications of implementing new legislation, procedures, or institutions must be in place before further funding is committed and the Ministry in charge of finance. This also requires increased financial planning and budgeting capabilities by all home affairs institutions to effectively manage resources and deliver policies.

B3. PUBLIC ADMINISTRATION REFORM SECTOR

B3.1. Scope and background of the sector

In broadest terms, public administration reform (PAR) sector involves a wide range of public sector institutions, including the executive power branch at the central level (ministries and bodies within ministries, special organisations, governmental services, public agencies, public institutions, etc.), autonomous provinces, local government authorities (City of Belgrade as a particular territorial unit, 23 towns and 150 municipalities), and public utilities and services, as well as National Assembly as legislative form of state authority. Sector covers the on-going process of public administration reform in Serbia, i.e. a number of areas related to ensuring effective management and efficient functioning of administration at all administrative levels, financial management and control, and other areas that allow undisturbed functioning of public bodies (such as procurement, information management, statistics, human resources, e-government). Public administration reform involves all levels of government, including the process of transferring responsibilities from the central level. Introduction of indirect management systems for EU funds is also part of this sector. Public administration reform includes also areas covered by independent state bodies, such as the state audit, parliamentary competences, central monetary policy and banking, and the relevant reform aspects concerning anti-corruption, protection of citizens' rights, and access to information of public importance.

The **modernisation** of the public administration is being addressed partly through preparation of a legal framework allowing the introduction and putting into operation of e-government procedures. Main innovations so far concerned the introduction of general standardised operations for payments of services; mechanisms and instruments to facilitate business start-ups, registration and management; facilitation of tax administration and collection etc. Progress was achieved in improvement of existing and introduction of new registers (taxpayers registry, unified address code, etc.). A range of functional analyses was planned to be conducted in individual institutions, including the drafting of a joint methodology. This was been partly carried out and shall be continued in the future.

With a view to promote **professionalisation** of public administration, activities were directed towards the upgrading of the hiring system compared to the former period. The attention was primarily paid to the HRM system reform and the professional development of civil servants. A new training programme for civil servants was adopted by the government in 2013 and several training courses were delivered. The training also contributed to significant improvement in EU Funds management. However, only a small percentage of civil servants, and in particular a very small percentage of managers, took part in training. Induction training is not organised in a systematic manner; special programme for managers is under preparation. It is expected that according to the Strategy for professional training of civil servants in the Republic of Serbia the Ministry in charge of public administration would take leading role in the development of the civil service training.

The **recruitment and career system** is not yet fully merit-based. Transparency of appointments has been enhanced; new competency framework and career development system has been drafted and needs to be incorporated into the legal system. Local government does not have a merit-based and professional human resources service. Selection procedures are not applied uniformly and managers still have significant discretion when choosing candidates from lists drawn up by selection panels following competitions. Temporary employees are still not recruited according to competitive criteria and those contracts are allocated without internal or public competition.

In the area of administrative simplification and creating a **business-friendly environment**, important are the functions and tasks concerning regulatory reform and regulatory impact assessment, performed in coordination of all bodies throughout the process of drafting regulation. With this regards, during year 2009 a single process has been undertaken for repeal or amending (the guillotine) of legal acts detrimental for the national economy or simply outdated and superfluous. Nevertheless, not all of the recommendations provided to the Government of Serbia have been implemented yet, hence it is expected that the remaining recommendations will be implemented and introduced into the existing legal system in the forthcoming period¹²⁸.

Reform measures leading towards **decentralisation** have so far been driven by the priority topics on the Government agenda in certain areas (such as finances), thus leaving significant room for improvements with the view of carrying out more systemic and comprehensive decentralisation. Administration and management capacity at local level are relatively weak and significant disparities between persist between local self-government units (LSGs). The Law on Civil Servants does not apply to local government employees. There is no available overview of the functions delegated to municipalities;

¹²⁸ Office for Regulatory Reform and Regulatory Impact Assessment is in charge for controlling the implementation of regulatory impact assessment throughout the whole administration, as it has taken over competences previously embedded with the Secretariat of the Council for Regulatory Reform of the economic system of the Republic of Serbia (this Council was an ad hoc body of the Government). The Office has likewise taken over the tasks previously performed by the Unit for implementation of the comprehensive regulatory reform (also established as an ad hoc governmental body), concerning the monitoring of the enforcing the recommendations of this Unit. In accordance with the amended Law on Ministries from August 2013, (Article 10.) it is envisaged also that certain competences concerning PA tasks in regulatory impact assessment are performed by the Ministry of Justice and Public Administration.

responsibilities have continued to be transferred without ensuring sufficient capacity and resources at local level. Concerning the National Council for Decentralization attempts are being made during year 2013 for the revival of its role with regards to development and implementation of the Serbian Decentralization Strategy. It is expected that the reactivated Council shall have more solid technical links with the Ministry in charge of local self-government which is performing professional and administrative tasks on behalf of the Council and that this shall altogether improve the process concerning the respective decentralization Strategy.

A series of activities have been undertaken in the area of **strategic planning and coordination of public policies**. The guidelines for drafting the strategic documents were provided in the form of recommendations, and the uniform information system was introduced for the collection of data required for the government work program. Also, the draft *Methodology for Integrated Strategic Planning* was prepared, and its consolidation with the methodological instruction for elaboration of programme budget as well as its formalization is expected in the upcoming period. Still, upgrading of strategic planning and coordination of public policies within the Government should be considered the priority task in the forthcoming public administration reform process. Attention shall be awarded to the strengthening of the link between political priorities and administrative planning, as well as improving coherence of strategic planning and the budgetary planning cycle. The policy planning and coordination system needs to be improved to steer policy development and produce consistent work plans for the public administration.

While the legislation also requires **merging** the strategic planning and implementation of public policies **with the budget process** within the government and in the Parliament, including mandatory three-year budget planning and disclosure of capital expenditures, and introduction of program budgeting by 2015, the administrative capacity of the institutions to perform effective, efficient and accountable fiscal and financial management in accordance with the improved legal framework needs to be further strengthened at all levels of government. The Statistical Office of the Republic of Serbia (SORS) has to increase preparations for the comprehensive delivery of national accounts data according to ESA 95 and its transmission programme. Although SORS for two years already produces data on GDP on regional level, the issue of the regional statistical classification (future NUTS) remains open until the political consent is reached concerning regional structure.

A legal and institutional framework for **public finance management** was established and is largely consistent with European and international standards. The Government adopts every year the *Fiscal Strategy* for the next three budget years, defining macroeconomic and fiscal framework, strategy of public debt management and structural reform of business and public sector, priority fields of financing and mid-term framework of expenditures, including explicit fiscal rules. Still Serbia is facing serious difficulties in maintaining a sustainable fiscal position. The actual budget deficit was 5.7% in 2012 compared to a planned budget deficit of 4.25%. The general state debt was 61% of GDP in year 2012, which is far in excess of the fiscal rule that permits a maximum debt to GDP ratio of 45%. Improvements in fiscal management are needed to fully reap the benefits of the tight fiscal legislation.

The legal framework in the area of **public procurement and public private partnership** was improved. The Republic Commission for the Protection of Rights in Public Procurement Procedures, a second-instance body in the review procedure, has considerably strengthened its administrative and enforcement capacities, and has been given additional responsibility to decide on complaints in relation to the award of PPPs and concessions. It needs to build a solid enforcement record, by further ensuring that its decisions are implemented. Likewise, with the new Law on PP additional competences have been assigned to the PPO (Public Procurement Office), and the functions of Body for centralized procurement awarded to the AJSRB (Administration for Joint Services of the Republic Bodies). Also the enforcement record and administrative capacities of the Budgetary Inspection of the Ministry of Finance in charge of supervision of public procurement needs to be substantially strengthened. Intergovernmental Commission for Public Private Partnerships (CPPP) as an independent public body was established to provide professional assistance in implementation of PPP projects and concessions. Implementing PPPs is still very modest, and the administrative staff needs to be trained on the award of PPP contracts.

After adoption of the Regulation on **Decentralized Management** of EU pre-accession assistance under IPA¹²⁹, Serbia started final stages of establishment of the system for managing the European Union development assistance funds as well as responsibilities and relations between the authorities and responsible persons regarding preparation, coordination, implementation, monitoring and reporting on the implementation. By submitting the request for conferral of management powers and by delivering accreditation package for IPA in June 2012, the fourth out of five stages for establishing decentralized management of EU funds has been closed. The last fifth stage, meaning verification and conferring management powers by EC to the Republic of Serbia to manage funds commenced in November 2012 by intervention of verification auditors of the European Commission and continued in spring 2013 on the basis of draft verification audit report. The estimated time for completion of all stages is six to eight months period. It is expected that by the end of 2013 Republic of Serbia should be capable to manage IPA funds.

In the area of **control mechanisms**, implementing legislation on internal audit (IA) and financial management and control (FMC) was further aligned with international standards, and the Central Harmonization Unit (CHU) continued to focus on

¹²⁹ Official Gazette of RS No 70/2011 and 49/2012

technical activities, especially training and certification of internal auditors. The State Audit Institution (SAI) continued to gradually build up its capacities. It has only operated for four years and is still in the development phase, while the audit coverage remained rather limited, but gradually expanding, with performance audits not yet started. In taxation, the biggest progress was made in the area of operational capacity and computerization of the Serbian Tax Administration (STA), while effective tools to fight tax evasion and fraud and reduce the informal economy need to be further developed. Good progress was made in the area of the Customs with the adoption of new laws and continued efforts to enhance administrative capacity, in particular in the audit and post-clearance sector.

Independent control bodies are well established and they constitute a part of the permanent administrative landscape for keeping the government accountable. The Ombudsman's Offices continued to be effective and have increased their accessibility. The number of citizens' complaints has increased and the largest number of reported violations relates to violation of the right to good governance. The Commissioner for Information of Public Importance and Personal Data and Protection continued to be active. Some progress has been made in the implementation of legislation ensuring access to information of public importance. However, implementation and following the recommendations of independent control bodies needs to be significantly improved. With this respect it is important to continue ensuring various conditions (legal, political, organizational), that would enhance their position and performance. National Assembly, in performing its legislative, control and electoral function, regularly reviews both on committees' and plenary sessions, the annual reports of independent control bodies and adopts conclusions obliging PA bodies to improve state of play in certain areas by observing recommendations formulated in those reports. Creating mechanisms and conditions to follow-up the recommendations of independent control bodies is crucial challenge in the forthcoming period.

The 2010 **Public Expenditure and Financial Accountability Assessment** (PEFA) report highlighted important challenges which largely remain valid to date. The weakest area seems to be budget planning, including policy based budgeting and planning for investment cycles. Important steps in this direction are being currently undertaken with preparations for program budgeting which is legally mandated to be introduced in year 2015 for all budget beneficiaries. The report is more positive regarding capacity and modernization of tax and customs administration. Also public internal financial control is in place, but needs further development, capacity building, and putting more stress on management accountability. In public procurement, lack of capacity and necessity of a better designed complaint procedure is highlighted.

Recent **SIGMA Assessments** also observe that there is not enough awareness of the need to support the programme budgeting with other public management reforms and that the costing of capital projects still remains weak. It is pointed out that the capacity for budget preparation and forecasting is insufficient. The SIGMA findings also stress that there is not enough time in the current budgetary procedure for the National Assembly to properly review the budget submission, nor is their sufficient technical capacity to do so. There is also a lack of feedback on how the findings from various types of financial controls are further used in addressing the recognized systemic shortcomings. Overall, SIGMA still emphasizes the lack of coherence between different strategies and policies, including the preparation and implementation of the PAR Strategies.

The **EC 2012 Progress Report** concludes that, overall, public administration reform is proceeding at a slow pace, and lists a number of challenges. The legislative framework needs to be completed and fully aligned with international standards. Implementation of the existing laws and public administration reform strategy needs to be improved. Merit-based recruitment and promotion systems should be developed and implemented. The follow-up of the recommendations of independent control bodies needs to be stepped up.

As parts of PAR policy are directly linked to the government's priorities set in the context of the current economic crises, it is not surprising that first-and-foremost the 'public administration' must reduce bureaucracy and eliminate unnecessary state authorities and inefficient state expenditures. Also the recent Fiscal Strategy announced structural measures serving to limit the rise of wages and pensions, as well as the standardization of rules for wage establishment in the entire public sector. It also counts on rationalization of the existing number of employees in government agencies and public services at republic, provincial and local levels, principally in education, healthcare, public agencies and local administration. The draft new PAR Strategy and Action Plan take those points seriously into consideration.

B3.2. Strategic framework

National Strategic Framework

Based on The draft Public Administration Reform Strategy, other strategic documents for the PAR sector as presented in Annex1, notably the Fiscal Strategy 2014-16, and the sector and SWOT analyses, the following 5 priorities for the PAR sector have been identified as those best aggregating the multitude of national objectives:

- (i) **Enhancement of Efficiency and Effectiveness of Public Administration** – This broad priority includes organizational measures to improve the processes within the administration, stepping-up of decentralization process, reducing public expenditure for administration, as well as the reduction of administrative burden for people and

business. *Optimization of administrative procedures and elimination of unnecessary administrative barriers* may require the enactment of new laws, but also the upgrading of existing legal regulations and implementing the appropriate organizational measures, together with the broadest possible use of modern IT to support the acceleration and streamlining of the procedures and strengthening of operative capacities of the public administration. To improve administrative decision-making, it is necessary to ensure appropriate training in the professional development of public administration employees. The streamlining of such administrative procedures at the level of the central administrative system, system of local self-government, and public services will contribute to creating the environment that will be favourable for running business and promoting the private investments. As regards *improvement of the vertical organizational structure of the PA system*, the Republic of Serbia Constitution provides the possibility to legally entrust certain activities, through public authority, to “companies, organizations and individuals”, meaning that within the de-concentration process after completing the appropriate functional analysis, certain activities could be transferred to private law entities (upon appropriate verification by the public administration bodies), while certain activities could be entrusted to the private sector. Beside this, detailed analysis of the status of wide range of public administration bodies should be made to determine appropriate organizational forms on central and local level of administration system. In respect with the operation of the State Administration system, the crucial issue is to ensure appropriate organization of the system at the central level, and to connect and synchronize the performance of the State Administration system at both the central and sub-national levels. Thorough legal and status analysis of organizational forms among the State Administration bodies should lead to improved organizational structure of the public administration system by arranging the existing organizational forms and consistent control of establishing new organizational structures in the whole PA system. Apart from decentralization efforts, *achieving a more balanced development of regions* is the priority task shared by all levels of administration. This can be achieved by determination of the regional development role in the process of planning, designing, coordination and enforcement of public policies; improvement of regulations in order to stimulate regional growth aimed at overall socio-economic sustainable development; improving coordination and enforcement of public policies on the local level and between central, regional and local level.

- (ii) **Professionalization and Modernization of Public Administration** – Here the efforts should involve increasing capacity of public administration at all levels of government, spreading the use of modern e-government solutions, and depoliticizing the process of administrative appointments and decision-making, but also improving the professional development system. *Further development of the HRM system* is one of the most important activities and priorities in the process of public administration reform. It is accordingly crucial to ensure the continuation of HRM system development in the administration, first of all by way of further de-politisation in the civil servants' system and full implementation of the “*merit principle*” by introducing the basic responsibilities of civil servants, in respect to hiring and promotion. Beside the development of the civil service system at the central level, the proper functioning of the public administration system also requires the alignment and enhancement of HRM and professional development in the entire public administration system. A sound civil service system requires the aligned and equal status of employees at all levels of public administration in respect with the professionalization process. It is also necessary to ensure professionalisation of public enterprises, in accordance with the principles of corporate governance, which includes improved financial reporting as well as training on corporative management and licensing the directors and members of boards of directors. *The use of information and communication technologies (ICT)* in the process of PA system operations is closely related to the enhancement of efficiency and effectiveness of the public system as a whole. In particular, the ICT supports the development of the PA model where all the organizational systems cooperate in order to ensure better fulfilment of their functions or the set goals. It is provision of technical support for quality administrative decision making at all levels of the public administration system. The main challenges in e-Government development are not technical (even though this aspect should not be neglected), but primarily refer to the change in culture and understanding among the state and/or public and legal bodies, and among public servants and citizens. This requires coordinated action at the level of the state and individual institutions, with consistent implementation of several key aspects of planning and implementation of this process including adoption of new strategy and action plan for development of e-Government.
- (iii) **Improvement of Strategic Planning and Policy Coordination** – The process of strategic planning and creation, coordination and implementation of public policies at the central, regional and local level, should be enhanced and further developed, as well as its connection with the budget preparation and implementation, due to the relevance of these processes for the overall functions of the state and their impact at all levels of administration. This priority refers to the improvement of strategic planning at the central level; introduction of Sector Approach; enhancement of creation, coordination and implementation of public policies at the central level and between the central, regional and local levels; connecting these processes with the public finance processes (e.g. in budget preparation and execution); improving control and monitoring processes for enforcement of public policy; coordinating implementation of public policies at the central level and between the public administration and/or local self-government and various organizational forms at which the public interests are achieved and public authority performed (such as various councils, commissions, etc.).

- (iv) **Improvement of Public Finance Management** – Fiscal Strategy puts strong priority on *deficit reduction* through adequate changes in tax policy and through fiscal adjustment on the expenditure side. Fiscal consolidation on the side of revenues envisages an increase of direct taxes (profit) and taxes payable on consumption (VAT, excises). The expenditures policy will be directed towards lowering the relative share of current public spending through limiting the rise of wages and pensions as the largest categories of public expenditures, and by relative reduction in discretionary expenditure categories. The growth of the central government debt should be decelerated and, in the long run, the level of debt should be brought down to about 45 % of GDP. Beyond these general fiscal rules, this priority also has a broader meaning of *enhancing efficiency and effectiveness of public finance* by establishing connection to the system of strategic planning and preparation, coordination and implementation of public policies; development and introduction of programme budgeting; improved transparency, efficiency and effectiveness of the public procurement system; improvement of regulatory framework of financial management and control; improvement of efficiency, effectiveness, capacities, working conditions and organisation of financial control, internal audit and the Central Harmonisation Unit. Improvement of *local public finance management and responsibility* is of crucial importance here, as the local governments are responsible for 70% or more of PA services to the citizens. This shall be ensured by way of limiting growth of employment, salary and subsidies in LSGs, increased efficiency of services rendered by LSGs through larger investments in local development, also by delegating certain competences from the Republic to LSGs in the field of transport infrastructure, education, health care and social welfare; expedited restitution of property to local self-governments; improvement of local business climate through elimination of administrative barriers and combating corruption. The Law on LSG financing will be amended in order to tighten fiscal responsibility of LSGs and to establish a link between the volume of assets being transferred to a LSG unit and the volume of original revenues collected in the territory of that LSG. Harmonization of working practice at the local level by consistent operational standards and processes is also necessary. Finally, reforms of *enterprises in state ownership* in order to raise efficiency and professionalize the public sector should be accelerated. The reform of the sector of state-owned and public enterprises relates to: completion of the process of restructuring of state-owned enterprises (as stipulated in Law on Privatization); acceleration of the process of privatization and finalization of the restructuring of the remaining companies in the Privatization Agency portfolio; improvement of the rules for corporate management of public enterprises; improved transparency in operation of state-owned enterprises by regular disclosure of their financial results, strengthening of managing personnel's professionalism and of operational independence of state-owned enterprises by selection of managers exclusively on the basis of professional criteria and licencing members of board of directors and general managers of these enterprises in the field of corporate management.
- (v) **Strengthening Transparency and Accountability of Public Administration** – Special attention has to be paid to ensuring conditions (legal, political, organizational, material and spatial) to enhance position and performance of independent control bodies. The laws regulating the status and the work of independent control bodies still have different shortcomings and therefore efforts should be made to ensure further improvements. It is particularly important to ensure that appropriate actions are taken by individual PA bodies following the final decisions of independent bodies. The National Assembly should discuss in depth their annual reports and predominantly support the proposals and amendments of regulations proposed by these bodies. Improved legal, institutional and organizational framework for operation of independent control bodies and strengthened inter-institutional cooperation of independent control bodies and bodies in the public administration system are key ingredients of public administration reform activities.

The current sector strategic framework and the draft PAR strategy are based on European principles of establishing legal dependable, open, transparent, accountable, efficient and effective PA system. The vision within the new draft PAR strategy is that PA will function professionally, efficiently, effectively, and transparently during delivering its quality public services to meet the needs of citizens and other entities. The PA will thus provide support to the continuous and sustainable social and economic development of the Republic of Serbia.

In order to streamline the broad array of national strategic objectives and to focus international assistance on the most pressing issues, the NAD sets out three priorities:

NAD Priority 1 '*Increased effectiveness and efficiency of public administration*' is in line with the first priority based on national strategic documents, as presented above.

NAD Priority 2 '*Strengthening strategic planning and coordination of public policies*' will contribute mainly to the achievement of the third strategic priority as explained above.

NAD Priority 3 '*Improved transparency, efficiency and accountability in public finance management*' will contribute to the achievement of the fourth strategic priority.

Particular goals of the strategic priorities as presented above, as well as the main weaknesses of the PAR sector, are addressed by individual measures within NAD priorities as presented further below. Most of the issues addressed by the second and fifth strategic priorities (HRM, capacity building, transparency, accountability and control mechanisms) are treated as horizontal issues and addressed by several measures within or across individual NAD priorities.

Regional and Transnational Strategies

The **EU Strategy for Danube Region** adopted in 2011, addresses a wide range of issues and proposed areas of cooperation that are divided among 4 pillars out of which Pillar 4 "Strengthening the Danube Region" includes the priority area "Stepping up Institutional Capacity and Cooperation", which addresses also the PAR sector. Structures and capacity for private and public sector decision-making need to improve, including good planning and international cooperation, and supported by the macro-regional approach. The optimal use of resources is essential. Exchange of good administrative practice is important to make the region safer and more secure, and to reinforce its integration into the EU. In 2010 the Government of the Republic of Serbia adopted a decision concerning the development and future implementation of the Danube Strategy. This decision has been adopted prior to final adoption of the strategy in order to define Serbia's priorities and pillars and to confirm Serbia's strategic commitment for its effective membership in the European Union. Within its priority areas there are several aimed at improvements within the PAR sector, inter alia: development of ICT, cooperation between administrations on central, regional and local levels, establishment of national port directorate as a state regulatory body in the area of port management, etc.

EU documents and international agreements related to the sector

The European Partnership in the public administration reform area defines as one of its medium term priority to "continue full implementation of civil service and public administration laws, implement measures to develop human resources in the civil service, strengthen the policy-making and coordination capacity of the public administration..."

Stabilisation and Association Agreement between the EU and the Republic of Serbia, article 114. (Chapter VIII – Cooperation Policies), dedicated to Public Administration, emphasizes that the cooperation between EU and Serbia: "shall aim at ensuring the development of an efficient and accountable public administration in Serbia, notably to support rule of law implementation and the proper functioning of the state institutions for the benefit of the entire population of Serbia and the smooth development of the relations between the EU and Serbia. Cooperation in this area will mainly focus on institution building, including the development and implementation of transparent and impartial recruitment procedures, human resources management and career development for the public service, continuous training and the promotion of ethics within the public administration. Cooperation shall cover all levels of public administration..."

B3.3. EU Agenda

The commitment of the EU to jobs and smart, sustainable, inclusive growth is demonstrated by its 2020 Strategy. It will influence the reform of Public Administration in subtle ways linked to improvements in training and education, access to the high speed broadband, improvements in social inclusion, for example for young and old people and ethnic minorities. Many of the changes proposed by the EU 2020 Strategy require integrated action among different policy sectors and different actors (public, private and civil society organisations). PAR sector will directly contribute to achieving EU 2020 objectives by improving business environment and functioning of the internal market.

The required actions for legal approximation are set in the National Programme for the Adoption of the Acquis 2013-2016 (NPAA). While public administration reforms do not constitute a separate chapter within the NPAA, the draft PAR Strategy makes reference to standards of the European Administrative Space, and of course the capacity of public administration will have to be increased also with a view to successfully manage the negotiation and legal approximation process. Moreover, many features of the Political criteria within the NPAA are relevant for the PAR sector, such as the sections on Constitution, National Assembly, Government and Public Administration and the NPAA presents challenges and major planned steps ahead. Several chapters in the NPAA do address the area of modernisation of PA as well as public finance management and these chapters, with main direction of EU policies and main relevant acquis, are described below drawing on the NPAA as the main reference.

Chapter 10. – sub-chapter 10.2. on Information society

The field of information society in the Republic of Serbia is primarily regulated by **Law on Electronic Commerce** ("Official Gazette of RS", No. 41/2009), **Law on Electronic Signature** ("Official Gazette of RS", No. 135/2004) and **Law on Electronic Document** ("Official Gazette of RS", No. 51/2009). Although alignment with the acquis in the area of information society is moderately advanced further alignment with the conditional access and e-commerce EU legislation is needed.

Direction of EU policies

The Digital Agenda presented by the European Commission forms one of the seven pillars of the Europe 2020 Strategy which sets objectives for the growth of the European Union (EU) by 2020 and proposes to better exploit the potential of Information and Communication Technologies (ICTs) in order to foster innovation, economic growth and progress. The main direction in this area means participation of all individuals and communities in all aspects of the information society aiming at

reducing gaps in ICT usage and promoting the use of ICT to overcome exclusion, and improve economic performance, employment opportunities, quality of life, social participation, etc..

Main Relevant acquis

Law on Electronic Commerce: Directives 2000/31/EC, 98/48/EC, 98/34/EC, 98/48/EC, 98/34/EC

Directives regulate certain legal aspects of information society services, in particular electronic commerce, in the Internal Market and lay down a procedure for the provision of information in the field of technical standards and regulations. The Law on Electronic Commerce is generally aligned with some amendments still pending.

Law on Electronic Signature and Law on Electronic Document: Directive 1999/93/EC

According to NPAA it is planned to determine a national trusted services list, develop National framework of interoperability, legally regulate registered electronic mails, commission of payment fees and debit cards fees (envisaged to adopt Law on Payment Services and Electronic Money) for the purpose of further harmonization with EU legislation. The Statistical Office of the Republic of Serbia is planning to continue conducting regular annual research on use of ICT in the Republic of Serbia, in households/individually and in companies which have been regularly conducted from 2006 and both were conducted also in 2012 and are fully harmonized with the basic Regulation (Regulation (EC) No 808/2007/EC and other regulations that represented amendments).

Chapter 17: Economic and monetary policy

The Republic of Serbia has established a legal framework consisting of ten system laws¹³⁰ that regulate economic and monetary policy, banking and tax system. The amendments to the **Law on the National Bank of Serbia** were adopted in year 2012. Other system laws subject to harmonization in the area of economic and monetary policy are mostly aligned with the acquis.

Direction of EU policies

The Government adopts every year the **Fiscal Strategy** for the next three budget years, defining macroeconomic and fiscal framework, strategy of debt management and structural reform of business and public sector, priority fields of financing and mid-term expenditure framework, including explicit fiscal rules.

The National Bank of Serbia (NBS) adopts every year the **Monetary Policy Programme** which contains basic targets and tasks of NBS for the next year, in accordance with the Memorandum on Inflation Targeting as Monetary Strategy and agreement of NBS and Government on Inflation Targeting (since 2009), as well as Memorandum of NBS of targeted inflation rates for mid term.

In the pre-accession phase of the EU integration, the economic and monetary policy will be defined in the mentioned documents that do not have the force of a law. Drafting of these documents is consistent with the practice of EU countries and proved to be efficient in the creation of predictable economic and monetary policy framework in the medium term.

Main Relevant acquis

Economic policy: Candidate countries are expected to meet economic criteria established by the Copenhagen European Council (1993) and strengthened by the Madrid European Council (1995) as regards the existence of a functioning market economy and the capacity to cope with competitive pressure and market forces within the EU. In the period 2014-2016 (NPAA) Serbia will continue to participate in pre-accession economic policy surveillance by adopting Fiscal strategy and preparing Pre-accession Economic Programme. In this respect the capacity for economic policy formulation and coordination needs to be improved and aligned with the EU acquis.

Monetary policy: In the period 2014-2016 (NPAA) the NBS will continue, to the possible extent, further harmonization of its monetary policy operations and instruments with the ECB operations and instruments defined in ECB guidelines on monetary policy instruments and operations in Eurosystem (ECB/2001/14 and ECB/2012/25) and other relevant EU regulations. Final alignment of monetary instruments and operations is related to pre-integration of NBS monetary operations in Eurosystem.

Community law, including European Central Bank Guidelines (ECB/2000/15, ECB/2006/4, ECB/2008/5, ECB/2009/11 and ECB/2003/12) regulate management of foreign exchange reserves of the ECB and central banks of domicile countries. The

¹³⁰ the Law on the National Bank of Serbia, the Law on Banks, the Law on Tax Procedure and Tax Administration, the Law on Budget System, laws regulating fiscal, customs and financial system, the Law on Public Debt, the Law on Public Enterprises, the Law on Public Procurement, the Law on the State Audit Institution, etc

NBS regulations on foreign exchange reserves management will be further (but not completely) aligned with the ECB Guidelines.

Chapter 18: Statistics

Official statistics of the RS is governed by the **Law on Official Statistics**¹³¹ while the major statistics actions are governed by special laws that regulate population and housing census and agricultural census (from 2012).

Direction of EU policies

The main objective of official statistics is to establish and maintain national accounts and government statistics according to International System of National Accounts (SNA) and European System of Accounts (ESA), as well as statistical reporting on key economic aggregates and social development indicators, including agriculture and regional development.

Main Relevant EU acquis

Official Statistics: Council Regulation (EC) No 322/97 on Community statistics, (EC) No 223/2009 and (EC) No 1059/2003

The Law on Official Statistics is harmonised with the EC regulations on community statistics, as well as the Fundamental principles of official statistics, UNSCE 1994 and European Statistics Code of Practice. According to the NPAA, Serbia is expected to adopt new legislation for keeping of the register of territorial units, to be harmonized with (EC) No 1059/2003 (NUTS classification).

Chapter 22: Regional policy and coordination of structural instruments

The legislative framework includes the **Law Ratifying the Framework Agreement** between Serbian Government and European Commission on rules of cooperation concerning EC-financial assistance to the RS under the IPA ; **the Decree on the Decentralised Management of EU Pre-accession Assistance under the IPA** and **the Law on Regional Development**

Direction of EU policies

After adoption of the regulation on decentralized implementation system (DIS) for managing the EU development assistance funds under the IPA, Serbia started final stages of establishment of the system for managing the EU development assistance funds. It is expected that by the end of 2013 RS should be capable to manage IPA funds.

Main Relevant acquis

The Law on Regional Development is in process of amending to provide establishing of a system to manage national regional development policy to be complementary to the system of planning the national budget and to the system managing EU pre-accession funds. On passing this Law the following will be taken into consideration: provisions from Framework Agreement, Framework Regulation and EC Regulation (EC) No. 718/2007 on implementation of Council Regulation (EC) No. 1085/2006 on establishing IPA. Also taking into consideration that in 2013 a Council Regulation (EC) on establishing IPA II related to period 2014-2020, relevant provisions of this act will also be considered. **The Law on Managing Programs Financed from the IPA** shall be adopted to regulate ways of managing programmes financed by pre-accession assistance funds and determine responsibilities and the relation of bodies and their responsible persons concerning the programming, implementation, monitoring, and reporting on program implementation. Finalization and adoption of law is planned after adoptions of new IPA Regulations for financial perspective 2014-2020.

Chapter 32: Financial control

The legislative framework includes the **Law on State Audit Institution**¹³², the **Law on the Budget System**¹³³ and implementing bylaws that are regulates internal financial control.

Direction of EU policies

The SAI is a full member of the **International Organisation of Supreme Audit Institutions** - INTOSAI since November 2008 and the **European Organisation of Supreme Audit Institutions - EUROSAI** since June 2009, thus well positioned to harmonise legal acts and its work with the International and EU standards.

Public internal financial control (PIFC), including internal audit (IA) and financial management and control (FMC), is aiming to ensure that the financial management and monitoring of national public funds, with foreign funds, complies with the relevant legislation, budget, and the principles of sound financial management, efficiency, effectiveness, economy and publicity.

Main Relevant acquis

¹³¹ Official Gazette of RS No. 104/2009

¹³² Official Gazette of RS No. 101/05, 54/07 and 36/10

¹³³ Official Gazette of RS No. 54/2009, 73/2010, 101/2010, 101/2011, 93/2012 and 62/2013

External Audit: Candidate countries are expected to apply the standards defined by the INTOSAI, especially the Declaration of Lima and the Mexico Declaration that provide functional, institutional and financial independence of SAI and its obligation to be responsible only to the National Assembly. The EC Progress Report on RS for year 2012 states that The **Law on State Audit Institution** does not provide for full financial and operational independence of the SAI in line with the standards of the INTOSAI.

Internal financial control in public sector: Implementing legislation on IA and FMC was further aligned with international standards in December 2011. With the amendments of the Budget System Law in 2012, better definition of managerial accountability is ensured. In the period encompassed with NPAA, monitoring of modifications to standards of IA, FMC and best practice will be continued, with building of these into the established legislation for PIFC.

Chapter 33: Financial and budgetary provisions

The relevant legal framework for financial and budgetary provisions is the **Budget System Law**, the **Public Debt Law** and implementing bylaws that secure implementation of these laws and their alignment with acquis, which is on a satisfactory level.

Direction of EU policies

The amendments to the Budget System Law, from 2009 onwards particularly insisted on fiscal responsibility and strengthening of fiscal discipline to ensure sustainability of public finance in the mid-term. The Public Debt Law provided establishment of the public debt management and reporting at all level of governments in order to monitor and manage level of total public debt in Serbia.

Main Relevant EU acquis

In the period 2014-2016 (NPAA) an analysis of the Law on Budgetary System and its bylaws will be undertaken in order to formulate further directions for full harmonization of budget accounting regulations with International Accounting Standards (IAS).

Chapter 16. Taxation

Thirteen main laws create Serbian taxation legislation, out of which five regulate taxation areas which are the subject of regulation of the EU Directives. These laws will be subject to further alignment in full harmonisation with the EU acquis.

Direction of EU policies

While taxation regulation is not a subject of full harmonisation within the EU, there are important on-going policy coordination initiatives. The main objective is the elimination of tax obstacles to all forms of cross-border economic activity within the Internal Market, reducing harmful tax competition and promoting cooperation between tax administrations. Policy coordination efforts are also aimed at ensuring that tax policy supports wider EU strategic objectives, set out in the Europe 2020 strategy.

Main Relevant acquis

Value Added Tax (VAT): Directives 2006/112/EC, 2009/132/EC, 86/560/EEC, 2007/74/EC, 2006/79/EC and 2008/9/EC

Directives aim to regulate a common framework for national VAT legislation, and the **Law on VAT**¹³⁴ is largely harmonised. Partially harmonised are provisions laying down principles for the definition of the place of supply of services, list of goods and services subject to lower VAT rate, and certain provisions on exemptions without the right on deduction of VAT input tax.

Excise Duties: Directives 2011/64/EU, 2003/96/EC, 95/60/EC, 92/83/EEC, 92/84/EEC, 2008/118/EC and Commission regulation (EC) No 3199/93

Directives aim to regulate the general arrangement, structure and rates of excise duties. The **Law on Excise Duties**¹³⁵ is partially aligned. Further harmonisation is needed in levels and scope of duties and operational aspects of their application.

Tax on Profit of Legal Persons: Directives 2003/49/EC, 2009/133/EC and 90/435/EEC modified by 2011/96/EU

Directives aim to regulate specific features in taxation of corporate capital restructuring, subsidiaries, interest and royalty payments. The **Law on Tax on Profit of Legal Persons**¹³⁶ is generally aligned with some amendments still pending.

Tax Procedure and Tax Administration¹³⁷: Directive 77/799/EEC modified by 2004/106/EC and repealed by 2011/16/EU, 2003/48/EC and 2008/55/EC

¹³⁴ Official Gazette of RS No. 84/04, 86/04 – corrigendum., 61/05, 61/07 and 93/12

¹³⁵ Official Gazette of RS No. 22/01, 73/01, 80/02, 43/03, 72/03, 43/04, 55/04, 135/04, 46/05, 101/05, 61/07, 5/09, 31/09, 101/10, 43/11, 101/11, 6/12, 43/12, 76/12, 93/12, 119/12, 8/13 and 47/13

¹³⁶ Official Gazette of RS No. 25/01, 80/02, 80/02, 43/03, 84/04, 18/10, 101/11, 119/12 and 47/13

Directives aim to regulate the rules and procedures for cooperation among Member States in exchanging information relevant to the administration and enforcement of taxation. The **Law on Tax Procedure and Tax Administration**¹³⁸ should still be aligned.

Chapter 29: Customs union

Customs are regulated by three laws and implementing bylaws that are largely approximated with *acquis*.

Direction of EU policies

The main objective is the removal of customs duties on products as the first important step towards a free trade area of Serbia with the EU. Stabilization and Accession Agreement also contains provisions for administrative cooperation on customs (Protocol 6), as well as rules of origin which have to be observed in order to benefit from the trade preferences (Protocol 3).

Main Relevant Acquis

Customs: EU Combined Nomenclature 32012R0927 and respective Commission Regulations

The **Law on Customs**¹³⁹ is generally aligned with the Nomenclatures. Serbia needs to ensure its proper application at the administrative borderline with Kosovo, implementation of customs-related security legislation and upgrade processing system.

Chapter 5: Public procurement

The legislative framework includes the **Law on Public Procurement**¹⁴⁰ and the **Law on Public-Private Partnership and Concessions**¹⁴¹.

Direction of EU policies

The reform of public procurement legislation is a priority in the 2011 Single Market Act. The objective is to introduce flexible, simple instruments which allow public authorities to conclude transparent, competitive contracts at the best value for money. It should also support specific policy goals, such as green procurement, support to SMEs and strengthening competition.

Main Relevant acquis

Public Procurement and Public-Private Partnership: Treaty on the Functioning of the European Union (Article 26 and 114), Directives 2004/18/EC, 2004/17/EC, 2007/66/EC, 2009/81/EC, 92/13/EEC, and 89/665/EEC, and Regulations (EC) No 2195/2002 and (EC) No 1564/2005

Directives aim to regulate the rules and procedures for the awarding of public contracts and legal protection of business entities in public procurement procedures. The new **Law on Public Procurement** implemented most of the EU framework. Attention should be paid to safeguarding against corruption and misuse of public funds in procurement.

The EU priorities for IPA II will be defined in the Common Strategic Framework (CSF) aiming at better alignment of financial assistance with EU enlargement policy. The priorities for individual countries will be identified in the Country Strategy Paper (CSP) prepared by the European Commission and the basis for will be NAD and relevant national sector strategies.

B3.4. Overall objectives and priorities in the sector (2014-2020)

The SWOT analysis of the PAR sector has been undertaken in addition to the situation analysis presented in previous sections, to set out the long term objectives and medium term strategic priorities and realistic and targeted measures.

<i>Strengths</i>	<i>Weaknesses</i>
<ul style="list-style-type: none"> • The basic legal and institutional framework largely in place • A well-coordinated process of PAR strategy formulation under-way involving all major stakeholders • A clear mid-term fiscal strategy adopted by government 	<ul style="list-style-type: none"> • Complexity and instability of public administration structure with unclear delineation of competencies • Inadequate coordination of public bodies in planning and formulating of policies and strategies • Lack of policy-based budgeting

¹³⁷ Official Gazette of RS No. 80/2002, 84/2002 - corrigendum., 23/2003 - corrigendum., 70/2003, 55/2004, 61/2005, 85/2005 – other statute, 62/2006 - other statute, 63/2006 - other statute, 61/2007, 20/2009, 72/2009 - other statute, 53/2010, 101/2011, 2/2012 - corrigendum., 93/2012

¹³⁸ Official Gazette of RS No. 80/2002, 84/2002 - corrigendum., 23/2003 - corrigendum., 70/2003, 55/2004, 61/2005, 85/2005 – other statute, 62/2006 - other statute, 63/2006 - other statute, 61/2007, 20/2009, 72/2009 - other statute, 53/2010, 101/2011, 2/2012 - corrigendum., 93/2012 and 47/13

¹³⁹ Official Gazette of RS No. 18/2010 and 111/2012

¹⁴⁰ Official Gazette of RS No. 124/2012

¹⁴¹ Official Gazette of RS No. 88/2011

<ul style="list-style-type: none"> Capacity for aid absorption at sub-national levels of government 	<ul style="list-style-type: none"> Weak progress of decentralisation process and uneven capacity at sub-national levels of government
Opportunities	Threats
<ul style="list-style-type: none"> Acceleration of reforms by the start of formal negotiation process for EU accession Stimulating investment by creating business-friendly administrative environment Bringing public administration services closer to citizens General support for further modernisation and professionalization of civil service Improving conditions for attracting investments by increasing effectiveness and capacities of sub-national levels of administration Introduction of all elements of Sector Approach 	<ul style="list-style-type: none"> Lack of commitment to continuous public administration reforms Continuation of economic crises leading to insufficient funds for public administration reforms Inefficient spending of public funds High internal and external turnover of staff in public administration Insufficient quality of public services at the local level

To reflect the above and guide assistance programming, the **overall objective** for the PAR sector is formulated as follows:

Achieving standards of "Good Governance" by creating efficient, effective, transparent and professional public administration that fits the needs of the citizens and business and contributes to sustainable social and economic development of Serbia.

Public Administration Reform is an on-going process, as is the process of state development and society in general. The finalization of the former public administration reform phase is now to be followed by the phase of completing and "fine tuning" of the adopted legal framework, institutional and professional building of administrative capacities, and in particular expanding reform processes to the entire public administration, as well as linking the public administration reform process with the process of European integration. This phase of further reform activities is therefore aimed at continuing the enhancement of public administration system operation (its reform) and connecting this process with the process of European integration, but also to the process of rationalization of public expenditure. The forthcoming period in this process may therefore be designated as the period of implementing the adopted legal framework in practice, but also of broadening the coverage of reform processes towards entire public sector.

This overall objective aspire to create the entire public administration as an efficient, effective and professional mechanism that fits the needs of the citizens and other stakeholders, offering its quality public services in a transparent and professional manner to achieve the standards of the so-called "Good Governance" within the "European administrative space". The public administration will thus, in a meaningful way support the continuous and sustainable social and economic development of the country.

Implementation of this objective means concentrating resources for all identified measures, which will allow addressing most acute challenges for PAR Sector in the forthcoming period. Such actions are proposed to be split into several priorities:

Priority 1: Increasing the effectiveness, efficiency and transparency of public administration

During the implementation period of PAR Strategy from 2004-2012, legal and institutional framework for implementing efficient reforms in public sector was set up. The following phase of public administration reform will focus on fine tuning legal framework alongside with further improvement of efficiency and effectiveness of public administration. This priority focuses on quality improvement of services to produce results that meet the needs of society while making the best use of resources at their disposal. Comprehensive reorganization of the public administration system is required at all levels of the administration system, the rationalization of the system, certain level of devolution of competencies down to the lower levels of the administration system, further upgrading of the administrative procedures and proceedings are activities predicted within this priority to achieve one of main principles of good governance – effectiveness and efficiency, aiming to create public administration capable to react to the changing conditions and the growing demands of the general public.

Priority 2: Strengthening strategic planning and coordination of public policies

Strategic planning and coordination of public policies needs to be improved in a way which ensures consistency of setting government mid-term strategic objectives and formulating action and investment plans with the mid-term fiscal framework. This improvement needs to be achieved at all levels of government, through revision of existing strategic framework, establishment of the rules and procedures for preparing strategic plans and public polices, prioritizing actions and projects for their implementation, planning resources for its financing and monitoring results and impact. The synchronization of mid-term budget planning with strategic and action planning at all level of governments ensures consolidation of public finances on both central and local levels, with the aim of reducing the fiscal deficit and changing the structure of spending, by decreasing current budget spending and increasing capital expenditures.

Priority 3: Improving transparency, efficiency and accountability in public finance management

During the last decade Republic of Serbia adopted a number of important laws for establishing transparent, efficient and accountable public finance management at all levels of government. Successive implementation of the legislation regulating public finance management is directly related to the administrative capacities and technical knowledge of civil servants at all levels of government. Ambitious national economic and fiscal policy goals and related activities towards EU accession call for substantial strengthening of administrative capacities and technical knowledge in areas of budget planning and execution, monitoring, accounting and reporting, public procurement and public private partnership, and financial and budget controls at all levels of government.

B3.5. Sector measures for implementation of priorities in the sector

Priority 1: Increasing the effectiveness, efficiency and transparency of public administration

Measure 1.1 Reorganising structures and optimising processes of public administration at all levels

The measure is related to further improvement of organisational structure and the efficiency and effectiveness of authorities of PA and subordinate bodies (i.e. holders of public responsibilities such as public agencies, public funds and foundations, councils, commissions, public officers - public enterprises, etc.) and will support effective usage of new tools envisaged by the PAR Strategy and related Action Plan. In the time horizon preceding the implementation of this measure, the two analyses affecting the overall reorganization of the public administration in broad sense are supposed to be implemented: the analysis of operations and the analysis of legal and status organizational forms on central and local level of administration system. In accordance with these two key analyses, data base of all public administration will be prepared with detailed information on type of authority, scope, operations, finance, and other things that should lead to the definition of recommendations for a new legal framework which should define the structure of the entire public administration. In that way, supervision of the legality of public administration bodies will be performed. Beyond that, the measure will help actual reorganisation by cross-checking the existing pieces of legislation and identifying proper amendments and/or by drafting new legislation. Furthermore, new organisational schemes (and the consequent reduction of the total number of PA and subordinate bodies) will have to be properly documented and made publicly available, with punctual mapping of all PA and subordinate bodies and with the exact numbers of employees engaged therein. Resources will also have to be invested in the revision and the evaluation of the undertaken reorganisation. The Constitution of the Republic of Serbia provides the possibility to legally entrust certain public activities to companies, organizations and individuals, which in process of deconcentration means that one part of these public administration activities, after completing appropriate functional analysis, will be transferred to private law entities (upon appropriate verification by the public administration bodies) and certain activities could potentially be entrusted to the private sector.

With the aim of optimising processes at various levels of public service, the PAR Strategy and the Action Plan envisage establishing appropriate system and methodology of conducting the supervisory function over public agencies and other subordinate bodies. Related legislation will have to be adapted to reflect new horizontal functions and systematise the deconcentration of administrative powers, so the measure can be deployed in this direction and also for assisting the PA and subordinate bodies in assuming the future tasks. As the accession negotiations are expected to take off and advance forward, it is reasonable to anticipate their influences towards the adjustments of the organisational structures in horizontal and sectorial policy areas resulting from the process of EU integration, whereby the present measure will provide for the necessary expertise in coping with such requirements.

Measure is also seen as support for further improvement of quality of administrative decision making and on streamlining the administrative procedures which may require the enactment of new laws, but also the upgrading of existing legal regulations and implementing the appropriate organizational measures, together with the broadest possible use of modern IT. To improve administrative decision-making, it is necessary to ensure appropriate training in the professional development of public administration employees. This particularly refers to the staff that directly take decisions in the administrative procedures (at the first and the second instance), and to administrative inspectors. The streamlining of such administrative procedures will contribute to creating the environment that will be favourable for running business and promoting the private investments. Such an approach will encourage investment in the business sector and considerably decrease costs of procedures and costs incurred by natural persons / clients in administrative procedures.

In line with the future amendments of the Law on Regional Development this measure will encompass creating conditions for establishment of regional development actors, including assistance for modifications of regional development legislation and development of institutional capacity of regional development actors.

Measure 1.2 Transferring functions of public administration closer to citizens and businesses within de-concentration and decentralisation process

This measure refers to implementation of the strategic and legal framework concerning decentralisation and de-concentration process. The measure will support strengthening capacities at sub-national level (administrative districts and

local self-government) in order to meet the challenges of transferring the administrative powers especially, but not only, in the area of financial and public property management, environment, education, social inclusion and health. In addition, this measure may intervene in making comparative analysis of the de-concentration models in EU countries, as well in the improvement of the legal framework to strengthen administrative districts in order to bring functions of public administration closer to citizens. Administration on national and sub-national levels are the protagonists of new legal solutions and the main interlocutor to citizens and business which is why it needs to be supported in developing essential client orientation. Economic and social prosperity and balanced territorial development depend on central government decision-making as much as on the efficiency of other levels of administrative decision making (coordinated top-down and bottom up). Therefore this measure should support de-concentrated and decentralised administration structures to further strengthen ownership over economic functions they are awarded, meaning proper understanding of their roles in improving business environment and importance of strategic and operational planning recognizing and removing obstacles for implementation of local action plans and ensuring sustainability of mechanisms established for those purposes.

Measure 1.3 Improving human resources management/development system at all levels of public administration

The measure is aimed to continue the development of HRMD system within the civil service at central level of public administration, as well as establish and bring closer the concept of public officers to entities at all levels including public agencies, public funds and other organizational forms that ensure achievement of public interest. One of the starting points in this direction is analysing existing legal framework which regulates working-legal status of the employees in civil service. Further development of the HRM system requires further professional development and de-politisation in the civil servants' system and full implementation of the "merit principle", whereby the introduction of basic responsibilities of civil servants, in respect with hiring and promotion, represents one of the directions. In that sense, final course of action will depend on previous analysis and recommendations for improvement of civil service system. Also, this measure applies to the implementation of Strategy for professional training of civil servants in the Republic of Serbia and furthermore it would support implementation of appropriate strategy on professionalization of employed in local self-government units, expected to be adopted in 2013. This support will be focused on strengthening capacities of managers and human resources sectors through trainings related to employment, evaluation system, wages and benefits, career development, and other fields, including expanding informal education forms (giving instructions – coaching, mentorship, e-education). Special attention will be directed to creating comprehensive and continual training programme for employees on managing positions. A sound and efficient system of strategic human resource management also implies use of modern information technology ("e-government") and the connection of the whole system of public administration. In that view, the development of integrated and joint system for HRM at all levels of government (system of recording civil servants) is a prerequisite for establishing efficient and professional public administration.

Measure 1.4 Modernising delivery of public administration services through further improvement of information and communication technologies at all governance levels

This measure should focus on implementation of the new Strategy for development of e-Government and related Action plan. The precondition for further implementation and in particular for international assistance with this regards, will be defining of appropriate institutional framework and further improvement of coordination and cooperation between the PA and subordinate bodies concerning the development of e-Government, which is one of the key challenges in the forthcoming period. The measure will assist in further improvement of existing services and development of the new ones within general system of e-government. Measure is aiming at implementation of plan for optimisation of state ICT infrastructure, e-invoicing and e-payment systems for public administration services. The unified (standardised) electronic document management system of the state administration bodies needs to be introduced and implemented. Support under this measure will also focus to improvement of electronic registries service on local level and introduction of medical records system. Further development of capacity for collection and electronic processing of data, as well introduction of uniform procedures to that end is also planned under this measure. Moreover, it is necessary to ensure for all interested bodies an access to the data base and to establish an effective system of information/data sharing between governmental institutions in line with European standards. The extensive use of ICT and e-government must also contribute to improved communication and information to the public.

Measure 1.5 Strengthening control mechanisms of the functioning of public administration and increasing its transparency

This measure is aimed on further improvement of work of independent control bodies (Public Procurement Office, the Ombudsman, the Anti-Corruption Agency, the Commission for the Protection of Competition, the Commissioner for Information of Public Importance and Personal Data Protection, the Commission for Protection of Bidders Rights, Commissioner for Gender Equality, the State Audit Institution, and others) and on creating conditions to efficiently implement their recommendations. Despite improvement of the process and institutional framework of external PA control during the previous phase of PAR there are still pertaining problems arising from the existing legal and institutional framework. Support under this measure should be focused to ensure different conditions (legal, political, organizational), that would enhance their position and performance. Efforts should be made to eliminate different shortcomings in legislative framework regulating the

status and the work of independent control bodies. The measure will assist in enhancing the framework of instance control and official supervision to enable more efficient, rationale, cost-effective, faster and accurate work of the PA. Special attention should be paid on ensuring appropriate actions by individual, primarily PA bodies, following the final decisions by the resolutions of the independent control bodies, which is particularly highlighted in the EC Progress Report for 2012, in order to increase transparency and accountability of public administration. This measure will also provide support to strengthening the capacity for transparent legal process, especially including regulatory impact assessment, involvement of public, and oversight over implementation of legislation.

Priority 2: Strengthening strategic planning and coordination of public policies

Measure 2.1 Improving administrative capacity for effective and efficient strategic and fiscal planning and their coordination

The measure is aimed to improve the institutional capacity and procedures for assuring consistency between mid-term policy strategies, investment plans and the mid-term fiscal framework, as well as preparing consistent implementation work plans at all levels of public administration, including subordinate bodies such as public agencies, public funds and foundations, and other organizational forms that ensure achievement of public interests. From the organisational point of view, there is still the need to better incorporate, establish or reinforce strategic and financial planning functions throughout PA bodies and interlink them with EU integration/policy co-ordination functions/units. This should result in reducing the fragmentation of coordination centres. The measure needs to be deployed towards improving the institutional and administrative capacities in introduction of Sector Approach, drafting laws and other regulations, ensuring primarily efficient implementation. This would also include improving the mechanisms of consultation between bodies of various constitutional forms of territorial organisation (State, Province, City, Municipality), as well as with civil society and private sector regarding policy formulation and adoption of legislation. The measure should finally result in the creation of plans for implementation of selected mid-term policy strategies with projections of their total costs and benefits/revenues as well as producing adjusted, realistic and transparent annual legislative plan.

With this measure also capacities of public servants will be further developed through intensive training in: formulating policies/strategies, drafting laws and regulations; prioritisation and sequencing of programmes, projects and measures based on calculation of all costs and benefits resulting from their realisation; mid-term capital budgeting; defining action plans for realisation of policies/strategies adjusted to available financial resources; identifying and formulating adequate indicators and ensuring monitoring functions; efficient cooperation in prioritisation of specific programmes, projects and measures.

Important integral part of the measure is monitoring public policy impacts (MPI), which is fundamental precondition for efficiency and effectiveness improvement of public policies in reaching their objectives. MPI has specific requirements, such as capacities for management and coordination, for survey design and data collection, for data analysis and for preparing reports and communicating the results of MPI to the policy makers (National/Local Assembly, Government) and other stakeholders (civil society and private sector).

Measure 2.2 Improving institutional and technical capacity for monitoring and forecasting socio-economic developments

The measure is aimed at improving administrative capacities and technical knowledge in those areas of statistics, analysis and forecasting that are of key importance for formulating sound evidence-based economic and development policies. In the area of statistics, these foremost include national accounts and government statistics according to SNA and ESA standards, as well as statistical reporting on key economic aggregates and social development indicators, including agriculture and regional development. In the area of analysis and forecasting, the priority is on business cycle and competitiveness analysis, forecasting short-term and mid-term economic developments, and projecting long-term demographic, social and economic trends. Procedures for assuring transparency, independence and credible public communication also need to be improved. Timely production and updating of data and forecasts will provide for continuous adjustments of parameters for making policy choices and also facilitate accession negotiations with the EU.

Priority 3: Improving transparency, efficiency and accountability in public finance management

Measure 3.1 Improving budget planning and preparation process

This measure complements measure 2.1 by establishing links between mid-term strategic policy formulation and annual budget planning and execution cycle. It aims to improve the institutional capacity and procedures for assuring consistency between the fiscal rules and rolling three-year expenditure ceilings (mid-term expenditure framework), determined as part of the annual fiscal strategy, and the strategic policy objectives and priorities. The key activity is developing procedures and capacities for program budgeting and performance based budgeting, based on monitoring execution and measuring effectiveness of policies, and establish them as integral parts of the budget preparation process. Improving the quality of regulatory impact and cost-benefit analysis will contribute to informed policy decisions. Ensuring effective planning and management of EU funds will also help bringing closer together the strategic and short-term perspectives.

Measure 3.2 Strengthening revenue management

The measure is aimed at capacity building and modernisation of public administration bodies in charge of public revenue management and administration in order to increase revenue stream, by improving the efficiency, accuracy and timeliness of public revenues collection and reducing tax evasion and grey economy. The emphasis is on the improvement of: proper and efficient revenue collection, transparent rules and voluntary compliance, servicing, audit and risk assessment of the taxpayers. Further strengthening of operational processes and IT system management of the administrative bodies in charge of public revenue management and administration is also predicted.

Measure 3.3 Strengthening public expenditure management and budget execution

The measure is aimed at strengthening administrative capacities and technical knowledge in areas of budget execution, monitoring, accounting and reporting, public procurement, public private partnership, and financial and budget controls at all levels of government. In the area of budget execution, the priority is on improving efficient and responsible spending of approved budget appropriation, forecasting commitments during a budget year, recording and managing of arrears, permanent monitoring and reporting of budget execution and modernising IT systems for budget execution. Enhancing administrative capacities for responsible and cost effective public procurement complements the efforts for improving efficiency and responsibility of budget execution. This measure also includes developing skills for defining, promoting, negotiating and implementing large public private partnership projects and concession schemes that produce long-term impacts on expenditure management. Further aligning of budget accounting and reporting with international standards is very important for increasing its transparency, visibility and accessibility to citizens and decision makers (correlation with measure 1.5.). The area of internal audit, internal and external financial and budget controls, including state aid control, need to be improved by means of strengthening performance control and by extending them to local governments and public enterprises. The financial control and inspection mechanisms have to be streamlined. Improvement of public expenditure management will significantly contribute to achieving savings in current expenditures in order to increase capital expenditures at all levels of government, and to containing debt to GDP ratio at a sustainable level.

Regional, Cross-Border and Transnational Themes in Public Administration Reform Sector

Instruments of importance for regional cooperation, such as Multi-Beneficiary IPA support (MB IPA), CBC and Trans National Programmes, should be provided to those actions where benefit of regional approach is obvious.

MB IPA

In PAR Sector, **the support through MB IPA** should be channelled towards flexible, demand-driven and short-term cooperation actions notably through SIGMA support, TAIEX facility and ReSPA framework. Thus, the cooperation, contacts and exchange among IPA II beneficiaries will be mainly provided for various issues of common interest for improving public sector reform and governance and alignment of the public sector with European governance principles, but without programming of standard projects, except in the case of statistical cooperation where regional assistance should continue in traditional manner under the egis of EUROSTAT.

CBC

Support for Cross-Border Cooperation (CBC) should also contribute to important areas of PAR sector. Possible areas of CBC and TN programmes, connected with the ERDF thematic objective 11 – Enhancing institutional capacities and an efficient public administration - are investing in promotion of legal and administrative cooperation and cooperation between citizens and institutions, with special focus on urban and spatial planning and enabling business-friendly environment. Customs cooperation and investing in border crossing points are important for building capacity to participate in the Internal Market.

Transnational Themes

Action Plan of the **EU Strategy for the Danube Region** includes actions and examples of programmes that are directly relevant for the PAR sector. The action “To combat institutional capacity and public service related problems in the Danube region” aims at improving the quality of public services and optimizing governance mechanisms for international cooperation at all levels of government. It includes, among others improving public finance management. Another important area is promoting use of ICT in public and private services, including e-government and promotion of electronic signatures.

B3.6. Institutional framework for implementation of Sector Approach

For the PAR sector in the Republic of Serbia, in context of Sector Approach, following institutions are responsible: Ministry responsible for Public Administration, Ministry responsible for Finance (including Sector for international cooperation, CFCU and NF), Ministry responsible for Regional Development, Ministry responsible for Local Self-Government, Ministry responsible for Telecommunications, General Secretariat of Government of Serbia, Human Resource Management Service, High Civil Service Council, Republic Secretariat for Legislation, Republic Statistical Office, National Bank of Serbia and the National Assembly. The lead institution for the sector is the Ministry in charge of Public Administration.

In context of Sector Approach, the Ministry coordinates the work of all relevant institutions in the sector in regard to planning, programming, implementation and monitoring of the process of public administration reform and measures/operations which will be supported by EU funds and other international development assistance. Responsibility for formal submission and later implementation of measures/operations depends of their content and responsibility of institutions involved in the PAR sector.

The Ministry responsible for Public Administration is in charge for the policy making in the area of system of central state administration, organization and work of the ministries and special organizations, proposing and drafting the laws and other legislation in the area of public administration, ombudsman, administrative inspection, administrative procedures and administrative disputes, labour relations in central state administration and HRM and HRD of civil servants. As the PAR sector includes public finances, Ministry responsible for Finance has important role in coordinating activities in the process of public finance management reform (Priority 3). It is appropriate to highlight the roles of the General Secretariat of the Government (Measure 2.1) and the National Assembly (Measure 1.5.).

In order to improve and coordinate activities related to planning, programming, implementation and monitoring of EU funds and international assistance and to increase the efficiency and effectiveness of development assistance, additional mechanisms have been introduced, that is to say, the Sector Working Group (SWG) for Public Administration Reform¹⁴² has been established. The SWG for PAR is responsible to coordinate activities related to planning, programming and monitoring of EU funds and international assistance, to propose relevant measures and activities and to support the introduction of Sector Approach in PAR sector. The functioning, management, organization and composition of SWG are more precisely defined by the "Rules of Procedure for Sector Working Groups for the Programming and Monitoring of the EU funds and development assistance". The national institutions participating in the SWG are the Ministry responsible for public administration, the Ministry responsible for regional development and Local Self-Government, the Ministry responsible for finance, the Ministry responsible Telecommunications, the Ministry responsible for defence, General Secretariat of Government of Serbia, Human Resource Management Service, Republic Secretariat for Legislation, Republic Statistical Office, Republic Geodetic Authority, National Assembly, National Bank of Serbia, Public administration body responsible for Gender Equality, Public Procurement Office, Office for Regulatory Reform and Regulation Impact Assessment, Republic Commission for the Protection of Rights in Public Procurement Procedures, Anti-Corruption Agency, Intellectual Property Office, Standing Conference of Towns and Municipalities and Office responsible for European integration affairs (SEIO). Members of the SWG are officially appointed representatives of the above mentioned line ministries, at the level of State Secretary or Assistant Minister, or appointed Senior Programming Officers (SPOs) and the Serbian EU Integration Office.

Representatives of the donor community including the Lead Donors are participating at the SWG meetings based on the needs and requirements of each SWG meeting and take part in consultation processes for analysing sector priority goals, measures and operations for financing from EU funds and international assistance as well as they secure data on the expected assistance during the planning period. The Leading donor(s) is responsible to support the work of the SWG and represent the interests of donors active in particular sector.

In order to enable more inclusive and transparent dialog, consultation and communication with all relevant stakeholders in the respective sectors, SEIO established a consultation mechanism with the Civil Society Organisation (CSOs).¹⁴³ This mechanism is based on the consultative process with Sectorial Civil Society Organisations (SECOs) and serves as a platform that enables exchange of information and contribution of CSOs in relation to planning development assistance, particularly programming and monitoring of the Instrument for Pre-Accession Assistance (IPA). The SECO represents a consortium of maximum three CSOs as partners, one of which is clearly indicated as leading partner. The SECO consortium for the PAR sector tends to actively contribute to the creation of recommendations within the network and to influence official documents and priorities for financing from EU funds and development assistance. Members of SECO are participating at the SWG meetings based on the needs and requirements of each SWG meeting and take part in consultation processes for analysing sector priority goals, measures and operations for financing from EU funds and international assistance. Other relevant stakeholders (agencies, public enterprises, private and academic sector, CSOs, etc.) can participate at the SWG meetings based on the topic, needs and requirements of each Sector Working Group meeting.

Under the current *Rules of Procedure for Sector Working Groups*, SEIO¹⁴⁴ is responsible for coordination and ensuring the efficient functioning of all activities of the Sector Working Group. Coordination and leadership of the SWG is supported by a Task force consisted of representatives from the Sector Lead Institution, Lead donor and SEIO. SWG is also acting as Sectorial Monitoring Subcommittee for IPA.

¹⁴² Act on establishing the SWG from 5.11.2012. No: 119-01-68/2012-03

¹⁴³ Introduced in 2011

¹⁴⁴ Sector for Planning, Programming, Monitoring and Reporting on EU Funds and Development Assistance

B3.7. Indicators for measuring progress

PRIORITY 1: Increasing the effectiveness, efficiency and transparency of public administration												
Indicator	Unit	Baseline (2012)*	Target								Means of Verification	Institution in charge for reporting
			2013	2014	2015	2016	2017	2018	2019	2020		
1.1 WB Governance Effectiveness indicator for Serbia	Index	- 0,15 (2011)	- 0,10	- 0,06	- 0,01	0,05	0,12	0,2	0,3	0,4	WB website	Ministry in charge for public administration
1.2 Positive evaluation of progress in implementation of Public Administration Reform process	Y/N	N	Y	Y	Y	Y	Y	Y	Y	Y	Government work reports EC Progress Report	SEIO
MEASURE 1.1: Reorganising structures and optimising processes of public administration at all levels												
Indicator	Unit	Baseline (2012)*	Target								Means of Verification	Institution in charge for reporting
			2013	2014	2015	2016	2017	2018	2019	2020		
1.1.1 PA bodies and organisations included in database of operations and organizational forms	%	NA				100%					Annual work report	Ministry in charge for public administration
1.1.2 Adopted Laws in line with NPRD and RDS	No	NA									NPRD progress report	Ministry in charge for RD
MEASURE 1.2: Transferring functions of public administration closer to citizens and businesses within de-concentration and decentralisation process												
Indicator	Unit	Baseline (2012)*	Target								Means of Verification	Institution in charge for reporting
			2013	2014	2015	2016	2017	2018	2019	2020		
1.2.1 Management capacities and services to citizens in social protection/welfare issues improved in LSG units	No	NA									Annual work reports of institutions in charge for reporting	Ministry in charge for social policy, SCTM
1.2.2 Management capacities and services to citizens in environmental protection improved in LSG units	No	NA									Annual work reports of institutions in charge for reporting	Ministry in charge for environmental protection, SCTM
1.2.3 Management capacities and services to citizens in local economic development improved in LSG units	No	NA									Annual work report	Ministry in charge for LSG, SCTM
MEASURE 1.3: Improving human resources management/development system at all levels of public administration												
Indicator	Unit	Baseline (2012)*	Target								Means of Verification	Institution in charge for reporting
			2013	2014	2015	2016	2017	2018	2019	2020		
1.3.1 Establishment of HRM function in LSG units in accordance with the Law on LSG units employees	%	NA					100%				Annual work report	Ministry in charge for LSG
1.3.2 Filling-in positions via public competition in accordance with the Law on Civil Servants (ratio between the total No of positions and the No of positions filled-in by means of public competition)	%	NA	36%	45%	55%	65%	75%	85%	95%	96%	HRMS records	Human Resources Management Service (HRMS)
1.3.3 Reliability of data in the official Human Resources Management IS (HR MIS) as measured by frequency of updating the inputs to the system by state administration	%		51.3%	60%	80%	100%					Annual reports generated from HR MIS	Human Resources Management Service (HRMS)

bodies.													
MEASURE 1.4: Modernising delivery of public administration services through further improvement of information and communication technologies at all governance levels													
Indicator	Unit	Baseline (2012)*	Target								Means of Verification	Institution in charge for reporting	
			2013	2014	2015	2016	2017	2018	2019	2020			
1.4.1 EC indicator on the level of development of e-Government services	%	NA ¹⁴⁵									83%	EC Annual Report on the level of development of e-Gov services (eGovernment Benchmark)	Ministry in charge for PA
1.4.2 Number of established/improved "one stop-shop" locations in LSG units	No	NA										Annual work report of Ministry in charge of LSG, SCTM	Ministry in charge for LSG, SCTM
1.4.3 Functioning of the unified register of citizens	Yes/No	N	N	Y ¹⁴⁶	Y ¹⁴⁷	Y ¹⁴⁸	Y	Y	Y	Y	Y	Annual work report of Ministry in charge of PA	Ministry in charge for public administration
MEASURE 1.5: Strengthening control mechanisms of the functioning of public administration and increasing its transparency													
Indicator	Unit	Baseline (2012)*	Target								Means of Verification	Institution in charge for reporting	
			2013	2014	2015	2016	2017	2018	2019	2020			
1.5.1 Ratio between the number of recommendations issued by independent control bodies and the number of such recommendations actually	%	NA										Annual Report to National Assembly	National Assembly (alternatively – Ombudsman or other independent control bodies)
1.5.2 The role of independent control bodies positively assessed	Yes/No	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	EC Progress Report	SEIO

PRIORITY 2: Strengthening strategic planning and coordination of public policies													
Indicator	Unit	Baseline (2012)	Target								Means of Verification	Institution in charge for reporting	
			2013	2014	2015	2016	2017	2018	2019	2020			
2.1 Regulatory Quality (World Bank Governance Indicator)	Index	0.01 (2011)	0.15	0.22	0.30	0.37	0.44	0.51	0.59	0.66		World Bank website	Ministry in charge for economy
2.2 Share of capital expenditure in national budget	%	3.5	3.6	3.5	3.7	3.9	4.2	4.5	5	5		Public Finance Bulletin	Ministry in charge for finance

¹⁴⁵ The EC has encompassed the Republic of Serbia in the respective eGov benchmarking only from year 2013, so the comparative data with the EU MSs for the Republic of Serbia shall be available only after year 2013.

¹⁴⁶ In year 2014, the following is anticipated: Adoption of the Law on Unified Register of Citizens; Establishing and Implementation of this Register; alignment of the e-Infrastructure for provision of e-services with the objective of ensuring establishing and implementation of the Unified Register of Citizens.

¹⁴⁷ In year 2015, the following is anticipated: reengineering of information systems for recording citizens' data; Migration of existing systems and integration with the Register of Citizens

¹⁴⁸ In year 2016, the following is anticipated: integration with other registries (data sources on citizens) established in line with the viable legislation.

MEASURE 2.1: Improving administrative capacity for effective and efficient strategic and fiscal planning and their coordination													
Indicator	Unit	Baseline (2012)*	Target								Means of Verification	Institution in charge for reporting	
			2013	2014	2015	2016	2017	2018	2019	2020			
2.1.1. Multi-year perspective in fiscal planning, expenditure policy and budgeting (PI-12)	Score	C					B				B+/A	PEFA Assessment and PFM Performance Report	Ministry in charge for finance
2.1.2. Percentage of direct budget beneficiaries where approved financial plans are compliant with the methodology of strategic planning	%	NA					70				80	Report of GS	General Secretariat
2.1.3 Realization of planned expenditures in strategic documents	%	NA					50				75	Report of GS	General Secretariat
MEASURE 2.2: Improving institutional and technical capacity for monitoring and forecasting socio-economic developments													
Indicator	Unit	Baseline (2012)*	Target								Means of Verification	Institution in charge for reporting	
			2013	2014	2015	2016	2017	2018	2019	2020			
2.2.1 Size of revisions of data on government deficit	% points	NA				1.5	1.25	1.0	0.75	0.5		SORS publication of National Accounts	SORS
2.2.2 Mean absolute error of GDP growth forecasts for the next year	% points	NA			2.5	2.25	2.0	1.75	1.5	1.35		Fiscal Strategy	Ministry in charge for finance

PRIORITY 3: Improving transparency, efficiency and accountability in public finance management													
Indicator	Unit	Baseline (2012)*	Target								Means of Verification	Institution in charge for reporting	
			2013	2014	2015	2016	2017	2018	2019	2020			
3.1 Fiscal surplus/deficit as a share of GDP	%	-6.4	-5.6	-4.2	-2.3							Statistical Office RS & Public Finance Bulletin	Ministry in charge for finance
3.2 The Open Budget Index	Index	39		45		55		65			70	International Budget Partnership Webpage	Ministry in charge for finance
MEASURE 3.1: Improving budget planning and preparation process													
Indicator	Unit	Baseline (2012)*	Target								Means of Verification	Institution in charge for reporting	
			2013	2014	2015	2016	2017	2018	2019	2020			
3.1.1 Classification of the budget (PI-5)	Score	B					A				A	PEFA Assessment and PFM Performance Report	Ministry in charge for finance
3.1.2 Transparency of Inter-Governmental Fiscal Relations (PI-8)	Score	B					A				A	PEFA Assessment and PFM Performance Report	Ministry in charge for finance
3.1.3 Percentage of budget based on precise performance indicators	%	NA				50	50	60	70	80		Public Finance Bulletin	Ministry in charge for finance
3.1.4 Percentage of new laws with ex-ante regulatory impact assessment	%	NA					40				65	Office for Regulatory Reform and Regulatory Impact Assessment	Office for Regulatory Reform and Regulatory Impact Assessment

												webpage (to be included)	
MEASURE 3.2: Strengthening revenue management and administration													
Indicator	Unit	Baseline (2012)*	Target								Means of Verification	Institution in charge for reporting	
			2013	2014	2015	2016	2017	2018	2019	2020			
3.2.1 Transparency of taxpayer obligations and liabilities (PI-13)	Score	B+					A			A	PEFA Assessment and PFM Performance Report	Ministry in charge for finance	
3.2.2 Effectiveness in collection of tax payments (PI-15)	Score	D+					B			A	PEFA Assessment and PFM Performance Report	Ministry in charge for finance	
3.2.3 The "Paying Taxes" Indicator of the Doing Business Report	Index	49.5	50	52.5	55	60	65	70	70	70	World Bank Doing Business Report webpage	Ministry in charge for finance	
3.2.4 The "Trading Across Borders" Indicator of the Doing Business Report	Index	63.3	64	66	69	72	75	75	75	75	World Bank Doing Business Report webpage	Ministry in charge for finance	
MEASURE 3.3: Strengthening public expenditure management and budget execution													
Indicator	Unit	Baseline (2012)*	Target								Means of Verification	Institution in charge for reporting	
			2013	2014	2015	2016	2017	2018	2019	2020			
3.3.1 Use of competitive procedures expressed as % of total	%	76% (2010)	78	80	83	86	90	90	90	90	Public Procurement Office Annual Report	Public Procurement Office	
3.3.2 Scope, nature and follow-up of external audit (PI-26)	Score	C					B			B+/A	PEFA Assessment and PFM Performance Report	Ministry in charge for finance	
3.3.3 Effectiveness of Internal Audit (PI-21)	Score	B					A			A	PEFA Assessment and PFM Performance Report	Ministry in charge for finance	
3.3.4 Volume of External Audit as a share of the total budget expenditure	%	NA					75			90	SAI annual report	State Audit Institution	

* For all PEFA indicators, the baseline year is 2010

B3.8. Aid effectiveness, efficiency and sustainability

According to the ISDACON database, the PAR sector is the second largest recipients of assistance from the international donor community over the period 2007-2012, with estimated total disbursement amounting to € 1.078 million. Largest and most important donor in the sector has been the EU with total disbursement within IPA component I amounting to 86 million EUR in the period 2007-2013.

In the seven annual programmes 2007-2013, **IPA component I** has been focused both on the specific technical support in targeted areas (financial control, revenue administration and financial supervision, statistics, etc.) and horizontal reform of the public administration in general, on central and local level. The approach of IPA assistance has been multi-faceted, with single projects consisting of different connected components covering reform of institutional structures, strengthening human resources and initiation of new systems and tools. IPA contributed to enhancement of the budget execution and budget oversight components of the budget cycle, through support to public procurement and PIFC, and increased capacity of the SAI. IPA assisted the achievement of PAR sector objectives in revenue administration and financial supervision, through establishing institutional structures in the Tax and Customs Administrations, as well as through development of human resources, systems and tools. As far as horizontal reform of the public administration on central level is concerned, IPA supported to the establishment of merit based recruitment system, role of the HRMS, and provided an operational and legislative basis for e-Government. On the local level of government the creation of legislation and the decentralization strategy has been funded by the IPA in parallel with the creation of systems and tools and extensive human resource development (in the fields such as public finance, budget, debt, projects, assets management etc.). IPA 2013 support aims to strengthen public administration reform, in particular public finance, in the areas of financial control, revenue administration and financial supervision. IPA 2013 support will especially focus on strengthening further modernization of the Customs Administration; ensuring the more effective performance of the PIFC by fostering institutional capacities of budget users and strengthening the institutional, organisational and methodological framework of the public procurement system (both by enforcing the relevant legislation and by improving PP stakeholders' professionalism, management competences and technical capacities). The support through **Multi beneficiary IPA** in the PAR sector was mainly directed at the enhancement of capacities of public administration, particularly in the areas of law enforcement, harmonization of national statistical systems with the EU acquis but also through training and preparation for participation in Community Agencies.¹⁴⁹

Besides the IPA funds from EU the main sources of international support to PAR sector are **bilateral assistance** from the **USA, Germany, Switzerland, Sweden, Norway and United Kingdom**. These funds of bilateral donors have contributed PAR sector thought enhancing of sustainable local development, building program for budgeting and macroeconomic forecasting models, development of statistics, preparations for better programming and monitoring of EU assistance, reform of the financial sector, actual implementation of the PAR, and long term assistance to the SAI.

According to the report¹⁵⁰, the **relevance** of the measures was **very high**. Most interventions in the PAR sector were expected to increase the capacity and capabilities of beneficiaries, and in some cases to provide new or more efficient services or produce specific deliverables. This has largely occurred, often aided by IT solutions. The 2004 PAR Strategy laid down benchmarks against which the effectiveness of ODA can be measured at a more strategic level, through the five principles of rationalization, modernisation, professionalization, de-politicisation, and decentralisation. Taking the project-level and strategic assessments together, the overall performance on **effectiveness** is **medium**. In respect to EU support, as the most substantial donor for PAR, the sample of ROM reports analysed for this sector records a substantial proportion of projects with management problems, higher than any other sector. In this light, the performance on **efficiency** is **considered on balance as low-medium**. The strengthening of statistics, taxation, customs, treasury, financial control, external audit, ombudsman and EU programming and management functions through ODA 2007-2011 appears to have set in train an enduring and systemic change in the responsible bodies (SORS, MFE and various Administrations, SAI, SEIO, etc.), not least in the expectations created by users (other ministries and agencies, municipalities, the public, and of course EU institutions). However, this does not mean these benefits cannot be reversed, especially through organisational engineering (merging or abolishing institutions), staff reductions or shortages, failure to follow-up primary legislation with by-laws, or shortfalls in on-going finance from national budgets. Moreover, a great deal of ODA during 2007-2011 took the form of technical assistance to write laws, conduct analysis, generate strategies, and produce project documentation which did not obviously have a sustainable effect on capacity development as the same institutions have repeated their requests for help with preparing new laws, strategies and other documents, suggesting that little has been done to actually ensure that competences in planning, analysis and drafting have been retained. In this light, **sustainability is considered to be low**. The consequences of ODA interventions, some of which have not been finalised, have still to be fully felt; hence **impact** is assessed overall as **very low**.

¹⁴⁹ EUD PAR sector evaluation has not been finalised yet, it is under preparation and will be finalised during 2013.

¹⁵⁰ Evaluation of effectiveness and efficiency of development assistance to the Republic of Serbia per sector', draft final report, SIDA 2013

As recommended in the Report, the priority for the next period should be to empower the Government in **taking forward policy planning and coordination**, successful Government-wide **introduction of programme budgeting** from 2015, continue **support to the Tax and Customs Administrations** to meet EU standards and improving the service to citizens and businesses through **e-Government**. Better strategy development, a clearer division of functions and dialogue across institutions (including dialogue between central and local levels), and the introduction of a culture of monitoring and evaluation with underpinning systems will be the preconditions for successful introduction of programme budgeting. The programme budgets will put the onus on financial management and control in a number of respects: demands on public sector managers to exercise judgment on the management element of FMC (economy, efficiency and effectiveness); need to decide on budget execution based on real-time information, to understand the effects of spending, and to increase the importance of the SAI moving into performance audit, as a management tool to improve decision-making.

B4 COMPETITIVENESS SECTOR

B4.1. Scope and background of the sector

Competitiveness is a wide-ranging sector encompassing issues that affect the capacity of the economy to make the most of its assets: free movement of goods and capital, adequate competition policy, regulated company law, consumer protection and safe products, provision of services, high quality research and development, advanced innovation policy and reformed intellectual property rights laws. Improvements in ICT, foreign direct investment, development of clusters and business networks are embedded in the competitiveness sector with regional development as a cross cutting theme. Enterprise development stands at the core of the sector and its productivity levels directly affect the country's economy.

The increasing need for companies to become and remain competitive is driven by the globalization of markets. Many countries have responded by strengthening their economies including making concentrated efforts to shift towards knowledge based economy, attracting investment and increasing their exports. These changes establish the essential prerequisites for long-term economic development. Becoming more competitive is of particular importance for small countries whose internal market is not adequate to fuel economic development. Competitiveness is therefore a crucial issue for Serbia.

A competitive economy is one that experiences high and sustained productivity growth leading to an increase in standards of living. Many factors determine productivity performance¹⁵¹. These include the level of competition, opportunities provided by market reforms to stimulate investment and the ability to innovate, both through increased investment in R&D and human capital development, notably through education and training. Other important factors include the capacity to rapidly transform technological and non-technological innovations into economic goods and the reorganisation of working practices through the adoption of information and communication technologies and access to modern infrastructure. Competition regulations and consumer protection rules play a role in ensuring that competitive market pressure operates fully, thus maintaining incentives for higher productivity. Finally, an integrated market for goods and services is necessary to ensure that all potential gains are realised.

Serbia has experienced steady growth until the global economic crisis started in 2008. At this point the national economy shrank rapidly and in 2009 it went in to recession. Recovery commenced in 2010 and registered a real 1% growth of GDP (3.5%)¹⁵², due in a large part to increased exports to the EU. The national economy slowed down again in mid 2011 due to the negative effects of a second wave of global economic crisis and difficulties in the Euro zone. However, despite the worsened economic circumstances in 2011, real GDP growth of 1.6% was achieved in Serbia. This was based on growth in industrial and agricultural production, the building industry, transport and telecommunications, and on an increase in investments. The highest positive contribution to the growth of gross added value of 1.5%, derived from the information and communications sub-sectors and from industry while the largest negative contribution originated from the wholesale and retail trade sub-sector. In terms of regional distribution, the Belgrade Region participated in the GDP share with almost 40%, while Sumadija and Western Serbia Region contributed with only 19% and Southern and Eastern Serbia Region with less than 15%. The modest economic growth was not sufficient to reduce unemployment; according to the April 2013 Labour Force Survey the rate of unemployment rose to 24.1%¹⁵³ and represents one of the key economic policy challenges for the country.

The industrial structure of Serbian GDP based on GVA consists of: real estate, renting and business activities (18%), Manufacturing (17%), Wholesale retail trade & repairs (13%), Agriculture, forestry, water & fishing (11%), Transport, storage & communications (9%), Health & social work (6%), Education (5%), Construction (5%), Public administration, defense & social security (4%), Utilities (electricity, gas & water supply) (4%), Financial intermediation (3%), Other community, social & personal service activities (3%), Mining & quarrying (1%) and Hotels & restaurants (1%). It is evident that services provide the largest share of GVA, which is comparable with European economies – industry as a whole is very close to the EU 27 average (18%)¹⁵⁴. In terms of labour productivity, Serbia is lagging behind the EU: at the end of 2011, the EU average productivity was three times higher than in Serbia¹⁵⁵. However, the trend in the period 2005-2011 records increase in share

¹⁵¹ Communication from the Commission to the Council and the European Parliament: Some Key Issues in Europe's Competitiveness – Towards an Integrated Approach (2003)

¹⁵² Fiscal Strategy for 2013, with projections for 2014 and 2015

¹⁵³ Unemployment rate in Belgrade Region stands at 19%, Vojvodina Region 24,%, Sumadija and Western Serbia Region 25,9% and Southern and Eastern Serbia Region is experiencing staggering 26,3%.

¹⁵⁴ Eurostat data

¹⁵⁵ Serbian Enterprises and Global Competition Challenges, Dejan Đorđević, Dragan Čokalo, Savina Đurin using National Bureau of Statistics of Serbia; EUROSTAT as sources

of Serbian productivity in the EU average from 17% to almost 32%¹⁵⁶ showing a steady improvement in manufacture efficiency¹⁵⁷. There is a strong correlation between GVA of sectors of the Serbian economy and the number of persons employed in those sectors. The biggest discrepancies are recorded in real estate, renting and business activities, and agriculture (where % of GVA exceeds the share of employed persons by far), as well as manufacturing (the greater percentage of employed persons, compared to GVA, could be explained through labour-intensive food and other processing activities)¹⁵⁸.

In this respect, the SME sector that accounts for 99,8 % of all enterprises generates only 55.2% of gross value added. Serbia's SME base is relatively similar in structure to the EU-27, but its productivity is considerably lower. Average GVA per employee in the European SME is 41.3¹⁵⁹ whilst in Serbia it counts only for 10.9¹⁶⁰. Turnover and profit per employee is equally low compared to EU average making the Serbian SME sector uncompetitive and diminishing its contribution to the economy. In terms of regional distribution within Serbia, the share of Belgrade-based enterprises in total turnover of enterprises was 46% in 2010, while the contribution of enterprises from Southern & Eastern Serbia was only 10.1%. The difference in turnover between Belgrade and Southern & Eastern Serbia was more than 4.5 times. The share of Šumadija and Western Serbia is also weak with 15.3%, while the share of Vojvodina was 28.5% in 2010. Analysed by the level of GVA per person employed, the SME sector in Belgrade Region is 2.0 times higher than the Sumadija and Western Serbia Region, and 1.7 times higher than the South and East Serbia Region¹⁶¹.

In the period 2009-2011, employment in the Serbian SME sector had a faster drop compared to the non-financial sector's average (-5.8% as compared with -4.8%, respectively), however, this did not lead to any real increase in productivity as measured in GVA per employee (-0.8% to 0.5%, respectively). Thus, SMEs still account for the least profitable part of economy with profitability rate of 36.1% compared to 42.9% in large enterprises.

By modernising existing production methods, Serbian enterprises would be able to expand their product range to compete with imports. In that respect, machinery and equipment represent a significant element of production efficiency; state of the art machines contribute to better quality products and higher productivity. The average machine in Serbia is 30 years old. Serbian economy is, in that respect, 29.5 years behind European Union, which was confirmed on the representative sample of 154 companies in textile, food processing, pharmaceutical, machinery, chemical and building material industries¹⁶². According to the survey, pharmaceutical companies, companies in food processing sector and those with foreign capital had the most advanced equipment. The opposite result was noted in the metal industry, with 35 years old machines on average - more than double compared to the EU countries. The obvious cause for obsolete equipment is the fact that Serbian companies are highly reliant on internal sources of finance. Around 70% of SMEs are financed from their own sources, both in the case of working capital (73%), and investments (69%). External sources of finance are used by only 26% of SMEs and lack of finance is one of the most frequently articulated problems in performing business activity¹⁶³ (ranked 2.5). There is a strong need for better access to diverse funding mechanisms and improved support to ensure funding can be secured and utilised. This would enable investment into the manufacturing and production base, including adoption of new technologies. Such modernisation and improvements to products and processes would translate as an associated improvement in productivity and quality, making Serbian companies more competitive.

Another important contributor to productivity gains is access to modern business support infrastructure with common facilities and adequate services that cut costs and provide cooperation opportunities between enterprises. A report prepared for the National Agency for Regional Development in 2011, identified 92 industrial zones, 2 technology parks (with 4 planned), 4 free zones and 66 brownfield business locations in Serbia. The allocation from the National Investment Plan (NIP) for industrial zones investment 2007-2010 was over EUR 20 Million. The municipalities have allocated significant amounts of land for business use, but in practice, a low percentage of this land has actually been developed, with operational business premises for start-ups or other business development purposes. The quality of available infrastructure and services is not standardized, primarily due to differences in their stages of development; constrained with lack of financial resources, unresolved property relations, lack of awareness about the benefits of such infrastructure, lack of professional staff etc. Furthermore, the economic potential of existing premises has not been fully utilized due to the lack of complimentary offer that would address the need of companies, especially innovative ones in constant need of knowledge intensive business services. Therefore, it is necessary to increase the occupancy ratio inside the business sites, through attracting the enterprises to benefit from the enhanced synergy and the advantage of common use of shared facilities and high quality services inside the business sites. In effect, the companies would be able to raise efficiency levels, production rates and possibilities to succeed in domestic and international market.

¹⁵⁶ Serbian Enterprises and Global Competition Challenges, Dejan Đorđević, Dragan Čockalo, Savina Đurin using National Bureau of Statistics of Serbia; EUROSTAT as sources

¹⁵⁷ There is no available data for MFP (multi factor productivity) for Serbia

¹⁵⁸ Draft Operational Programme for Economic Development Serbia 2012 – 2013

¹⁵⁹ In 000 Eur

¹⁶⁰ Ibid

¹⁶¹ Report on SMEs and Entrepreneurs 2012, MFE and NARD

¹⁶² Serbian Enterprises and Global Competition Challenges, Dejan ĐORĐEVIĆ, Dragan ČOČKALO, Savina ĐURIN

¹⁶³ Conditions, needs and problems of SMEs 2012, NARD 2013

Another type of infrastructure contributing to productivity growth and consequent export gains is broadband connectivity. According to the International Telecommunication Union (ITU) Serbia has taken up the 57th position with 10.8 subscribers per 100 inhabitants; the penetration rate of telecoms services in 2012 was 19%, showing a significant space for improvements. The international studies show that manufacturing sector enterprises with internet access enabled by broadband generate 6 % more foreign sales, while in the service sector, the results are even more favorable with 7.5 - 10 % increase in export.

It should be noted that Serbian exports are mostly dominated by raw products and semi-finished goods that have relatively low market value. A significant change in export structure is necessary such that there is growth in the share of finished or semi-finished products. Only one in five companies marketed a new product/service in 2012, i.e. introduced a new production process¹⁶⁴. One in seven had cooperation with other business entities or institutions in the field of innovation. It is necessary to improve a weak Serbian export offer through the increased quality of their products and services. This to a large extent depends on the inflow of investments (especially foreign direct investment) and proper market intelligence, but also on the commercialization of domestic research through increased technology transfer and associated innovation activity.

According to the Global Competitiveness Report 2013-2014, Serbia has limited capacities in almost all aspects of innovation and technology transfer¹⁶⁵. Improved commercialisation of domestic research will require an improvement to the quality of the R&D being performed and a rebalance towards basic (fundamental) and more applied R&D in the public research organisations (Universities and Research Institutes). It will require a shift away from research for teaching towards a stronger culture of research that meets international publication standards, protection of research outputs using the patenting system and commercialisation of the research through technology transfer and knowledge exchange activities; these are at a very low level in Serbia at present. This reflects both the low quality and industrial applicability of the research and also to lack of supporting structures to better align the research focus to the needs of commercial enterprises that affect the transfer e.g. technology transfer offices, incubators and industrial liaison officers. Serbia's prolonged under-investment in its public R&D infrastructure has been coupled with a lack of modernisation of the education system, including that of PhD students and a loss of talented researchers to other countries. The low level of assistance available from the public R&D organisations has an associated effect on enterprises who might otherwise invest in R&D activities with a national public partner.

Of the 0.78% of GDP invested in Research and Development (R&D) in Serbia during 2011¹⁶⁶, the largest share came from Government expenditure which contributed 0.26% of GDP. Higher education R&D contributed 0.44% of GDP, while the business sector R&D contributed only 0.08% of GDP. Insufficient investment in R&D is linked to due to lack of available funding for firm level innovation coupled with low level of assistance from public research organisations as outlined above. This has resulted in a low level of development in domestic technologies meaning that Serbian enterprises largely depend on imported technologies but as shown below, their present capacity to adopt and adsorb modern technologies remains low regardless of their availability.

In the Global Competitiveness Report 2012-2013, Serbia is ranked 127 of 144 on the availability of latest technologies, while the low capacity of Serbian companies to absorb technologies places the country on the 142nd place (out of 144). Furthermore, the transfer of technology from foreign direct investment (FDI) is ranked 132, showing Serbia's poor record in harvesting latest technologies from international investors. New high technology goods and services originating from the outputs of national R&D remain low.

Over the past years several EU and bilateral technical assistance projects have been implemented to reform the legislative and institutional framework in the areas most relevant for the competitiveness sector (free movement of goods, services, capital, company law, competition and state aid, consumer protection), but effects remain limited and often unclear. In some of the areas legislative reforms have happened several times, negatively affecting the business environment due to decreased predictability and legal certainty and increased regulatory risk, thus increasing the costs for companies' doing business. For instance, the Law on Competition Protection was passed in 1996, 2005 and then in 2009; the Law on Consumer Protection was passed in 2002, afterwards in 2005 and then again in 2010, with new amendments of both laws expected in 2013. Despite the fact that numerous new institutions have been established and numerous civil servants employed, implementation of these laws remains flawed and enforcement weak.

According to the latest Global Competitiveness Report (2012-2013), Serbia ranks 95 out of 144 countries (unchanged from 2011-2012). This ranking signals the need for further improvements and structural change in every aspect of the economy. Individual indicators suggest that Institutional improvements are particularly needed: the burden of government regulation is ranked 136 (out of 144) and efficiency of the legal framework in settling disputes is 138 (out of 144). Also, the Doing Business Report 2013 shows that Serbia has improved its ease of doing business rank by 6 places, (ranked 92nd in 2012 to 86th in 2013) and was highlighted as one of 10 economies improving the most across 3 or more areas. The major improvement has been in the area of business start-ups – recording a positive change in rank of 49 places. This is largely

¹⁶⁴ Conditions, needs and problems of SMEs 2012, NARD 2013

¹⁶⁵ Capacity for innovation-133, Company spending on R&D- 127, University industry collaboration in R&D-104

¹⁶⁶ Statistical Office of the Republic of Serbia

due to the reduction in the number of steps needed to open a business in Serbia and the removal of any requirement for paid-in minimum capital¹⁶⁷. However, once a business is established, it is faced with an overwhelming bureaucratic burden related to labour legislation, tax payments, and many other administrative obligations. Furthermore, in spite of the significant rise in ranking in the area of resolving insolvency – up 17 places to 103rd place, there is still much scope for improvement. In Serbia, it takes 635 days to resolve a dispute and enforce a contract, with 36 procedures and 31.3% cost of the total value of the contract.

Significant efforts have been invested in reducing administrative and regulatory burden on businesses, including reviews of current stock of legislation, and introduction of regulatory impact assessment (RIA). Nevertheless, the work on creating business enabling environment in Serbia is far from complete and such efforts need to be maintained in the future, since it remains affected by low degree of predictability, lack of transparency, inconsistency in the implementation of legislation and government interference in the market. The overall operating environment for enterprises remains a major challenge; market distortions and anti-competitive actions need to be addressed and the environment for doing business improved. Particular attention should be given to ensuring better connections between the intensive regulatory activity performed as part of the EU acquis transposition process and ensuring maximum regulatory and administrative simplicity through effective RIA (both ex-ante and ex-post impact analyses) but also through the use of other legislative techniques. Administrative and regulatory simplification will be addressed through the Public Administration Reform sector, whereas the Competitiveness sector aims to ensure proper application of these processes on the operating environment for businesses.

Serbian companies are frequently not even aware or able to recognise anti-competitive behaviour, given that until the beginning of transition such behaviour was a standard in inter-business interactions¹⁶⁸. Such anti-competitive culture can be considered as the major legacy of centrally planned economy. The last decade of the twentieth century, along with war and economic sanctions, brought about selective and privilege-based opening of the market, where for example the right of import and export was awarded only to a selected number of actors, which aggravated the already existing economic problems, inter alia by stimulating the informal sector. Finally, additional anti-competitive effects resulted from the problems of the privatisation process, in which the already divided-up markets (as a phenomenon of the centrally planned economy – e.g. assigning one local market to one local retailer) were simply taken over by private owners, often without any incentive or tendency in the relevant market to stimulate competition. In effect, the market was distorted and the state has been unable to effectively address the challenges due to insufficient capacity to analyse and understand its underlying causes. Furthermore, lack of evidence based policy making, weak reliance on analysis as a basis for shaping policies and fragmented approach of the state to the competitiveness sector underline the state's failure to effectively address these issues in the previous period. Problems have frequently been made worse by introduction of new distorting and non-EU compliant legislation in specific sectors without properly assessing and understanding the linkages and impacts of such lateral legislation with the key competitiveness related policies (e.g. introducing new non EU-compliant state aid schemes under the pretext of the economic crisis, thus creating new distortions in the market). Thus, a more comprehensive, analytical and focused approach is needed in the future in order to ensure synergic action of the state in policies affecting the competitiveness sector.

In the area of **free movement of goods**, a significant part of the relevant *acquis communautaire* has already been transposed into the Serbian legal system, by which the basic legal framework has been put in place. The basic institutional structures have been created. After the completion of the legislation transposition, further work needs to focus on improvement of institutional structure, implementation/enforcement of harmonized legislation, as well as on the non-harmonised areas of technical regulations to make sure these regulations do not become barriers for the free movement of goods with the EU.

Numerous Serbian products that would otherwise be suited for export score low in terms of conformity with international standards, which in turn decreases their likelihood of entering new markets. In regards to approved applications for grants to exporters, more than 60% constitute certification, standardisation and introduction of quality systems, specifically in sectors noted as having a comparative advantage (e.g. food and beverage production, automobile manufacturing and wood processing). Still, additional work needs to be invested in further transposition of EU technical regulations and enforcement, particularly through strengthening capacities in quality infrastructure services, completion of the market surveillance system and reform of inspections.

The general framework for **provision of services** remains an untreated issue in the Serbian legal system, especially requirements of the Directive 2006/123/EC on services in the internal market, despite the fact that its provisions are complex and its overall transposition is quite demanding. Experiences show that this process was protracted even in the majority of EU Member States. At the moment, even the assessment of the gaps in transposing the Directive and strengthening coordination for future establishment of the 'Point of Single Contact' has not been initiated.

¹⁶⁷ The paid-in minimum capital requirement reflects the amount that the entrepreneur needs to deposit in a bank or with a notary before registration and up to 3 months following incorporation and is recorded as a percentage of the economy's income per capita; Doing Business Report 2013

¹⁶⁸ e.g. in the socialist way of thinking it would have been considered even ethically wrong to set the price without consulting with other socially owned enterprises in the same sector, who were in any case not considered competitors on the market

With regards to Company Law the Agency for Business Registers founded a one-stop registration system in 2009, which facilitated the procedure of entering the Company Register and applying to the tax authority, and social and health insurance funds. In the future, the focus should be on the enforcement of existing regulations. For the period 2014-2016 the electronic registration process is planned to become fully operational, and new registers are to be established. There is a possibility of amending the Law in order to ensure corporative management in companies in which the state is the owner and are not public enterprises.

In the area of **free movement of capital** the principle of gradual liberalisation of capital movement has been endorsed. Thus, the liberalisation of long-term capital operations has been ensured, while deposit operations of residents were partially liberalized.

With regard to **competition**, after initial legal and institutional problems with the Law from 2005, new EU-harmonised legislation is in place and has proven to be satisfactory, although the track record in implementation needs yet to be improved. The Commission for Protection of Competition (CPC) still lacks predictable and adequate financial resources in order to be able to, *inter alia*, hire highly qualified lawyers and economists with the required knowledge and skills to carry out the institution's demanding responsibilities. A particular problem is insufficient performance of sectoral analyses, only a few of which have been completed so far, as well as drafting of guidelines for CPC procedures. There is a strong need for training of judges and the private sector, as well as advocacy efforts in competition policy. Although the basic legal and institutional framework in the area of **state aid** is in place, further efforts are needed in its enforcement, including awareness raising and training in the public sector, as well as reducing the overall level of state aid in Serbia. Compliance with state aid rules and preventing further market distortions should be the focus of additional efforts. Additional alignment of instruments of state assistance and EU is also required, particularly for regulations on grants assignments and investors' incentive, as well as adoption of new Directive on analysis of state assistance effect.

Even though most of the **consumer protection** *acquis* has been transposed into Serbian legislation, numerous problems have arisen in the implementation phase. Problems are mainly related to the weak administrative capacity, poor understanding and capacities for compliance in the companies, inefficient and untrained judiciary. Despite the fact that the Law on Consumer Protection refers to alternative resolution of consumer disputes, in practice there are no such mechanisms (including online mechanisms), which specifically obstructs protection in regards to small claims. Consumer organizations remain underdeveloped. Additional efforts are necessary in regards to the regulation and protection of vulnerable consumer groups. Although the National Council for Consumer Protection was formed in 2012, it is still not acknowledged as a central coordinating body having in mind the multi-sectoral significance of the consumer policy.

B4.2. Strategic framework

National Strategic Framework

Based on the main strategic documents for the sector, which are presented in Annex 1, sector and SWOT analysis the following priorities for the Competitiveness sector have been identified:

- (i) **Dynamic and stable economic growth based on an increase in investment and exports** – aims at revitalisation, rehabilitation, restructuring and modernisation of export-oriented production in Serbia and further support to attracting inward investment. The priority is focusing on increasing export competitiveness of industrial products and services with high value added which are based on knowledge, innovation and research. Economic growth and increase in competitiveness of the economy represent a realistic basis for increase in employment and living standard of the population. Employment and living standard are expected to grow faster with further progress in transition and restructuring of the economy, removal of institutional and structural constraints and more efficient economic policy management, faster growth in employment and living standards.
- (ii) **Creation of a National Innovation System and development of national research excellence** – is aiming at the development of Serbia as an innovative country, where scientists attain European standards, contribute to society's overall level of knowledge and advance the technological development of the economy. This will be achieved through promotion of applied research and technology transfer and stimulating partnerships between the public R&D sector and industry. Furthermore, the priority is envisaging actions of reorganising existing R&D institutes, ensuring application of knowledge based innovations into products and services in order to position Serbia as knowledge based and competitive economy.
- (iii) **Harmonisation of national legislation with the Aquis to facilitate reforms aimed at creating friendly business environment and integration in the EU** – is striving to create an institutional framework and business environment to further stimulate industry and entrepreneurship development through reducing or eliminating administrative and legislative barriers limiting Serbia to have a functioning economy with open market.

The challenge in achieving these national priorities is that they will require the integration of a wide range of actions across the whole sector and harmonization with other sectors. The analysis carried out suggests that to focus on only one or two of these priorities at the expense of others will create problems within the sector, rather than providing sought-for solutions.

NAD Priority 1 Raise levels of productivity and improve the quality of products and services will support the implementation of Priorities (i) and (ii) by focusing on constant improvements in products and services of Serbian companies to increase their competitiveness and ability to meet international standards.

NAD Priority 2: Improve innovation levels and enhance quality of public and private sector is in line with Sector Priority (iii) and has the same objective i.e. to contribute to the development of Serbia as knowledge based economy. The NAD envisages attainment of this priority by focusing investments on increasing the quality of R&D and promoting applied research and technology transfer.

NAD Priority 3: Improve operating environment for doing business, with emphasis on evidence based policies and regulatory simplification will contribute to the achievement of Sector Priority (iii) by focusing on transposition and enforcement of the EU acquis in the areas of competition (incl. state aid), consumer protection, company law and free movement of goods, capital and services. In parallel, it will support creation of business-enabling environment through interventions in the current administrative and regulatory frameworks to help Serbia become a country where it is easy to invest, innovate and create businesses by eliminating administrative obstacles and through a new incentive labour legislation and more efficient regulations in the area planning and construction

Regional and Transnational Strategies

EU Strategy for the Danube Region promotes socio-economic development in the 'Danube region and the Competitiveness Sector priorities and measures are correlating with pillar 3, *Building Prosperity in the Danube Region* aiming at developing the knowledge society through research, education and information technologies and supporting the competitiveness of enterprises, including cluster development. Serbia adopted a governmental decision in 2010¹⁶⁹, which defines its own priority pillars for the **Danube Serbia Region**, aiming to achieve objectives by facilitating economic development and strengthening regional cooperation and partnership in the Danube region as well as by creating a knowledge-based economy through cooperation in the Danube region and the active role of science in achieving the objectives of the Strategy.

EU documents and international agreements related to the sector

The European Partnership with Serbia from 18 February 2008 (2008/213/EC) sets out a number of relevant short and medium term priorities, including improving bankruptcy procedures in order to speed up market exit of unviable enterprises and to foster structural change and completing the liberalisation of remaining administered prices with the view of improving the efficiency of market mechanisms and resource allocation. In the issues related to internal market, the document envisages continuing the alignment of the legal framework on standardisation, certification, metrology, accreditation and conformity assessment with European standards; adopting European standards and establishing a national coordination body for quality infrastructure responsible for strengthening the entire area. The administrative capacity in the area of consumer protection should be strengthened. A system of international payment operations in line with international rules should be set up. There should be further actions and strengthening the systems of state aid regulation, and merger control procedures in through strengthening of the Competition Commission. The European Partnership defines the necessary improvements related to R&D through strengthening the protection of intellectual property rights (IPR) and administrative capacity for the granting of patents and sustainable implementation and enforcement of IPRs. Serbia should implement the European Charter for Small and Medium-sized Enterprises and reduce administrative barriers for SME's, as well as strengthen the SME Council as an instrument for public-private and inter-ministerial cooperation to influence the design and delivery of SME policies.

Stabilisation and Association Agreement (SAA) between Serbia and the EU has been signed in 2008, obliging to establish of a free trade area and harmonization of legislation with the EU law. The agreement created a free trade area between Serbia and the EU for a transitional period of six years. The deadline for trade liberalization is determined in accordance with the capacity of Serbian industry and agriculture to adapt to free trade but also with Serbia's desire for faster completion of reforms and accession to the EU. The pace of liberalization and the degree of protection depend on the degree of product sensitivity for Serbian industry. Furthermore, the SAA foresees the commitment of Serbia to harmonize domestic legislation with the acquis. The identified priority areas having a direct impact on creating the free trade area between the EU are the protection of competition and control of state aid (subsidies), intellectual property rights, public procurement, standardization and consumer protection.

Small Business Act (SBA)

¹⁶⁹ Participation of the Republic of Serbia in the Development of an Overall EU Strategy for the Danube Region, 10 June 2010

The Small Business Act for Europe reflects the Commission's political will to recognise the central role of SMEs in the EU economy and puts into place a comprehensive SME policy framework for the EU and its Member States. It aims to improve the overall approach to entrepreneurship, permanently anchor the 'Think Small First' principle in policy making from regulation to public service, and to promote SMEs' growth by helping them tackle the remaining problems that hamper their development. It is based on 10 principles which should guide the design and implementation of policies both at EU and national level. These principles include creating a stimulating environment in which entrepreneurs can thrive, designing rules according to the "Think Small First", making public administration responsive to SMEs' needs, facilitating SMEs' participation in public procurement and better use of State Aid possibilities for SMEs, facilitating SMEs' access to finance and developing a legal and business environment supportive to timely payments, helping SMEs to benefit more from the opportunities offered by the Single Market, upgrading knowledge and skills, innovation, eco-innovation and supporting SMEs and their participation on markets. Serbia has made a significant progress in the restructuring of its SME Policy and areas where Serbia performs on a par with the EU average include Entrepreneurship and Access to finance. However, there is room for further improvements in areas such as Responsive administration, Internationalisation, Environment, Skills and Innovation, and Second Chance.

The Central European Free Trade Agreement (CEFTA) was signed under the auspices of the Stability Pact for South Eastern Europe, in 2006. The Western Balkan countries have created a free trade area. They have joined forces in pursuing economic development taken responsibility for the future of the entire region, and its European perspective.

Other Free Trade Agreements - At the moment over 86% of Serbia's foreign trade is performed between countries and trade blocs with whom it has free trade agreements (almost 95% of Serbia's exports, out of which 57% goes to the EU and around 30% to CEFTA). Other free trade agreements signed by the Republic of Serbia are with EFTA countries, Turkey, Russian Federation, Belarus, and Kazakhstan (the three latter countries formed a customs union meaning that the Republic of Serbia harmonized its free trade regime with the entire union of Russia, Belarus and Kazakhstan). Negotiations on a free trade agreement are undergoing with Ukraine, while the process of Serbia's accession to the WTO is near its finalization.

B4.3. EU Agenda

The Single Market is the foundation of the European integration process. It adds €600 billion a year to the EU economy, and since 1992 it has helped create almost 3 million new jobs in Europe¹⁷⁰. A functioning and integrated Single Market plays a key role in achieving the goals and targets of the EU 2020 strategy that wants to turn the EU into a smart, sustainable and inclusive economy, delivering high levels of employment, productivity and social cohesion. However, the integration in the Single Market requires legislative adjustments and economic incentives in Member States. Equally, legislative changes, strong institutions and structural economic reforms pave the way for Candidate Countries to move closer to EU accession.

"Smart growth" as one of the Europe 2020 goals is aiming to improve EU's performance in creating new products and services that generate growth and jobs and help address social challenges and in using information and communication technologies. To be able to achieve the smart growth, the EU should invest 3% of GDP in R&D and innovation and achieve 75% employment rate for women and men aged 20-64. This is reflected in the three flagship initiatives:

- **"Digital agenda"** which is setting the agenda for creating a single digital market based on fast/ultra fast internet and interoperable applications with broadband access for all by 2013, much higher internet speeds for all and internet connections above 100Mbps for 50% or more of European households by 2020;
- **"Innovation Union"** is focusing on strengthening every link in innovation chain, from basic research to commercialisation and refocusing R&D and innovation policy on tackling challenges such as climate change, energy and resource efficiency, health and demographic change;
"An industrial policy for the globalization era" is setting the grounds for the Commission to draw up a framework for a modern industrial policy, to support entrepreneurship, to guide and help industry to become fit to meet these challenges, to promote the competitiveness of Europe's primary, manufacturing and service industries and help them seize the opportunities of globalisation and of the green economy.

Chapter 20: Enterprise and Industrial Policy

The Europe 2020 strategy and flagship initiatives will be realised through funding of instruments and programmes under the Multiannual Financial Framework 2014-2020, including the Structural Funds with the European Fund for Regional Development in particular. The instruments are outlining actions towards creating an environment favourable to business creation and growth with the Small Business Act (SBA) and reinforcement of the „Think Small Principle“ in policy making as

¹⁷⁰ 20 years of single market in Europe: achievements, challenges and recommendations, Guido Lobrano

the nucleus of the national SME development. Support will be given to the economic exploitation of new ideas and business models and fostering the creation of new firms. The provision of financial instruments for SMEs will feed into the promotion of more dynamic and internationally competitive SMEs and raise their confidence in creating state of the art products and services.

Serbia's NPAA priorities follow the direction of the EU policy foreseen for competitiveness in the new financial perspective. Serbia will step up its efforts in improving business environment, such as procedures for obtaining building permits and reform inspection services. The Government will develop a long term Action plan for improvement of business environment for the forthcoming period. The starting point will be previous work on promotion of business environment and regulatory reforms, as well as the relevant EU regulations. Special focus will be on elimination of administrative barriers and charges for SMEs as a continuation of the process initiated in 2012. Serbia will work on implementation of new Strategy for development of entrepreneurship and competitiveness 2014-2020 to emphasise development of SME and follow the Small Business Act along with the Strategy and policy of industry development, which is in line with the EU flagship initiative of "An industrial policy for the globalization era".

Chapter 25: Science and Research

The "Smart growth" priority actions will further promote business and technological research and innovation in the EU Member States, with a strong focus on leveraging private sector investment in R&D in order to address SME-specific problems. Additionally, the investments will focus on enhancing research and innovation infrastructure and capacities to develop excellence in science base to be able to maintain Europe's competitive edge. Finally, enhancing accessibility and quality of ICT through extending broadband deployment and development of ICT products and services will enable Europe's citizens and businesses to get the most out of digital technologies.

According to the NPAA, Serbia will further focus its R&D and innovation policy implementation towards "Innovation Union initiative". It is anticipating support for development and adoption of new technologies; networking and career development of researchers, access to and development of priority research infrastructures, as well as promotion of business research and innovation in enabling technologies, services and emerging sectors. It is giving a strong focus on leveraging private sector investment in R&D to address SME-specific problems and providing support for innovation in SMEs with high growth potential.

The abovementioned instruments are pushing for structural economic changes that should result in increased competitiveness of the EU economy. Serbia, as a Candidate Country, is streamlining its policy actions in the same directions, while at the same time it is continuing with harmonisation of its legislation and creation of legislative preconditions for joining the Single Market.

Chapter 1: Free Movement of Goods

One of the cornerstones of the Single Market is free movement of goods based on prevention of new barriers to trade, mutual recognition of exceptional restrictions and technical legislation harmonization across EU. Harmonized European product legislation is based on the so-called "old" and "new" approach, imposing exact and general product requirements. TFEU, specifically in Articles 34 - 36, 114(4) - 114(9), and 346 - 348 and Commission Directive 70/50/EEC, along with new package of measures for product trade adopted in 2008 (768/2008/EC, 765/2008/EC and 764/2008/EC) are the main parts of legislation. The Regulation 764/2008/EC gives the application of national technical rules to products that are to be lawfully marketed in other Member States¹⁷¹. Procedural measures require administrative capacity as denoted in Directive 98/34/EC for the provision of information in the field of technical standards, regulations and rules, which was amended by Directive 98/48/EC, Regulation 765/2008/EC, and in Council Directive 93/7/EEC on the return of cultural objects unlawfully removed from the territory of a Member State¹⁷².

Serbia is in the process of preparing the Quality Infrastructure Strategy for 2014-2020. Once the Strategy is adopted, action plans for its implementation will be prepared and implemented with the aim of strengthening capacities of ministry in charge, standardisation institutions, accreditation, and metrology and bodies for evaluation of harmonization between products and regulations. At the same time, the amendments to the Law on Standardisation and the Law on Metrology will be made to make it compliant with EU acquis and enabling the Serbian Standardisation Institute to become member of CEN and CENELEC. Following completion of harmonisation of product safety regulations with European harmonised legislation by 2015, a plan for adjustment of the non-harmonised area will be prepared and implemented, beginning with compliance assessment of Serbian technical regulations with provisions of Articles 34-36 of TFEU.

¹⁷¹ The product legislation related to the new approach is embodied in the Decision 768/2008/EC on a common framework for the marketing of products along Regulation 765/2008/EC setting out the requirements for accreditation and market surveillance relating to the marketing of products.

¹⁷² Also a relevant piece of legislation is the Regulation (EU) No 1025/2012 on European standardization, amending Council Directives 89/686/EEC and 93/15/EEC and Directives 94/9/EC, 94/25/EC, 95/16/EC, 97/23/EC, 98/34/EC, 2004/22/EC, 2007/23/EC, 2009/23/EC and 2009/105/EC and repealing Council Decision 87/95/EEC and Decision No 1673/2006/EC.

Chapter 3: Right of Establishment and Freedom to Provide Services

Regarding the right of establishment and freedom to provide services, Articles 49 and 56 of the TFEU represent the primary sources of legislation. The Directive 2006/123 (Services Directive) requires the Member States to simplify procedures and formalities that service providers need to comply with. Member States need to implement legislative and non-legislative measures due to its horizontal nature. Additionally, the chapter covers regulated professions and denotes rules for mutual recognition of qualifications among Member States in the Directive 2005/36/EC on the recognition of professional qualifications. In terms of sectoral directives, the Postal Services Directive (Directive 97/67/EC as amended by Directive 2002/39/EC and by Directive 2008/6/EC) requires opening of the postal services, which are to be opened in an incremental and exact manner.

The NPAA foresees the development of a special law on services by the fourth quarter of 2014 which will transpose the Services Directive 2006/123. It also envisages a special law on the recognition of qualifications for regulated professions (harmonisation with the Directive 2005/36/EC) for the fourth quarter of 2013. In the second quarter of 2013 (30th April 2013), the Strategy of Development of Postal Services in Serbia 2013-2016 was adopted.

Chapter 4: Free Movement of Capital

The obligation of the Member States on free movement of capital is to remove all restrictions of movement of capital within the EU but also in regards to third countries, with certain exceptions laid down in the *acquis*. To create a single market for payments across the Union, the Directive 2007/64/EC on payment services in the Internal Market established a wide-ranging spectrum of rules. In this way, the basis for the Single Euro Payments Area is provided. Because of Regulation 924/2009/EC which applies to all electronic payment, cross-border electronic payments in euro are facilitated. In order to battle financial crime, administrative and enforcement capacities were created. The SAA made references to obligations Serbia has to fulfil.

The free movement of capital is placed in Articles 63 to 66 of the TFEU, whereas the types of capital movement are elaborated in Annex I of the Directive 88/361/EEC. Other relevant legislation that must be transposed and enforced include: Directive 2007/64/EC on payment services in the Internal Market (PSD), Regulation (EC) No 924/2009 on cross-border payments in the EU, Directive 2009/110/EC on the taking up, pursuit of and prudential supervision of the business of electronic money institutions amending Directives 2005/60/EC and 2006/48/EC and repealing Directive 2000/46/EC. Other pieces of legislation of importance are: the Commission Directive 2006/70/EC laying down implementing measures for Directive 2005/60/EC as regards the definition of 'politically exposed person', the technical criteria for simplified customer due diligence procedures and for exemption on grounds of a financial activity conducted on limited basis as well as the Directive 2005/60/EC on the prevention of the use of the financial system for the purpose of money laundering and terrorist financing. In addition, relevant are also Regulation (EC) 1889/2005 on controls of cash entering or leaving the Community, Regulation (EC) 1781/2006 on information on the payer accompanying transfers of funds, Joint Action 98/699/JHA on money laundering, the identification, tracing, freezing, seizing and confiscation of instrumentalities and the proceeds from crime, Council Framework Decision 2001/500/JHA and Council Decision 2000/642/JHA concerning arrangements for cooperation between financial intelligence units of the Member States in respect of exchanging information.

NPAA envisages drafting new law regulating payment services during 2013. In the same period the Law on Settlement Finality in Payment and Securities Settlement Systems will be drafted, transposing the Directive 98/26/EC. The National Strategy for Combating Money Laundering and Terrorist Financing will be adopted in 2013, together with an Action Plan. In the mid-term period (2014-2016) the new Law on Foreign Exchange Operations harmonised with the Directive 88/361/EEC will be drafted and adopted.

Chapter 6: Company Law

The first directive on company law encompassed safeguards providing for mandatory disclosure requirements, and safeguards in respect of subsidiaries. Furthermore, the second directive introduced rules on the establishment of public limited liability companies and the preservation or fluctuation of their capital. The third and the sixth directives harmonize national rules in regards to domestic mergers and divisions of public limited liability companies, so as to protect stakeholders and creditors. Finally, whereas the tenth directive contains rules and procedures facilitating mergers of public and private limited liability companies across borders, the thirteenth directive harmonizes the rules to expedite takeovers within the EU.

Chapter 7: Intellectual Property Law

The protection of intellectual property represents an essential ingredient of the success of Single market. It promotes innovation and creativity, creates employment opportunities and increases competitiveness. This part of the *Aquis* specifies harmonised rules for the legal protection of copyright and related rights.

NPAA envisages the amendments of the Law on Copyright and Related Rights that will comply with the Directive 2011/77/EC regulating longer deadlines for protection for certain related rights than those required by the Directive 2006/116/EC. Amendments to the law will take into account the comments of the expert services of the EC about the conformity of laws with Directive 96/9/EC and Directive 2009/24/EC. It is planned to further align the legislation with the

Directive 2004/48/EC of the European Parliament and of the Council of Ministers of 29 April 2004 on the implementation of intellectual property rights. Furthermore, continuous capacity building of public administration is planned to progress with the alignment of national legislation and its enforcement.

Chapter 8: Competition Policy

The competition policy related acquis contains rules and procedures directly applicable across the Union and encompasses anti-trust and state aid control policies. In regards to Serbia, obligations stem from the IA and the SAA in this area.

The major sources of law that need to be taken into account in the competition area are: Article 37 (State monopolies of a commercial character), Articles 101-105 (Rules applicable to undertakings), Article 106 (Public undertakings and undertakings with special or exclusive rights) and Articles 107-109 (Rules applicable to state aid) of the Treaty on the Functioning of the European Union (TFEU), Interim Agreement on trade and trade-related matters between the European Community and Serbia- Protocol No 27 in relation to the Article 3 TFEU.

NPAA envisages the revision of the Law on Protection of Competition by the end of 2013 in order to further improve the legal framework, considering the achieved level of legal transposition and relevant administrative and judicial practice, as well as the deficiencies listed in the EC Annual Progress Report for 2012. Further transposition will be achieved through bylaws until 2016.

In the area of state aid, the NPAA foresees achievement of full compliance of state aid schemes with EU law, further activities regarding the strengthening of the independence of the Commission for State Aid Control, as well as provision of training to state aid grantors.

Chapter 9: Financial services

EU acquis related to finance services include rules on giving authorisations, work and supervision of financial institutions in the fields of banking, insurance, voluntary pensions, investment services and security market and infrastructure of financial market. Financial institution can operate throughout EU according to the "system of unified passports" and with principal of "country of origin control", either through branching or through providing cross-border services.

National programme for adopting acquis (2013-2016) envisages that in period 2014-2016 NBS should access passing legislations and therefore harmonise with Basel III standards according to Regulation on capital demands IV applicable from 1st January 2014. The improvement of providing financial services will also continue in the fields of banking and insurance, as well as in other fields

Chapter 28: Consumer and Health Protection

The consumer and health protection chapter of the acquis provides a thorough framework of the mechanisms and policy instruments necessary to govern financing, enforcement and supervision. This chapter also covers general aspects of general consumer safety, from product quality to commercial practices, in order to ensure corporate responsibility throughout the production chain, product placement in the market and competition within the community market. The legal framework covers a wide range of consumer and health issues that need to be addressed in the national legislations and their enforcement ensured¹⁷³.

The NPAA states that further alignment of EU acquis (especially the newly adopted and the legislation under preparation in the EU) will be achieved through a revision of the Law on Consumer Protection by the end of 2013. The new Strategy for Consumer Protection (2013-2018) was adopted on 31st July 2013 (RS Official Gazette 71/2013), together with the first annual plan for its implementation. Amendments to the Law on Protection of Users of Financial Services will be drafted and adopted in the period 2014-2016.

Chapter 22: Regional Policy and Coordination of Structural Elements

Concerning Chapter 22 Regional Policy and Coordination of Structural Instruments, the Government of the Republic of Serbia and the European Commission signed the Framework Agreement on 29 November 2007 validated in the National

¹⁷³ Article 169 of the TFEU, European Parliament resolution on a strategy for strengthening the rights of vulnerable consumers (2011/2272(INI)); Directive 85/577/EEC on contracts negotiated away from business premises, Directive 93/13/EEC on unfair terms in consumer contract, Directive 97/7/EC on the protection of consumers in respect of distance contracts, Directive 1999/44/EC on certain aspects of the sale of consumer goods and associated guarantees, Directive 2005/29/EC on unfair business-to-consumer commercial practices in the internal market, Directive 2008/48/EC on consumer credit, Directive 2011/83/EU on consumer rights, Proposal for a Regulation of the European Parliament and of the Council on a Common Sales Law COM/2011/0635 final, Proposal for a Directive of the European Parliament and of the Council on alternative dispute resolution for consumer disputes and amending Regulation (EC) No 2006/2004 and Directive 2009/22/EC (Directive on consumer ADR), Proposal for a Regulation of the European Parliament and of the Council on online dispute resolution for consumer disputes (Regulation on consumer ODR).

Assembly of the Republic of Serbia on 26 December 2007 by adoption of the Law Ratifying the Framework Agreement¹⁷⁴ 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 Instrument for Pre-accession Assistance (IPA). The Serbian Government adopted the Regulation on Decentralized Implementation System¹⁷⁵ for managing the European Union development assistance funds under IPA.

Five components from the current regulation for 2007-2013 cycle, in period 2014-2020, are changed into policy areas: (a) the transition process towards Union membership and capacity building; (b) regional development; (c) employment, social policies and human resources development; (d) agriculture and rural development and (e) regional and territorial cooperation. The main principle of IPA II will be Sector Approach.

EU priorities for IPA will be defined in Joint Strategic Framework (JSF) with the aim of better harmonisation of financial aid with the EU enlargement strategy. Priorities for separate countries will be defined in CSP prepared by European Commission, and it will be based on NAD and relevant national ministerial strategies.

B4.4. Overall objectives and priorities in the sector (2014-2020)

The SWOT analysis of the competitiveness between sectors has been undertaken in addition to the situation analysis presented in previous sections, to set out the long term objectives and medium term strategic priorities and realistic and targeted measures.

<i>Strengths</i>	<i>Weaknesses</i>
<p>SME Development</p> <ul style="list-style-type: none"> • There is national policy for SME establishment and growth, and the creation of new Strategy for entrepreneurship and competitiveness development 2014-2020 is underway, with emphasis on SME • The Government's policy documents on SMEs based on Think Small Principles confirm its commitment to SME development • Progress in improving the enabling environment for SME establishment and growth <p>R&D and Innovation</p> <ul style="list-style-type: none"> • Improved laws on patents and emergence of a strong innovation support organisations and supporting EU funded projects • Strong tradition in research and development enabled existence of centres of scientific excellence (Belgrade, Novi Sad, Niš); • Doubling of student numbers since the 1990s, and over 10,000 university teaching staff <p>Functional market</p> <ul style="list-style-type: none"> • Significant part of EU legislation transposed, basic legal framework established (except for area of services) • Majority of institutions already established and some of them already tested for their effectiveness (except for area of services) 	<p>SME Development</p> <ul style="list-style-type: none"> • Production of goods and services is at a low level (as demonstrated by productivity indicators) and the quality of goods and services is low (as demonstrated by import/ export indicators) • Low cross-sectoral cooperation in SME development <p>R&D and Innovation</p> <ul style="list-style-type: none"> • The overall standard of publically funded R&D is at a low level compared to international standards (as revealed by publications and citations). • Applied R&D outputs from Public Research Organisations are not suitable for commercialisation and do not provide a basis for new products and services that can be protected to offer a market monopoly and competitive advantage (as revealed by low levels of PCT patent applications and granted patents in other national territories and also by the low level of university spinouts and start-ups and licensing deals) • Fragmented and underperforming National Innovation System <p>Functional market</p> <ul style="list-style-type: none"> • Legacy of centrally planned economy – anti-competitive culture, insufficient capacity of public administration, lack accountability and responsibility, poor policy making system, high level of corruption, large informal sector – grey economy
<i>Opportunities</i>	<i>Threats</i>
<p>SME Development</p> <ul style="list-style-type: none"> • Boosting sectors where Serbia has existing or emerging comparative advantage, such as food and drink production, automotive manufacturing and wood processing • Self-employment and start-ups increasingly seen as a 	<ul style="list-style-type: none"> • Continued economic crisis makes SME development extremely difficult and reduces government resources for SME support • Pressure to pursue austerity measures in public spending resulting in decreasing support for SME and R&D

¹⁷⁴ Official Gazette of RS - International Agreements, no. 124/07).

¹⁷⁵ Official Gazette of RS Nos 70/2011, 49/2012

<p>creative opportunity to develop a new business idea or innovation, rather than a reaction to lack of jobs elsewhere</p> <ul style="list-style-type: none"> • Inward investing businesses tend to use local supply chains to cut production costs which allows greater embedding of FDI; • Foreign trade agreements lead to increased foreign direct investment <p>R&D and innovation</p> <ul style="list-style-type: none"> • Restructuring of the Public Research organisations and investment in to new models of operation accompanied by modern facilities <p>Functional market</p> <ul style="list-style-type: none"> • Most of the relevant areas of the acquis are very visible to policy makers and fall into priority areas under the SAA • Availability of financing from the EU • Better link between economy and education 	<ul style="list-style-type: none"> • Slowdown of the EU integration process and weakening of its driving force for reforms • Persisting market distortions in case of failure to address problems of corruption • Pressure to pursue austerity measures in public spending resulting in decreasing support for SME and R&D • Renewed brain drain of researchers to better funded laboratories and universities outside Serbia.
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These medium-term challenges identified in the sector background and SWOT have been articulated in the overall objective and a series of strategic priorities. The following objective has been identified for the **Competitiveness Sector**:

- **To increase the competitiveness and innovation of enterprises within a well functioning market economy**

This objective sets a clear direction and signals Serbia's determination to strengthen its private sector to have more significant impact on the economy by increasing its ability to compete with others and capacity to innovate and by ensuring the integrity of the open market. The objective will be implemented by means of three priorities:

Priority 1: Improving the quality of products and services and raising levels of productivity

This priority aims to improve the competitiveness of the Serbian enterprises, by increasing the quality of products and services and levels of productivity. "Productivity is what determines long-term export and output growth" and the crucial ingredient is the adoption of new technologies and constant improvements in products and processes. For this to happen, Serbian enterprises need better access to finance, appropriate modern infrastructure and an updated manufacturing and production base and targeted supporting services to enable adoption and impactful usage.

Priority 2: Improving innovation levels and enhancing quality of public and private sector R&D

The aim of the priority is to contribute to the development of Serbia as an innovative country, where scientists attain European standards, contribute to society's overall level of knowledge and advance the technological development of the economy. This will be achieved by stimulating and ensuring a national source of new high technology goods and services originating from the outputs of national R&D activities and to enable them to be transferred successfully to the commercial sector and commercialised for economic, environmental and public benefit. The priority will seek to improve public sector understanding of the business sector needs for new technological solutions as well as create opportunities to increase the level of applied research particularly in inter-disciplinary areas that have the potential for significant impact on competitiveness of Serbian enterprises and the national economy.

Priority 3: Improving operating environment for doing business through evidence-based policies and regulatory simplification

This priority seeks to ensure that proper transposition and application of the EU acquis in the areas of competition (incl. state aid), consumer protection, company law and free movement of goods, capital and services is used as a tool to create a well functioning market economy. In parallel, it strives to create business enabling environment through interventions in the current administrative and regulatory frameworks. It addresses both public sector deficiencies related to policy and legislative design and implementation as well as the private sector deficiencies related to compliance with the legal frameworks. Throughout this priority the different areas encompassed will be given different treatment, depending on the stage of legislative transposition, state of development of institutions for implementation and enforcement.

B4.5. Sector measures for implementation of priorities in the sector

Priority 1 - Improving the quality of products and services and raising levels of productivity

Measure 1.1 Providing of and accessing to finance

This measure will improve the accessibility and use of funds needed to finance growth and innovation. Enterprises requiring

financial investment for growth and those who are unable to qualify for a bank loan (unfit to secure the necessary collateral, have short credit history, who's anticipated time to make a return on investment exceeds standard debt financing requirements etc.) require other forms of financing not sufficiently developed in Serbia, including access to equity (venture) capital. Also, funding for loan guarantees will be enlarged, which will decrease price of bank loans. The ways of increasing capacities of SME will be sought in order to understand specific requests of financial institutions and characteristics of different financial instruments and be able to meet their requests. Cooperation with European Investment Fund, European Investment Bank, European Bank for Reconstruction and Development and other institutions will be developed with the aim of most favourable funding of SME growth.

Measure 1.2 Ensuring access to sustainable modern infrastructure

The measure will strengthen economic activity and output by ensuring access to the modern infrastructure necessary to improve and maintain the competitiveness of enterprises across Serbia. Support under this measure will focus on the improvement of the efficiency (capacity, quality and attractiveness) of existing infrastructure and establishment of new infrastructure, where the lack of such infrastructure is an impediment to export, enterprise development and inward investment. Activities will be focused on finalization of project documentation partly developed by other sources, construction and making sure the facilities are operational. It will include industrial zones, industrial parks, business zones, business incubators and development of broadband connectivity¹⁷⁶. All steps will follow procedure and criteria for identification and selection of investment projects set by NIPAC TS.

Measure 1.3 Ensuring a competitive manufacturing and production base

This measure will focus on revitalisation, rehabilitation and modernisation of export-oriented sectors in Serbian industry, as defined in the national industrial policy. This will be achieved by supporting SMEs to upgrade their products and services and introduce modern and up-to-date production methods, processes and standards enabling them to compete with international counterparts. The measure will help Serbian companies strengthen their business linkages by undertaking necessary steps to integrate into international value chains and exploit potential for growth through activities of clusters and business support organisations. The measure will support Serbian companies to become competitive through increasing capacities to have high quality and safe goods, services and management systems that comply with technical standards and create confidence among consumers. The measure will further develop complementary business advisory support through introduction of high added value services aimed to increase SME's market intelligence, operational capacity, productivity and maximization of production potential and providing comprehensive export information packages for SME internationalization.

Priority 2 - Improving innovation levels and enhancing quality of public and private sector R&D

Measure 2.1 Increasing the quality of the R&D base to pursue economic development

This measure focuses on raising the quality of R&D from Publicly Funded Research Organisations (PROs) to International standards through investment in R&D infrastructure including Centres of Excellence, technological parks and supporting academic research centres, development of human capital and integration of Serbian researchers from the Diaspora into national R&D activities and international collaborations with other Research Institutes and the private sector. It focuses on supporting applied research activities that have the potential to achieve scientific excellence and to make a significant impact on the Serbian economy. Focus on economic impact will be ensured through competitive financing of R&D and Innovation projects, systemic support to international exchange and high quality international collaboration. It will also encourage use of both patent and publication systems, licencing systems and recognition of other commercialisation activities including support for enterprise R&D to reward academic achievement and career development. The measure will further increase the capacity of national institutions through creation of monitoring and evaluation framework to measure impact of investment in research. All steps related to infrastructure will follow procedure and criteria for identification and selection of investment projects set by NIPAC TS.

Measure 2.2 Widening the diversity of support mechanisms for commercialization

The measure addresses the fragmented and inadequate national Innovation System (NIS) by supporting the activities of organisations that promote applied research and technology transfer and stimulate partnerships between the public R&D sector and industry such as technology transfer offices. It will diversify the number and type of innovation support organisations and improve their capacity to deliver a range of innovation support services. It should also stimulate the development of Global and Sector specific Innovation Systems to expanded reach and ensure specialisation.

Priority 3 - Improving operating environment for doing business through evidence-based policies and regulatory simplification

¹⁷⁶ According to the World Bank surveys, 10% increase in broadband penetration is followed by an increase in GDP of 1.3%. Estimations are that for every job cut by the introduction of information technology, 2,6 new jobs are created

Measure 3.1 Improving the policy, regulatory and institutional frameworks by applying evidence-based approach to policy making and administrative and regulatory simplification

This measure will support the creation of policies and legislation in the relevant areas (free movement of goods, company establishment and provision of services, free movement of capital, company law, financial services, competition including state aid and consumer protection) that are based on proper research of problems in the operating environment for businesses in Serbia, identification of solutions based on evidence, as well as robust regulatory impact analysis (RIA) as an important element of evidence based policy making. This means that research and analyses will be supported to underpin development of future legislative and institutional solutions, thus ensuring that the most efficient, cost-effective, sustainable solutions are adopted in the policy making and legislative drafting process, depending on the specific needs of individual areas. Furthermore, emphasis will be placed on business enabling environment reforms, through regulatory and administrative simplification (cutting red-tape) at national and sub-national levels, introducing e-government solutions wherever possible. In the same vein, support will be provided to sound and evidence based monitoring and evaluation of adopted policies and legislation.

Measure 3.2 Improving administrative capacity with attention to proper estimation of necessary staff, other resources, knowledge and skills in the administration and judiciary

This measure builds on the Measure 3.1 by ensuring that the policies and legislation that are properly created and for the implementation of which a proper institutional framework has been designed can in effect be implemented and enforced by a capable and skilful administration and judiciary. Particular focus in the implementation of this measure needs to be given to precise estimation of the staff and other resources (e.g. via functional reviews), as well as knowledge and skills, needed for effective and efficient implementation of the policies and legislation. Attention will also be given to the reform of inspections, focused on ensuring their effectiveness in fighting grey economy, to consolidation of the market surveillance system, as well as strengthening administrative capacities for effective fighting against breaches of IPR rules. Additionally, the measure will support strengthening of capacities responsible for establishing of efficient system related to financial services.

Capacities of civil society organisations, in particular consumer organisations, will also be strengthened, in view of their role in ensuring proper implementation of the legislation.

Measure 3.3 Improving framework conditions and capacities of companies for complying with the EU-harmonised legislation

This Measure addresses the problems related to the functioning of the market economy in Serbia from the side of the private sector. While the Measure 1.3 aims to provide classical business support mechanisms to companies, this Measure focuses on full implementation of technical regulations harmonised with the EU regulations and raising the capacities of the companies to fully comply with the intensively evolving regulatory framework in the EU accession process. Through it, support will be offered to relevant providers of support services to companies in order to develop effective and up-to-date training and advisory programmes in the areas of competition, intellectual property consumer protection and quality infrastructure as areas where companies directly implement the legislation, thus enabling the companies to better comply with the new and more demanding operating environment, including through self-regulation.. At the same time, along with the strengthening of the capacities for compliance of product evaluation in laboratories for standardization, this measure will help Serbian companies to become more competitive. Also, the training and consulting services provided by this measure will help Serbian companies to identify and utilise the benefits and opportunities of full compliance with the new legislation in the mentioned areas, including the ones positively affecting their export capabilities. Particular care will be taken to apply state aid rules, so as not to create further market distortions.

Regional, Cross-Border and Transnational Themes in the Competitiveness sector

Instruments of importance for regional cooperation, such as Multi-Beneficiary IPA support, CBC and Trans National Programmes, should be provided to those actions where benefit of regional approach is obvious.

Priorities related to the **MB IPA** include increase in regional competitiveness through better access to finance for SMEs in close cooperation with the IFIs. The attention should be given to further strengthening of WB EDIF¹⁷⁷ and its ability to provide required support for SMEs. The support should provide further capacity building to quality infrastructure institutions and market surveillance and contribute to the full functioning and implementation of the CEFTA agreement, as well as its competition, state aid, consumer protection and IPR related aspects. Having in mind that CEFTA is more than a simple free trade agreement consisting in elimination of tariffs and quantitative restrictions and that it in a way prepares the countries of the WB for future accession to the EU single market, trade related aspects of CEFTA need to be additionally supported and addressed at the regional level as well.

CBC and Transnational priorities are linked with the following ERDF thematic objectives: Strengthening technological development and innovation (Thematic objective 1); and Enhancing competitiveness of SMEs (Thematic objective 3).

¹⁷⁷ Western Balkan Enterprise Development and Innovation Facility

Possible areas of intervention of the high potential for implementation are equipping research infrastructure; innovation or regional and development projects that result in new or significantly improved products to the market or firm; innovation or regional and development projects leveraging in private investment. The focus should be on education establishments and research institutions. It would also be important to leverage private and public investment and support to SMEs and start-ups. Particular attention should be on development of local business related infrastructure, such as tourism infrastructure. The priorities should also include support to cross-border initiatives in the area of consumer protection.

Priority areas under the Pillar 3 of the **EU Strategy for the Danube Region** include the development of the Knowledge Society (research, education and ICT) and support to the competitiveness of enterprises. Targeted support for research infrastructure, stronger networking between universities, enterprises and policy-makers, and better use of information and communication technologies will be the focus of support in order to advance the Region's growth. The emphasis should be given to improved information and knowledge exchange between business, academia, administration and citizens. Further focus should be on stimulating excellence in research and development, cooperation between knowledge providers, companies and the public sector and the incentives for stronger cooperation should be developed. The development of clusters and centres of excellence should be fostered and cluster cooperation across borders and sectors should be facilitated as well as the institutional capacities of business support agencies and industry associations.

B4.6. Institutional framework for implementation of Sector Approach

Within sector approach, the competitiveness sector in Serbia falls under the competence of the following institutions: ministry in charge of economy, ministry in charge of finance, ministry in charge of regional development, ministry in charge of education, science and technological development, ministry in charge of agriculture, ministry responsible for trade, ministry responsible for information society, Innovation Fund, National Bank of Serbia, Serbian Export Credit and Insurance Agency, Serbia Investment and Export Promotion Agency (SIEPA), National Agency for Regional Development, Intellectual Property Office, Institute for Standardization of Serbia (ISS), the Accreditation Body of Serbia (ATS), Directorate for Measures and Precious Metals (DMDM), Commission for State Aid Control, Commission for Protection of Competition, National Consumer Protection Council, National Council for Regional Development, as well as new counselling body for competition yet to be established. The lead institution for the sector is the ministry in charge of economy.

In order to improve and coordinate activities related to planning, programming, implementation and monitoring of EU funds and international assistance and to increase the efficiency and effectiveness of development assistance, additional mechanisms have been introduced, that is to say, the Sector Working Group (SWG) for Competitiveness¹⁷⁸ has been established. The SWG for Competitiveness is responsible for coordination of activities related to planning, programming, and monitoring of EU funds and international assistance, to propose relevant measures and activities and to support the introduction of sector approach in Competitiveness sector. The functioning, management, organization and composition of SWG is more precisely defined by the *"Rules of Procedure for Sector Working Groups for the Programming and Monitoring of the EU Funds and Development Assistance"*. The institutions participating in the SWG are public administration body in charge of European integration, Central bank, ministry in charge of economy, ministry in charge of trade, ministry in charge of telecommunications, ministry in charge of information society, ministry in charge of agriculture, ministry responsible for science and technological development, ministry responsible for regional development, ministry responsible for local self-government, ministry in charge of labour and employment, public body in charge of intellectual property and public body in charge of gender equality.

Representatives of the donor community including the Lead Donors are participating at the SWG meetings based on the needs and requirements of each SWG meeting and takes part in consultation processes for analysing sector priority goals, measures and operations for financing from EU funds and international assistance as well as they secure data on the expected assistance during the planning period. The Lead donor(s) is responsible to support the work of the SWG and represent the interests of donors active in particular sectors.

In order to enable more inclusive and transparent dialog, consultation and communication with all relevant stakeholders in the respective sectors, SEIO established a consultation mechanism with the civil society organisation (CSOs)¹⁷⁹. This mechanism is based on the consultative process with Sectoral Civil Society Organisations (SECOs) and serves as a platform that enables exchange of information and contribution of CSOs, including business associations, in relation to planning development assistance, particularly programming and monitoring of the Instrument for Pre-Accession Assistance (IPA). The SECO indicates a consortium of maximum three CSOs as partners, one of which is clearly indicated as leading partner. SECO is composed of the CSOs that have significant experience with public advocacy, analyses and research in the sector, as well as experience in direct work with service providers and beneficiaries. They are influencing public policy due to their successful networking and partner work with other local and international civil society organisations well as

¹⁷⁸ Act on establishing the SWG from 5.11.2012. No: 119-01-68/2012-03

¹⁷⁹ Introduced in 2011

constructive cooperation with state institutions and the constant monitoring of their work. Members of SECO are participating at the SWG meetings based on the needs and requirements of each SWG meeting and takes part in consultation processes for analysing sector priority goals, measures and operations for financing from EU funds and international assistance. Other relevant stakeholders (agencies, private and academic sector, CSOs, etc.) can participate at the SWG meetings based on the topic, needs and requirements of each Sector Working Group meeting.

Under the Rules of Procedure for Sector Working Groups, SEIO¹⁸⁰ is responsible for coordination and ensuring the efficient functioning of all activities of the Sector Working Group. Coordination and leadership of the SWG is supported by a Task Force made up of representatives from the Sector Lead Institution, Lead donor and SEIO. SWG is also acting as a Sectoral Monitoring Subcommittee for IPA.

¹⁸⁰ Sector for Planning, Programming, Monitoring and Reporting on EU Funds and Development Assistance

B4.7. Indicators for measuring progress

PRIORITY 1: Improving the quality of products and services and raising levels of productivity												
Indicator	Unit	Baseline (2012)*	Target								Means of Verification	Institution in charge of reporting
			2013	2014	2015	2016	2017	2018	2019	2020		
1.1 Gross value added (GVA) per employee	Euro	15,041	15,341.8 2	15,86 3.44	16,497. 98	17,157 .90	17,844 .21	18,557 .98	19,300 .30	20,07 2.31	Statistical yearbook ¹⁸¹	Ministry in charge of economy
1.2. Annual value of export	Millions of euros	8,843	9,656.56	10,68 0.15	11,865. 65	13,182 .73	14,646 .02	16,271 .73	18,077 .89	20,08 4.53		
1.3. Report of World Economic Forum (Global Competitiveness Index)	Score/Rank	3,9/95	3,8/101	3,7/99	3,7/98	3,6/97	3,6/96	3,5/95	3,4/94	3,1/90	Global competitiveness index	Ministry in charge of economy
MEASURE 1.1: Providing of and accessing to finance												
Indicator	Unit	Baseline (2012)*	Target								Means of Verification	Institution in charge of reporting
			2013	2014	2015	2016	2017	2018	2019	2020		
1.1.1. Availability of financial services	Score/rank	4.0 /97 ¹⁸²	3,9/99	3,8/97	3,8/96	3,7/95	3,6/94	3,6/93	3,5/92	3,1/89	Global competitiveness index	Ministry in charge of economy
1.1.2. Affordability of financial services	Score/rank	3.7 / 100	3,6/112	3,5/11 0	3,5/109	3,4/10 8	3,3/10 7	3,2/10 6	3,2/10 5	3,2/10 1	Global competitiveness index	Ministry in charge of economy
MEASURE 1.2: Ensuring access to sustainable modern infrastructure												
Indicator	Unit	Baseline (2012)*	Target								Means of Verification	Institution in charge of reporting
			2013	2014	2015	2016	2017	2018	2019	2020		
1.2.1. Establishment of viable business infrastructure ¹⁸³	Number										Annual Reports of the Ministry in charge of regional development	Ministry in charge of regional development
1.2.2. Prepared projects of business related infrastructure ¹⁸⁴	Number/Value										Annual Reports prepared by the Ministry in charge of regional development	Ministry in charge of regional development
1.2.3. Number of companies and entrepreneurs which use objects of business infrastructure											Annual Report of relevant ministries	Ministry in charge of regional development
MEASURE 1.3: Ensuring a competitive manufacturing and production base												
Indicator	Unit	Baseline (2012)*	Target								Means of Verification	Institution in charge of reporting
			2013	2014	2015	2016	2017	2018	2019	2020		
1.3.1. Trade balance with EU	Millions of USD	4,355	4,237	4,025	3,824	3,632	3,451	3,278	3,114	2,959	Statistical yearbook	Ministry in charge of economy

¹⁸¹ Data on indicator are available in web database of Statistical office of the Republic of Serbia

¹⁸² Number of countries varies in the annual reports. Therefore, rank and score should be used simultaneously.

¹⁸³ Infrastructure built is viable and sustainable (in terms of operation and maintenance) in the context of the feasibility study and strategic assessment criteria set by the NIPAC TS

¹⁸⁴ Projects ready for approval and implementation including all required documentation (designs, studies, impact assessments and permits) and other conditions (including site ownership, identified and functioning operator and strategic assessment criteria set by the NIPAC TS)

1.3.2. Firm-level technology absorption	Score/rank	3.6/142	3,7/137	3,6/136	3,6/135	3,5/134	3,4/133	3,4/132	3,3/131	3,2/128	Global competitiveness index	Ministry in charge of economy
1.3.3. FDI and technology transfer	Score/rank	3.8/123	3,9/115	3,8/114	3,7/113	3,7/112	3,6/111	3,5/110	3,5/109	3,4/105	Global competitiveness index	Ministry in charge of economy

PRIORITY 2: Improving innovation levels and enhancing quality of public and private sector R&D

Indicator	Unit	Baseline (2012)*	Target								Means of Verification	Institution in charge of reporting	
			2013	2014	2015	2016	2017	2018	2019	2020			
2.1. Gross Domestic Expenditure on R&D (GERD)	GERD/GDP (2011) % of EU27 average (2011)	0.777% 38.3%										Statistical yearbook	Ministry in charge of science and technological development
2.2. Business Enterprise Expenditure on R&D (BERD)	BERD/GDP (2011)	0.073%										Statistical yearbook	Ministry in charge of science and technological development

MEASURE 2.1: Increasing the quality of the R&D base to pursue economic development

Indicator	Unit	Baseline (2012)*	Target								Means of Verification	Institution in charge of reporting	
			2013	2014	2015	2016	2017	2018	2019	2020			
2.1.1. Quality of scientific research institutions†	Score/ rank	3.6/ 67										Global Competitiveness Index (2.33)	Ministry in charge of science and technological development
2.1.2. University-industry collaboration in R&D	Score/ rank	3.2/ 99										Global Competitiveness Index (12.04)	Ministry in charge of science and technological development
2.1.3. University/industry research collaboration	Score/ rank	40.5/ 78										Global Innovation Index (5.2.1)	Ministry in charge of science and technological development

MEASURE 2.2: Widening the diversity of support mechanisms for commercialization

Indicator	Unit	Baseline (2012)*	Target								Means of Verification	Institution in charge of reporting	
			2013	2014	2015	2016	2017	2018	2019	2020			
2.2.1. Capacity for innovation	Score/ rank	2.5/120										Global Competitiveness Index (12.03)	Ministry in charge of science and technological development
2.2.2. Innovation linkages	Score/ rank	27.1/ 114										Global Competitiveness Index (5.2)	Ministry in charge of science and technological development

PRIORITY 3: Improving operating environment for doing business through evidence-based policies and regulatory simplification

Indicator	Unit	Baseline (2012)*	Target								Means of Verification	Institution in charge of reporting
			2013	2014	2015	2016	2017	2018	2019	2020		

3.1. Goods market efficiency	Score/Rank	3.6 out of 7/ 136 out of 144										Global Competitiveness Index (6)	Ministry in charge of economy
3.2. Burden of Government regulation	Score/Rank	2.4 out of 7/ 136 out of 144										Global Competitiveness Index (1.09)	Ministry in charge of economy
3.3. Ease of Doing Business	Rank	86 out of 185										WB Doing Business Index	Ministry in charge of economy
MEASURE 3.1: Improving the policy, regulatory and institutional frameworks by applying evidence-based approach to policy making and administrative and regulatory simplification													
Indicator	Unit	Baseline (2012)*	Target								Means of Verification	Institution in charge for reporting	
			2013	2014	2015	2016	2017	2018	2019	2020			
3.1.1. Effectiveness of anti-monopoly policy	Score/Rank	2.8 out of 7 /142 out of 144										Global Competitiveness Index (6.03)	Ministry in charge of economy
3.1.2 Number of procedures required to start a business	Score/Rank	7 out of 17/ 74 out of 141										Global Competitiveness Index (6.06)	Ministry in charge of economy
3.1.3 Transparency of Government policy making	Score/Rank											Global Competitiveness Index (1.12)	Ministry in charge of economy
MEASURE 3.2: Improving administrative capacity with attention to proper estimation of necessary staff, other resources, knowledge and skills in the administration and judiciary													
Indicator	Unit	Baseline (2012)*	Target								Means of Verification	Institution in charge for reporting	
			2013	2014	2015	2016	2017	2018	2019	2020			
3.2.1. Favouritism in decisions of government officials	Score/Rank	2.3 out of 7/132 out of 144	127	122	117	112	107	102	97	92		Global Competitiveness Index (1.07)	Ministry in charge of economy
3.2.2 Progress in assessment of Serbia's capacity to take on the obligations of EU membership in 6 relevant chapters	"Some progress" in 6 chapters (6 out of 6)	<u>5/6</u>	6/6	6/6	6/6	6/6	6/6	6/6	6/6	6/6		EC Progress Report	SEIO
MEASURE 3.3: Improving the framework conditions and capacities of companies for complying with the EU-harmonised legislation													
Indicator	Unit	Baseline (2012)*	Target								Means of Verification	Institution in charge for reporting	
			2013	2014	2015	2016	2017	2018	2019	2020			

3.3.1. Government provision of services for improved business performance	Score/rank	2.8 out of 7/ 126 out of 139+										Global Competitiveness Index (1.13)	Ministry in charge of economy
3.3.2. Infringements of competition legislation by companies	Number											Annual Report of CPC	Ministry in charge for trade
3.3.3 Misdemeanours proceedings in consumer protection area initiated by the Market Inspectorate	Number		9.835	9.000	8.900	8.500	8.000	7.500	6.500	6.000		Market Inspectorate Report	Ministry in charge for trade

B4.8. Aid effectiveness, efficiency and sustainability

According to the ISDACON database, the competitiveness sector is among the largest recipients of assistance from the international donor community over the period 2007-2012 with estimated total disbursement amounting to €993.46 million.

In the seven annual **programmes 2007-2013, IPA component I** is financing projects in the competitiveness sector worth around € 120.83 million, focused on the effective operation of markets: strengthening the market surveillance system for non-food and food products, through transposing EU directives, establishing an appropriate management system, harmonising guidelines for inspectors and delivering training, and raising public awareness; enhancing consumer protection in Serbia, , facilitating institutional cooperation, developing information systems for policy makers, and implementing an information campaign on consumer rights; and supporting the enforcement of intellectual property rights. IPA assistance is also improving the quality, range and availability of business support services, supporting cluster development, supply chain development, export promotion and innovation within SMEs and technology transfer through an enhanced institutional framework, improvement in the business support infrastructure, strengthening conformity assessment structure and development of instruments for financing SMEs innovations as well as supporting activities linking tourism potential to economic development and increasing the attractiveness of Serbia Danube Region. **IPA 2013 support** aims to strengthen the role of public sector in creating preconditions for modernisation and growth of Serbian economy by focusing on business environment, competitiveness of enterprises, as well as R&D and innovation capacities and cooperation. IPA 2013 support will especially focus on strengthening the business environment and provision of conformity assessment infrastructure, creating a strategic framework for R&D and innovation, and promoting cooperation between research institutions and private sector. The **IPA Multi-beneficiary programmes** implemented in 2007-2013 aimed at strengthening the innovative capacity of the Western Balkans by stimulating R&D using the regional potential. It encouraged co-operation and gradual liberalization of trade in services and contributed to the implementation of the Small Business Act for Europe, especially by improving the overall policy approach to entrepreneurship. Furthermore, the Multi-beneficiary IPA facilitated the harmonisation of the legislative framework and implementing mechanisms in the field of free movement of goods to enhance trade within the region and between the region and the EU. Finally, MB IPA's support through Western Balkans Investment Framework helped the preparation and implementation of the priority infrastructure investment projects and provided the necessary means to the economic actors, i.e. financial institutions and businesses to enable them to offer competitive products and services and to face challenges following the economic crisis.

In relation to **other donors**, promotion of national growth by increasing the competitiveness of Serbian SMEs, strengthening business environment, supporting firms to attain international standards and certification, supporting sales and marketing (trade shows and market research), creating industry groups and associations, stimulating business clusters, establishing cooperative network of public and private actors, and encouraging e-government through website standardisation have been supported by donors, such as Germany, Austria, Denmark, Italy, Slovakia, Switzerland, United States, and the World Bank.

The competitiveness sector will require additional support both from national budgetary resources and international funding. The wide spectrum of activities expected for implementation requires continuous financing.

A recent SIDA Report on "Evaluation of effectiveness and efficiency of development assistance to the Republic of Serbia"¹⁸⁵ has found the **relevance** of the assistance to be **very high** and in line with the national strategies and donor objectives. Nevertheless, one of the main constraints is the lack of clear and consistent development vision of the Government about desirable outcomes in the competitiveness sector. The **effectiveness** was **high**, producing many results that contributed to targeted objectives of the competitiveness sector. The interventions have contributed to the capacity of the Government to improve the environment for doing business although not in areas connected with the implementation of new legislation/policies and the sustainability of achieved results. The SIDA Report emphasized **high** level of **efficiency** in implementation of projects from this sector. However, efficiency was affected by many factors, from the lack of consistent development agenda (lack of continuity), through difficulties in inter-ministry coordination and cooperation, to weak capacity of public administration to promptly respond to the demands within the project cycle. While **impact** of the assistance has been evaluated as **low** partially due to the economic crisis, some positive examples such as removed business barriers or direct support to the private sector were recorded. **Sustainability** of development assistance was considered as **medium**, and is highly dependent on the Government's capacity to incorporate achieved results into policy interventions, or the political willingness to support the institutions and services developed with assistance.

As recommended in the SIDA Report, there is a need to have an overall consensus on **long-term sector-based development priorities**. In addition, there is a need to improve the supportive policy framework for business clusters, business incubators, industrial, science and technology parks, regional development, e-commerce and broadband infrastructure. The Government should combine policy change with direct financial and non-financial assistance to

¹⁸⁵ SIDA, Evaluation of effectiveness and efficiency of development assistance to the Republic of Serbia per sector, Final Report

companies, especially in strategic sectors (agriculture) or in geographic areas of special interest (such as disadvantaged areas with high unemployment rates).

The development assistance should continue to focus on: developing the quality of business advisory services to private sector entities; export promotion and market penetration; FDI and inward investments; development of business infrastructure; technology transfer and increasing productivity and innovation. But future support must be market oriented with clear evidence of the same. Development assistance should also support government initiatives to develop a knowledge-based, innovation-driven economy (technology transfer, strengthening links between research and the private sector) to avail of well identified and informed new market opportunities. Activities to address obstacles in building broadband infrastructure across the country are critical in this regard. Creating a **business-friendly climate** should remain an absolute priority for future development assistance. Support priorities should be ensuring fair competition, creating a predictable and transparent legal system,¹⁸⁶ fighting corruption (particularly interference with foreign investors) and reform of the public administration. Addressing these issues requires coordination with reform activities in other sectors, primarily with the Public Administration Reform and the Rule of Law.

In addition, there is an ongoing evaluation lunched by EU Delegation in this sector. The report on Technical Assistance for Evaluation of Competitiveness Sector Implemented and Financed by IPA Programmes and other Donors in the Republic of Serbia is in progress.

Special attention is warranted for **territorial development** with the overall aim of reducing the high regional disparities in Serbia. These initiatives should have a strong economic and market rationale to ensure sustainability.

Development assistance needs to further strengthen the government capacities for **market surveillance, product safety and consumer protection**. Building laboratories for quality control and advancing policy framework and human capacities within inspectorates should be continued but with a greater focus on implementation and data evaluation to inform future standards and policy.

¹⁸⁶ There are cases of partial implementation of the legislation, which create instability and insecurity in doing business.

B5 ENERGY SECTOR

B5.1. Scope and background of the sector

The Energy sector encompasses **electricity and heat, coal, oil, gas and renewable energy sources**. Given the inherent environmental externalities of the energy sector, mainstreaming of environmental priorities into variety of instruments in energy policy and operation of energy utilities is of great importance.

Production of primary energy involves exploitation, i.e. use of domestic coal resources, crude oil, natural gas and renewable energy resources (hydro potential, geothermal energy and biomass). In 2011 Serbia produced 11.163 Mtoe (million tons of oil equivalent) of primary energy. This production satisfied almost 70% of total primary energy needs. The structure of domestic production of primary energy: coal production is 7,823 of total domestic production of primary energy, and the rest refers to crude oil production, hydro potential, oil production, wood fuel and natural gas. Total production of primary energy in 2011 was 16,192 Mtoe. Import dependence of Serbia in 2011 was 30.28%. In 2011, mostly imported were oil and its derivatives 52%, natural gas 24 %, coal 14%, etc. The production and consumption of electric energy are basically balanced. Serbian electroenergetic system is relatively well connected with the neighbouring countries; however, there has to be better integration in order to improve unobstructed functioning of regional and European electric energy market.

Energy in Serbia is mostly consumed by households¹⁸⁷ and less energy is used in activities contributing to the creation of GDP and employment. Total final energy consumption in Serbia in 2011 amounted to 9.252 Mtoe. "Household sector has a share of 35% in final energy consumption, industry 29.3%, transportation 21.4% and the rest is consumed through public and communal activities, agriculture and energy consumption for non-energetic purposes."

Oil derivatives are the largest energy source in the structure of final energy consumption (accounting for 30% of total final energy consumption), followed by the electricity (27%) and fuel wood (12%)¹⁸⁸. Buildings are actually the largest consumers of energy in Serbia together with private cars. Age and energy efficiency of the building stock and car fleet are unfavourable. Systems for household heating using fuel wood (which is the heating technology used by the majority of households) are of very low efficiency which places a huge demand for fuel wood and pushes the price of wood up and places a high burden on the wood processing industry. At the same time this inefficiency means that households supplement their heating by using electricity and reducing the security of supply. More than 50% of electricity consumed is used by households.¹⁸⁹ Almost all domestic hot water preparation is done using electricity. The average Serbian household uses more than 4,700 kWh of electricity annually, ranking among the highest average electricity consumption per dwelling in Europe.¹⁹⁰ Residential energy efficiency needs to be addressed in the early stages of sector modernization if energy policy objectives are to be met. Heat distribution and consumption in the district heating systems can also be described as inefficient. Consumer debt to the utilities providing electricity and heating are extremely large, as is the debt of the heat providers to the fuel suppliers which are almost equal to the combined annual revenues of all the utilities. The Government of Serbia issued a decree on vulnerable energy customers in 2013 which marks the beginning of the fight against energy poverty in the country.

In 2011, the share of renewables in the final energy consumption was 17.5%, with main contributions from fuel wood (around 10%) and slightly more than 7% electricity produced in hydro power plants. The targeted National share of renewables in final energy consumption¹⁹¹ for the year 2020 is 27%. The target is to increase the use of renewable energy by 6% comparing to the share of renewables from 2009, which has been selected as the base year. The developing policy framework for the energy sector reflects the identified needs of increasing energy efficiency and usage of renewable energy sources. National Renewable Energy Action Plan has been adopted by the Government in June 2013. In 2013 Serbian Government adopted the First National Action Plan for Energy Efficiency for the period 2010-2012 (I APEE). This action plan set indicative objectives for this period worth 1.5% of final energy consumption comparing to baseline year 2008 (0.1254 Mtoe) i.e. the aim of minimum 9% savings in consumption of final energy in the next 9 years of application (until 2018). A short-term objective of 1.5% should be achieved through implementation measures for improvement of energy efficiency in households, public and private sectors (0.0235 Mtoe), industry (0.0566) and transportation (0.0453 Mtoe). The Second Action Plan for Energy Efficiency for the period 2013-2015 (APEE) is prepared and should be adopted in third quarter of 2013. The second APEE sets indicative objectives for the period 2013-2015 and the re-distribution of objectives to consumption sectors and measures of improving energy efficiency per sector is done. The Law on Efficient Use of Energy

¹⁸⁷35% of final energy consumption in 2010. Household's consumption in the Energy balance for 2011 presented together with agriculture, public and communal activities and other as "Others".

¹⁸⁸Coal accounted for 11% while heat and natural gas added 10% each

¹⁸⁹Source: EPS, MEDEP

¹⁹⁰Calculations based on EPS and MEDEP data on consumption and 2011 census data on household numbers.

¹⁹¹ Calculated in accordance with Directive 2009/28/EC

adopted in March 2013 introduced the instruments to lead to energy savings according to APEE and to fulfilling obligations to Energy Community regarding implementation of relevant directives. The Law defines: obligation of establishing system of energy management, founding a fund for energy efficiency, energy checks, energy preservation, request for ecodesign, criteria of energy efficiency in public provisions, energy services and ESCO, requests in production, transfer and distribution of energy and in transportation.

Level of coal consumption and energy intensity of Serbian economy are above European average and it is expected from New Energy Strategy (which covers at least 15 years)¹⁹² to seriously tackle these issues.

Energy is supplied to the final consumers via a system of transmission/transport and distribution networks. Losses in the distribution amounted to 13.6 % and in transmission of electricity losses amounted to 3.14 % in 2011¹⁹³, whilst losses in transport and distribution of natural gas amounted to 23 million Stm³¹⁹⁴ representing 1% of gross inland consumption.

It is important to notice that harmonization of the national legislation with the EU acquis and standards in the energy sector will require considerable efforts of all levels of administration and require massive capital investments. However, the benefits so gained have been assessed as being much greater than investments required¹⁹⁵. The Ministry in charge of Energy has intensified the preparation of legal and policy documents over 2012-2013 in order to create the strategic framework for accelerating the modernization of the sector. There is also a need to build the capacities of professional organizations (and the interested public) to participate in the process of policy making, implementation and monitoring in order to provide professional support to policy making efforts of the administration and thereby contribute to the modernization of the sector. The Ministry has come up with a long list of 46 priority projects for this sector¹⁹⁶ containing projects in various stages of development, grouped in three clusters (strategic, national and local) with financial requirements totalling to more than 12 billion €, of these electricity production projects totalling to nearly 11 B€ (92%)¹⁹⁷.

Significant financial needs are necessary to implement measures for environment protection in Serbian energy sector plants and therefore harmonize their work with corresponding national and EU legislation regarding environment protection. The amount of these means is defined in Energy Community document called Study on the need for modernization of large combustion plants which states that these means in the view of harmonization of limits according to Directive on large combustion plants 2001/80/EC is around 650 million €; with limits according to The Directive on industrial emissions 2010/75/EC is about 700 million €.

Further harmonization of legislation and standards is needed in order to facilitate investments in these or other possible projects, given that the Serbian energy market is supposed to be increasingly integrated into pan-European energy markets. According to EC 2012 Progress report, further efforts are needed to achieve real market opening, unbundling and cost-reflective tariffs. Institutional and structural changes of the energy companies, in particular EPS and Srbijagas, will be needed to ensure that investments in energy activities are in line with EU standards for energy, environment and competition and take account of relevant social aspects.

B5.2. Strategic framework

- (i) Continuous technological modernization of existing energy facilities/systems/sources in the subsectors of oil, natural gas and coal; with open pit and underground exploitation within the electric energy sector; modernization of thermo power plants, hydropower plants and combined power and heat plants and the transmission and distributions systems.
- (ii) Rational use of quality energy sources and improvement of energy efficiency in energy production, distribution and final consumption.
- (iii) Use of renewable energy sources and new more efficient and environmentally friendly energy technology and facilities/equipment.
- (iv) Extraordinary/urgent investments in new power sources with new gas technologies (combined gas-steam thermo-power facilities)
- (v) Constructing new energy infrastructure facilities and electric and thermal power sources within the energy sectors of Serbia, as well as capital-intensive energy infrastructure, within the frameworks of regional and pan-European infrastructure systems connected with Serbian systems.

¹⁹² Condition according to Law on Energy

¹⁹³ Percentage of gross consumption Source: Regulatory Energy Agency

¹⁹⁴ Source: Regulatory Energy Agency

¹⁹⁵ Environmental Approximation Strategy

¹⁹⁶ Without those proposed for the support through IPA 2013 framework

¹⁹⁷ Source: MEDEP, own calculations based on MEDEP data.

It is important to mention that a draft of Serbian Energy Development Strategy until 2025 is prepared with projections until 2030, and its adoption by the Government is expected by the end of 2013, and by the Parliament by the beginning of 2014. The new Energy Strategy is defined by three basic priorities of further development in Serbian energy sector: the development of domestic and regional market, securing energy safety and sustainable development. The document is entirely aligned with all obligations stipulated in the Energy Community Treaty.

Taking into account national strategic framework, SWOT analysis and the facts that the current national strategic framework has been created before the establishment of the Energy Community Treaty the following NAD priorities have been identified.

NAD priority 1: "Improved policy, institutional and legislative framework to ensure a sustainable development in the energy sector" is identified as the priority given the fact that the weaknesses in these frameworks create obstacles for the advancement of the national priorities (i)-(v) identified in the national strategic document.

NAD priority 2: "Secure reliable, high quality and efficient energy supply chain" identifies that technological upgrade, more efficient use of energy and deployment of renewable energy sources are all needed in order to achieve the priorities (i), (ii), (iii), of the national energy strategy.

NAD priority 3: "Mitigate adverse impact of energy sector to the environment through reduction of pollution, soil remediation activities and preparatory activities aiming to facilitate future sustainable energy production" focuses on the resolution of the environmental problems in energy sector and on utilization of proper management techniques preventing the creation of new environmental degradation so as to contribute to national priorities (ii), (iii), and (v).

When developing NAD measures for implementation of priorities, following targets set in national documents were taken into account for the period 2014 - 2020:

- National indicative energy savings target of not less than 9% of the final inland energy consumption for the period from 2010 to 2018 (1% annually on average), which means that the country should ensure energy savings amounting to 0.752Mtoe
- The share of renewable energy sources in the electricity sector will amount to 37 %, in the heating and cooling sector it will amount to 30 % and in the transport sector to 10 %, in 2020. All these individual goals will enable meeting the joint target of 27 % in GFEC.

Regional and Transnational Strategies

The Energy Strategy of the Energy Community with the strategy paper accompanied by Projects of the Energy Community Interest (PECIs) and associated policy measures. Main objectives are the creation of a competitive integrated regional energy market, attracting investments in the energy sector and providing secure and sustainable energy supply to customers.

The EU Strategy for Danube Region aims at boosting the development of the Danube Region and was proposed by the European Commission on 8 December 2010. Member States endorsed the EU Strategy for the Danube Region at the General Affairs Council in 2011. The Strategy articulates four main pillars, out of which the Pillar I: Connecting the Danube Region and more specifically through the Priority area (2): Encouraging sustainable energy addresses the energy sector. Serbia adopted a governmental decision in 2010¹⁹⁸, which defines its own priority pillars for the **Danube Serbia Region**, aiming to achieve better utilization of the Danube potentials as a resource significant for sustainable development of the Republic of Serbia among other through the development of the transport and energy systems, and information and communication technology (ICT) along the Danube.

EU documents and international agreements related to the sector

The Law on ratification of the Treaty establishing the Energy Community¹⁹⁹ ratifies this Treaty and integrates important parts of EU acquis in energy, environment and competition into Serbian national legislation. This treaty also regulates the obligatory application of Directive on large combustion plants 2001/80/EC until the end of 2017. **The Stabilization and Association Agreement** sets out the directions of cooperation as follows: planning of energy policy, modernisation of infrastructure, improvement and diversification of supply and improvement of access to the energy market, facilitation of transit, transmission and distribution and improvement of energy interconnections of regional importance with neighbouring countries; the promotion of energy saving, energy efficiency, renewable energy considering the environmental impact of energy production and consumption; the formulation of framework conditions for restructuring of energy companies and cooperation between undertakings in this sector. **The European Partnership with Serbia from 18 February 2008 (2008/213/EC)** (under: Sector policies – Energy) sets out a number of priorities, including: the obligations arising from the **Energy Community Treaty**.

¹⁹⁸ Participation of the Republic of Serbia in the Development of an Overall EU Strategy for the Danube Region, 10 June 2010

¹⁹⁹ Official Gazette of the Republic of Serbia, No. 62/06

Other international agreements

- The Law on Ratification of the Agreement Between the Federal Government of the Federal Republic of Yugoslavia and the Government of the Russian Federation on Cooperation on the construction of the Gas Pipeline on the Territory of Federal Republic of Yugoslavia.²⁰⁰
- Law on the Ratification of the Agreement between the Federal Government of the Federal Republic of Yugoslavia and the Government of the Russian Federation on Cooperation in the Oil and Gas Sector²⁰¹
- The Agreement on Economic and Technical Cooperation in the Field of Infrastructure between the Government of the Republic of Serbia and the Government of the People's Republic of China²⁰²
- The Law on the Ratification of the Statute of the International Renewable Energy Agency (IRENA)²⁰³
- The Law on Ratification of the Agreement between the Serbian Government and the Government of the Republic of Italy on cooperation in the field of energy²⁰⁴
- The Law on Ratification of the Agreement between the Serbian Government and the Government of the Russian Federation on natural gas delivery from the Russian Federation to the Republic of Serbia²⁰⁵.

B5.3. EU Agenda

"**Resource efficient Europe**" is one of the seven flagship initiatives as part of the Europe 2020 Strategy aiming to deliver smart, inclusive and sustainable growth. It aims "to help decouple economic growth from the use of resources" by supporting the shift towards a low carbon economy, increasing the use of renewable energy sources, reducing CO₂ emissions and promoting energy efficiency and Chapter 21. Trans-European networks (TEN-E Energy networks)

Chapter 15. Energy

Direction of EU policies

Energy 2020: The Strategy for competitive, sustainable and safe energy is one of the key proposals stemming from this initiative aiming to facilitate **reduction of greenhouse gas emissions by 20%** compared to 1990 levels by 2020 to **increase the share of renewables** in final energy consumption to **20%**; and to achieve **20% increase in energy efficiency**. Other key initiative relevant for the sector is **European Energy Efficiency Plan 2020**.

Main Relevant acquis

Internal energy market: Directive 2009/73/EC aims at introducing common rules for the transmission, distribution, supply and storage of natural gas. It concerns mainly natural gas, liquefied natural gas (LNG), biogas and gas from biomass. **Directive 2009/72/EC** is aimed at introducing common rules for the generation, transmission, distribution and supply of electricity. It also lays down universal service obligations and consumer rights, and clarifies competition requirements.²⁰⁶ **Regulation (EC) No 715/2009** aims at laying down rules for natural gas transmission networks, gas storage and liquefied natural gas (LNG) facilities. It concerns access to infrastructures, particularly by determining the establishment of tariffs (solely for access to networks), services to be offered, allocation of capacity, transparency and balancing of the network. **Regulation (EC) No 714/2009** aims at laying down rules for cross-border exchanges in electricity with a view to improving competition and harmonization in the internal market for electricity.

Energy efficiency: According to Agreement on Energy Community and relevant decision of Council of Ministers, the Republic of Serbia is to implement the following directives: Directive 2006/32/EC defines energy services and efficiency of final consumers; **Directive 2010/31/EU** aims to promote the energy performance of buildings and building units and Directive 2010/30/EU aims to implement energy marking and standard information about energy consumption and other resources concerning products which impact energy consumption and relevant delegated regulations. Although Directive 2006/32/EU is replaced by Directive 2012/27/EU on energy efficiency, the Republic of Serbia, as a contracting party in Agreement on Energy Community, still applies the old directive in next 2-3 years. (The Council of Ministers' decision regarding implementation of Directive 2012/27/EU is expected end 2014, but the transition period will last for a few years).

²⁰⁰ FRY Official Gazette- International Treaties, No.4/96 of September 6, 1996

²⁰¹ Official Gazette of the Republic of Serbia– International Treaties, No. 83/08 of September 18, 2009

²⁰²not published yet

²⁰³ Official Gazette of the Republic of Serbia– International Agreements 105/09 of December 24, 2009.

²⁰⁴Official Gazette of the Republic of Serbia– International Treaties, No. 7/2012

²⁰⁵ Official Gazette of the Republic of Serbia– International Treaties, No. 3/2013

²⁰⁶Under the Energy Community Treaty Serbia is not yet obliged to comply with this Directive. The Directive currently relevant for Serbia is Directive 2006/32/EC

Directives 2006/32/EC and Directive 2012/27/EU aim at establishing a common framework of measures for the promotion of energy efficiency within the Union in order to ensure the achievement of the Union's 2020 20 % headline target on energy efficiency and to pave the way for further energy efficiency improvements beyond that date. They lay down rules designed to remove barriers in the energy market and overcome market failures that impede efficiency in the supply and use of energy, and provides for the establishment of indicative national energy efficiency targets for 2020. Directive 2010/30/EU establishes a framework for labelling and consumer information regarding energy consumption for energy-related products. Directive 2006/32/EC is one of the basic directives in the field of energy efficiency and it regulates: energy saving obligation of 9% in 9 years of application of this directive for EU member states; obligation of submitting statistics on energy consumed by energy distributor, distribution system operator and companies for energy retailing; introduction of financial instruments for EE enhancement and creation of ESCO agreement model; introduction of measuring devices and payment based on actual energy consumption; mandatory content of action plans for energy efficiency; calculation of savings based on „bottom-up“ and „top-down“ methodologies and the list of proper measures of energy efficiency in residential sector, transport and industry.

Renewable energy: Directive 2009/28/EC establishes a common framework for the promotion of energy from renewable sources. It sets mandatory national targets for the overall share of energy from renewable sources in gross final consumption of energy and for the share of energy from renewable sources in transport. It lays down rules relating to statistical transfers between Member States, joint projects between Member States and with third countries, guarantees of origin, administrative procedures, information and training, and access to the electricity grid for energy from renewable sources. It establishes sustainability criteria for biofuels and bioliquids.

Security of supply, external dimension and enlargement :Directive 2005/89/EC establishes measures aimed at safeguarding security of electricity supply so as to ensure the proper functioning of the EU internal market for electricity, an adequate level of interconnection between Member States, an adequate level of generation capacity and balance between supply and demand. **Directive 2009/119/EC** obliges member states to keep minimal stocks of oil and/or its derivatives aiming at high safety level of distribution of oil and its derivatives. **Regulation (EU) No 994/2010** aims to safeguard the security of gas supply by ensuring both prevention and a coordinated response in the event of a supply disruption and by securing the proper and continuous functioning of the internal gas market.

Industrial emissions: Directive 2010/75/EU aims to establish a general framework for the control of main industrial activities giving priority to intervention at source, ensuring prudent management of natural resources in order to prevent, reduce and as far as possible eliminate pollution arising from industrial activities in compliance with the “polluter pays” principle and the principle of pollution prevention.

The reform and development of the energy sector in Serbia is dependent on EU accession of Republic of Serbia and international development assistance. Main document which is steering the process of approximation of the legal provisions with the EU *Acquis* is the **National Plan for the Adoption of the *Acquis* (NPAA)** which was adopted in March 2013.

Serbia energy market is scheduled for full integration in single pan-European energy market while Serbian institutional and regulatory framework is to become fully harmonized in order to enable investments, economic development security of energy supply and social stability. While this process is part of the overall accession process it is further strengthened through participation in the Energy Community Treaty. A huge effort in terms of legislative work, administrative capacity and resources, but also of political and social perception is required for the successful achievement of the accession goals in this sector.

Chapter 21. Trans-European networks (TEN-E Energy networks)

Direction of EU policies

Energy infrastructure priorities for 2020 and beyond – A Blueprint for an integrated European energy network is one of the key proposals under the “Resource efficient Europe” flagship initiative. This Communication outlines a Blueprint which aims to provide the EU with a vision of what is needed for making EU networks efficient. It puts forward a new method of strategic planning to map out necessary infrastructure and qualify which ones is of European interest on the basis of clear and transparent methodology and provide a toolbox for to ensure their timely implementation, including ways to speed up authorizations improve cost allocation and target finance to leverage private investment.

Main Relevant acquis

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 lays down guidelines for the timely development and interoperability of priority corridors and areas of trans-European energy infrastructure set out in Annex I (“energy infrastructure priority corridors and areas”). It aims to do so through: addressing the identification of project of common interest, facilitating the timely implementation of these projects, provides rules and guidance for cross border allocation of costs and risks-related incentives, and determines the conditions for eligibility of projects for EU financial assistance.

Chapter 27. Environment

Environmental acquis constitutes large part of the acquis that has already become part of the national legislation through the framework of the Energy Community Treaty. Acquis covering industrial emissions, air, water, climate change and waste are most relevant for the energy sector.

The NPAA 2013 – 2016 defines the following priorities in forthcoming period: energy market and security of energy supply, energy efficiency and renewable energy sources as priorities.

The EU priorities for IPA II will be defined in the Common Strategic Framework (CSF) aiming at better alignment of financial assistance with EU enlargement policy. The priorities for individual countries will be identified in the Country Strategy Paper (CSP) prepared by the European Commission and the basis for will be NAD and relevant national sector strategies.

Concerning **Chapter 22** Regional Policy and Coordination of Structural Instruments, the Government of the Republic of Serbia and the European Commission signed the Framework Agreement on 29 November 2007 validated in the National Assembly of the Republic of Serbia on 26 December 2007 by adoption of the Law Ratifying the Framework Agreement²⁰⁷ 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 Instrument for Pre-accession Assistance (IPA). The Serbian Government adopted the Regulation on Decentralized Implementation System²⁰⁸ for managing the European Union development assistance funds under IPA.

Five components from the current regulation for 2007-2013 cycle, in period 2014-2020, are changed into policy areas: (a) the transition process towards Union membership and capacity building; (b) regional development; (c) employment, social policies and human resources development; (d) agriculture and rural development and (e) regional and territorial cooperation. The main principle of IPA II will be Sector Approach.

B5.4. Overall objectives and priorities in the sector (2014-2020)

The SWOT analysis of the energy sector has been undertaken additional to the situation analysis presented in previous sections, to set out the long term objectives and medium term strategic priorities and realistic and targeted measures.

<i>Strengths</i>	<i>Weaknesses</i>
<ul style="list-style-type: none"> • Formal compliance with the EU acquis in part of the energy legislation. • Relatively well interconnected electricity transmission system with the neighbouring countries. • Sound, historically built-up, technical capacities in the power sector. • Significant renewable energy potential with growth possibilities. 	<ul style="list-style-type: none"> • Weak institutional framework for policy implementation and strategic planning in the energy sector. • Status of the public electric utility prevents commercial operation. • Weak payment discipline which results in accumulated debts to utilities and energy source suppliers • Low energy efficiency in most areas (electric generation and distribution, district heating, existing buildings, industry, transport). • There is fuel poverty²⁰⁹ across the population. • Fossil fuel subsidies pose barriers to entry for new technologies • High energy and carbon intensity of the economy. • Weak public participation in energy policy making. • Weak capacities for policy implementation and monitoring • Land locked country, with limited options for oil and gas supply
<i>Opportunities</i>	<i>Threats</i>
<ul style="list-style-type: none"> • The EU accession can provide significant innovation in the institutional, policy, legal and technological aspects, thus unlocking potential for commercial investments in the energy sector. • The growing awareness on energy efficiency and renewable energies use at Municipal level may drive 	<ul style="list-style-type: none"> • Decreased affordability of energy for households and businesses • The need of huge investments for energy efficiency and mitigation of electric generation-derived pollution is not matched by suitable funding. • The dominant role of lignite in electric generation may

²⁰⁷Official Gazette of RS - International Agreements, no. 124/07

²⁰⁸Official Gazette of RS Nos 70/2011, 49/2012

²⁰⁹Inability of households to afford adequate service, primarily heating at reasonable cost, given their income.

<p>better energy policy development and implementation of energy policies.</p> <ul style="list-style-type: none"> • Enhanced public participation may improve the quality of public policies. • Large areas for improvement of energy efficiency in all sectors. • The technology transfer in key areas may produce large economic benefits (exploiting efficiently the value chain of biomass for heating purpose, new technologies in district heating, Cogeneration of heat and power (CHP) and solar photovoltaic elements (PV). • Potential contribution of energy efficiency measures and renewable energy deployment to macroeconomic improvements (such as trade balance, foreign exchange reserves) 	<p>represent a risk for the long term security, particularly if the environmental problems remain unsolved.</p> <ul style="list-style-type: none"> • Proposed environmental compliance measures not economically viable. • Shifting of responsibilities or energy efficiency to municipalities not accompanied with adequate capacity development and funding.
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Overall objective reflecting the analyses of the sector while at the same time mirroring strategic documents of the Republic of Serbia and EU is defined as follows:

Overall objective 1: Integration into European energy markets by achieving secure, safe, reliable and quality supply of energy and energy sources following principles of sustainable development

Living standard of households and economic activities are not possible without safe and reliable supply of energy and energy sources. Sophisticated industrial equipment and household appliances require high quality of energy supply. Since Serbian enterprises are selling goods and services competing with global competitors, competitiveness of energy markets ensures that costs of energy supply to the end users are minimal and at the same time the investments in the energy infrastructure are optimal from the wider perspective. Integration of national energy markets into single European energy market also requires certain investments in trans-European networks. Energy efficiency and renewable energy deployment may both contribute to the security of supply and to minimization of harmful environmental impact of energy sector activities thus crucially contributing to the sustainable development in the energy sector.

Priority 1: Improving policy, institutional and legislative framework to ensure a sustainable development in the energy sector

Serbian energy sector is lagging behind in terms of technological development. Social policy implementation has been associated with prices not covering the costs of energy production and delivery. Serbian energy entities did not commercially operate for decades. In addition, complicated procedures effectively pose barriers to entry for the new market entrants. Technological upgrade needs to be achieved simultaneously with the requirements posed by the process of EU integration and commercialization of utility operations. Strengthened policy, institutional and legislative framework is needed to enable achievement of these goals. Implementation of new legislation requires capacities to develop bylaws needed for the operationalization of the legislation as well as skills and means required for actual implementation and oversight. Strategic planning capacities for the sector development and inter-sector and intra-sector coordination need to be upgraded to facilitate sustainable development in the energy sector.

Priority 2: Securing reliable, high quality and efficient energy supply chain.

Inefficient and outdated technologies still deployed in the energy sector may represent a threat to security, reliability and quality of energy supply. Given limited options for domestic energy production and unfavourable conditions for energy imports, the integration into European energy markets, increased energy efficiency and deployment of locally available renewable energy resources are required for the achievement of this policy goal which is a precondition for the overall development. Increased focus is needed to improve the quality of energy supply.

Priority 3: Mitigating adverse impact of energy sector to the environment through reduction of pollution, soil remediation activities and preparatory activities aiming to facilitate future sustainable energy production.

Given the structure of the primary energy production in Serbia and huge investment backlogs in the past there is a clear need for concentrated support to priorities as formulated above. Detrimental effects of energy production need to be mitigated in order to reduce the costs of the pollution arising within the health, agricultural and other sectors in the country and outside its borders. Compliance of the operations of utilities in energy in mining with the requirements of the IPPC law is a prerequisite for mitigation of adverse impacts of its operations on the environment.

B5.5. Sector measures for implementation of priorities in the sector

Priority 1: Improving policy, institutional and legislative framework to ensure a sustainable development in the energy sector

Measure 1.1: Supporting the enforcement of national legislation in energy sector and improving monitoring and reporting mechanisms for policy implementation and law enforcement at central and local level

This measure is aimed to support legislation enforcement ensuring fulfilment of the objectives set by the major current legislative framework in this sector. It enables physical improvements in the sector, achievement of the national energy policy goals and European integration targets as well as establishing preconditions for regular policy cycles changes through support to policy monitoring, reporting and evaluation. The measure focuses on support to development and implementation **of by-laws** for operationalization of national legislation focusing mostly but not exclusively to Serbian Energy Law and Law on Efficient Use of Energy; Support to development of capacities for strategic planning in the energy sector in all sub-sectors including the establishment of the national institution with the purpose to develop and disseminate knowledge, skills and good practice towards a safer, more secure and sustainable energy system and to promote public interest through strategic energy planning based on the best models, genuine national needs, circumstances and good past practices. This measure would also include support to the monitoring of the implementation of the new generation of strategic documents defined in the Energy Law: Energy strategy until 2025 with projections to 2030, national energy efficiency action plans and National renewable energy action plan. It is targeted to establish a functional procedure for monitoring the implementation, evaluation and revision of those documents. Technical assistance in this respect will also be provided to further development of national energy statistics and improvement of its quality through support to the Statistical office, Energy Regulatory Agency and Ministry in charge of energy. Support to the capacities of inspectorates is also part of this measure as well as support to local energy planning.

Measure 1.2.: Further supporting Serbian energy market to enhance its internal and regional competitiveness

This measure aims at support to increased market competitiveness through implementation of the third energy package and simplification of permitting procedures lowering barriers to entry energy market. The measure focuses on support to the unbundling of relevant public entities in energy sector. The measure is intended to seek for assistance in cutting red tape in permitting procedures in order to improve business environment aimed at facilitating investments in energy sector.

Priority 2: Securing reliable, high quality and efficient energy supply chain

Measure 2.1: Improving the security of energy supply in electricity transmission and gas transport enabling regional energy market integration and establishment of emergency oil stocks

This measure aims to promote security of supply in gas and electricity sectors by improving integration of Serbian market into regional and EU markets. The measure targets to improve gas transport interconnection capacities needed to improve security of the gas supply to the country. Support to increased electricity interconnection capacities and improved grid management will enable better optimization of the available resources on a regional scale and may facilitate investments of regional relevance in electricity production. Furthermore, establishment of emergency oil stocks will improve security of supply in the Republic of Serbia and region. Main support activities under this measure aim at preparation of required missing technical/project documentation in line with national regulation and relevant international/EU standards, as well as subsequent support to construction of public open-access infrastructure and supply of equipment required and creation of conditions for the establishment and operations of emergency oil stocks.

Measure 2.2: Enhancing sustainable use of all renewable energy sources with focus on biomass

This measure aims to support other policy tools in addition to already existing feed-in tariff that contribute to security of supply and sustainable development in the energy sector through enhanced use of available renewable energy potential. Particular focus will be given to biomass as most abundant renewable source with potential for growth, large positive social and environmental externalities and beneficial effect on the employment and economic balances. The measure focuses on the assessment of most lucrative options for biomass utilization in district heating and support to heat only or combined heat and power production through technical assistance in the form of support to required technical/project documents and construction of plants. Legal and technical support for organizational and structural changes in the utilities including development of appropriate public-private partnership models or other institutional forms suitable to accommodate required investments is needed. Supply side activities that might be supported include, but are not limited to the following: support to harvesting of low quality forest wood, forest residues and waste from wood processing industries; support to wood chipping or other economically justifiable transformation of biomass, support to establishment of fast growing short-rotation energy plants on marginal and low quality land avoiding conflicts with food production; support to establishment of companies enabling links between the producers and biomass energy users. Resource assessments and legal and technical support to business development on the supply side might also be required. Another form of support could be assistance in accreditation of control unit and development of certifications for laboratories which will supervisor the use of biofuel as

important source of RES in energy mix supposed to contribute to reaching goal of 27% of RES in GFEC by 2020. The measure may also support usage of other energy renewable resources.

Measure 2.3: Increasing energy efficiency in district heating systems and energy consumption sectors with focus on public and residential building sectors

This measure should support implementation of Law on efficient energy use and implementation of action plans. The measure will secure implementation of other measures in energy consumption sector, defined in APEE, as well as improvement of energy efficiency in district heating sector. In district heating system the focus is on supporting establishment of consumption measuring on facility level (sub-station) in existing facilities, which enables payment per facility consumption in places where this kind of infrastructure is still not operable.

The support for comprehensive analysis of available alternatives for heating energy production and operationalization of chosen options. The support for development of computer tools which will enable optimal and enhanced distribution of heating energy and supply management (including but not limited to introduction quantitative regulation) would build up on completed enhancements of system for heating distribution, which enables use of total saving potential encouraged by earlier interventions and replacement of fuel. Regarding application of National Energy Efficiency Action Plan, the support is needed for implementation of measures in all energy-consuming sectors, especially emphasising public and residential sector. Work on energy efficiency in public sector will continue through identification of projects which implementation is the most beneficial in sense of energy efficiency, with possible support for creating environment for operation of companies which provide energy services to achieve greater energy efficiency and reduce consumption (ESCO companies). The support for introducing system of energy management, especially in public and communal sector should also be encompassed within this measure. The measure also aims at supporting better use of existing supporting mechanism. It is necessary to support residential sector to improve energy efficiency by securing useful advice, soft loans (grants for the most vulnerable population) for energy efficiency interventions on facilities and supporting mechanisms for replacement of inefficient systems for HVAC (heating, ventilation, and air conditioning), as well as home appliance (including possible support through leasing schemes). This measure also can support capacities of service sector: craftsmen, engineers, architects, banks. It is necessary to seek potential synergy with legalisation process.

Priority 3: Mitigating adverse impact of energy sector to the environment through reduction of pollution, soil remediation activities and preparatory activities aiming to facilitate future sustainable energy production

Measure 3.1 Decreasing pollution from the energy sector impacting air, water and soil quality

This measure aims to provide for the opportunity to remedy some of the environmental degradation caused by the activities in the energy and energy mining sectors and not compensated for in the past. This should be done without detrimental effects for emerging of competitive energy markets at national and regional level and having in mind backlog of investments in environmental protection in the energy sector. The measure focuses on support to preparation of lacking technical/project documentation in accordance with national legislation and EU/international standards necessary for further investments with the comprehensive analyses of available alternative solutions. Support to creation of infrastructure necessary for the fulfilment of mitigation measures required for obtaining of the integrated pollution prevention and control permit (IPPC permit), including possible use of waste energy where appropriate. This measure include activities on defining management procedures in exploitation and all technological phases of energy mining operations, mining waste management, land degradation, land pollution, protection of water and water quality monitoring as well as monitoring and analysis of wastewater from active and abandoned mines. In addition, this measure includes air pollution, monitoring and protection from emissions of hazardous substances and wind erosion on tailing dump. This measure is necessary to include identification of suitable geological formations for storage of CO₂ and other substances extracted in mines and thermal power plants.

Regional, Cross-Border and Transnational Themes in Energy sector

Instruments of importance for regional cooperation, such as Multi-Beneficiary IPA support, CBC and Trans National Programmes, should be provided to those actions where benefit of regional approach is obvious.

In order to strengthen cooperation and spur the integration of the regional energy market, Serbia's priorities in addressing **MB IPA**, relate to projects with a clear regional/cross border impact. Support is expected for project preparation and technical design JASPERS and implementation of investments under WBIF. Having in mind regional context and necessity for good coordination, **JASPERS** (Joint Assistance to Support Projects in European Regions) should support and advice on project preparation and financial engineering issues.

CBC and Transnational programmes in energy sector can contribute to achieving NAD sector goals and the ERDF thematic objectives 4 – Supporting the shift towards a low-carbon economy in all sectors. Given the needs and resource availability biomass energy issues may be addressed most efficiently through these programmes.

The implementation of the objectives of the **EU Strategy for the Danube Region**, namely those relating to the Pillar I “Connecting the Danube Region” and more specifically the Priority area (2) Encouraging sustainable energy - requires concerted actions to explore an increased energy production originating from local renewable energy sources. Efforts should concentrate upon the economic utilization of renewable energy sources and on the preparation of respective projects based on adequate analytical studies. Serbia's focus in this respect is described through actions foreseen by Measure 2.2: *Enhancing the use of all renewable energy sources with focus on biomass.*

B5.6. Institutional framework for implementation of Sector Approach

The energy sector of the Republic of Serbia in context of Sector Approach is managed by the following institutions: Ministries in charge of energy, environment, mining and natural resources, agriculture, water management and forestry, regulatory energy agency, provincial and local authorities. The lead institution for the sector is the Ministry in charge of energy.

In context of Sector Approach, the Ministry coordinates the work of all relevant institutions in the sector in regard to planning, programming, implementation and monitoring of the Energy sector measures/operations supported by EU funds and other international development assistance. Responsibility for formal submission and later implementation of measures/operations depends of their content and responsibility of institutions involved in the Energy sector. Energy Agency of the Republic of Serbia has got a wide range of different competencies, including those regarding price regulation, licencing energy entities for energy activities, proposing and approving of by-laws, rendering decisions based on complaints, supervision of energy market and implementation of certain international agreements. In order to improve and coordinate activities related to planning, programming, implementation and monitoring of EU funds and international assistance and to increase the efficiency and effectiveness of development assistance, additional mechanisms have been introduced, that is to say, the Sector Working Group (SWG) for Environment and Energy²¹⁰ have been established. The SWG for Environment and Energy is responsible to coordinate activities related to planning, programming and monitoring of EU funds and international assistance, to propose relevant measures and activities and to support the introduction of Sector Approach in Energy sector. In addition, the SWG for Energy will assist in selection of infrastructure projects for funding. The functioning, management, organisation and composition of SWG is more precisely defined by the *Rules of Procedure for Sector Working Groups for the Programming and Monitoring of the EU funds and development assistance*. The institutions participating in the SWG are Ministries in charge of energy, environment, natural resources, mining, spatial planning, regional development and local self-government as well as for economy and finance and Office responsible for European integration affairs (SEIO). Members of the SWG are officially appointed representatives of the above mentioned line ministries, at the level of State Secretary or Assistant Minister, or appointed Senior Programming Officers (SPOs) and the Serbian EU Integration Office.

Representatives of the donor community including the Lead Donors are participating at the SWG meetings based on the needs and requirements of each SWG meeting and takes part in consultation processes for analysing sector priority goals, measures and operations for financing from EU funds and international assistance as well as they secure data on the expected assistance during the planning period. The Lead donor(s) is responsible to support the work of the SWG and represent the interests of donors active in particular sectors.

In order to enable more inclusive and transparent dialog, consultation and communication with all relevant stakeholders in the respective sectors, SEIO established a consultation mechanism with the civil society organisation (CSOs)²¹¹. This mechanism is based on the consultative process with Sectorial Civil Society Organisations (SECOs) and serves as a platform that enables exchange of information and contribution of CSOs in relation to planning development assistance, particularly programming and monitoring of the Instrument for Pre-Accession Assistance (IPA). The SECO indicates a consortium of maximum three CSOs as partners, one of which is clearly indicated as leading partner. SECO is composed of the CSOs that have significant experience with public advocacy, analyses and research in the sector, as well as experience in direct work with service providers and beneficiaries. They are influencing public policy due to their successful networking and partner work with other local and international civil society organisations well as constructive cooperation with state institutions and the constant monitoring of their work. Members of SECO are participating at the SWG meetings based on the needs and requirements of each SWG meeting and takes part in consultation processes for analysing sector priority goals, measures and operations for financing from EU funds and international assistance. Other relevant stakeholders (agencies, private, academic sector, CSOs, etc.) can participate at the SWG meetings based on the topic, needs and requirements of each Sector Working Group meeting.

Under the Rules of Procedure for Sector Working Groups, SEIO²¹² is responsible for coordination and ensuring the efficient functioning of all activities of the Sector Working Group. Coordination and leadership of the SWG is supported by a Task

²¹⁰ Act on establishing the SWG from 5.11.2012. No: 119-01-68/2012-03

²¹¹ Introduced in 2011

²¹² Sector for Planning, Programming, Monitoring and Reporting on EU Funds and Development Assistance

force made up of representatives from the Sector Lead Institution, Lead donor and SEIO.SWG is also acting as Sectorial Monitoring Subcommittee for IPA.

B5.7. Indicators for measuring progress

PRIORITY 1: Improving policy, institutional and legislative framework to ensure a sustainable development in the energy sector													
Indicator	Unit	Baseline (2012)*	Target								Means of Verification	Institution in charge for reporting	
			2013	2014	2015	2016	2017	2018	2019	2020			
1.1. Percentage of annual completion of secondary legislation envisaged for the operationalization of a) Energy Law and b) Law on efficient use of energy	%											Annual report of the SEIO Reports from the sessions of the Government of Serbia Official Gazette of the Republic of Serbia	Ministry in charge for energy
1.2. Percentage of legal acts envisaged to be adopted in the NPAA on the annual level	%											EU Progress Report Energy Community reports Regulatory Agency reports NPAA	Ministry in charge for energy
1.3. Percentage of required due monitoring reports for implementation of policy documents (documents defined in the Article 3. of the Energy Law) prepared, approved and publicly disseminated in time (all three)	%	33.33%										Reports from the sessions of the Government of Serbia Official Gazette of the Republic of Serbia	Ministry in charge for energy
MEASURE 1.1: Supporting the enforcement of national legislation in energy sector and improving monitoring and reporting mechanisms for policy implementation and law enforcement at central and local level													
Indicator	Unit	Baseline (2012)*	Target								Means of Verification	Institution in charge for reporting	
			2013	2014	2015	2016	2017	2018	2019	2020			
1.1.1. Number of bylaws annually prepared under support activities ²¹³	Number	N/A ²¹⁴										Annual report of the SEIO Reports from the sessions of the Government of	Ministry in charge for energy

²¹³Throughout the table with indicators programmes and projects implemented with international support are referred to as support activities.

²¹⁴Baselines for measure indicators associated with future support activities are not applicable

												Serbia Official Gazette of the Republic of Serbia	
1.1.2. Number of monitoring reports of policy documents prepared, adopted and disseminated under the support activities.	Number	N/A										Reports from the sessions of the Government of Serbia Energy Community reports	Ministry in charge for energy
1.1.3 Institution for strategic planning established	N/A	N/A										Reports from the sessions of the Government of Serbia Official Gazette of the Republic of Serbia	Ministry in charge for energy
1.1.4 Number of indicators monitored and values published under the support activities, in policy implementation reports in line with international standards(EU, IEA)	Number	N/A										Web site of the Ministry in charge of energy	Ministry in charge for energy
MEASURE 1.2: Further supporting Serbian energy market to enhance its internal and regional competitiveness													
Indicator	Unit	Baseline (2012)*	Target								Means of Verification	Institution in charge for reporting	
			2013	2014	2015	2016	2017	2018	2019	2020			
1.2.1. Gas sector compliant with the "third package" provisions	N/A	No										Reports from the sessions of the Government of Serbia Report from the Parliamentary session Official Gazette of the Republic of Serbia Utility Statutory Act	Ministry in charge for energy
1.2.2. System of obligatory emergency oil stocks established	N/A	No										Official Gazette of the Republic of Serbia Republic Directorate for Commodity Reserves reports	Ministry in charge for energy
1.2.3. Amount of oil in oil derivatives stocks	Million	N/A										Republic	Ministry in charge for

	Tonnes											Directorate for Commodity Reserves reports	energy
PRIORITY 2: Securing reliable, high quality and efficient energy supply chain													
Indicator	Unit	Baseline (2012)*	Target								Means of Verification	Institution in charge for reporting	
			2013	2014	2015	2016	2017	2018	2019	2020			
2.1. Installed capacity for electricity production	MW e	7,204										Energy balance(Official Gazette of the Republic of Serbia, Statistical Office) Energy Community Reports, Regulatory Energy Agency of Republic of Serbia reports IEA reports	Ministry in charge for energy
2.2. Net energy import dependency (percentage of total primary energy supply)	%	32,32										Energy balance (Republic of Serbia, Statistical Office) Energy Agency reports Energy Community Reports IEA reports	Ministry in charge for energy
2.3. Mid-Monthly Net Transfer Capacity-NTC (per border per direction)	MW	Full list available ²¹⁵										EMS reports Energy Community Reports	Ministry in charge for energy
2.4. Number of interconnectors (electricity)	Number	25										EMS reports Energy Community Reports Regulatory Agency Report	Ministry in charge for energy
2.5. Available Gas transport Capacities	Million Stm ³ da y	20.19										Reports of public company in charge of gas, Energy Agency of Republic of Serbia Report, Energy Community	Ministry in charge for energy

²¹⁵ Annual Report of Regulatory Agency

												Reports	
2.6. Number of interconnection pipelines (natural gas)	Number	2										Utility in charge for gas transport reports, Energy Community Reports	Ministry in charge for energy
2.7. Share of the renewable energy sources in the Gross Final Energy consumption (%) with sector breakdown (electricity, heat, transport)	%	19.98	17,8	19.3	19.7	20.9	21.8	23.1	24.3	25.6		Energy balance, Energy Agency of Republic of Serbia Report, Energy Community Reports, IEA Reports	Ministry in charge for energy
2.8. Gross final energy consumption	Mtoe	9.528	10.400	10.287	10.174	10.060	9.947	9.834	9.721	9.608		Energy balance, Energy Agency of Republic of Serbia Report, Energy Community Reports, IEA Reports	Ministry in charge for energy
2.9. Electricity distribution network losses (percentage of gross consumption)	%	13.45										Utility in charge for gas transport reports, Energy Community Reports	Ministry in charge for energy
2.10. Gas distribution network losses (percentage of gross consumption)	%	1.4										Reports of remote heating system, reports of business association "Toplane Srbije"	Ministry in charge for energy
2.11. Heat distribution network (percentage of gross consumption)	%	-										Energy balance, Energy Agency of Republic of Serbia Report, Energy Community Reports, IEA Reports	Ministry in charge for energy
MEASURE 2.1: Improving the security of energy supply in electricity transmission and gas transport enabling regional energy market integration													
Indicator	Unit	Baseline (2012)*	Target								Means of Verification	Institution in charge for reporting	
			2013	2014	2015	2016	2017	2018	2019	2020			
2.1.1. Incremental change in NTC (per border per direction)	MW	N/A										EMS reports Energy Community Reports	Ministry in charge for energy

2.1.2. Incremental change in gas transport capacity	Stm ³	N/A										Utility in charge for gas transport reports Energy Community Reports	Ministry in charge for energy
2.1.3 ENS (share of undelivered electricity due to the outages in total delivered electricity)	%	0.005										Energy Agency of Republic of Serbia Report EMS reports	Ministry in charge for energy
2.1.4. Indicator for the measurement of the quality of supply and delivery of natural gas ²¹⁶	TBD	N/A										Energy Agency of Republic of Serbia Report Utility in charge for gas transport reports	Ministry in charge for energy
MEASURE 2.2: Enhancing sustainable use of all renewable energy sources with focus on biomass													
Indicator	Unit	Baseline (2012)*	Target								Means of Verification	Institution in charge for reporting	
			2013	2014	2015	2016	2017	2018	2019	2020			
2.2.1. Installed heat only production capacity based on biomass under the support activities	MWth	0	0	0	18	18	37	56	75	100	Energy balance NREAP report Association of district heating plants annual report Ministry in charge of energy Project/ programme reports	Ministry in charge for energy	
2.2.2. Installed electricity production capacity based on biomass in CHP facilities	MWe	N/A	0	0	0	0	0	10	15	20	Energy balance NREAP report Ministry in charge of energy Project/programme reports	Ministry in charge for energy	
2.2.3. Installed surface of solar-thermal capacities under support activities	m ²	N/A									Project/programme reports	Ministry in charge for energy	
2.2.4. Installed heat production capacity based on geo-thermal energy under support activities	MWth	11.6	11.6	13.6	15.5	15.5	17.5	17.5	19	19	Project/programme reports Association of district heating	Ministry in charge for energy	

²¹⁶Regulatory energy agency in its Annual report for 2012 announces upcoming introduction of such indicator.

												plants annual report NREAP report	
2.2.5 Number of accreditations for control unit and certifications for laboratories which will supervise the use of biofuel in the transport sector developed under the support activities	Number	0										Official Gazette of the Republic of Serbia Annual report of Ministry in charge for biofuels	Ministry in charge for energy
2.2.7. Number of control units which will confirm sustainability criteria for biofuels and bioliquids	Number	0										Official Gazette of the Republic of Serbia Annual report of Ministry in charge for biofuels	Ministry in charge for energy
MEASURE 2.3: Increasing energy efficiency in district heating, public and residential building sectors													
Indicator	Unit	Baseline (2012)*	Target								Means of Verification	Institution in charge for reporting	
			2013	2014	2015	2016	2017	2018	2019	2020			
2.3.1. District heating systems efficiency improvements in district heating systems subject to support (measured as ratio of metered heat at the substations level in total thermal input of the plants)	%	77	78	80	82	83	84	85	85	85		Reports of Ministry in charge of energy District heating plant reports Programme implementation reports Association of district heating plants report	Ministry in charge for energy
2.3.2. Number of buildings improving at least 1 class of EP under the support activities	Number	N/A										Programme implementation reports Reports of Ministry in charge of construction Reports on implementation of Energy Efficiency Action Plan Reports of Ministry in charge of energy	Ministry in charge for energy
2.3.3. Average reduction of specific energy use in public buildings subject to assistance; absolute (kWh per square	KWh/m ² %	N/A										Programme implementation	Ministry in charge for energy

meter of heated space temperature weighted) and relative (% of baseline total consumption, temperature weighted)											reports Reports of Ministry in charge of construction Reports on implementation of Energy Efficiency Action Plan Reports of Ministry in charge of energy	
2.3.4. Number of households received grants/soft loans for building energy efficiency improvements and total amount of grants/soft loans disbursed under the support activities	Number	N/A									Programme implementation reports Reports on implementation of Energy Efficiency Action Plan Reports of Ministry in charge of energy	Ministry in charge for energy
2.3.5. Number of individual fuel wood heating devices replaced through support programmes	Number	N/A									NPEAR report Programme implementation reports Reports of Ministry in charge of energy	Ministry in charge for energy
2.3.6 Number of public ESCO ²¹⁷ s established under the support programmes	Number of companies registered for providing energy services (ESCO)	N/A									Reports of Business Register Agency, Reports on implementation of Energy Efficiency Action Plan, Reports of Ministry in charge of energy	Ministry in charge for energy
PRIORITY 3: Mitigating adverse impact of energy sector to the environment through reduction of pollution, soil remediation activities and preparatory activities aiming to facilitate future sustainable energy production												
Indicator	Unit	Baseline	Target								Means of	Institution in charge for

²¹⁷Energy saving company as defined in the Law on efficient use of energy

		(2012)*	2013	2014	2015	2016	2017	2018	2019	2020	Verification	reporting
3.1. Installations from energy sector from IPPC list exceeding ELVs ²¹⁸ prescribed in IPPC permit	Number	N/A	N/A	N/A	0	0	0	0	0	0	SEPA reports Environmental Inspectorate reports till establishment of continuous environmental monitoring IPPC department data	Ministry in charge for energy
3.2. ELVs exceeded in energy sector installations from IPPC list.	Number	N/A	N/A	N/A	0	0	0	0	0	0	SEPA reports Environmental Inspectorate reports till establishment of continuous environmental monitoring IPPC department data	Ministry in charge for energy
MEASURE 3.1: Decreasing pollution from the energy sector impacting air, water and soil quality												
Indicator	Unit	Baseline (2012)*	Target								Means of Verification	Institution in charge for reporting
			2013	2014	2015	2016	2017	2018	2019	2020		
3.1.1. Surface of remediated soil in support activities	ha	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	Programme implementation reports SEPA reports	Ministry in charge for energy
3.1.2. List of reduced/avoided/disposed quantities of polluting substances due to support activities (list per substance including CO2 reductions) in the energy facilities.	Substance dependent	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	Programme implementation reports SEPA reports Environmental inspectorate reports until establishment of continuous monitoring	Ministry in charge for energy

²¹⁸Emission limit values

B5.8. Aid effectiveness, efficiency and sustainability

In the period 2007-2012 the Energy sector received support of total €654 million²¹⁹, while total international support in the period 2001-2012 amounted to 1,277 billion €. ²²⁰ The needs of this sector considerably exceed the amount of international assistance received.

Total disbursement within **IPA component I** is amounting to € 77.4 million in the period 2007-2013 for the Energy sector (harmonization with EU Energy acquis implementation of requirements of the Energy Community Treaty, law enforcement in the field of industrial pollution control to enhance capacity for aligning legislation with the EU environmental directives especially for Industrial Pollution Prevention and Control (IPPC). Capacity building in developing and implementing regulatory policies and strategies and overseeing the necessary reform of the energy sector, strengthening the capacities of gas transmission system operator, promotion of measures to stimulate energy efficiency and use of renewables, protection of environment aimed at reducing emissions from thermal power plants in Serbia for improving air quality and water quality by building waste water treatment plants in line with EU directives, contributing to security of electricity supply in South Serbia, implementation of the energy component of the National Strategy for Sustainable Development. **The IPA Multi-beneficiary programmes 2007-2013** provided support for the Energy Efficiency Finance Facility (EEFF), the Infrastructure Project Facility including Technical Assistance, the Infrastructure Project Facility - Municipal Window, the Horizontal Support to Coordination with the International Financial Institutions (HSC) in the IPA beneficiaries and to Participation in the EFSE. Through the Strand II – Energy efficiency, priority was given to promotion of investments in energy efficiency and renewable energy in the SME and public sectors by capitalising on actions supported by the National programmes, which aimed at (i) increasing public awareness regarding energy efficiency and the potential for energy savings; (ii) implementing legislation with regards to the Directive on energy performance of buildings, and the energy end-use efficiency and energy services (including renewable energy). Also support was given to the Energy Community Secretariat. Currently, the support is focused on facilitating the access to finance for investments in priority infrastructure projects in the region, reflected in the development and implementation of relevant investment strategies. The promoting of investments in energy efficiency and renewable energy sources has emerged as a potential key driver of recovery from the economic crisis and sustained economic growth.

The bilateral donor community has been prominent in resourcing projects in energy sector, including Austria, Czech Republic, Germany, Japan, Netherlands, Spain, Sweden, Switzerland, Norway etc. Areas supported by the bilateral donors: strategic planning, and the foundations of expecting Law on efficient use of energy and improving municipal planning in energy efficiency (Norway), capacity-building for monitoring and evaluation of energy efficiency policy (Germany); study of energy management and Flue Gas Desulphurization Project for Nikola Tesla Power Station (Japan); modernization of the monitoring and control system in a thermal power plant (Switzerland); giving guidance on the implementation of EU renewable energy directives focused on biomass and bio fuels, but also Biogas and electricity/heat production from organic waste and Utilization of Geothermal Warmth for Heating Public Buildings in Serbia (Netherlands); while Spain funded feasibility study for GHG emission reduction, as well as Development of capacities to use and promote the solar energy in Serbia. Soft loans have been provided by EBRD, KfW (Germany) and the World Bank.

A recent SIDA Report on “Evaluation of effectiveness and efficiency of development assistance to the Republic of Serbia”²²¹ has found the **relevance** of the assistance to be **very high**, effectiveness has been better evaluated for the policy development projects and capacity building to regulatory bodies with support to the Energy Agency as positive example. In the case of the institution-building activities under ‘policy framework’ and ‘internal energy market’, the **efficiency** of resource use seems to be **high**: the benefits to Serbia not just immediately (in terms of objectives met), but also longer-term (assuming the outcomes are operationalized) are proportionately significant when compared with the inputs. While **impact** of the assistance has been evaluated as **low** partially also due to the relatively short period covered by the evaluation some positive examples are outlined such as the actions taken in Vrbas and Kula to improve municipal energy management, satisfy the upcoming law on rational use of energy and achieve savings. **Sustainability** of the assistance has been evaluated as **low** primarily due to the fact that regulatory framework for energy still falls short of fully sustainable system with tariffs below the level of cost recovery, and the costs of environmental damage not fully reflected in charges or a system of sanctions. EUD sector evaluation is on-going and will be finished during 2013, providing more insight into the aid effectiveness.

Evaluation report recommends that the strengthening of institutions responsible for policy, regulatory oversight and implementation (or reorganization, in the case of energy liberalization) should be synchronized with infrastructure development, given the two are inextricably linked. The major challenges for the next phase of ODA will be to advance

²¹⁹Source: Isdacon: <http://www.evropa.gov.rs/Evropa/PublicSite/index.aspx>

²²⁰ibid

²²¹ Evaluation of Effectiveness and Efficiency of Development Assistance to the Republic of Serbia per Sector (April 2013), SIDA

substantially (but not complete, as the timescales will run into the 2020s and beyond) the upgrading of environmental and energy infrastructure in a systematic, sequenced, and coordinated way.

Another recommendation from the evaluation states that in order to be financially viable on a long-term basis, the **pre-conditions** for these infrastructure investments will be: measurement and charging systems that reflects both usage (reducing over-consumption and supply inefficiencies) and full cost recovery; the break-up of state monopolies in energy to inject competition into pricing; creation and application of unified tariff system for production, distribution and supply of heating energy; expanding existing system of district heating, institutional system networking, promotion of energy sources alternation and their efficient use, raising capacities of LSG regarding market regulation and a social welfare policy that subsidizes poorer households to prevent the effects of sustainable pricing from driving up fuel and other forms of poverty.

B6 ENVIRONMENT AND CLIMATE CHANGE

B6.1. Scope and background of the sector

The scope of the Environment and Climate Change sector is defined to reflect national priorities, as well as the needs arising from the EU accession process driven by preparations to negotiate on chapter 27 Environment. The sector includes following subsectors:

- horizontal requirements (EIA, SEA, public participation, etc.);
- air quality;
- waste management;
- water quality;
- nature protection;
- industrial pollution prevention and control;
- chemicals;
- noise;
- climate change.

The Serbian Environmental and Climate Change sector, whilst having advanced in recent years, still needs significant improvement in order to fulfil European environmental requirements. The EC Progress Report for 2012 for Serbia²²², recognizing that some progress was achieved and Serbia has started to address its priorities in the field of the environment and climate change, calls for significant further efforts in order to implement the national legislation, especially in the areas of water management, industrial pollution control and risk management, nature protection and air quality. It also points out that the strengthening of the administrative capacity should remain a priority. Despite high levels of investment, due to the huge national needs, environmental infrastructure in Serbia needs additional investments and further enhancement.. This is particularly evident in subsectors like waste water collection and treatment, waste treatment and disposal, air pollution abatement.

Horizontal environmental requirements have been transposed into Serbian law to a great extent. The Environmental Impact Assessment (EIA) and Strategic Environmental Assessment (SEA) Directives have been fully transposed into national legislation and have been implemented; the Public Participation Directive was fully transposed in 2008 and subsequently implemented; transposition of the Environmental Information Directive is due with the adoption of the Law on ratification of the Protocol on Pollutant Release and Transfer Register to the Convention on Access to Information, Public Participation and Decision-making and Access to Justice in Environmental Matters, in October 2011. Systematic transfer of Responsibility Directive in environment has not started, but comparing domestic legislation with the Directive, it has been determined that 60% of it has been transposed. According to NPAA, the plan of transposition and implementation will be created by the end of 2014. A certain progress is visible in transposition of INSPIRE (considered as 18% transposed, planned for full transposition in 2020). The EC Progress Report for 2012 highlighted that recently some progress has been made with regard to horizontal legislation by adoption of the National Strategy for Sustainable Use of Natural Resources and Goods in 2012, the adoption of the National Environmental Approximation Strategy in 2011, and the ratification of the Pollutant Release and Transfer Register (PRTR) of the UN Economic Commission for Europe.

According to the Law on environmental protection and National Program for environmental protection (which implementation secures and enables planning and managing environmental protection) what follows is creating of five year action plan for realization of the National program.

Air quality. Monitoring and evaluation of air quality is fully operable by regulated implementation of Law on quality protection (OGRS 36/09 and 10/13) which implemented EU Directive 2008/50/EC (on Ambient air quality and Cleaner air for Europe) and other regulations to harmonize domestic and EU practice.

According to the results automatic air quality monitoring in 2011 and 2012 stated in the reports of Environmental protection agency, in every agglomeration, Belgrade, Bor, Nis and Novi Sad in 2011 the air was of III category – excessive air pollution (tolerance value were exceeded for one or more polluting matters). In agglomerations Belgrade, Bor, Kosjeric and Pancevo in 2012 air was of III category - excessive air pollution. Tolerance value in Belgrade were exceeded for concentration of suspended particles PM10 and nitrogen oxides; In Kosjeric and Pancevo these were exceeded for concentration of suspended particles PM10, and in Bor air was excessively polluted with sulphur dioxide.

²²²{COM(2012)600 final},

2011 results indicate exceeding Lv and Tv; Limit and tolerance values in 2011 were exceeded in 22 annual values from the total of 124 measured at 39 measuring stations. In 2012 the results indicate exceeding in Lv and Tv; Exceeding tolerant values (Tv) or exceeding limit values (Lv), of polluting matter in 2012 had 17 annual values out of total 114 measured in 41 measuring station.

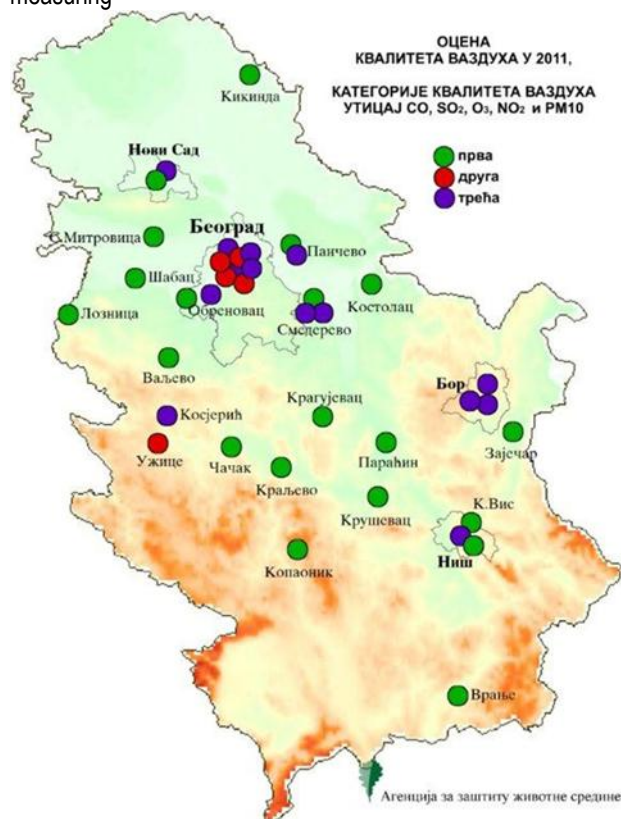


Figure 4. Categories of air quality in 2011 according to Article 21 of Law on air protection.

Belgrade and other urban agglomerations often had daily PM10 and nitrogen oxides above Tv, which testifies on presence of “polluted” and “very polluted” air. Dominant polluting matter in Bor is sulphur dioxide (Table B6.1).

Table B6.1. The rate (%) of air quality classes based on daily pollutants' concentration levels in 2011²²³

	Belgrade					Novi Sad					Nis					Bor				
	1	2	3	4	5	1	2	3	4	5	1	2	3	4	5	1	2	3	4	5
CO	93	4	2	1	0	97	1	1	0	0	95	3	2	0	0	100	0	0	0	0
SO ₂	84	9	6	1	0	99	0	0	0	0	97	1	0	1	0	37	7	11	12	33
O ₃	36	22	34	8	0	44	23	28	6	0	52	35	13	0	0	28	27	42	3	0
NO ₂	25	36	25	10	5	56	19	8	4	13	68	26	5	1	0	90	8	1	0	0
PM10	12	14	20	21	34	30	28	24	15	3	6	20	28	16	30	22	24	29	18	7
Excellent	1	Good		2	Acceptable			3	Polluted		4	Excessively polluted				5				

The suspended particles PM10 influence dominantly on air quality in 2011 and 2012 in all urban agglomeration.

The main sources of air pollution are transport and industry: thermal power plants, oil refineries, chemical facilities, metal and mineral industries. In addition, inadequate storage and disposal of by-products, such as ash from power plants and tailings from the open cast coal mines further contribute to the level of air pollution. Air pollution is mainly caused by outdated technology and lack of pollution abatement installations, as well as poor quality heating fuel in household installations. Transposition of EU Directives in the air sector is either completed or at an advanced stage, except in case of the Sulphur Content Liquid Fuel Directive where the level of compliance is quite low (6%). Most (95%) of the new Ambient Air Quality Directive was already transposed in 2009 (The Law on Air Protection), and compliance with the remaining

²²³Serbian Environmental Protection Agency, 2012

Directive provisions will be achieved through amendments of existing regulations scheduled for 2013. The implementation of the new Ambient Air Quality and Cleaner Air for Europe Directive is relatively advanced, as is the implementation of the 4th Daughter Directive (competent authority designated; zones and agglomerations established; assessment regime in place; system for assessing ambient air quality and for maintaining air quality where levels are lower than limits established). Notable progress in implementation has occurred through preliminary assessment of air quality in line with the Law on Air Protection and the establishment of a monitoring system in line with the Directive requirements. Moreover, local self-governments, in cooperation with the Ministry in charge of environment, are preparing a pilot plan for air quality in Belgrade, Novi Sad and Bor. The National Emission Ceilings Directive is partially transposed (75%) and some implementation measures have been introduced (relevant authorities have been identified, informational database has been established and penalties have been determined). Full transposition and implementation is determined by the ratification of the Gothenburg Protocol.

In spite of the fact that national legislation have been developed and defined and the strategy for **waste management** has been revised over the last couple of years, the provision of well-developed and properly equipped waste collection systems remains as one of the main challenges facing this sector. The total of generated household waste increased from 1.73 million tons in 2007 to 2.71 million in 2011. The collection rate of household waste has increased from 60% to 72%. So far, nine landfills complying with EU requirements have been built and are in operation, and the remaining waste is disposed on landfills without pre-treatment before disposal on sites that often operate without valid permits and are not equipped with leachate collection systems, bottom linings and landfill gas collection systems. Much of the municipal waste also goes to dumpsites. There are more than 3,500 dumpsites in Serbia. The existing level of recycling or re-use of waste is insufficient. It is estimated that recycling rate in Republic of Serbia has increased for 10%-15% comparing to the period before adoption of Law on waste management and all of its bylaws. In Serbia, most recycled of all hazardous waste are used oil, EE-waste, fluorescent tubes containing mercury, waste batteries, and in lower proportion end of life vehicles. Waste batteries (especially ones used in households) are barely recycled. Waste from chemical industry (organic and non-organic origin) is treated in only couple of plants by process of neutralization and solidification and hazardous contaminated waste packaging is treated by liquid nitrogen and solid carbon dioxide or by washing method. The new EU Directive on Waste 2008/98/EC that will repeal a number of waste directives is already transposed at 78%, mainly by the provisions of the Law on Waste Management²²⁴, the Law on Integrated Prevention and Pollution Control²²⁵, and certain by-laws. The transposition of the regulation of special wastes is also advanced (Batteries Directive 73%; Packaging waste 100%; PCB/PCT 70%; End-of-life vehicles 100%, etc.). Moreover, full transposition of the Landfill Directive was completed in 2010. However, the ROHs Directive is in initial phase of transposition with only 6% transposed so far, and the WEEE Directive transposition status is that 61.5% of reported legislative alignment has been carried out. The worst situation is in the area of mining waste: although the new Law on Mining and Geological Researches²²⁶ ensured certain progress in transposition of the Mining Waste Directive, the by-laws that should regulate issues relating to requirements, criteria, procedure and manner of disposal, management and categorization of mining waste, as well as reporting on mining waste, are still to be adopted.

The Republic of Serbia still faces many challenges in terms of **water quality**. Although the concentrations of surface water BPK5 indicators indicate that ammonia ion, nitrate and orthophosphate concentrations were mainly within the acceptable limits, water in the Vojvodina basin had 43% of samples categorized as '*extremely bad*' and '*bad*' water quality. Maximal tolerated concentrations and average annual concentrations of some heavy metals in the majority of lakes and water supply accumulations are over the tolerated limits. The water supply network consists of 33,228 km of pipes with some 79% of the country's population is connected to the public water supply (92% in Vojvodina). However, the quality of the water in the supply system suffers from high levels of pollution, the key sources being untreated industrial and municipal waste water, drainage water from agriculture, leachate from landfills, and pollution related to river navigation and the operation of thermal power plants. Approximately 67% of total wastewaters discharged into recipients are generated by households and 19% come from industry. Although increasing, the proportion of households connected to the public sewage network is still low: with only 36% in Central Serbia and 23% in Vojvodina. The rest of generated wastewater goes into septic tanks or directly into groundwater. The problems of wastewater are even more serious in industry and mining. Only 15% of total waste water gets treated at the level of primary treatment of which 11% also undergoes secondary treatment and 3% through tertiary treatment. Only 5% of industrial waste water is put through all the recognized stages of treatment (physical, biological and chemical). Waste water facilities exist in 21 municipalities (out of 219 registered agglomerations in Serbia); even the largest cities in Serbia (Belgrade, Niš and Novi Sad) release their waste water untreated into the receiving waters. As a result, some locations in the Republic of Serbia (e.g. Grand Bačka Canal, Palić and Ludaš lakes, wastewater canal in Pančevo) are heavily polluted by unprocessed industrial and communal wastewaters. Transposition of EU Directives in the water and wastewater sector is still limited and can be considered as a work in progress. The best results were obtained in the transposition of Water Framework Directive (80% of reported legislative alignment); Drinking Water Directive (76%); and Floods Directive (70%). The legislation on emission limit values (ELVs) for water pollutants and deadlines for complying with them, (as well as the parameters for ecological and chemical status of surface waters and of chemical and quantitative

²²⁴Official Gazette of the Republic of Serbia, No. 36/09, 88/10

²²⁵Official Gazette of the Republic of Serbia., No. 135/04

²²⁶Official Gazette of the Republic of Serbia, No. 88/11

status of ground waters) has been fully aligned. However, a lot still has to be done on further transposition of EU requirements regarding Urban Waste Water, Nitrates and Bathing Water Directive. When it comes to further transposition of EU requests regarding water quality standards and Ground Water Directive, it should be mentioned that not much work on these transpositions has left. Namely, Water Quality Standard (EQS for water) is regulated in our legislation by Regulation on limit values of polluting matter in surface and ground waters and sediments and deadlines for the achievement thereof (Official Gazette of RS, 52/12), which transposed the provisions of many EU directives regulating this field.

In addition, EQS for surface waters related to priority and priority hazardous substances are defined by Regulation on limit values of priority and priority hazardous substances which pollute surface water and deadlines for the achievement thereof (OGRS, 35/11). Currently the creation of Regulation on amending this Regulation is underway, which will transpose majority of requests from the directive 2008/105/EC.

This regulation is applicable with Rules on parametres of ecological and chemical status of surface waters and parametres of chemical and quantitative status of ground waters (OGRS, 74/11).

According to these regulations, monitoring of surface and ground waters and sediments has been applied in our country from 2012 and it is majorly harmonised with the Framework Water Directive: the completion of harmonisation is expected by the end of 2015. In addition, environmental protection is entirely regulated in our legislation by Regulation on limit values of polluting matter in surface and ground waters and sediments and deadlines for the achievement thereof (Official Gazette of RS, 52/12).

Namely, this Regulation stipulates EQS of basic parametres of ground water quality according to Directive 80/68/ EEC on ground water protection from pollution caused by certain dangerous substances, and obligation of performing basic (zero) measurement of polluting matter in ground waters in order to determine EQS of polluting matter minimal pollutant list defined by Directive 2006/118/EC on ground water protection and from pollution and deterioration in quality. In addition, this Regulation forbids indirect and direct emission of polluting matter from the List I and indirect and direct emission of polluting matter from the List II into ground water, during zero monitoring, according to provisions of Directive 2006/118/EC.

Current problems in **nature protection** mostly lie in inefficient management practices in protected areas, including the conflict of interest for sustainable use of resources, inefficient planning and budgeting, etc. The biological diversity of Serbia, both in terms of ecosystems and species is extremely high. *The total area of protected land in Serbia is 527,152 ha, including five national parks (30% of total protected land area), 14 nature parks (30%), landscape parks, and nature reserves (18%), cultural monuments and areas of cultural and historic importance.* Currently, 5.91% of the Serbian territory is under some form of protection. In the period 1980 – 2006 average rate of protection was 13,000 ha annually, but this has significantly decreased over recent years. The Spatial Plan for Serbia (2010)²²⁷ declared a target of 10% protected land until 2015 and 12% until 2021. However, the potential 61 EMERALD areas are estimated to cover 1,019,269 ha, which constitutes 11.54% of total area of the Republic of Serbia and a by-law for their classification was passed in 2010. Moreover, the government has almost fully harmonized national regulations with EU nature protection directives (95 – 100% harmonized) and initiated NATURA 2000 network identification.

Industrial pollution in Serbia has significant impacts on the environment and on health. 75% of the inorganic discharges are generated by 10 of about 250 industrial installations – in particular, the steel factory in Smederevo, the Nikola Tesla A and B thermal power plants in Obrenovac, the non-ferrous metallurgy plant Zorka in Šabac, the Kostolac thermal power plant, the Bor and Sjenica mines, and the Kolubara open-pit mine. The main point sources of organic discharge in Serbia are around 130 pig farms representing 1.2 million head. The Government is currently in the process of harmonizing national legislation with European directives in this sector: Certain provisions of the Industrial Emission Directive have been transposed by transposition of previous directives from this field. The IPPC directive is fully transposed; the majority of the VOCs Solvent Directive is transposed and the transposition of the Industrial Emission Directive is already well advanced. However, the SEVESO Directive is still not yet fully transposed, although some progress has been made. The majority of the EMAS regulation is still missing. EU Progress Report for 2012 highlighted that the integrated approach to permitting must be further institutionalized and the administrative capacity strengthened.

The area of **chemicals** is reported to be almost fully regulated in accordance to the EU legislations and requirements. However, when EU created new regulation on biocidal products applicable from 1. September 2013, some further harmonisation in biocidal products has become necessary. Besides, since relevant EU legislations constantly adapt to scientific and technical development, it is necessary to ensure continual monitoring of harmonisation of national legislations. The procedures centralised in EU are not used in Serbia. These procedures are chemical risk assessment and risk assessment of active substance in biocidal product. However, biocidal products risk assessment is performed nationally, therefore defined by national legislation. Regulatory risk assessment of biocidal products is based on procedures which have not been done in our country by far and specific professional knowledge. Adequately trained people are crucial for these procedures. Therefore, further strengthening of institutional and administrative capacities is necessary, with special emphasis on building capacities for risk assessment.

²²⁷Official Gazette of the Republic of Serbia, No.88/2010

Law enforcement has improved with the implementation of annual plans for the inspection related to appropriate application of provisions which regulate chemicals management. After changes of the Government and amendment of the ministry law, Agency for Chemicals has been abolished and its responsibilities have been transferred to the Ministry in charge of environment. Noise in environment is a growing issue in Serbia, especially in cities. The main cause of noise are traffic and industry. In 2002 EU member states passed the Environmental Noise Directive²²⁸, which envisages strategic noise mapping, and relevant action plans. Serbian legislation on **noise protection** is fully harmonised with the EU regulations, however the implementation is still to be strengthened, particularly in the area of strategic noise mapping and the drawing-up of corresponding action plans.

Climate change. Serbia has been a member of the UN Framework Convention on Climate Change since June 2001. The Kyoto Protocol came into force in January 2008. The provisions of major multilateral agreements, including the Vienna Convention and the Montreal Protocol are also fully transposed into national regulation. The Initial National Communication of the Republic of Serbia was adopted by the Government and submitted to the UNFCCC in 2010, whilst preparation of the Second National Communication started in September 2012 and it should be finalized not later than in June 2015. According the Initial National Communication, the total Green House Gas (GHG) emissions in the referent year 1990 (not taking into account the amounts removed by forests) was 80,803 GgCO_{2eq}. Total GHG emissions per capita in 2004 were reported as under 5 tons of CO_{2eq}, i.e. around 40% of the EU25 average, or 70% of the SEE country average²²⁹. The largest share came from the energy sector (77.69 % of total emissions) and agriculture (14.64 %). The emissions from municipal dumps and from sludge waste were collectively 2.39 % of the total GHG emissions. The total carbon dioxide emission in 1990 was 62,970Gg, of which 84.1 % originated as a result of fossil fuel combustion in the energy sector. The total GHG emissions in 1998 had a significant trend of decrease (-21.8%) in relation to 1990. There was an increase in mean annual temperatures in almost all parts of Serbia, except southeast part of the country, up to 0.04°C/year. A decrease in precipitation was observed in winter and spring in northern and eastern Serbia. Assessment of climate change in the future obtained by regional climate model integrations show that further annual mean temperature increases can be expected. As noted in the EC Progress Report for 2012, there is a need for setting a more strategic approach for the country. To date, there is no comprehensive strategic document dealing with climate change, however, the preparation of a national Climate Change Strategy is expected to start in 2013. In addition, the level of integration of climate change into national development strategies (including both comprehensive and sectorial) is still insufficient (with the exception of the National Sustainable Development Strategy). There is a lack of capacity and absence of some data for the establishment of a GHG inventory; furthermore there are insufficient studies of climate change impacts and the possibility of adaptation to changed climate conditions. Even though the national Regulation on the methodology for data collection for the preparation of a GHG inventory has been adopted by the Serbian Government, a system for economy-wide and systematic data collection on GHG emissions (and other information relevant to climate change) has not yet been fully established and needs to be improved in order to align with EU requirements on monitoring, reporting and verification. The EC Progress Report for 2012 when referring to climate change highlights that limited progress was achieved in alignment with the climate *acquis*. Transposition of the Emission Trading Directive has not yet started; transposition of Geological Storage of Carbon Dioxide Directive was initiated by the adoption of the Law on Mining and Geological Researches, and it is assessed as being only 17% transposed; a similar situation exists with the transposition of the Quality of Petrol and Diesel Fuels Directive. Although initial steps to identify stationary installations for the purpose of future implementation of an emissions trading system were taken, further efforts should be made. In the case of Consumer Information Directive, implementation has not yet started, as there is no legal background in existing legislation, which could provide a basis for the implementation of Directive provisions.

Proper institutional and administrative capacity to implement, monitor and enforce environmental and climate change legislation is still a “work in progress” and should be improved. The administrative capacity of governmental institutions needs to be improved in the area of environmental protection. Water issues are split across several ministries and agencies. A relevantly good cooperation has recently been established between these institutions although there still is an issue about overlapping of competences and unclear definition of competencies in the areas covered by the ministries, especially ministries in charge of energy, development, environment, agriculture, forestry, water management, natural resources mining and spatial planning. The EC Progress Report for 2012 stressed that “*the strengthening of the administrative capacity should remain a priority for Serbia*”. Particular attention should be paid to local self-governments and their role in the implementation of environmental legislation. The process of decentralization brought a whole spectrum of new environmental responsibilities to the local government level and this process is expected to continue. Local environmental institutions should be given particular attention in future capacity building and strengthening.

Environmental investment in Serbia is low. The major sources of financing for the environment and climate change sector are the state budget and incomes from fees. Currently the estimated expenditures of the budget of the Republic, AP Vojvodina and towns and municipalities budget for environment are 0.3% of GNP. In the period of 2007 -2012, 275M€ were allocated through all types of development assistance. The peak of absorption was achieved in 2011 with 46.62 M€.

²²⁸ Directive 2002/49/EC

²²⁹ Data from the Fourth Assessment of European Environment (European Environment Agency)

According to the National Programme for Environmental Protection, expenditure in environment protection should grow up to the level of 1.2% of GNP by 2014 and up to 2.4% of GNP by 2019. These projections are based on a 5% GNP annual growth rate and are seriously threatened by current macroeconomic trends. Moreover, the recent abolishment of the Environment Protection Fund and significant reduction of Budget funds for waters of Republic of Serbia has made environmental investment more complicated.

B6.2. Strategic framework

National Strategic Framework

Based on the main strategic documents for the sector, which are presented in Annex 1, sector and SWOT analysis the priorities for the sector are grouped in a way to reflect three main types of actions following the principle of concentration:

- (vi) **Full and high quality approximation to the EU environmental and climate change acquis** – EU environmental policy is very extensive, covering all most important environmental and climate change aspects. Approximation process requires complete updating of the national environmental legislation, establishment and strengthening of institutional system, planning and development of costly environmental infrastructure. Serbia is aiming to implement environmental chapter requirements by 2019 except these having transitional arrangements (mainly related to implementation of high cost directives). Such goal establishes very tight timetable for large number of activities. Despite considerable progress has been made in transposition of the environmental Acquis, much efforts are still needed to finalise transposition process and ensure of implementation of transposed requirements. Only demands for investment into waste and water infrastructure makes about 4 billion Euro (even significantly more by some analysis). Therefore the National Environmental Approximation Strategy requires that the implementation would be focused on EU requirements and work on approximation and on implementation of the Acquis would have a priority over other national agendas including necessary reallocation of financial and staff resources to reflect this preference.
- (vii) **Combating climate change** – Serbia as all other countries in the region is exposed to climate change effects, including droughts, floods and other disasters. Although there is as yet no strategic framework, the country is taking actions to develop adaptation policies and contribute to global actions in reducing greenhouse gas emissions. Number of important actions for mitigation and adaptation are foreseen in the Initial National Communication of the Republic of Serbia under the United Nations Framework Convention on Climate Change. This document foresees activities in establishing better information basis by improving statistics and updating inventory of greenhouse gases, establishing climate change impact monitoring and reporting. Vulnerability assessment is completed for various sectors in order to enable a better inclusion of climate change issues in other sectorial policies, establish policies and instruments in different sectors for mitigation of consequences and adaptation to changed climate conditions and prepare economy sectors to participate in Kyoto protocol mechanisms. Raising public awareness about climate change will support the implementation of climate change policies. In order to guide and organise national efforts in more efficient way Serbia is developing the Second National Communication of the Republic of Serbia under the United Nations Framework Convention on climate change and it has initiated creation of National Climate Change Strategy.
- (viii) **Environmental quality** - Serbia is aiming for implementation of wide agenda of measures improving environmental quality. This includes ensuring that drinking water in settlements meets quality standards of the EU Drinking Water Directive, extension of centralised water supply to selected rural areas with the most unsatisfactory water quality, improvement of water quality in water courses by reducing discharges of untreated industrial and municipal wastewater by extension of sewerage system to cover 65% of population by 2019 and providing wastewater treatment in agglomerations having significant impact on the recipient waters, especially in sensitive areas. It is aimed to introduce separation and treatment of hazardous household and industrial waste as well as other special waste streams, provide regional municipal waste management centres in each region in accordance with the EU Landfill Directive, encourage waste recycling, close and re-cultivate existing non-compliant landfills and dumpsites. Goals are established to improve air quality by decreasing emission from energy, industry and transport sector, to establish ambient air quality in accordance with EU Directives in particular taking action in agglomerations where limit values are exceeded, to strengthen institutional and administrative capacities for air quality and climate change issues. Establishing eco-corridors, specific safety zones, monitoring and prevention of effects from economic activities, preservation of protected plant and animal species, will protect rich biodiversity of the country. It is also aimed to improve management systems in protected areas and further extend network of protected areas.

NAD Priority “*Create and strengthen policy, regulatory, financing and monitoring mechanisms for ensuring sustainable development including awareness raising in regard to environmental issues*” contributes to sector priority (i) listed above.

NAD Priority “*Support climate change adaptation, mitigation and risk prevention*” is in line with sector priority (ii) listed above.

NAD Priority “Ensuring environmental sustainability through sound management of natural resources and reduction of pollution” is in line with sector priorities (i) and (iii), listed above.

When developing measures for implementation of priorities, following targets set in the National Environmental Approximation Strategy were taken into account for the period 2014 - 2020:

- To transpose the EU environmental requirements into national legislation by 2014 and fully complete the process not later than 2019
- To establish required institutions by 2016 and complete capacity building programme no later than 2019
- To implement EU requirements by 2019 except of these with agreed transitional periods
- To make substantial progress in establishing environmental infrastructure until 2020 and complete development of infrastructure by 2030

Regional and transnational strategies

In the **EU Strategy for the Danube region** environment is one of the challenges: the Danube Region is a major international hydrological basin and ecological corridor. The pillar II: Protecting the Environment in the Danube Region focuses on three Priority Areas: (1) To restore and maintain the quality of waters; (2) To manage environmental risks and (3) To preserve biodiversity, landscapes and the quality of air and soil. The Strategy proposes an Action Plan targeted to achieve the environmental targets set out in the Danube River Basin Management Plan, reduce the nutrient levels in the Danube River, implement Danube wide flood risk management plans achieving significant reduction of flood risk by 2021, taking into account potential impacts of climate change, draw up effective management plans for all Natura 2000 sites, reduce the area affected by soil erosion. Serbia adopted a governmental decision in 2010²³⁰, which defines its priority pillars for the Danube Serbia Region, aiming to achieve objectives of environmental protection and sustainable utilization of natural resources.

EU documents and international agreements related to the sector

The European Partnership with Serbia from 18 February 2008 (2008/213/EC) (under: Sectorial policies – Environment) sets out a number of short and medium term priorities, including: strengthening of the administrative capacity within the relevant government bodies and further alignment with EU standards in the environmental sector, with the emphasis on implementation of environmental policy. **The Stabilization and Association Agreement** (Title VIII, Cooperation policies, Article 111 – Environment) states that cooperation shall be established with the aim of strengthening administrative structures and procedures to ensure strategic planning of environmental issues and coordination between relevant actors and shall focus on the alignment of Serbia's legislation to the Community *acquis*. Special attention shall be paid to the implementation of the Kyoto Protocol. Under **Article 116**, financial assistance may cover all sectors of co-operation, paying particular attention to “*approximation of legislation, economic development and environmental protection*”. By adhering to the **Energy Community Treaty** signed in October 2005, Serbia agreed to respect EU environmental *acquis* and Kyoto protocol.

Convention on protection of trans-boundary watercourse and international lakes of the United Nations Economic Commission for Europe (UNECE) (ratified by Serbia in 2010) is the base of cross-border cooperation regarding waters, both bilateral and multilateral.

B6.3. EU agenda

“*Sustainable growth*” - promoting a more resource efficient, greener and more competitive economy - is one of the main priorities of **Europe 2020**. This is reflected in one of the seven flagship initiatives put forward by the EC, namely “**Resource Efficient Europe**” which sets out an agenda to make Europe's economy more sustainable by 2050 with the aim of decoupling economic growth from the use of resources, supporting the shift towards a low carbon economy, increasing the use of renewable energy sources, reducing CO₂ emissions and promoting energy efficiency.

A common approach to the follow-up to Rio+20 (in particular the Sustainable Development Goals and the review of the Millennium Development Goals- MDGs) is proposed in the EC Communication entitled “**A Decent Life for All**”. The overall objective of this new post-2015 framework should be to ensure a “*decent life for all*” by 2030, ending poverty in all its dimensions (economic, social, environmental) and giving the world a sustainable future. This framework would include a limited set of goals covering basic human development (based on updated existing MDGs and also reflecting issues such as social protection), drivers for sustainable and inclusive growth and development to ensure structural transformation of the economy, the creation of productive capacities and employment and the transition to an inclusive green economy capable of addressing climate challenges, and the sustainable management of natural resources.

²³⁰ Participation of the Republic of Serbia in the Development of an Overall EU Strategy for the Danube Region, 10 June 2010

Other important initiatives shaping EU policy in environment and climate change include the EU **Biodiversity Strategy** which aims to halt the loss of biodiversity and ecosystem services in the EU by 2020 and a strategy for water - the **Water Blueprint** with a time span which stretches to 2050 which aims to ensure that a sufficient quantity of good quality water is available to meet the needs of citizens, the economy and the environment throughout the EU. The Water Blueprint outlines actions on better implementation of the current water legislation, more effective integration of water policy objectives into other policies as well as filling some gaps, in particular regarding water quantity and efficiency.

The European Commission has proposed a new Environment Action Programme for the EU "**Living Well, Within the Limits of our Planet**". It will guide environment policy up to 2020. Protecting natural capital, encouraging more resource efficiency and accelerating the transition to the low-carbon economy are key features of the programme, which also seeks to tackle environmental causes of disease. The programme contains 9 priority objectives, including protection, conservation and enhancement the EU's natural capital, turning the EU into a resource-efficient, green and competitive low-carbon economy, safeguarding the EU's citizens from environment-related pressures and risks to health and well-being. Actions also will be taken to maximise the benefits of the EU's environment legislation, improve the evidence base for environment policy, to secure investment for environment and climate policy.

Initiatives under way include a review of air policies, preparations for a comprehensive package on waste, discussion on the Common Agricultural Policy proposals containing 3 main environmental elements, namely: cross -compliance rules, 'greening' and rural development.

Environmental Acquis - Based on six Environmental Action Programmes the EU has adopted some 200 pieces of environmental legal acts aimed at improving the quality of the environment. This environmental *acquis* is summarised in Chapter 27, which includes the following legislative areas: (i) horizontal requirements, (ii) air quality, (iii) waste management, (iv) water quality, (v) nature protection, (vi) industrial pollution prevention and control, (vii) chemicals, (viii) noise, (ix) climate change. Currently, for the purpose of monitoring progress, Serbia is requested by the EC to report on the implementation of more than 80 directives and regulations, essentially this constitutes the main national approximation agenda for this sector.

Some problematic areas for national approximation to the EU environmental *acquis* and the activities foreseen to implement EU requirements foreseen in the **NPPA** include the following:

Horizontal Legislation - This cross-sectorial part of the EU environmental *acquis* needs to be fully implemented by the date of accession and will require significant development in national capabilities. Horizontal legislation includes major pieces of legislation related *inter alia* to environmental impact and strategic environmental assessments; public participation in the decision-making process; and access to information on environmental matters. Under this sub-sector, besides an extensive legislative programme, the **NPPA** foresees a number of important policy actions including: (i) the adoption of the Action Plan for the Implementation of the National Environmental Protection Programme for a five-year period (in compliance with the relevant EU strategic documents which include the Sixth EU Environment Action Programme, the EU Sustainable Development Strategy, the Millennium Development Goals and the Rio Declaration); (ii) adoption of the National Spatial Data Infrastructure Strategy for the period 2013-2015; (iii) adoption of the Programme for Managing the National Information System for Environmental Protection; (iv) establishing systematic monitoring for sustainable production and consumption; (v) development of guidelines on public participation in decision-making in environmental matters; (vi) development of a manual on legal protection in environmental issues. Information related activities are foreseen to be guided by the development of the '*Integrated Strategy for the Establishment of a National System of Environmental Monitoring in the Republic of Serbia*'.

Air Quality - Challenges include reducing emissions from stationary sources such as power plants and local district heating installations, adapting oil refineries to meet EU standards, control of volatile organic compound emissions resulting from the storage of petrol and its distribution, reinforcing institutions for monitoring and data collection, addressing growing pollution from traffic in the cities. Responding to challenges of this subsector the **NPPA** foresees the development of number of legal acts and other actions which will create a regulatory basis for implementation of requirements including (i) the revision of the existing '*Regulation on Limit Values of Pollutants in the Air*'; (ii) the adoption of the '*Regulation on Limit Values of Pollutants into the Air from Stationary Pollution Sources other than Combustion Plants*'; (iii) the establishment of the categories of air quality in the zones and agglomerations on annual level through the adoption of the '*Regulation on Categories of Air*'; (iv) the adoption of the air quality plan for the agglomeration of Bor and the development of air quality plans for the cities of Belgrade and Novi Sad; (v) the adoption of the '*National Programme for Gradual Reduction of Maximum Annual National Emissions of Pollutants*'; (vi) the adoption of the '*Plan for the Implementation of EU Legislation Relating to the Sulphur Content of Certain Liquid Fuels*', (vii) the adoption of a system for control and monitoring of the liquid fuel market.

Waste management – Implementation of the Landfill Directive requires important investments for the establishment and /or upgrading of landfill sites. Other challenges include implementation of packaging waste requirements on standards for the design of packaging and specific targets for the recycling and recovery of waste packaging, waste electrical and electronic equipment legislation requiring the establishment of a system for collection, recycling and recovery of electrical goods and specified targets for managing other waste streams. The **NPPA** foresees the development of the '*Implementation Plan for the Landfills Directive*', which will include an assessment of all the infrastructure needs for land-filling of waste, and will also include important actions for implementation of the Waste Framework Directive and requirements for dealing with packaging

waste. Packaging waste management will further be addressed by adopting the 'Regulation on the Establishment of a Plan to Reduce Packaging Waste' (2014-2018). The NPAA foresees the development of plans for the management of specific waste flows such as electrical and electronic waste, used batteries and accumulators, waste oils and asbestos. Priorities for investment in the waste management sub-sector are related to the development of infrastructure for the establishment of regional waste management systems.

Water - Major investment programmes are required for the management of wastewater and for improving the quality of drinking water. Implementation of the Water Framework Directive requires heavy preparatory work and a strong institutional set-up. Challenges also include implementation of the Nitrates Directive particularly defining vulnerable zones and establishing action plans to be implemented by farmers. Combating relatively slower progress in the water sector the NPAA foresees extensive measures for legal transposition and implementation planning. Activities include development of the '*Strategy for Water Management in the Territory of the Republic of Serbia*', which will establish the long-term directions for water management. This strategy will be followed by the adoption of the Water Management Plans. Few plans for water management will be created, one of which will be the Danube river basin management plan prepared by ministry in charge of agriculture, forestry and water management –Water Directorate, while others are prepared by Srbijavode, Vode Vojvodine and Beogradvode for the basin areas of their competence according to the Article 34 of the Law on Waters (OGRS 30/10. and 93/12). The plans for implementation are expected for the following: Urban Waste Water Treatment Directive (91/271/EEC), Nitrates Directive, Water Pollution Prevention Plan and Flood Risk Management plan. It should be emphasised that implementation of ELV Directive and general water preservation significantly depend on Water Pollution Prevention Plan. Ministry in charge of agriculture, forestry and water management –Water Directorate (one of the examples of good cross-ministerial cooperation) is competent for its preparation according to the Law on Waters (OGRS 30/10 and 93/12); passing the Law on Waters was planned for the end of 2012 but it was delayed for the end of 2014. Measures are also foreseen for strengthening of administrative capacities including establishing of the National Water Conference which will enable the participation of the public in water management decisions for each water area, strengthening inspection capacities to perform supervision of the quality of discharged waste waters and the quality of ground waters, extending monitoring network and providing improved legal basis. Attention will be focused for the implementation of investment projects in agglomerations above 2000 PE (population equivalents).

Industrial Pollution Control and Risk Management - The Directive on Industrial Emissions concerns a large number of firms and installations and large-scale investments which need to be made compliant with the requirements of the Directive. The NPAA foresees further transposition of the industrial pollution requirements into the national law including (i) the development of an approach for the harmonization of national legislation with EU legislation in the scope of the new Industrial Emissions Directive; (ii) the development of a programme for the prevention and control of industrial pollution; (iii) the management of chemicals aimed at decreasing industrial pollution and commencement of operations in accordance with the terms prescribed by integrated permits; (iv) creation of conditions for the implementation of the EMAS system. As a capacity building measure, it is foreseen to develop examples of three integrated permits for selected industrial facilities. In addition, a number of planned measures are related to the implementation of the Seveso Directive including identification of Seveso facilities, (i.e. plants, the activities of which can result in chemical accidents with cross-border effects), strengthening of capacities to develop Safety Reports and Emergency Plans for three Seveso facility operators.

Nature Protection - The definition and designation of Natura 2000 sites has proved to be very difficult, this is coupled with the poor implementation of existing laws on nature protection. The Natura 2000 network is a key component in the protection of the rich bio-diversity and ecosystems of the countries and needs to be completed by the date of accession. The NPAA foresees the adoption of a revised '*Strategy on Biological Diversity*', the harmonization of the methodology for defining indicators in the field of biodiversity, forestry, hunting and fishing in accordance with the requirements of the Birds Directive and the Habitats Directive, development of a methodology for mapping types of habitat and species from the directives annexes and training of teams for the mapping types of habitat and species, improvement of the NATURA 2000 information system, development of a draft list of potential NATURA 2000 locations, capacity building for efficient implementation of CITES requirements.

During the period 2014 – 2016, the main focus of the NPAA is to finalise transposition of the environmental *acquis*, prepare planning documents to guide implementation, establish and strengthen the administration and to further progress with the development of required infrastructure.

Concerning Chapter 22 Regional Policy and Coordination of Structural Instruments, the Government of the Republic of Serbia and the European Commission signed the Framework Agreement on 29 November 2007 validated in the National Assembly of the Republic of Serbia on 26 December 2007 by adoption of the Law Ratifying the Framework Agreement²³¹ 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

²³¹Official Gazette of RS - International Agreements, no. 124/07).

Assistance under the Instrument for Pre-accession Assistance (IPA). The Serbian Government adopted the Regulation on Decentralized Implementation System²³² for managing the European Union development assistance funds under IPA.

Five components from the current regulation for 2007-2013 cycle, in period 2014-2020, are changed into policy areas: (a) the transition process towards Union membership and capacity building; (b) regional development; (c) employment, social policies and human resources development; (d) agriculture and rural development and (e) regional and territorial cooperation. The main principle of IPA II will be Sector Approach.

The EU priorities for IPA II will be defined in the Common Strategic Framework (CSF) aiming at better alignment of financial assistance with EU enlargement policy. The priorities for individual countries will be identified in the Country Strategy Paper (CSP) prepared by the European Commission and the basis for will be NAD and relevant national sector strategies.

B6.4. Overall objectives and priorities in the sector (2014-2020)

A SWOT analysis of the Environment and Climate Change sector has been undertaken in addition to the situation analysis presented in the previous sections in order to set out the long term objectives, medium term strategic priorities, realistic and targeted measures. This analysis is presented below.

<i>Strengths</i>	<i>Weaknesses</i>
<ul style="list-style-type: none"> • ; Basic/roof strategic documents are established • Most of EU framework legislation transposed, basic legal framework established • Coordination mechanisms established for Chapter 27 Environment 	<ul style="list-style-type: none"> • Division of responsibilities among several institutions making coordination process difficult • Lack of Action Plan for realisation of National Environmental Protection Programme • Lack of tactical and operational level documents, which would allow to produce high quality pipelines of investment projects and guide institutional activities and investments • Lack of planning documents and identified policies in water sub-sector • Lack of reliable statistics on environment and climate change • Unclear financial mechanisms for environmental protection (including implementation of polluter pays principle) • Insufficient capacities and capabilities for project and financial planning • Weak capacities at local self-government level to manage, finance and implement competences passed by laws in environmental sector • Insufficient guidance and support to municipalities from central government in particular regarding implementation of investment projects
<i>Opportunities</i>	<i>Threats</i>
<ul style="list-style-type: none"> • Assumed leading role for chapter 27 from the institution responsible for environment and established institutional structure for internal and external coordination • Availability of financing from EU /bilateral funds and development banks for environment • Establishment, consolidation and acceleration of the EU accession process for chapter 27 	<ul style="list-style-type: none"> • Unclear financing mechanism and under-financing of environmental infrastructure projects • Unclear start of EU negotiations and slowdown in EU approximation process • Lack of stability and changing policies in sectors which require long term planning (e.g. waste management) • Lack of stability in administration responsible for the sector • Lack of progress in establishing decentralised implementation system • Lack of capacity to take decisions and set priorities for actions

²³²Official Gazette of RS Nos 70/2011, 49/2012

To reflect the above and to guide the future programming of assistance programmes, the overall objective for this sector is formulated as follows: **To improve environmental quality by means of: aligning policy and regulatory mechanisms with the EU environmental acquis; more responsible management of natural resources and developing environmental infrastructure.**

The implementation of the above objective requires that available resources should be concentrated on measures which will allow addressing the most acute pollution problems and will allow the country to prepare for negotiations and implementation of most EU requirements for this sector. Such actions are proposed under three priorities, these are described below:

Priority 1. Creating and strengthening policy, regulatory, financing and monitoring mechanisms for ensuring sustainable development including awareness rising in regard to environmental issues

During the last decade the country developed a number of important policy documents which ensure strategic guidance in the sector. It is very important, that tactical and operational planning supports this strategic guidance and helps to target actions so as to ensure the more efficient use of resources. Policy implementation is directly related with the regulatory mechanism. Ambitious national environmental policy goals and related activities towards EU accession call for a substantial revision of the regulatory framework, particularly in terms of the adoption of laws for the transposition of EU requirements and for the strengthening of enforcement capacities. Much has already been done in establishing the required framework, but some needs remain particularly in relation to the development of secondary legislation. One major challenge is the management of infrastructure development. As estimated in the NEAS, the water and waste management sub-sectors alone require some 4 B€ billion EUR of investments to comply with the EU requirements. The scale of investment needed calls for the reassessment of all infrastructure needs and the development of sound environmental financing mechanisms for the identification, preparation and implementation of investment projects, both at central and local levels. Priority setting and sound decision making, requires reliable information and related monitoring and data processing capacities. Information is also an important part in awareness rising. Public support for Governmental goals in the Environment and Climate Change sector is an essential part making all plans implementable.

Priority 2. Supporting climate change adaptation, mitigation and risk prevention

Apart from activities aimed at reducing GHG emissions, for Serbia it is of vital importance to carry out research in relation to assessing national vulnerability to global environmental change and to confront the probable consequences of climate change through adaptation. Adaptation is a cross-cutting issue which must be taken into consideration in policy documents of many sectors, such as natural resources, agriculture, energy, transport, water to the effects of climate change. Support is needed to tackle this issue in a systemic, continuous and coordinated way; first of all, by improving information basis for decision making, developing strategic documents in this sector and integrating climate change into sectorial policies. Strategic documents will provide guidance on most important actions to be taken including development of infrastructure where necessary. Mitigation and risk prevention actions such as measures to reduce emissions, prevent or reduce impacts of floods, droughts and other climate change effects will require substantial financial resources for both soft and hard measures and well-targeted donor assistance will be essential in this respect.

Priority 3. Ensuring environmental sustainability through sound management of natural resources and reduction of pollution

Natural resources are very vulnerable assets and need special attention in terms of their protection and use. Serbia's natural habitat, bio- and geo-diversity must be conserved, while its land, water and air must be protected from the detrimental effects of daily activities performed particularly in the energy, transport and industrial sectors, but also by households. Excessive use of natural resources brings into question the aspect of sustainable development, especially regarding renewable resources. It is of the utmost importance to ensure that people receive clean water to drink; that industry can access water supplies for production; that the management of all waste is efficient, sustainable, and (in the case of hazardous waste) safe. The priority of protection and sustainable use of natural resources is realised primarily through creation and actualisation of action plans, programmes and projects for separate resource or good – by spatial mapping and monitoring of separate resources and goods, which enables more efficient management of protected areas, bio-resources and natural goods. Huge investments are needed to extend and modernize Serbia's out-dated environmental infrastructure. Additional investment programmes are necessary to prevent the existing run-down water supply and wastewater systems from deteriorating further. This task is also related to achieving progress in the implementation of EU requirements in particular, heavy cost directives. It is estimated that for water and waste management infrastructure there is a need for an annual investment of about 235 M€ in order to achieve the implementation of the Landfill and Urban Waste Water Directives by 2030. Such demands call for a very selective approach to eligible sectors and projects. Considering the high demands for investment it will be important to achieve an indicative division of resources between the sub-sectors which would allow for the better planning of investment project pipelines and for the timely preparation of projects for financing. On the basis of needs analyses in the sub-sectors it is estimated that for the period until 2020 about 30% of investment resources should go to implement waste management requirements and the remaining 70% should be allocated to water and waste water management. While meeting large demands for environmental investment all possible financing sources will be taken into account, including grants and loans from national and international institutions, beneficiaries' own resources, private sector

resources. Where possible and feasible in waste management sector, priority will be given to private sector participation in order to save public resources for other environmental investment.

B6.5. Sector measures for implementation of priorities in the sector

Priority 1 - Creating and strengthening policy, regulatory, financing and monitoring mechanisms for ensuring sustainable development including awareness rising in regard to environmental issues

Measure 1.1. Strengthening multiannual planning, legal reforms and institution-building related to environmental protection

This measure will support completion of the strategic framework by preparing the missing sector specific planning documents and other planning documents addressing priority needs. It will be taken into account that some plans like directive specific implementation plan for Landfill directive is being developed by on-going activities, as well as some other are planned to be developed with secured assistance funds during 2013 – 2014. After implementation of the measure all directive specific implementation plans to support implementation of heavy investment cost directives will be developed and serve for planning and prioritisation of strategic investment projects as well as serve as background for development of negotiations position for Chapter 27. Particular focus will be placed on the water sector in order to bring this subsector up to required level for river basin management and investment planning. Other planning documents will be developed to close gaps identified in implementation of the National Environmental Approximation Strategy. Such evaluation will be achieved during 2013.

In addition, developing primary and secondary legislation to complete transposition process will be supported. As stated in the NPAA, large number of legal acts shall be developed to complete the transposition process. During the period of implementation of this measure all remaining legal gaps will be closed by supporting development of draft legal acts in particular related to the implementation of the acquis, organising stakeholders discussion and providing explanation of requirements for citizens and implementing institutions, in particular at local level;

Strengthening of technical and institutional capacities in priority areas will be integral part of this measure. It is planned that Institutional development plan will be prepared during 2013 - 2014. It will assess all needs for establishment and strengthening of institutions, identify number of staff necessary to employ for different tasks, required qualification and experience, necessary training programmes to support capabilities development. The measure will support the implementation of the Plan and other needed activities in order to achieve the required level of institutional capacities by 2019 the latest. Also considering that demands for environmental investment are very high and implementation periods will continue for at least next fifteen years, implementation of the measure will allow establishing effective institutional and procedural system for investment project cycle management of strategic projects in environmental sector. Activities will include support in streamlining all national environment related investment efforts to achieve progress in implementation of heavy cost directives, support to municipalities, regional waste management centres and other beneficiaries in identifying, preparing and implementing environmental investment projects. After implementation of the measure environmental institutions will be ready to meet increased financing for environmental projects after membership;

Support is needed for activities that raise awareness and provide information for actors in transport, energy and other sectors, business community (which facilitates integration of environmental concerns into other sectorial policies), municipalities, CSOs and other relevant stakeholders and citizens related to environmental protection and implications of the climate change requirements. Activities will target various groups addressing special topics including support for implementation of EIA requirements in particular at local level, campaigns for citizens to promote waste separation and recycling, awareness about responsible behaviour towards environment, sustainable consumption patterns, climate change mitigation and adaptation measures and other. Activities will also include assessment of impacts from various sectors and suggest measures to reduce negative effects by greening sectorial policies.

Measure 1.2. Developing integrated monitoring and information systems on environmental quality, improving reporting and strengthening law enforcement

This measure will support extension/ alignment/ integration of the fragmented components into one fully operational comprehensive environmental monitoring and laboratory control system including support to capacity building for self-monitoring (emission monitoring performed by facility operators). Activities will include assessment of current monitoring capacities and functions carried by various institutions in particular Serbian Environmental Protection Agency identifying remaining gaps and establishing legal requirements, procedures and infrastructure to fully comply with the EU requirements and being able to provide comprehensive information to the public and decision making processes. Particular attention will be paid to monitoring and self-monitoring requirements for measuring emission in areas with increased levels of pollution.

It will also support upgrading the system of data collection and reporting on air and water quality, waste management, climate change, noise, soil contamination, etc. so as to comply with reporting requirements (E-PRTR, CLRTAP, GHG,

emission trade, other obligations for reporting under the EU requirements) and support the evidence based decision making including investment planning in the sector. Activities will include assessment of data collection practices in order to develop proposals for efficient data collection and the processing system. It will include improving statistics for waste management and water management in order to improve reliability of data when planning sectorial policies. Special attention will be paid to data and information required for investment planning.

Building capacities to enforce the legislation (including strengthening of environmental inspection at all levels) will be integral part of this measure. Activities will continue strengthening of environmental inspection capacities at all levels including training of relevant staff, development of procedures and IT solution to increase efficiency of inspections, providing IT software and hardware, transport means and other equipment.

Priority 2 - Supporting climate change adaptation, mitigation and risk prevention

Measure 2.1. Supporting implementation of Climate change strategy with action plan

This measure will support implementation of Climate change strategy with action plan. It is foreseen to develop the Climate Change Strategy and the Action plan during 2013 – 2015 which will include targets for reduction of emissions by 2020 and 2030, related measures for mitigation and adaptation as well as actions to achieve established targets. Activities will support implementation of identified priority actions.

Identification and inclusion of climate change issues/requirements into sectorial policies and establishment of required infrastructure and other solutions for adaptation measures will make important part of this measure. The Climate change strategy will foresee targets and actions needed in various sectors. Activities will assist in designing policies and instruments to be used in different sectors for climate change mitigation and adaptation by supporting relevant sectorial institutions. They will help to review the current status and propose changes in sectorial policies in order to implement requirements from the Climate change strategy with the Action plan and other documents. Activities might also include development of infrastructure projects documentation in line with identified priorities from the Climate Change Strategy.

Priority 3 - Ensuring environmental sustainability through sound management of natural resources and reduction of pollution

Measure 3.1. Ensuring conservation, sustainable use and more efficient management of natural resources, (nature protection, biodiversity, remediation of contaminated sites)

This measure will provide support to the implementation of practices for sustainable use of natural resources, remediation of contaminated sites and reduction of harmful effects of the industry. Activities will include support to responsible institutions to assess the situation, identify problems and foresee measures to address priority problems. Activities will also include development of project documentation for implementation of priority measures.

Support will also include further development of the network of protected natural areas as the basis for the NATURA 2000 network, improved management system of protected areas. Activities include support to finalising assessment of NATURA territories, development of proposals for establishment of protected areas, development of required planning documentation for establishment and management of protected areas. Activities will also include support for strengthening administrations of protected areas by providing training, IT software and hardware for data management, monitoring equipment and transport. This will also include activities to improve capacities of related inspection functions both in protected areas administrations and other institutions carrying such functions. Proper attention will be paid to identify threats to biodiversity protection from intensifying agricultural practices, development of infrastructure and other economic activities and actions will be taken to ensure required level of protection through land use planning, environmentally responsible agriculture, improved application of the EIA requirements, etc.

Measure 3.2. Developing and improving waste management systems

This measure includes support for implementation of waste prevention and reduction policies, increase in collection and recycling, establishment of priority components of regional waste management systems, including development of new landfills and related infrastructure, closing and re-cultivation of non-compliant sites, establishment of facilities for treatment of hazardous waste, establishing systems for collection and treatment of special waste streams. Activities will include development of project documentation and implementation of investment projects supporting establishment of regional waste management systems and other priority infrastructure including project preparation, implementation, coordination and supervision. Priority investments will be directed to establish regional waste management systems including establishment of new landfills and related infrastructure, closure of non-compliant landfills, improving waste collection and sorting system (collection trucks, containers, recycling yards, secondary separation lines, transfer stations), providing biodegradable waste composting sites. This measure will also include related studies, development of planning and other documents needed to ensure investment project sustainability. Activities will be targeted to implementation of Landfill directive and other EU high cost requirements. All steps will follow procedure and criteria for identification and selection of investment projects set by NIPAC TS.

Measure 3.3. Enhancing water management (water supply and waste water management)

Support will be provided for extension and optimization of the public water supply networks and treatment facilities, construction and upgrading of municipal wastewater collection (sewage) and treatment systems. Activities will include development of project documentation and implementation of investment projects implementing Drinking water and Urban Waste Water Directives, but also other identified priority needs. Support will be provided to municipalities for project preparation, implementation, coordination and supervision as well as other functions related to investment project management. All steps will follow procedure and criteria for identification and selection of investment projects set by NIPAC TS.

Measure 3.4. Improving air quality through reduction of harmful emissions

This measure is addressing increased air pollution in hot spots areas, procedures for issuing integrated permitting, planning and implementation of priority actions to reduce harmful emissions. Activities will include identification of measures to reduce pollution in hot spot areas, assist in procedure of issuing integrated permitting requirements, and identify priority investment projects to reduce pollution. Activities will also assist in developing project documentation and implementation of priority investment projects. All steps will follow procedure and criteria for identification and selection of investment projects set by NIPAC TS.

Regional, Cross-Border and Transnational Themes in Environment and Climate Change sector

Instruments of importance for regional cooperation, such as Multi-Beneficiary IPA support, CBC and Trans National Programmes, should be provided to those actions where benefit of regional approach is obvious.

Within regional priorities addressed by **MB IPA** in the environment sector, Serbia is supporting those related to the project preparation and implementation of investments under WBIF. To complement national efforts, the focus is on infrastructure investments related to water management and water quality improvement which have regional environmental impact. Additional regional interest of Serbia is possibility to finance climate change projects and include climate change considerations under various projects through climate change window to be adopted by WBIF. Having in mind regional context and necessity for good coordination, JASPERS (Joint Assistance to Support Projects in European Regions) should support and advice on project preparation and financial engineering issues.

In the Environment sector **CBC and Transnational** possible areas of intervention supporting thematic objective 6. Protecting the environment and promoting resource efficiency and with the high implementation potential are: waste recycling; improving water supplies; reduction of leaks and wastage and improved wastewater treatment. In pursuing the EC recommendations for the Western Balkan countries relating to the environment sector, IPA CBC can also be used for support in the development of cross-border environmental protection plans, risk assessments and monitoring plans for selected cross-border areas.

Transnational priorities in the environmental sector are related to the sustainable growth by accelerating the development of critical infrastructure and helping businesses develop and adopt renewable & green technologies. The actions proposed for the implementation of the Pillar II of the **EU Strategy for the Danube Region** relating to environmental protection will make a direct contribution to the Europe 2020 Strategy. They address specifically the goals of tackling climate change challenges, of developing sustainable use of resources (which include water, nature and land for instance) and of securing quality of life. This requires a regional approach to nature conservation, spatial planning and water management. Pollution does not respect national borders. Major problems such as untreated sewage and pollution from fertiliser and soil run-off make the Danube highly polluted. The environmental impact of transport links, tourist developments, or new energy-producing facilities must also be considered, evaluated and eventually mitigated.

B6.6. Institutional framework for implementation of Sector Approach

Environmental policy of the Republic of Serbia at the national level is predominantly addressed by the following institutions: the ministry in charge of the environment, the ministry in charge of natural resources, the ministry in charge of water, the ministry in charge of health, the ministry in charge of urbanism and construction, the Serbian Environmental Protection Agency, the Statistical Office of the Republic of Serbia, the Republic Hydro meteorological Service, the Institute for Nature Protection, the National and Regional Public Health Institutes. The lead institution for the sector is the Ministry in charge of environment.

In context of Sector Approach, the Ministry in charge of environment coordinates the work of all relevant institutions in the sector in regard to planning, programming, implementation and monitoring of the Environment sector measures/operations which will be supported by EU funds and other international development assistance. Responsibility for formal submission and later implementation of measures/operations depends of their content and responsibility of institutions involved in the Environment sector.

Water issues are split across several ministries and agencies, so cooperation between actors is vital in order to achieve a coordinated approach. This is of particular importance because investment needs in the water sector make up the bulk of all needed funds for eventual national compliance with the requirements of chapter 27.

Certain jurisdictions in the field of environmental protection were transferred to the Autonomous Province of Vojvodina, namely the Provincial Secretariat for Environmental Protection and Sustainable Development, which is responsible for environmental planning, programming, monitoring and implementation on the territory of the province. It should provide integration of protection and improvement of environment in all sectorial policies by implementation of mutually agreed plans and programs and implementation of regulations through a system of permits and the enforcement of technical standards and regulations, and by funding, measures for environmental protection. However, local secretariats for environmental protection in the municipalities have limited responsibility in environmental issues, which includes air protection, noise protection, municipal waste management, urban planning, construction permits for small objects and the strategic environmental assessment of plans and programmes, environment impact assessment of projects as well as issuing of integrated permits within their competence.

Considering the complexity of the Environment and Climate Change sector there is a strong need to further strengthen inter-institutional cooperation and coordination processes. In order to improve and coordinate activities related to planning, programming, implementation and monitoring of EU funds and international assistance and to increase the efficiency and effectiveness of development assistance, additional mechanisms have been introduced, that is to say, the Sector Working Group (SWG) for Environment and Climate Change²³³. The SWG for Environment and Climate Change is responsible to coordinate activities related to planning, programming, and monitoring of EU funds and international assistance, to propose relevant measures and activities. The functioning, management, organisation and composition of SWG is more precisely defined by the *Rules of Procedure for Sector Working Groups for the Programming and Monitoring of the EU funds and development assistance*. The Sector Working Group for Environment and Climate Change comprises of representatives from European Integration Office, the Ministry in charge of the environment, the Ministry in charge of finance and economy, the Ministry in charge of natural resources, mining and spatial planning, the Ministry in charge of agriculture, forestry and water management, the Ministry in charge of transport, the Ministry in charge of construction and urbanism, the Ministry in charge of regional development and local self-government, the Ministry in charge of health, the Ministry in charge of home affairs, the Republic Hydro-meteorological Service, the Republic Statistical Office, the Republic Geodetic Authority, the Institute for Standardisation of Serbia, the Institute for Nature Protection, the Republic Legislation Secretariat. Members of the SWG are officially appointed representatives of the above mentioned line ministries at the level of State Secretary or Assistant Minister, or appointed Senior Programming Officers (SPOs) and the Serbian EU Integration Office.

Representatives of the donor community including the Lead Donors are participating at the SWG meetings based on the needs and requirements of each SWG meeting and takes part in consultation processes for analysing sector priority goals, measures and operations for financing from EU funds and international assistance as well as they secure data on the expected assistance during the planning period. The Lead donor(s) is responsible to support the work of the SWG and represent the interests of donors active in particular sectors.

In order to enable more inclusive and transparent dialog, consultation and communication with all relevant stakeholders in the respective sectors, SEIO established a consultation mechanism with the civil society organisation (CSOs)²³⁴. This mechanism is based on the consultative process with Sectorial Civil Society Organisations (SECOs) and serves as a platform that enables exchange of information and contribution of CSOs in relation to planning development assistance, particularly programming and monitoring of the Instrument for Pre-Accession Assistance (IPA). The SECO indicates a consortium of maximum three CSOs as partners, one of which is clearly indicated as leading partner. SECO is composed of the CSOs that have significant experience with public advocacy, analyses and research in the sector, as well as experience in direct work with service providers and beneficiaries. They are influencing public policy due to their successful networking and partner work with other local and international civil society organisations well as constructive cooperation with state institutions and the constant monitoring of their work. Members of SECO are participating at the SWG meetings based on the needs and requirements of each SWG meeting and takes part in consultation processes for analysing sector priority goals, measures and operations for financing from EU funds and international assistance. Other relevant stakeholders (agencies, private, academic sector, CSOs, etc.) can participate at the SWG meetings based on the topic, needs and requirements of each Sector Working Group meeting.

Under the Rules of Procedure for Sector Working Groups, SEIO²³⁵ is responsible for coordination and ensuring the efficient functioning of all activities of the Sector Working Group. Coordination and leadership of the SWG is supported by a Task force made up of representatives from the Sector Lead Institution, Lead donor and SEIO. SWG is also acting as Sectorial Monitoring Subcommittee for IPA.

²³³ Act on establishing the SWG from 5.11.2012. No: 119-01-68/2012-03

²³⁴ Introduced in 2011

²³⁵ Sector for Planning, Programming, Monitoring and Reporting on EU Funds and Development Assistance

B6.7. Indicators for measuring progress

PRIORITY 1: Creating and strengthening policy, regulatory, financing and monitoring mechanisms for ensuring sustainable development including awareness rising in regard to environmental issues													
Indicator	Unit	Baseline (2012)	Target								Means of Verification	Institution in charge for reporting	
			2013	2014	2015	2016	2017	2018	2019	2020			
1.1 Closing of chapter 27 Environment	NA	NA						YES				EU Common Position	Ministry in charge for environment
MEASURE 1.1: Strengthening multiannual planning, legal reforms and institution-building related to environmental protection													
Indicator	Unit	Baseline (2012)	Target								Means of Verification	Institution in charge for reporting	
			2013	2014	2015	2016	2017	2018	2019	2020			
1.1.1 Legal acts adopted in particular year compared with envisaged to be adopted in the NPAA	% (annual)	-	100	100	100	100	100	100	100	100		NPAA	Ministry in charge for environment
1.1.2 Number of sub-sectors fully covered with planning documents	Number	-	1	2	4	7	9					MEDEP annual report	Ministry in charge for environment
1.1.3 Share of measures implemented from the Institutional Development Plan compared with total number of measures ²³⁶	%	NA	NA	NA	10	30	60	80	100			MEDEP annual report	Ministry in charge for environment
MEASURE 1.2: Developing integrated monitoring and information systems on environmental quality, improving reporting and strengthening law enforcement													
Indicator	Unit	Baseline (2012)	Target								Means of Verification	Institution in charge for reporting	
			2013	2014	2015	2016	2017	2018	2019	2020			
1.2.1 Number of subsectors fully covered with monitoring programmes	Number	2	2	3	4	5	6	7	9			MEDEP annual report	Ministry in charge for environment
PRIORITY 2: Supporting climate change adaptation, mitigation and risk prevention													
Indicator	Unit	Baseline (2012)	Target								Means of Verification	Institution in charge for reporting	
			2013	2014	2015	2016	2017	2018	2019	2020			
2.1 Emission of greenhouse gases	Tonnes	NA ²³⁷										Inventory	Ministry in

²³⁶Plan to be developed by IPA 2013

²³⁷There are no official data. National GHG emissions for the period that includes 2012 are currently under calculation. Mitigation potential for the period until 2020 will be assessed based on these calculations, afterward.

	of CO ₂ equivalent											charge for environment	
MEASURE 2.1: Supporting implementation of Climate change strategy and action plan													
Indicator	Unit	Baseline (2012)	Target								Means of Verification	Institution in charge for reporting	
			2013	2014	2015	2016	2017	2018	2019	2020			
2.1.1 Share of measures implemented from the National Climate Change Strategy ²³⁸	%	NA	NA	NA	0			?			?	MEDEP annual report	Ministry in charge for environment
2.1.2 Number of sectors which integrate climate change issues into sectorial strategies	Number	9										Initial National Communication	Ministry in charge for environment

PRIORITY 3: Ensuring environmental sustainability through sound management of natural resources and reduction of pollution													
Indicator	Unit	Baseline (2012)	Target								Means of Verification	Institution in charge for reporting	
			2013	2014	2015	2016	2017	2018	2019	2020			
3.1 Serbian Water Quality Index	Number	82.1	82,3	82,5	82,7	82,9	83,2					Annual Report SEPA	Ministry in charge for environment
3.2 Air quality index SAQI_11	Number	NA										Annual report on air quality in the RS prepared by SEPA	Ministry in charge for environment
3.3 Share of established protected areas compared to overall territory	%	5,92			10,00							Annual Report SEPA Institute for Nature Conservation of the RS	Ministry in charge for environment

MEASURE 3.1: Ensuring conservation, sustainable use and more efficient management of natural resources, (nature protection, biodiversity, remediation of contaminated sites)												
Indicator	Unit	Baseline (2012)	Target								Means of Verification	Institution in charge for reporting

²³⁸Expected in 2015.

			2013	2014	2015	2016	2017	2018	2019	2020		
3.1.1 Share of identified and mapped habitat types and species and their habitats (national and international) as required by EU legislation	Number	NA		30	50	60	80	100			MEDEP Inventory Institute for Nature Conservation of the RS	Ministry in charge for environment
3.1.2 Issued IPPC permits from all IPPC installations for particular year	%	40	45	50	55	60	70	80	100	100	Report of the MEDEP (Department of the integrated permits)	Ministry in charge for environment
MEASURE 3.2: Developing and improving waste management systems												
Indicator	Unit	Baseline (2012)	Target								Means of Verification	Institution in charge for reporting
			2013	2014	2015	2016	2017	2018	2019	2020		
3.2.1 Households provided with waste collection system	%	77,3			82					87	Environmental statistics	Ministry in charge for environment
3.2.2 Rate of municipal waste delivered to compliant landfills compared to overall municipal waste	%	22			27					32	MEDEP assessment	Ministry in charge for environment
MEASURE 3.3: Enhancing water management (water supply and waste water management)												
Indicator	Unit	Baseline (2012)	Target								Means of Verification	Institution in charge for reporting
			2013	2014	2015	2016	2017	2018	2019	2020		
3.3.1 Households connected to waste water collection network	%	51,7 ²³⁹									Environmental statistics Wastewater discharged in the Republic of Serbia	Ministry in charge for environment
3.3.2 Share of treated wastewater in total wastewater Discharge	%	15,7 ²⁴⁰									Environmental statistics Wastewater	Ministry in charge for environment

²³⁹Data for 2011.

²⁴⁰Data for 2011.

												discharged in the Republic of Serbia	
3.3.3: Share of population served by water supply	%	92,5 ²⁴¹										Environmental statistics	Ministry in charge for environment
MEASURE 3.4: Improving air quality through reduction of harmful emissions													
Indicator	Unit	Baseline (2012)	Target								Means of Verification	Institution in charge for reporting	
			2013	2014	2015	2016	2017	2018	2019	2020			
3.4.1 The annual change of the amount of selected pollutants emitted into the air (SO ₂ , NO _x , PM10)	%	+7% (SO ₂); +15% (NO _x) N/A (PM10) ²⁴²										Annual report on air quality in the RS - SEPA	Ministry in charge for environment

²⁴¹Data for 2011.

²⁴²All data for 2011.

B6.8. Aid effectiveness, efficiency and sustainability

According to the ISDACON database, in the period 2007-2012, a total amount of about 275 M€ was allocated for environment sector (including water supply and sanitation) from the international donor community. The largest and most important donor in the sector has been the EU, with total disbursement within IPA component I amounting to 206.42M€ for environment sector for the period 2007-2013.

In the six annual programmes 2007-2013, **IPA component I** is including projects for waste water treatment, municipal and hazardous waste management, capacity building (which together account for almost 80% of funding). IPA has been helping to approximate Serbian legislation with the EU environmental *acquis* and increasing the capacity of various national institutions to implement transposed requirements. Support included (I) strengthening of the Serbian Environmental Protection Agency (SEPA) as a national focal point for cooperation with European Environment Agency in the realisation of Serbia's international environmental protection obligations; (II) strengthening administrative capacities for air quality management system in Serbia; (III) strengthening capacities for protected areas in Serbia to comply with Natura 2000 requirements; (IV), strengthening chemicals management system; (V) strengthening environmental inspection at national, provincial and local levels to enforce requirements. In addition, IPA has financed development of planning documents including sewerage and wastewater master plan for the West Morava river basin, a study of flood prone areas to aid policy development. IPA supported investment projects aimed at reducing emissions from thermal power plants in Serbia in line with EU directives, municipal and hazardous waste management, as well as capacity-building to implement *acquis* and conventions in nature protection to support NATURA 2000 network and implementation of CITES convention; creation of the monitoring, reporting and verifying system for the implementation of the EU Emission Trading Scheme; establishment of an integrated environmental monitoring system for air and water quality; development of infrastructure for Regional Waste Management Centres in Kalenic and Subotica and reconstruction of Electrostatic precipitators at TPP Nikola Tesla A3 and TPP Morava. IPA 2013 will support further alignment with EU environment *Aquis*, with the specific focus on development of institutional capacities and enforcement of national legislation and strategic planning; alignment with EU climate *Aquis* and fulfilment of the UNFCCC requirements through introduction of a mechanism for monitoring and reporting GHG emissions and for reporting other information relevant to climate change on regular basis; development and improvement of waste management system; upgraded environmental infrastructure through investments into wastewater treatment facility. About 33 million euro is planned to be allocated for the environment and climate change sector during 2007 – 2013 from the **MB IPA** funds. Activities financed under this instrument include support to regional initiatives such as DABLAS (Danube and Black Sea) Task Force, which was set up with the aim to provide a platform for co-operation for the protection of the water and water-related ecosystems in the Danube and the Black Sea and the SAVA River Basin Management Plan aiming to improve integrated water management of the Sava river basin following the approach of the EU Water Framework Directive and Floods Directive and establishing cooperation mechanisms between the countries of the Sava basin in the areas of water protection, flood risk management and sustainable navigation. Support was also provided for establishment of regional cooperation mechanism, the Regional Environmental Network for Accession (RENA) which facilitated the transfer and exchange of experience on environmental matters and climate change in the pre-accession context in areas such as strategic planning and investment, climate change, cross-border cooperation and multilateral environmental agreements and will include the Environmental Compliance and Enforcement Network for Accession (ECENA). Such cooperation is further extended through follow-up program Environment and Climate Regional Accession Network (ECRAN). The overall objective of the ECRAN project is to build on the results of RENA by continuing to strengthen the regional cooperation between the candidate countries and potential candidates in the fields of environment and climate change given their prospect of accession to the European Union. Several important activities assisting countries to prepare for adaptation to climate change effects and supported by the MB IPA include building resilience to disasters and development of prevention, preparedness and response to floods systems in the Western Balkans and Turkey. They are targeted to reduce vulnerability of IPA countries to natural disasters, increase their resilience to climate change, reduce negative impact that floods have in the target region and its EU neighbours by facilitating the beneficiaries to better deal with floods' risk management and creating capacities for effectively and efficiently deal with this kind of hazards at regional level.

The **bilateral donor** community has been prominent in resourcing projects in this sector. Some examples of activities are presented below. The Swedish Government has aided chemicals risk management, implementation of the National Sustainable Development Strategy, Strategy for Sustainable Development Natural Resources and Goods, preparation for EU negotiation process in environment sector, strengthening of projects management capacity at central level, support to Duboko regional Landfill and environmental waste and wastewater infrastructure. Spain funded preparation of the feasibility study for the construction of the Kolubara District Regional Landfill and feasibility study for GHG emission reduction, as well as development of capacities to use and promote the solar energy in Serbia. The UNDP has been active in strategies and studies for biodiversity, preparation of national communication, Vlasina lake ecotourism promotion and environment protection, strengthening capacities of protected areas managers and promoting renewable energy and sustainable transport, assisted with recovery of Grand Backa Channel project, by financing communal and industrial wastewater

collection for the municipalities of Vrbas and Kula. Soft loans have been provided by EBRD, KfW and the World Bank. The German Government has been most active in the water sector, with €92 million of subsidised loan and grant finance for water supply projects in 17 municipalities to date. GIZ supports waste and wastewater sector in 5 pilot municipalities. UNECE will support Wood-based energy for sustainable rural development. Central-European Initiative supports BIOM ADRIA project. Design and construct waste transfer station Koceljewa is financed by PSO project Holland.

According to the SIDA Report on Evaluation of effectiveness and efficiency of development assistance to the Republic of Serbia per sector²⁴³, a high level of aid **effectiveness** in the Environment and Climate Change sector was reported in policy development, capacity building and proportionately small supplies and works contracts (more specifically: IPA-financed TA to prepare the EAS; transpositions of legislation; strengthening of environmental inspection, nuclear decommissioning and establishing systems for air quality monitoring). Effectiveness of medium term (5 – 7 years) environmental infrastructure projects varied to a great extent. Overall, effectiveness proposed to be considered as **medium to high**, to reflect the full spectrum of sector interventions, which have ranged from the highly beneficial (meeting all objectives) to the partly successful (meeting some) and incomplete.

In the case of the institution-building activities targeted at developing a sector policy framework the **efficiency** of resource use was judged to be high: the immediate benefits (in terms of objectives met), and also longer-term benefits (assuming the outcomes are operationalized) are proportionately great when compared with the inputs. Major infrastructure project (including primarily, but not exclusively, water supply and/or wastewater networks, and/or waste management solution) were considered to be less efficient, due to their higher costs in all project phases inefficiencies stem from the fact that often individual loans, or even entire lending programmes (such as water management), are approved before projects are selected, leading to problems in the absorption and disbursement of allocated funding because project documentation is often seriously under-developed. Overall, efficiency in the sector proposed to be considered as **medium**.

Although the **impact** of specific development projects in this sector can be considered as significant (for example: access to clean drinking water for households in medium-sized cities; reduced pollution from power plants as measured by a network of air monitoring stations; innovative waste management solutions), these localized innovations are rarely promoted on a systematic basis, county-wide, to other potential beneficiaries. Thus, the overall impact of aid in the Environment and Climate Change sector proposed to be considered as being **low**.

In addition, there is an on-going evaluation lunched by EU Delegation in this sector. The report on Technical Assistance for Evaluation of Competitiveness Sector Implemented and Financed by IPA Programmes and other Donors in the Republic of Serbia is in pro

²⁴³Evaluation of Effectiveness and Efficiency of Development Assistance to the Republic of Serbia per Sector (April 2013), SIDA

B7 TRANSPORT SECTOR

B7.1. Scope and background of the sector

Transport sector is including rail, road, inland waterways, civil aviation and intermodal transport modes. There are priorities defined to improve functioning of the transport system as a generator for the economic and social development. Needs are underlined from the national strategic and planning documents as well as from EU accession requirements.

Transport sector is contributing to the competitiveness of the economy and trade, better education possibilities, agriculture production, placing of products on the market etc. The transport sector is based on the three main cornerstones: quality and capacity of the infrastructure; quality, capacity and performance of the rolling stock and level of the services provided by the institutions operating in the system.

In the previous years, significant efforts were invested in administrative capacity strengthening in accordance with the adoption of the EU *Acquis*, introduction of contemporary working practices, preparation of the technical documentation and improvement of the infrastructure. However, EC Serbia progress report 2012 confirms that further alignment with the EU *Acquis* is still necessary, mainly in the fields of road safety and accident investigation procedures. Also, railway reform process should be strengthened with a special attention to the fair market access, the separation of infrastructure manager from railway operations, as well as the implementation of a properly defined regulatory body. In the field of safety, a safety management system has to be implemented within the infrastructure manager and the railway undertakings operating on the Serbian railway network.

Further reform steps could be summarised as follows:

- Restructuring of the public enterprises working in the transport sector, with the focus on railway transportation and introduction of result oriented management;
- Introduction of the cost-effective working methods which should contribute to better quality of transport infrastructure performance based on maintenance principles;
- Implementation of the measures which would improve intermodality features within Serbian transport system.
- Introduction of a purposeful infrastructure investment planning taking into account spatial planning features and consequently effective modernization of transport infrastructure.

Restructuring of the public enterprises operating in the transport sector is mainly related to the enterprises operating within the frame of railway transportation. **Railway subsector** is defined by Directives and Regulations, which are commonly recognized as railway packages. At present, so called 3rd Railway package is valid and Serbian railway subsector should stream towards transposition of its provisions in Serbian transport sector and the 4th one will have to be implemented in the coming years. Council Directive of 29 July 1991 on the development of the Community's railways (91/440/EEC), which was amended three times meanwhile (2001/12, 13 and 14/EC, 2004/51, 2007/58 and 2012/34), represents the core of the railway regulation. So far implemented activities related to introduction of EU standards resulted in transformation of the Serbian Railways from the public enterprise to the joint stock company (JSC).

However, JSC Serbian Railways is still functioning as a historical railway company, meaning that Infrastructure Manager functions are not separated from the Railway Undertaking functions, which is a precondition for the implementation of the provisions of the EC Railway packages. The new Law on Railways has recently been adopted by the Parliament. The Railway law should provide the overall legal basis necessary for continuation of the institutional reforms in the railway transport subsector. Functional separation of the historical railway company in subsidiary companies is dependent on adoption of the founding acts of new subsidiary companies.

Once founding acts are adopted, numerous activities related to setting up of subsidiary companies and its functions would have to be done. Those activities are related to preparation of the systematization acts of the subsidiary companies, separation of assets among the holding and subsidiary companies, definition of the work plans for the subsidiary companies, management capacity strengthening following the new working modalities etc. Practically, transposition of the railway packages will initiate fair allocation of the railway infrastructure capacities, definition of the levying of charges for the use of railway infrastructure and safety certification, licensing of railway undertakings. In addition to this, preparation of technical documentation and implementation of the railway infrastructure projects would be affected by the interoperability standards related to the trans-European high-speed rail system and the trans-European conventional rail system.

Above mentioned principles, which are cornerstones of the European railway system are not yet implemented in Serbia. Taking this into account, together with the fact that, in Serbia, speed of trains exceeds 100 km/h on only 3.2% of the lines, while on approx. 50% of rail network, technical conditions of the lines allows maximum speed of up to 60 km/h, logical

conclusion is that in the railway sub sector serious reform steps must be done and should go in line with the investments in railway infrastructure. Investments in railway infrastructure should be driven by cost-effectiveness and based on the realistic investment plan. General Transport Master Plan (GTMP) 2009 - 2027 estimates that investments in railway infrastructure would cost nearly EUR 5 billion. Investment plan/Action Plan, based on a technical and economic evaluation of the "project pipeline" over the period 2012-2021 with a more detailed assess of the "key priority projects" that can be activated during the period 2012-2016 is under preparation and should be adopted in the second half of 2013. Railway modernisation in line with the contemporary railway principles would require new skills and working profiles to be developed within the institutions dealing with the railway transport issues. This process should be followed with the specifically tailored social program. JSC Railways of Serbia still employs 18,280 people²⁴⁴.

For the purpose of completion and/or modernisation of the **Road transport** network, since 2007, the Republic of Serbia borrowed EUR 1.3 billion, mainly for completion of the road Corridor X, considered to be the corridor which should boost economic development. Due to ineffective investments planning, slow preparation of technical documentation and unresolved land property issues, construction works are not progressing as it was planned. On some of the sections works haven't commenced yet. Also, construction of the Route 4 (so called Corridor XI) has started, while investments in the road transport infrastructure in Belgrade, which should contribute to better interconnection with the transport corridors passing close to Belgrade, are on-going.

Apart from the construction of the road network issues, existing road network should be permanently compliant with the standards valid for the given category of the road. Quality of road network is related to the maintenance principles which are applied. Having this in mind, reform agenda in the road sub sector should include introduction of more cost-effective working methodologies, such is Performance-Based (Management and) Maintenance of Roads contracting (PBMR contracting). In that respect, Word Bank supported pilot programme related to the reorganization of the road network maintenance practice which resulted in savings at the level of approximately 40% in the area included in the pilot programme.

According to the financial report of the Public Enterprise (PE) Roads of Serbia for 2011, for the maintenance of the 17,000 km of the road network which is under the responsibility of the PE Roads of Serbia, approximately EUR 169 million were invested. New concept to increase efficiency and effectiveness in maintenance of roads has been established. Application of this concept should provide that physical condition of road network subject to the contract is adequate for the needs of road users and in consistency with the invested funds at any moment along the contract duration. The required service quality level is stipulated through values of specific measurable performance indicators. Introduction of the PBMR is very much important knowing that the Serbian road network is at the level of medium developed European countries; more than half of local roads are not appropriate for needs of modern traffic; 32% of highways and regional roads are over 20 years old and only 14% were constructed less than 10 years ago. Quality of roads is reduced due to lack of investment and maintenance.

Serbia has favourable economic and geographic features for cargo **Inland waterways** transport. The total length of Serbian inland waterways, at the average water level, is about 1,680 km which gives opportunity for transportation of goods of high volume cost-effectively and in an ecologically sustainable manner. The most important ports on the Danube River are: Belgrade, Pančevo, Smederevo and Prahovo. Only ports of Belgrade and Pančevo have capacity to perform container transshipment but with many difficulties caused by inadequate equipment and no opportunities for spatial expansion. That was the reason that there has not been any transshipment of containers in recent period. All the listed ports are of private ownership. However, the EU Strategy for Danube Region, as a macro-regional strategy, considers development of transport system as one of important elements for the economic prosperity for the region.

Advantages which the Danube River (Corridor VII) is offering in terms of economic and environmentally friendly transportation and its closeness with the main road and rail Pan-European corridors and routes should initiate further development of intermodal terminals (transshipment zones) along the Danube. Those terminals should provide transportation reliability, speed, capability of "door to door" cargo transportation, safety, security, flexibility, availability and energy efficiency. Inland waterway investments have to be positioned in a regional context and integrated with the strategies of neighbouring countries

The navigation conditions on the Danube River in Serbia are influenced by the critical sections (bottlenecks) on the fairway, unexploded ordnances (UXOs), sunken vessels dating from World War II and necessity for an overhaul of the navigation locks Iron Gate I and Iron Gate II (Djerdap Dam). The maximum draft of the vessels plying the Danube is between 2.5 and 4.5 m; this requires a minimum water depth in the range of 3.2 to 6 m. According to the Danube Commission recommendation, the minimum depth of the fairway needed for safe navigation is 2.5 m below the Low navigation level (ENR - Etiage navigable et de régularisation)²⁴⁵. The majority of the bottlenecks occur on the stretch between km 1430 and 1250. On this stretch with a length of 180 km, 24 bottlenecks²⁴⁶ have been identified representing the bottlenecks and restrictions for an efficient and safe navigation of standard convoys, relates to sharp bends or narrow cross-sectional

²⁴⁴ Source: web site of JSC Railways of Serbia

²⁴⁵ Recommendations for defining the fairway dimensions, hydrotechnical and other structures on the Danube River, Danube Commission, Budapest, 1988, 2012

²⁴⁶ Feasibility Study for River Training and Dredging Works on Selected Locations along the Danube River, the Republic of Serbia, IPA 2010 funded project

profiles. Navigation is specifically hindered on the Danube sections which are belonging to Serbia. In addition to the improvement of navigation on Danube River, navigation conditions should be also improved on Sava River following the Sava River Basin Master plan defined and consulted within the Sava Commission.

When it comes to Inland waterways, a specific attention should be put on environmental monitoring issues. Recognizing potential environmental aspects in a number of new waterway projects along the Danube and the Sava river, the International Commission for the Protection of the Danube River (ICPDR) has linked up with the Danube Navigation Commission and the International Sava River Basin Commission in 2007 and agreed a "Joint Statement on Guiding Principles on the Development of Inland Navigation and Environmental Protection in the Danube River Basin". The final document was adopted in December 2007/January 2008 by the ICPDR, the Danube Commission and by the International Sava River Basin Commission. The "Joint Statement" is a guiding document for the maintenance of existing waterways and the development of future waterway infrastructure. It is perceived as a milestone that leads to the integration of ecology into waterway development.

The Directorate for Inland Waterways, *Plovput*, recently integrated within the Ministry in charge of transport, is responsible for maintaining navigability but has a very limited budget of less than EUR 2 million per year. The main challenge facing the sector is to increase investment to realise the potential of inland waterways and to ensure that *Plovput* has the resources necessary to carry out its mandate.

Concerning the **Civil Aviation**, Serbia is on the crossroad of the main aviation routes. National air operator JAT is facing financial problems and restructuring is necessary. Having in mind regional and worldwide context of air transportation, quality, reliability, performance and connectivity of air services should be improved following the commonly recognized standards. One of the European Common Aviation Area (ECAA) Agreement's requirements, to which all of the ISIS (Implementation of Single **European** Sky In South East **Europe**) Beneficiaries are signatories, is to start reorganisation of the airspace, which will lead into creation/establishment of a Functional Airspace Blocks. Also, EU requirements must be followed concerning the licensing of pilots and certifications of technicians.

Serbia has four airports for commercial purposes: Belgrade, Niš, Vršac, while Kraljevo airport is under reconstruction also to be used for commercial purposes. Belgrade Airport "Nikola Tesla" and Niš Airport "Konstantin Veliki", being a part of the Core Regional Transport Network, are used for international flights. According to the Civil Aviation Directorate of Serbia there are 22 more certified airports. Several military airports operated by the Military of Serbia also have potential for further network development as civil or combination civil-military category airports. "Nikola Tesla" Airport in Belgrade is the largest airport in the Republic of Serbia, with over 90% of passenger and freight traffic. The airport can accommodate 5.5 million passengers per year but actual passenger traffic is well below. Improving airport infrastructure, meeting the standards of the European Common Aviation Area Agreement (ECAA) and alignment with the Single European Sky legislation are the main challenges facing the sector.

In general, there is a particular need for greater multi-modality and better interconnection with other river basins and modernizing and extending infrastructure in transport modes. Implementation of competitive and environmentally-friendly transport solutions will efficiently combine transport modes by road, rail and inland waterways. Serbia intends to strengthen its capacities for intermodal transportation through construction of an intermodal terminal in the vicinity of Belgrade. Strengthening of the **Intermodal transportation** capacities does not depend solely on the construction of the intermodal centres but also on the effective combination of soft measures such as capacity building of the institutions responsible for managing intermodality issues. Setting up the legal framework to support development of intermodal transport, that will define incentives to road carriers for using the intermodal facilities, provision of trainings to intermodal centres operators and better alignment of various transport modes, is also of great importance. At present, the tariff policy and the existing legal framework do not stimulate the use of intermodal transport.

There are only three partly developed **intermodal terminals** in Serbia: the RIT (Railway Integral Transport, having capacity of 10,000 TEU a year) nearby the central railway station in Belgrade; in the port of Belgrade (capacity of 12,000 TEU a year), and in the port of Pančevo (capacity of 5,000 TEU a year). These employ mostly multifunctional equipment and universal devices which enable trans-shipment of containers and some hucke-pack transport units. Complementarily to what has been said, better interconnectivity between transport corridors and routes with the urban and suburban transportation systems should be ensured in the future. Having in mind global trend of daily commuters to urban areas, as well as other aspects of urban and suburban transport the mobility issues are requiring the adoption of holistic and systemic approach.

Finally, prioritisation and planning of transport sector development should be based on the main principles for integration of SEE transport market into the European Union transport market. Those principles could be summarized through the continuation of the adoption of the transport EU *Acquis*, the harmonization of technical standards of interoperability, safety, and security with the respect of public procurement principles and environment issues. Also, implementation of transport sector social policy principles should be précised and respected.

B7.2. Strategic framework

National Strategic Framework

Based on the main strategic documents for the sector which are presented in annex 1 and SWOT analysis, the following priorities for the sector have been identified:

- (i) **Transport network of the Republic of Serbia is integrated into Tran-European transport network.** In order to achieve the goal, it is necessary to perform rehabilitation, reconstruction and construction of Pan-European Corridors VII and X, on the system approach, develop and rationalize transport network, respecting sustainable development of the Republic of Serbia.
- (ii) **Efficient usage of comparative advantages of each mode of transport.** In order to achieve the goal it is necessary to consider and reduce external expenses, introduce fair charge determining and charging for infrastructure use for all modes of transport. Strengthening intermodal transport is necessary for orientation of transport demands towards more socially acceptable modes of transport;
- (iii) **Upgrading of service quality of transport system.** In order to achieve the goal, it is necessary to increase the effectiveness of all transport modes and the transport system as a whole by better organization of transport operations based on economical, safe and environment protecting aspects and by application of goal oriented planning and managing of transport flows. It is necessary to develop a unique transport system harmonized with the users' requirements and efficient and effective fulfilment of the demand for individual mobility;
- (iv) **Increase of traffic safety and security of transport system.** In order to achieve the goal, it is necessary to decrease the number of fatalities on roads and number of accidents in inland waterway, railway and air transport in the Republic of Serbia. Transport of dangerous goods is in accordance with the EU directives and ADR²⁴⁷, RID²⁴⁸ and ADN²⁴⁹ regulations;
- (v) **Strengthening of the transport market and its gradual deregulation.** In order to achieve the goal, it is necessary to: provide conditions for better competitiveness among transport modes and within the modes on the transport market; establish regulatory, operational, and managing functions in the sphere of transport; perform gradual and justified deregulation and liberalization of the transport market and compensation of the measures; strengthen local operators' competitiveness on domestic and international market; perform cooperation among state bodies and companies in the sphere of transport to develop transport market;
- (vi) **Decrease of negative impact of transport on the environment,** in accordance with principles of sustainable development. In order to achieve the goal, it is necessary to develop the transport system of the Republic of Serbia in line with principles of sustainable development, environment protection (decrease of air pollution, noise and causes of global warming) and social responsibility;

Establishing stable financing of the transport sector development. In order to achieve the goal, it is necessary to make conditions for sustainable development of the transport system by stable financing resources from the budget and other financing resources and ensure efficient transport system management and efficiency and effectiveness of urban and suburban traffic. The challenge in achieving these national priorities is that they will require the integration of a wide range of actions across the whole sector bearing in mind the necessary complementarity between the transport modes.

NAD Priority 1: *Increase the effectiveness of the transport system by strengthening the policy and institutional framework, management capacities and implementation mechanisms* is considered as horizontal and contributes to all the Sector priorities listed above.

NAD Priority 2: *Improve the capacity and quality of transport infrastructure and services within the Pan-European Transport Corridors and the South East Europe Core Regional Transport Network* contributes to the priorities (i), (ii), (iii), and (iv)

NAD Priority 3: *Promote a sustainable urban and suburban transport* contributes to the priorities (i), (ii), (iii) and (vi).

Regional and Transnational Strategies

Development of the Serbian transport system is not considered only from the national perspective, but rather from the regional and wider. Institutions dealing with the transport sector lead by the Ministry in charge of transport are actively involved in the preparation of the **Multi-annual Plan 2012-2016 on the SEE Core Regional Transport Network** and the related Memorandum of Understanding on the SEE Core Regional Transport Network. In 2012 the Republic of Serbia contributed to the preparation of the SEETO "Five Years Development Plan 2013". In addition, revision of the **Regional**

²⁴⁷ ADR is short for the French title of the European regulations regarding the international transport for dangerous goods on the road: "Accord européen relative au transport international des marchandises Dangereuses par Route".

²⁴⁸ Regulations concerning the International Carriage of Dangerous Goods by Rail

²⁴⁹ Accord européen relative au transport international des marchandises Dangereuses par voies de Navigation intérieures)

Balkans Infrastructure Study (REBIS) is expected to start mid-2013, which will be opportunity for the responsible institutions from the Republic of Serbia to fit their policy principles in the regional context.

The EU strategy for Danube region, adopted in 2011, aims at boosting the development of the Danube Region. This Strategy articulates four main directions of joint actions, out of which the first explicitly refers to the transport sector: "Connecting the Danube region by improving the mobility and interoperability on internal navigable waterways, road, rail and air transport".

EU documents and International Agreements related to the sector

The European Partnership with Serbia (2008/213/EC) (under: Sector policies – Transport) sets out following priorities: further implementation of the Memorandum of Understanding on the Development of the South East Europe Core Regional Transport Network and strengthening cooperation with SEETO, taking measures to improve road safety conditions, restructuring the railway sector and developing inland waterway transport, including the setting-up of river information services.

The Stabilization and Association Agreement (Title VIII, Cooperation policies, **Article 108** -Transport) states that the objective of the cooperation should be to achieve operating standards comparable to those in the Community as well as to develop a transport system in Serbia compatible and aligned with the Community system and improving protection of the environment in transport. Cooperation may notably aim at restructuring and modernizing the Serbian transport system, improving the free movement of passengers and goods, enhancing the access to the transport market and facilities, including ports and airports. Furthermore cooperation may support the development of multi-modal infrastructures in connection with the main Trans-European networks.

Rail transport (Corridor X)

Serbia is member of the Intergovernmental Organisation for International Carriage by Rail (OTIF) and signed the related convention (COTIF).

Intermodal transport (Corridor X)

The field of intermodal transport is regulated by laws confirming bilateral agreements between the Republic of Serbia and Hungary and the Republic of Bulgaria and Croatia, concerning international combined freight transport and logistical centres. European Agreement on Important International Combined Transport Lines and Related Installations (AGTC) and Protocol on Combined Transport on Inland Waterways accompanying this European agreement are also applied.

Waterways transport (Corridor VII)

Serbia is member of the European Agreement Concerning the International Carriage of Dangerous Goods by Inland Waterway (ADN).

Road transport (Corridor X)

The Agreement on international road transport of goods and passengers with the Republic of Slovakia is signed. After this agreement enters into force, only the transport to/from third countries will be under permits regime.

The Agreement on international road transport of goods and passengers with Hungary is ready to be signed.

The Agreement on international road transport of goods and passengers between Serbia and Ukraine is ratified, as well as between Serbia and Latvia.

The Agreements on international road transport of goods and passenger between Serbia and Italy and between Serbia and Germany are initiated.

Serbia is member of the European Agreement concerning the International Carriage of Dangerous Goods by Road (ADR).

Serbia is member of the European Agreement Concerning the Work of Crews of Vehicles Engaged in International Road Transport (AETR).

B7.3. EU Agenda

Chapter 14. Transport policy

Direction of EU policies

According to the white paper "*Roadmap to a Single European Transport Area – Towards a competitive and resource efficient transport system*", the main directions of the EU policies in transport sector are to create conditions for free movement of people and goods within Serbia and abroad using road, rail, inland waterways, air modes and intermodal

transportation. Scope of the transport sector includes capacity and quality of infrastructure, quality of transport services, including the interoperability of different modes, networks and systems.

Main Relevant *Acquis*

- **Railways restructuring and liberalisation:** EC directives 91/440, modified by 2001/12,13 and 14, 2004/51, 2007/58 and 2012/34 EU

These directives aim to implement the main structural and organisational changes in the railway sector, i.e. to organise a full separation between railway operations and infrastructure management in order to allow the coming of new operators on the railway network. These directives aim also to create fair competition between railway undertakings through the full opening of the railway market (including publication of network statement, rules for allocation capacity and methodology for infrastructure charging). Even these directives are transposed into Serbian transport legislation, the related law is not yet adopted by the Government and the requested changes are not concretely implemented in the railway sector. It is one of the priorities of the period 2014/2020.

- **Railways safety and interoperability:** Directives 2004/49, 2007/58, 2007/59, 2008/57, 2008/110 and Commission regulation 36/2010

These directives aim to improve the level of safety of the railway sector and to allow the interoperability between different systems and standards, keeping the same level of safety. The main consequence is the necessary creation of a National Safety Authority (railway directorate in Serbia), the publication of the technical specifications of interoperability and the implementation of a Safety Management System within the infrastructure manager and the railway undertakings operating on the Serbian network. This last requirement is not yet fulfilled in Serbia. It is one of the priorities of the period 2014/2020.

- **Inland Waterways and Maritime:** Regulations 789/2004, 2919/85, Directives 2006/87, 87/540/EC, 2009/46/EC, 2005/44 and 2009/56/EC, 91/672 and 96/50, STCW Convention, Directive 2012/35 amending Directive 2008/106

In the last two years, 3 laws (Law on Maritime Navigation, Law on Amendments on the Law on Navigation and Ports on Inland Waters and Law on Vessels Nationality and Registration) including the EU requirements and fixing the conditions of navigation on the Serbian waterways and the conditions of entrance in the ports were approved by the Government and adopted by the Parliament. For technical purposes, some secondary legislation has still to be drafted.

- **Civil Aviation :** Regulations 549, 550, 551/2004, 219/2007, 300/2008, 1070/2009, 185 and 691/2010

The Law on Obligations and the Basics of Property Relations in Air Transport, aiming to align national provisions with the EU legislation on passengers' rights, was adopted in November 2011. The Law on amendments of the air transport law takes into account comments from the ECAA and from the EC Progress Report. A specific attention has to be paid at the legal framework for licensing pilots and certifying technicians.

Further national provisions intending the alignment with the Single European Sky legislation has been achieved, in particular concerning the provision of air navigation services (ANS), the methodology for determining and calculating the ANS charges, the regulation of air space management, and the interoperability of the ATM systems.

- **Road transport :** 2003/59/EC, 96/53/EC, 1999/62/EC, amended by 2006/38/EC, 2008/96/EC, 2004/54/EC, 2004/52/EC and decision 2009/750/EC, 2004/18/EC, 2002/15/EC, 2006/22 EC, Regulation 561/2006

Improvement of the road safety system, in cooperation with the Road Traffic Safety Agency and in accordance with the Directive on the initial qualification and periodic training of professional drivers (2003/59/EC). The law on the working time of drivers and tachographs will be developed and adopted.

- **Intermodal transport :** Directive 92/106/EC, 2006/103/EC

The necessary legal framework for the development of intermodal in Serbia has still to be improved and submitted to the Government.

- **Transportation of dangerous goods :** Directive 96/35, 2008/68/EC, 95/50/EC, 2010/61/EU

Even the *transportation of dangerous goods authority* was recently established in January 2013, an important volume of secondary legislation has still to be drafted for putting the Serbian organization in accordance with the EU requirements.

The development of the transport system in Serbia is very much dependent on the EU accession path of the Republic of Serbia. Main document which is steering the process of approximation of the legal provisions with the EU *Acquis* is the **National Plan for the Adoption of the *Acquis* (NPAA)** which was adopted in March 2013.

The NPAA 2013 – 2016 specifies obligations concerning the incorporation of the EU transport *Acquis* provisions into the domestic legal system and the tasks to fulfil criteria for accession. Mid-term priorities are defined for the areas of transport policy and transport networks; legal and institutional frameworks and include adoption and implementation of legislation and capacity building to meet the future requirements. The main provisions of the EU Regulations and Directives (as listed in the section B.3) have been transposed into Serbian transport legislation, by means of 10 main laws and some 100 bylaws.

However, an important volume of secondary legislation has still remains to be transposed and adopted in the coming years in order to fully harmonise with the EU *Acquis*.

Chapter 21: Trans-European networks

Direction of EU policies

The direction of the **Europe 2020 strategy**, adopted by the EU's European Council of Ministers, indicates that transport, environment and competitiveness will remain pivotal to ensuring Europe's future prosperity and hence will play a guiding role in the governance of future EU funds. Serbia needs to be fully up-to-date in its strategic planning and put in place an active pipeline of potential projects for funding, which correspond with this agenda.

Main Relevant *Acquis*

- *Decision No 884/2004/EC of the European Parliament and of the Council of 29 April 2004 amending Decision No 1692/96/EC on Community guidelines for the development of the trans-European transport network;*
- *Decision No 1692/96/EC of the European Parliament and of the Council of 23 July 1996 on Community guidelines for the development of the trans-European transport network as amended in 2001 and 2004.*

In the frame of the Trans-European transport networks (TEN-T), the SEETO transport network has been integrated into Serbia's Strategy for the development of railway, road, waterway, air and intermodal transport from 2008 to 2015. Several major projects for corridor X (road and rail) are programmed, planned and/or prepared. Serbia is continuing to develop its transport networks and to participate actively in the work of the South East Europe Transport Observatory. However, major challenges remain in terms of financing the new interconnections between transport networks.

The EU priorities for IPA II will be defined in the Common Strategic Framework (CSF) aiming at better alignment of financial assistance with EU enlargement policy. The priorities for individual countries will be identified in the Country Strategy Paper (CSP) prepared by the European Commission and the basis for will be NAD and relevant national sector strategies.

Concerning Chapter 22 Regional Policy and Coordination of Structural Instruments, the Government of the Republic of Serbia and the European Commission signed the Framework Agreement on 29 November 2007 validated in the National Assembly of the Republic of Serbia on 26 December 2007 by adoption of the Law Ratifying the Framework Agreement²⁵⁰ 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 Instrument for Pre-accession Assistance (IPA). The Serbian Government adopted the Regulation on Decentralized Implementation System²⁵¹ for managing the European Union development assistance funds under IPA.

Five components from the current regulation for 2007-2013 cycle, in period 2014-2020, are changed into policy areas: (a) the transition process towards Union membership and capacity building; (b) regional development; (c) employment, social policies and human resources development; (d) agriculture and rural development and (e) regional and territorial cooperation. The main principle of IPA II will be Sector Approach.

B7.4. Overall objectives and priorities in the sector (2014-2020)

The SWOT analysis of the transport sector has been undertaken additional to the situation analysis presented in previous sections, to set out the long term objectives and medium term strategic priorities and realistic and targeted measures.

<i>Strengths</i>	<i>Weaknesses</i>
<ul style="list-style-type: none"> • Adoption and on-going execution of the Development strategy for railway, road, waterway, air and intermodal transport in RS 2008-2015 and related Action Plans • The package of laws is in place • The transport <i>Acquis</i> is largely transposed • Well recognized contribution of the transport sector to the economic development of Serbia • Existence of a General Master Plan for Transport (GMPT) (2009-2027) that is developed as a comprehensive plan of future investments in transport infrastructure 	<ul style="list-style-type: none"> • Low level of intermodal transport due to a lack of legal basis • Restructuring of the railway company in early stage • Some previous infrastructure projects failed or were delayed due to a lack of documentation, land expropriation issues • Many institutions of different level involved in the projects / lack of coordination • Some standards not easily reachable in Serbia • National budgets not sufficient for Co-financing • Low levels of maintenance and infrastructure development for decades

²⁵⁰ Official Gazette of RS - International Agreements, no. 124/07).

²⁵¹ Official Gazette of RS Nos 70/2011, 49/2012

<ul style="list-style-type: none"> • Existence of an Investment Plan in Railway Infrastructure (2012-2021) • Existence of a draft National Road Safety Strategy and Action Plan (2013-2020) • Two main TEN-T corridors crossing Serbia (X and VII) • Skilled labour force • Strong political support to transport infrastructure, priority taken to activities within the Pan-European Corridors X and VII and the Route 4 of the Core Regional Transport Network 	<ul style="list-style-type: none"> • Lack of project preparation facility • Outdated technology, infrastructure quality below EU standards • Transport network limitations (speed limits, single rail lines, non-electrified rail lines, gauge UIC-C standard, critical sections and UXOs in the Danube and Sava, poor infrastructure of ports, etc.) • Lack of forecasts for consideration of transport's future development which takes into account the recent global financial and economic crisis
Opportunities	Threats
<ul style="list-style-type: none"> • A strategic location of Serbia within the South East Europe core regional transport network • Increase of the economic activity associated with the Corridors X and VII • Corridor X is a high Government priority • Acceleration of the EU accession process after granting the status of candidate country • New challenges resulting from participation in European and regional cooperation • Sustainable transport promoted by the EU • Demand from the European Union to complete the TENT and the Core Regional Transport Network and to improve the European mobility and interoperability; • Increasing demand for fast transportation (including urban and suburban transport) within the country in relation with the growth of the economy • Transport projects reducing pollution, consumption, accidents • Neighbouring countries are EU member states • IFIs' interest in financing/co-financing of infrastructure 	<ul style="list-style-type: none"> • Losing qualified staff because of low motivation and low wages • Change of government priorities • Global economic crisis • Losing traffic volume by slow harmonization of legislation and implementation of European standards leading to use of alternative routes and modes • Economic recession and budgetary cutbacks • Difficulty for preparing necessary documentation in due time • Losing funds because slow or delayed project documentation • Unclear share of responsibilities between the stakeholders • Lack of interoperability and coordination between transport modes including urban transport • Potential loss of habitat connectivity and potential conflict with the nature conservation objectives.

Bearing in mind that the transport policy of Serbia is driven with the aim of economic and social development, following the EU Transport policy (Chapter 14 and 21), the overall objective of transport sector for the period 2014-2020 is as follows:

Efficient, quality, reliable and sustainable services contributing to a comprehensive and safe transport system of the Republic of Serbia as an integral part of the Trans-European Transport Network. Economic development of Serbia is dependent on strong transport connections which are recognised as a generator for overall regional growth. Serbia aims to effectively contribute to transportation over a pan European corridors and routes, carrying freight and passenger, with high efficiency and low emissions, making extensive use of existing infrastructure, completing missing links, alleviating bottlenecks and using more efficient services in multimodal transportation. Economy boost depends on fast, safe, reliable and environmentally and biodiversity friendly transportation which will ensure smooth flow of freight and mobility of people. Also transport services should be provided in line with the EU standards and best practice principles.

To reflect the above and guide assistance programming the priorities are formulated as follows:

Priority 1: Increasing the effectiveness of the transport system by strengthening the policy and institutional framework, management capacities and implementation mechanisms

The implementation of the transport policy and the quality and efficiency of services provided is actively contributing to the competitiveness of the economy, job creation and lessening of regional disparities. This entails effective strategic/policy and operational planning, so as to assess priorities for the short, mid and long-term horizon, always considering the regional impact of the given intervention and the effects which given priorities have in the transport modes concerned. Transport system should be strengthened by taking into account market opening features, interoperability and safety issues, driven with the vision of economic development of the country. Institutions responsible for transport planning should strengthen their capabilities for optimal combining of various modes of transport within the transport chain, including setting up the legal framework for supporting the development of intermodal transport by defining incentives to road carriers for using the intermodal facilities.

Priority 2: Improving the capacity and quality of transport infrastructure and services within the Pan-European Transport Corridors and the South East Europe Core Regional Transport Network

The improvement of the transport infrastructure and the organization of a safe and sustainable transport system will enhance the competitiveness of the whole sector and enable a better territorial integration within the country and beyond its borders. Serbian transport, represented by all transport modes, is still not advanced satisfactorily so as to meet EU standards both in terms of the quality of infrastructure, but also the quality of services. Thus, the priority for the oncoming period remains the construction of missing network links and modernization/reconstruction of the transport infrastructure and rolling stock and ITS (intelligent transport system), including preparation of the necessary technical and planning documentation needed for the execution of the works. Transport infrastructure development and transport services should be result-oriented towards economic prosperity of the country while maintaining its natural capital.

Priority 3: Promoting the sustainable urban and suburban transport

The link between urban and suburban transport and the trans-European transport network is a major topic given that one/two of the international corridors pass through major Serbian cities. Since urban mobility and long-distance transport obviously are a huge challenge, urban and suburban areas are expected to provide efficient interconnection points for the trans-European transport network and offer efficient 'last mile' transport for both freight and passengers. Moreover, cities suffer most from congestion, poor air quality and noise exposure. Strategic integrated transport planning in form of sustainable urban mobility plans for Serbia's largest cities and the implementation of the ensuing urban transport policy could reduce traffic congestions, positively address environmental and energy consumption issues and improve safety and security.

B7.5. Sector measures for implementation of priorities in the sector

Priority 1. Increasing the effectiveness of the transport system by strengthening the policy and institutional framework, management capacities and implementation mechanisms

Measure 1.1: Strengthening capacity of the administration for strategic/policy planning and transport management

The measure will contribute to the strengthening of the administrative capacity of the Ministry in charge of transport and the related institutions, in order to continue the harmonization of the Serbian transport legislation with the EU *Acquis*. Once the primary legislation is already well adjusted with the *Acquis*, the assistance will focus on the secondary legislation. The effectiveness of this action will be measured through the improvement of the technical and administrative capacities of ministry and bodies/institutions recently established (or to be established), as requested by the EU legislation. Sustainable mechanisms for licensing of pilots and certifications of technicians, in accordance with the EU requirements will be established. In the frame of the foreseen market liberalization, assistance will be given to the Railway Directorate acting as regulator of the railway market. Intermodal transport will be developed and promoted through the implementation of an incentive legal framework and the creation of the basic principles aiming to increase the modal split of the transport modes in favour of the less polluting modes (rail, waterways).

Measure 1.2: Setting up organizational and structural changes of the public enterprises operating in the transport sector aiming at commercialization of their activities in accordance with the EU requirements

The measure will support reorganization of the Public Enterprises acting in the field of transport in accordance with the EU legislation and following the provisions of the EU directives. These Public Enterprises will have to respect the liberalization process and to set up a management system aimed at the commercialization of their activities in accordance with the EU requirements. A specific assistance will be provided to the railway sub-sector for enhancing the railway reform process. A specific attention has to be given to the mandatory separation of the infrastructure management from the operations, as requested by the EC directives 91/440, modified by 2001/12, 2004/51, 2007/58 and 2012/34 EU, including also issue of Public Services Contracts related to Passenger transport as requested by the EC Regulation 1370/2007. The key element is the strengthening of management capacities in terms of introduction of transport market liberalization elements (publication of the Network Statement including rules for allocation of capacity and methodology for infrastructure charging) which should lead towards effective railway transport system functioning as an open market and financially self-sustainable institutions dealing with the transport sector. Effective transport system calls for introduction of contemporary management principles (i.e. performance based maintenance, investment planning on the basis of the actual needs...).

Priority 2. Improving the capacity and quality of transport infrastructure and services within the Pan-European Transport Corridors and the South East Europe Core Regional Transport Network

Measure 2.1: Modernizing the railway infrastructure

This measure will support, mainly in relation to Pan European corridor X, the further development of the railway infrastructure, capacity, safety and quality of services through reconstruction/upgrading/ modernization of specific sections (including bottle necks) with the focus on the railway lines which are contributing to the economy boosting and job creation, as well as a better connection within the main urban centres and neighbouring countries. Activities will include project

preparation for reconstruction and modernisation of railway infrastructure and purchase of equipment for railway lines. This will be undertaken along with improvement of path elements for running of double track traffic following the ERTMS level 1 standards and rulebooks on technical and other conditions for designing and construction of railway lines and facilities, devices and structures on main railway lines. When necessary, the measure will support the related works. All steps will follow procedure and criteria for identification and selection of investment projects set by NIPAC TS.

Measure 2.2: Improving the road transportation taking into account social, capacity and safety features

This measure will support continuation of the construction of the highway E763, Belgrade –Vrbnica (South Adriatic) which is Route 4 (SEETO) known in Serbia as a working title „Corridor XI“. This respective section of the road network is recognized as one of the most challenging when it comes to safety aspect of transportation, but as well as one of the routes that can create conditions for economic development. Furthermore, continued construction activities on the Belgrade bypass should be supported through this measure. Namely, completion of the bypass would create possibility for city development and creation of new zones with the business development potential. All steps will follow procedure and criteria for identification and selection of investment projects set by NIPAC TS.

Measure 2.3: Strengthening capacities for an efficient intermodal transport aiming to increase the modal split of the transport modes in favour of the less polluting modes (rail, waterways)

This measure will support setting up infrastructure necessary for accelerating the development and better facilitation of intermodal transportation. A particular focus will be given to the construction of the intermodal terminal in Belgrade. As a reaction on the growing demand concerning the effective combining of various transport modes using the IPA 2008 program documentation for construction of the Intermodal terminal in the vicinity of Belgrade has been prepared. Intermodal terminal in the vicinity of Belgrade should have capacity of 80,000 TEU (Twenty-Foot Equivalent Units /intermodal shipping container). Also, further development of intermodal transportation would be examined with the focus on ensuring effective supply chain.

Measure 2.4: Improving navigation conditions within inland waterways

The measure will support the implementation of hydro technical works and dredging of the river beds to eliminate critical sectors of the fairway, as well as other bottlenecks dangerous for navigation. Specific focus remains on the Danube, the Sava and the Tisa rivers following the integrated approach. Activities will be focused in first instance on finalization of project documentation for the remaining sectors critical for navigation, having in mind that through IPA 2010 funded projects documentation will be prepared for up to 6 critical sections, while 24 critical sections are identified. Implementation of hydro-technical works on the Danube and Sava will follow, where necessary. These are special engineering and construction activities, aiming to absorb river dynamics and maintain navigable conditions on rivers, and include construction of revetments, groins, training walls and dredging of river drifts. In relation to the Tisa, measure will include only project preparation actions. Deployment of remote AtoNs, mainly on the Corridor VII, is integral part of the measure. It will contribute to the implementation of the objectives of the EU Strategy for the Danube Region, as described below. All steps will follow procedure and criteria for identification and selection of investment projects set by NIPAC TS.

Priority 3. Promoting the sustainable urban and suburban transport

Measure 3.1: Improving efficiency of the urban and suburban transport and its connectivity with national and international transport corridors following integrated approach in urban and suburban transport planning.

This measure will support urban and suburban transport development through improvement of connectivity between various transport modes, urban and suburban system following interoperability standards, alignment of timetables and tariff systems, improving its connectivity with the rail and road transport Corridors and Routes (Corridor X and Route 4). Specifically, this measure should contribute to gradual integration of transport, urban and economic planning. Through this measure Sustainable Urban Transport Plans shall be prepared for the biggest agglomerations in Serbia, in particular those along the pan-European corridors crossing the Country, X and VII. The SUTPs should ensure a more long-term strategic approach covering both urban passenger and urban freight transport and where the integration of land use and transport planning is regarded as a critical factor.

Measure 3.2: Improving implementation and development of adequate urban and suburban mobility measures in order to decrease congestion and to improve safety

This measure will enhance the use of intelligent transport systems (ITS) in order to provide better and more comprehensive information to all users, make the use of transport networks more coordinated/efficient, safe and thus environmentally friendlier. This measure will also allow a gradual introduction of urban and suburban traffic management and control systems through the optimum utilization of data related to urban traffic (congestion, peak hours, works,) in order to improve the fluidity and the safety, to avoid traffic jams and to reduce consumption and pollution.

Regional, Cross border and Transnational Themes in Transport sector

Instruments of importance for regional cooperation, such as Multi-Beneficiary IPA support, CBC and Trans National Programmes, should be provided to those actions where benefit of regional approach is obvious.

To implement the EU transport policy concerning the Western Balkans region, it is to be expected that the Transport Community treaty will be signed. It is expected that the Transport Community would provide operators and investors in the transport sector with legal certainty, thereby stimulating and speeding up the necessary investments and economic development.

Assistance through the **Multi-Beneficiary IPA** in the oncoming period, should support the intended proactive/leading role of Serbia in this respect, and the concerted project preparation (pipelines of projects) to implement the **SEETO five years multi annual plan 2013** and the revision of the **REBIS** study. Technical projects preparation and implementation of infrastructure development projects of regional interest will require substantial additional technical and financial assistance from international partners, **IFIs** and bilateral donors (**WBIF** – joint grant +loans).

Having in mind regional context and necessity for good coordination, **JASPERS** (Joint Assistance to Support Projects in European Regions) should support and advice on project preparation and financial engineering issues.

IPA CBC in pursuing the EC recommendations for the Western Balkan countries in the transport sector, should specifically refer to improving border management and increasing the capacity of border crossings in order to speed up and improve the quality of transport at regional level and the development of the road infrastructure which would ensure better social living conditions through better connectivity with the education centres and economy centres and increase in cargo transported on inland waterways (ERDF thematic objective 6 – Promoting sustainable transport and removing bottlenecks in key network infrastructures).

In order to contribute to the implementation of the objectives of the **EU Strategy for Danube Region**, namely those relating to the Pillar I “Connecting the Danube Region” and more specifically the Priority area (1) To improve mobility and multimodality (inland waterways, road, rail and air links), TA for technical project preparation and assistance for works and supply is needed for projects aimed at promoting multi-modality (linking ports with rail and road transport), improving navigation conditions (bottlenecks, dredging), logistics management and better equipment (vessels, navigation aids) as well as HR development for inland navigation.

B7.6. Institutional framework for implementation of Sector Approach

The transport sector of the Republic of Serbia is managed by the following institutions: Ministry in charge of transport (including the Authority for Determination of Seaworthiness, Directorate for Inland Waterways and the Authority for Transportation of Dangerous Goods), Directorates (Directorate for Railways, Directorate of Civil Aviation), Public Agencies (Road Traffic Safety Agency, Port Governance Agency) and Transport Public Enterprises (Public Enterprise “Roads of Serbia”, JSC Serbian Railways, the Corridors of Serbia, JAT Airways and the Belgrade Nikola Tesla Airport). The lead institution for the sector is the Ministry in charge of transport.

In context of Sector Approach, the Ministry coordinates the work of all relevant institutions in the sector in regard to planning, programming, implementation and monitoring of the Transport sector measures/operations which will be supported by EU funds and other international development assistance. Responsibility for formal submission and later implementation of measures/operations depends of their content and responsibility of institutions involved in the Transport sector.

Directorates, Public Agencies and Transport Public Enterprises, as well as the AP Vojvodina and local self-government authorities are supporting the processes of policy making, designing strategic and legislative framework as well as they participate in their implementation and monitoring. They are also, based on respective legislation, responsible for maintenance and supervision of transport infrastructure and management of operations and actions within the transport sector as a whole, and in particular relevant sub sectors such as roads, railways (including inter-modality), inland waterway and air transport.

In order to improve and coordinate activities related to planning, programming, implementation and monitoring of EU funds and international assistance and to increase the efficiency and effectiveness of development assistance, additional mechanism has been introduced, that is to say, the Sector Working Group (SWG) for Transport²⁵² has been established. The SWG for Transport is responsible to coordinate activities related to planning, programming and monitoring of EU funds and international assistance, to propose relevant measures and activities and to support the introduction of Sector Approach in Transport sector. The functioning, management, organisation and composition of SWG are more precisely defined by the <Rules of Procedure for Sector Working Groups for the Programming and Monitoring of the EU funds and development assistance>. The institutions participating in the SWG are Ministry in charge of transport, Ministry in charge of construction and urban planning; Ministry in charge of finance and Office responsible for European integration affairs (SEIO). Members of

²⁵² Act on establishing the SWG from 5.11.2012. No: 119-01-68/2012-03

the SWG are officially appointed representatives of the above mentioned line ministries, at the level of State Secretary or Assistant Minister, or appointed Senior Programming Officers (SPOs) and the Serbian EU Integration Office.

Representatives of the donor community including the Lead Donors are participating at the SWG meetings based on the needs and requirements of each SWG meeting and takes part in consultation processes for analysing sector priority goals, measures and operations for financing from EU funds and international assistance as well as they secure data on the expected assistance during the planning period. The Lead donor(s) is responsible to support the work of the SWG and represent the interests of donors active in particular sectors.

In order to enable more inclusive and transparent dialog, consultation and communication with all relevant stakeholders in the respective sectors, SEIO established a consultation mechanism with the civil society organisation (CSOs)²⁵³. This mechanism is based on the consultative process with Sectorial Civil Society Organisations (SECOs) and serves as a platform that enables exchange of information and contribution of CSOs in relation to planning development assistance, particularly programming and monitoring of the Instrument for Pre-Accession Assistance (IPA). The SECO indicates a consortium of maximum three CSOs as partners, one of which is clearly indicated as leading partner. SECO is composed of the CSOs that have significant experience with public advocacy, analyses and research in the sector, as well as experience in direct work with service providers and beneficiaries. They are influencing public policy due to their successful networking and partner work with other local and international civil society organisations well as constructive cooperation with state institutions and the constant monitoring of their work. Members of SECO are participating at the SWG meetings based on the needs and requirements of each SWG meeting and takes part in consultation processes for analysing sector priority goals, measures and operations for financing from EU funds and international assistance. Other relevant stakeholders (agencies, private, academic sector, CSOs, etc.) can participate at the SWG meetings based on the topic, needs and requirements of each Sector Working Group meeting.

Under the Rules of Procedure for Sector Working Groups, SEIO²⁵⁴ is responsible for coordination and ensuring the efficient functioning of all activities of the Sector Working Group. Coordination and leadership of the SWG is supported by a Task force made up of representatives from the Sector Lead Institution, Lead donor and SEIO. SWG is also acting as Sectorial Monitoring Subcommittee for IPA.

²⁵³ Introduced in 2011

²⁵⁴ Sector for Planning, Programming, Monitoring and Reporting on EU Funds and Development Assistance

B7.7. Indicators for measuring progress

PRIORITY 1: Increasing the effectiveness of the transport system by strengthening the policy and institutional framework, management capacities and implementation mechanisms													
Impact Indicator	Unit	Baseline (2012)	Target								Means of Verification	Institution in charge for reporting	
			2013	2014	2015	2016	2017	2018	2019	2020			
1.1 MOT and transport institutions in charge of transport organized in accordance with the EU Acquis	Yes/No	No				Yes						NPAA	Ministry in charge of transport
1.2 Number of passengers – kilometers (PKM)	Millions of PKM	6.592 (2011)		6.600	6.700	6.800						Statistical Yearbook of Serbia	Ministry in charge of transport
1.3 Volume of tons- kilometers (TKM)	Millions of TKM	6.936 (2011)		7.000	7.500	8.000						Statistical Yearbook of Serbia	Ministry in charge of transport
MEASURE 1.1: Strengthening capacity of the administration for strategic/policy planning and transport management													
Outcome Indicator	Unit	Baseline (2012)	Target								Means of Verification	Institution in charge for reporting	
1.1.1 New EU legal acts transposed in Serbian legislation	Number	0			5	10	15						SEIO
MEASURE 1.2: Setting up organizational and structural changes of the public enterprises operating in the transport sector aiming at commercialization of their activities in accordance with the EU requirements													
Outcome Indicator	Unit	Baseline (2012)	Target								Means of Verification	Institution in charge for reporting	
1.2.1 Network statement published	Yes/No	No	No	Yes								Official Gazette	Ministry in charge of transport
1.2.2 Number of licenses delivered by the Railway Directorate to Railway undertakers	Number	5	6	6	7	7	8					Official Gazette	RD
1.2.3 Performance based contracts related to road network maintenance concluded	Number	0			1	2	3					Official Gazette PE/RS	Ministry in charge of transport
PRIORITY 2: Improving the capacity and quality of transport infrastructure and services within the Pan-European Transport Corridors and the South East Europe Core Regional Transport Network													
Impact Indicator	Unit	Baseline (2012)	Target								Means of Verification	Institution in charge for reporting	
2.1 Geo economical integration of Serbian transport network into TENT	Volume/ Thousand Tons	24.706 (2011)			25.000	26.000	27.000					Statistical Yearbook of Serbia	Ministry in charge of transport
MEASURE 2.1: Modernizing the railway infrastructure													
Outcome Indicator	Unit	Baseline (2012)	Target								Means of Verification	Institution in charge for reporting e	
2.1.1 Length of reconstructed and modernised railway lines compliant with EU interoperability and safety standards	Km	0			50	80	110					Annual Report Serbian Railways	Ministry in charge of transport
2.1.2 Average maximum speed for passenger train on the Corridor X	Km-h	80			100	120	120					Annual Report	Ministry in charge of transport

												Serbian Railways	
2.1.3 Passenger trains compliance with the time table	Minutes/train delayed	15	15	12	12	12	10					Annual Report Serbian Railways	Ministry in charge of transport
2.1.4 Black spots eliminated	Number	0			1	2	3					Annual Report Serbian Railways	Ministry in charge of transport
MEASURE 2.2: Improving the road transportation taking into account social features, capacity and safety features													
Outcome Indicator	Unit	Baseline (2012)	Target								Means of Verification	Institution in charge for reporting	
			2013	2014	2015	2016	2017	2018	2019	2020			
2.2.1 Black spots eliminated	Number	0										Annual report of PE Roads of Serbia	Ministry in charge of transport
2.2.2 Length of newly constructed roads	Km	0										Annual report of PE Roads of Serbia	Ministry in charge of transport
2.2.3 Technical documentations for projects prepared and approved	Number of completed dossiers	0										Annual report of PE Roads of Serbia	Ministry in charge of transport
2.2.4 Length of roads under ITS control	km	0										Annual report of PE Roads of Serbia	Ministry in charge of transport
MEASURE 2.3: Strengthening capacities for an efficient intermodal transport aiming at increasing the modal split of the transport modes in favour of the less polluting modes (rail, waterways)													
Outcome Indicator	Unit	Baseline (2012)	Target								Means of Verification	Institution in charge for reporting	
			2013	2014	2015	2016	2017	2018	2019	2020			
2.3.1 Volume of goods transported by intermodal transport	TEU	50000			100000	110000	120000					Statistical Yearbook	Ministry in charge of transport
MEASURE 2.4: Improving navigation conditions within inland waterways													
Outcome Indicator	Unit	Baseline (2012)	Target								Means of Verification	Institution in charge for reporting	
			2013	2014	2015	2016	2017	2018	2019	2020			
2.4.1 Critical sections on Danube eliminated	number	0			2	4	6					Statistical Yearbook	Ministry in charge of transport
2.4.2 ATOns installed	number	0			80	220	280					Statistical Yearbook	Ministry in charge of transport
PRIORITY 3: Promoting the sustainable urban and suburban transport													
Impact Indicator	Unit	Baseline (2012)	Target								Means of Verification	Institution in charge for reporting	
			2013	2014	2015	2016	2017	2018	2019	2020			
3.1 Modal split between Public Transport and private vehicles	Percentage											Statistical Yearbook	Ministry in charge of transport

MEASURE 3.1: Improving efficiency of the urban and suburban transport and its connectivity with national and international transport corridors following integrated approach in urban and suburban transport planning.												
Outcome Indicator	Unit	Baseline (2012)	Target								Means of Verification	Institution in charge for reporting
			2013	2014	2015	2016	2017	2018	2019	2020		
3.1.1 Synchronization of time table of various transport modes	number	0			1	2	3					Ministry in charge of transport
3.1.2 Harmonization of Tariffs policy of various transport modes	number	0			1	2	3					Ministry in charge of transport
MEASURE 3.2: Improving implementation and development of adequate urban and suburban mobility measures in order to decrease congestion and to improve safety												
Outcome Indicator	Unit	Baseline (2012)	Target								Means of Verification	Institution in charge for reporting
			2013	2014	2015	2016	2017	2018	2019	2020		
3.2.1 ITS system installed in city municipalities (largest cities - Belgrade, Nis, Novi Sad)	number of municipalities	0					1					Ministry in charge of transport

B7.8. Aid effectiveness, efficiency and sustainability

According to ISDACON database the total disbursement (CARDS, IPA, bilateral donors and soft loans) in transport and storage sector reached in the period of 2007-2012 an amount of € 1179 million. Transport funding is driven by infrastructure investment, with roads rehabilitation accounting for over €0.5 billion and railways for €143 million, reflecting the status of road transport as the dominant mode and its huge capital investment needs, and the location of Serbia on the European transport network translating into strong international pressure to complete Corridor X.

Total disbursement within **IPA component I** amounted to 104.8 million EUR in the period 2007-2013. The EU has increased support for capacity building activities including harmonization process through projects such as Implementation of the European Common Aviation Area Agreement in air transport and twinning with regard to the *Acquis communautaire*. Substantial funds were allocated to improvement of the navigation conditions on the Danube, to the railway track condition analysis, the development of technical documentation for intermodal terminal establishment, preparation of documentation for railway infrastructure modernization, as well as support to project management and supervision of construction works on the road corridors, including the construction of Žeželj bridge on the Danube River in Novi Sad, co-financed by the national funds. Assistance is provided to Serbian Railways JSC in restructuring of selected fields (IPA 2008) as well as to the Railway Directorate (EBRD, 2011) and the PIU within JSC Railways of Serbia (EBRD/WBIF, 2011). The **IPA Multi-beneficiary programmes 2007-2013** provided support for the transport sector mainly through the Infrastructure Project Facility (IPF). IPF support was concentrated on the preparation of the documentation for the investment projects in railway sub sector. Also, through Western Balkan Investment Framework (WBIF) EIB is providing support to the Ministry in charge of transport and Serbian Railways JSC aiming at definition of the Investment plan in railway infrastructure and revision of the railway component of the Development strategy for railway, road, waterway, air and intermodal transport in RS 2008-2015.

Other donors supporting transport sector are Norway, the Netherlands, Italy, Switzerland, the Czech Republic and Canada. On the initiative of SEIO, then Ministry in charge of transport developed a formal mechanism to ensure the most effective coordination of active donors. At present the Donor Coordination Group for Transport is represented by the Ministry in charge of transport, institutions dealing with various issues in the transport sector, SEIO and main donors.

Of the total estimated disbursement, the highest level was recorded in the road transport (57%), followed by rail (15%), air transport (10%), general transport policy issues (7.5%), inland waterways transport (1.5%) and intermodal transportation (0.2%). Also, in transport sector almost 9% of disbursed funds are invested in areas which belong to transport sector but cannot be linked with any of above mentioned transport modes.

SIDA Report on "Evaluation of effectiveness and efficiency of development assistance to the Republic of Serbia"¹⁵ has found that the assistance provided in the transport sector is very relevant, while the activities have been effective in building the transport policy framework within in the framework of EU accession. However, public sector transport companies are overstaffed with low productivity levels. On the other side, effectiveness is only realized after a period has lapsed and other infrastructure components are in place. Concerning **efficiency** of resource use the overall levels of capital funding required for rehabilitating the road and railways networks is considerable. Efficiency is very much caused by the week technical project identification and timely project preparation. Assistance has been efficient in developing the sector's regulatory framework particularly dealing with civil aviation, safety and inland waterway navigation. There has been an incremental **impact** of assistance in the transport in terms of improved transport times, safety standards, improved access and increased revenues (tolls). **Sustainability** of assistance is dependent on the continued funding and maintenance of transport infrastructure after donor funding has ceased. The factors determining sustainability, particularly for Corridor X, are future traffic flows and the overall financing model for Serbia's overall transport system.

Also, Evaluation of Transport sector implemented and financed by IPA Programme and other Donors in the Republic of Serbia for the period 2007-2011 was performed. Preparation of the evaluation report is in the final phase. However, following the evaluation criteria key findings are that **relevance** of the assistance was highly satisfactory and according to plan aiming at achieving the goal of EU accession. **Effectiveness** of assistance provided is evaluated as satisfactory, while overall **impact** of the assistance provided and sustainability of the assistance in the transport sector are evaluated as less than satisfactory. On the basis of these findings, it has been recommended that more strategic vision in programming is necessary, as well as more synchronisation between the projects during the selection. This should result in better sustainability of the assistance. Constant improvement of monitoring system is also recommended with the more precise definition of the performance-based indicators.

Serbian transit traffic forecasts for Corridor X are highly dependent on external economic growth and the on-going financial crisis may impact in the future on capacity utilisation of transport investments. Under these circumstances, it is important for the viability of investments to better integrate bordering economies within an overall corridor development framework. This sees Corridor X as a 'development' axis which allows interaction between urban nodes/growth along but also outside the corridor.

Such a strategic development perspective towards transport needs to be linked with efficiency in the use of public funds to finance infrastructure. There are limited funds available for the transport sector, mainly from IFI/external loan sources. Taking external loans to fund infrastructure has costs and risk implications for the Serbian economy. These costs can be recuperated and risks ameliorated if loans are utilised on productive infrastructure assets that promote economic development and employment generation. Once a decision to loan finance is made, the conditions of the loan arrangement have to be met as efficiently as possible, which has not been the case with transport sector loans in Serbia to date. The lack of technical project documentation, failure to produce building permits, disputes over land ownership, the need to purchase land, non-transparent procurement, weak project management, disputes between contractors and financiers leading to payment disputes, all contribute to project delays.

The investment demands for the rehabilitation of Serbia's overall transport network are substantial. Low economic growth and other demands on the public finances mean that sufficient tax revenues cannot be generated to fully meet projected costs. To date, there has been an over-reliance on external loans, with Serbia exceeding its debt threshold, and hence the transport sector needs new sources of private finance, alongside liberalisation of transport operations as part of an overall national financing framework. It is recommended that **concession agreements** with the public sector are developed, as an incentive for private sector partners to meet contractual obligations and avoid financial losses by maintaining infrastructure assets more successfully than the public sector. The alternative is to continue to debt finance transport infrastructure with the associated risks for national finances.

B8 HUMAN RESOURCES AND SOCIAL DEVELOPMENT

B8.1. Scope and background of the sector

The Human Resources and Social Development (HRSD) sector encompasses employment, labour market issues, education, social inclusion, health and youth. Human and minority rights per se are not considered a part of the SD sector, rather Justice, but they are viewed as a cross-cutting issue underlining the policies in the sector. Likewise, gender equality is embedded in all strategic priorities and policies of the sector. The HRSD sector targets sub-sector specific groups and cross-cutting groups whose needs and interests are mainstreamed in the priorities and measures in employment, education, social policy and health. Cross-cutting groups refer to vulnerable and underserved categories of the population, including especially: Roma, People with Disabilities (PwD), women and groups with multiple dimensions of vulnerability (for example: Roma women with disabilities), refugees and IDPs.

Labour market policy is closely connected with economic development and should reflect the needs of the market economy, in particular whether labour is mobile, adaptable and skilled, as well as to support development of a flexible labour market. This includes the need to promote entrepreneurship, innovations, export, and development of a knowledge-based economy, improve the business environment, and strengthen links between education and entrepreneurship. The labour market characterizes the situation of employment, unemployment rates, profiles of the unemployed, active labour market policy measures, wage developments, labour relations and working conditions.

From different perspectives education can be perceived as formal and non-formal, pre-university and higher education; looking at the levels, it can be divided into primary, secondary and tertiary education; or from the subsystems viewpoint, it comprises pre-school, primary, secondary general and art education, secondary vocational education, academic studies, vocational studies and adult education; but from a holistic point of view, education represents the whole system, encompassing all of the above mentioned elements and related policies.

Social welfare (coverage of social services and cash benefits at the central and local levels) for the poorest citizens is guaranteed through more efficient financial support and the development of a network of integrated community-based services and quality assurance. Social inclusion is an integral component of this sub-sector, setting priority directions of social policy. Thus, specific strategies and action plans are dedicated to improving the position of vulnerable and disadvantaged groups including children, women, people with disabilities, elderly citizens, Roma, refugees and IDPs, returnees and migrants. The promotion of human and minority rights is mainstreamed in every area of social policy.

The healthcare system in the Republic of Serbia is organized into primary, secondary and tertiary care levels and consists of state-run institutions and privately-run facilities. There are a total of 355 state-run healthcare facilities that are designated according to the Network Plan of the Ministry in charge of health and include 158 primary health care centres, 41 general hospitals, 36 specialized hospitals for acute and chronic diseases and rehabilitation and four clinical hospital centres. In 2012, the total number of hospital beds in the system was 41,268, i.e. 5.7 beds per thousand citizens. This accounts for 570 hospital beds per 100,000 citizens, which is the same as the EU average (570) and less than the WHO European Region average (668). The Ministry in charge of health is responsible for the development and implementation of health policy, while the Institute for Public Health, "Dr. Milan Jovanovic Batut," is accountable for collecting the health data that is used to monitor and report on a vast array of health indicators. The Health Insurance Fund (HIF) administers the allocation of the compulsory financial deductions that are derived from workers' salaries and other sources to then be distributed through the healthcare system to ensure that every citizen in the Republic of Serbia is entitled to basic health coverage. .

The situation in the **labour market** and **employment** has been affected by the global economic crisis, the overall mismatch of supply and demand and other internal negative trends. According to the last LFS the overall employment rate of people aged 15 and more decreased from 37.9% in 2010 to 35.5 in 2012. The latest nation-wide gender-sensitive data for October 2012 unfolds gender-gaps between employment of women at 28.7% and employment of men at 42.8%. Unemployment rate of people aged 15 and more slightly diminished from April to October 2012 calculated in total at a national average of 23.9% , i.e.24.9 for women and 23.2 for men. Statistics show slight positive trends also in youth employment that has increased to 14.7% (0.4% more from April 2012 when it was 14.3%) but at the same time, the unemployment youth rate increased in October 2012 up to 51.2% (increase of 0.3% in comparison to April 2012 when it was 50.9%). However, inactivity rates are highest amongst the youth, who together with women, Roma people, low-skilled individuals with secondary education or less, people with disabilities and with multiple vulnerabilities (ethnic and socio-economic backgrounds) are the most disadvantaged on the labour market and the least employable. Regional uneven social and economic developments account for differences in the economic activity of the working age population between urban and rural areas and for varying levels of unemployment throughout Serbia.

Besides uneven socio-economic development in Serbia, the effects of the global economic crisis and varying and multiple levels of social vulnerability, other factors negatively affect the labour market and employment rates. Labour mobility is very

low in Serbia while by contrast, Serbia's outward-migration is very high and remittances constitute an important share of income. Regional mobility as an important instrument for balancing demand and supply of the workforce is not analysed due to a lack of appropriate data. However, tendencies of internal migration show that people migrate from economically undeveloped regions to regions with greater employment possibilities (from rural to urban areas, for instance).

Unfavourable demographic trends also contributed to the worsening of the main labour market indicators in Serbia. Furthermore, the informal labour market has been traditionally high in Serbia and it seems to account for 20% of employment. However, this figure is expected to be higher and to include a larger share of older workers, better educated persons with secondary education or more, self-employed persons and unpaid family workers.

The National Employment Strategy 2011-2020 has the objective of increasing the employment rate in Serbia and sets four strategic priorities (described in the strategic framework section, B8.2). One of these priorities recognizes informal employment and the labour market mismatch of skills and competences as key structural problems. Employment policies, especially through active labour market measures and programs, concentrate on reducing market dualities and mismatch. However, despite progress in the structuring, designing, targeting and implementation of ALMPs, structural problems have not been eliminated. Aligning the needs of the heterogeneous group of unemployed and the market requirements through relevant ALMPs remains an actual challenge; further individual tailoring of ALMPs is required to strengthen targeting and effectiveness. Another weakness of the employment policy is its low coverage: only 16.7% of the registered unemployed benefited from ALMPs in 2010, and just a reduced fraction of them were involved in training and retraining courses (0.63%). The main constraint is the small annual budget for ALMPs, which represented only 0.1% of GDP in 2012. In order to strengthen the impact of employment policies, it is compelling to broaden the coverage and the targets of ALMPs. Budget allocation also needs to reflect the focus on activation policy measures over passive labour market measures.

In the area of health and safety at work Serbia has adopted rules further aligning its legislation with the *acquis*. It is necessary to continue to further the approximation of legislation in this field and the next important task of the labour protection system is to ensure a safe work environment and secure the effectiveness, quality and enforcement of labour protection policy.

The overall **education** level of the Serbian population is low, with a high percentage of illiterate and low qualified adults. Out of the population age 15 years and older, 34.44% have primary education or less (ISCED levels 0-2), including 2.68% with no education; 48.93% have secondary or post-secondary, non-tertiary education (ISCED levels 3-4); and 16.27% have tertiary education (ISCED levels 5 or 6). Despite the fact that from year 2001 reform attempts have been made, the education system as a whole still faces numerous challenges.

One of the key and overarching challenges is the **quality of education**. International surveys (PISA and TIMSS) show that many students aged 15 are functionally illiterate (one third of the population according to PISA, 2009); that the students' knowledge is mainly of a reproductive type; that the degree of applicability of this knowledge is below world and regional averages; that there is a very small proportion of students in the highest categories of knowledge (less than 1%) and an alarmingly large proportion in the lowest categories of achievement. These disquieting results are directly linked to outdated curricula and obsolete teaching methods, with little stress on the acquisition of transversal key competences as well as to poor implementation or lack of quality assurance standards and an accreditation system at all levels and segments of the education system. Some of the quality assurance elements have already been implemented or are in the process of adoption, but still there are gaps that are hampering the overall quality of the system. Students' assessment and examination systems in pre-university education need to be strengthened, qualification standards and outcome based curricula for all profiles are not developed as well as a monitoring and evaluation system, an accreditation system is not in place, the quality assurance system in higher education has to be further improved in line with quality reference and with EHEA²⁵⁵. The quality of teaching and to that effect, of teachers, is undoubtedly a factor in the quality of education, which stresses the importance of teachers' education (initial and in-service, further education) and development of a teaching career.

Regarding the **coverage and access to all levels of education**, the situation is not favourable, especially for vulnerable and disadvantaged groups. In preschool education for school year 2009/10, the coverage of children was the following: under 3 years of age was 15%; 3-4 years of age 34.80%; 4-5 years of age 39.83%, while the coverage of children between the ages of 5.5 -6.5 (compulsory Preschool Preparatory Programme), was 87.82%²⁵⁶. All children are not covered by primary education: around 5% of a generation does not go to school (percentage of enrolment in primary schools for 2009 was 95.2%²⁵⁷). In recent years, the enrolment rate in secondary schools has been increasing (with 76.40% in 2005 to 81.58% in 2008), and according to data from the 2009/2010 school year, the share of students attending secondary vocational schools was around 72.59%, secondary general gymnasiums 25.38% and art schools 2.03%. Drop-out rates at all education levels, and particularly among vulnerable groups, represent a serious concern for Serbia since the

²⁵⁵ European Higher Education Area

²⁵⁶ Statistical Office of the Republic of Serbia

²⁵⁷ Ibid

consequences of not finishing school are sombre and costly to both society and individual students. According to the First National Report on Social Inclusion and Poverty Reduction in the Republic of Serbia (2011), the early-school leavers' rate in Serbia in 2010 was estimated at 30%²⁵⁸. The highest drop-out rates are recorded during the year of transition from primary to secondary school²⁵⁹. The higher early-school-leavers rates are with children from vulnerable and disadvantaged groups, in particular, children from poor and low educated families, Roma families, rural regions and children with disabilities.

It is estimated that slightly less than 23% of people aged 30 to 34 hold higher education degrees, and in the last few years, about 40-42% of 19-year olds have been enrolled in the basic academic studies. The average duration of study before application of the Bologna Declaration ranged from seven to eight years. Early-school-leavers levels from 2000 to 2004 ranged from 43% to 24% (with a favourable trend of decline). Higher education is being reformed in line with the Bologna process; however, participation rates are a fraction of EU-27 levels.

The EC Progress Report for Serbia 2012 noted that despite the progress achieved in making the education system more socially inclusive and in introducing quality assurance standards in elementary education, implementation of higher education reforms remains a challenge and reforms in the VET sector still need to be sped up. Further steps remain to be taken to implement a strategy of reforming the education and training system in order to improve its performance and respond better to labour market needs.

Possibly the most significant issue in the Serbian education system is its relevance. The general observation is that the education system does not prepare students well for the world of work; it is not sufficiently responsive to the needs of the economy and does not offer enough training opportunities for workers to upgrade their skills and improve their employment prospects. The reform of the VET sector started with the revision of educational profiles in line with market needs and the introduction of experimental classes (58% of vocational schools have at least one experimental class which covers around 15% of students in the system). Pilot-testing in selected VET schools has been carried out and has resulted in higher teaching standards in participating schools, but the scale of improvement remains modest compared to the needs of the sector. To date, 67 out of 347 educational profiles across 15 occupational sectors have been fully updated in line with revised occupational standards agreed upon with social partners from the relevant industries. Since 2010, 35 revised profiles were mainstreamed in schools. Despite achieved results, the overall assessment is that the VET sector is changing very slowly, with very weak governance and resistance to change embedded within the system, an inadequate network of schools and an enrolment plan that does not follow labour market needs, and a regulatory and quality control system in rudiment.

The establishment of the **National Qualifications Framework (NQF)** for lifelong learning provides support to the development of a modern, relevant and flexible system of education. NQF will help maintain the education system responsive to the needs of the economy and facilitate the mobility and progression of students throughout the education system. The NQF document for the levels I to V in secondary vocational education (formal and non-formal) is developed. NQF for higher education (levels VI to VIII) is being developed separately, however it would be beneficial if a unified Serbian Qualifications Framework is established, which would include both formal secondary general education and higher vocational and academic education. In 2012, four Sector (Skill) Councils were established as a way to implement the social partnership concept in VET and reduce the mismatch between education and economic needs. However, establishing the NQF system will require substantial changes in the education system with regard to creating a system for certification of prior learning (recognition of non-formal and informal learning), a qualification credit system and accreditation of providers. Also, a quality assurance system is an integral part of NQF and it refers to all segments of education, the qualification development process, the development of education programmes according to the qualification standards, assuring quality in the process of acquiring qualifications and assessment of the achievements - standardisation of examinations for the acquisition of qualifications. In the absence of an operational and functional National Qualifications Framework, and without a quality assurance system, there is little incentive for the development of education and training offers outside the mainstream education system (adult education). Systematised data on existing training in the market does not exist, nor is there any data on the number of adults enrolled in the system of secondary vocational education. According to 2008 Eurostat data, only 3% of adults (25 - 64 years of age) in Serbia participated in some of the adult education programmes.

In **social policy**, efforts are concentrated on the implementation of the Law on Social Welfare (2011), centred on the decentralisation of services delivery and the creation of better linkages between education, health, housing and labour market policies to address the needs of vulnerable groups and facilitate their activation in the labour market and their social inclusion. Development of more efficient financial support, promotion of active inclusion and service delivery decentralisation were furthered to provide better protection to the poorest. Progress in the decentralisation of social welfare is recognized through the reform of the Centres for Social Work, the development of a regulatory framework and the initiated transformation of residential institutions.

²⁵⁸ Early school leavers, not in training, % of persons aged 18-24 with primary education (ISCED 2) not in education or training.

²⁵⁹ Gross attendance rate i.e. share of children in regular secondary education, regardless of year of birth in the population of appropriate age. The coverage of children with secondary education was 84.4% in 2009/2010. Source: MoES

In the context of the economic crisis, it is reported that 9.2% of the population in Serbia lived under the absolute poverty line in 2010, an increase of 2.3% compared to 2009. Statistics on the overall population from 2011 include: a decrease in the employment rate to 45.3%; an increase in the unemployment rate to 24.4% and inactivity to 40.1%. The long-term unemployment rate climbed to 13.4% (2010), compared to 3.3% in the EU-27.

Roma people are one of the poorest and most disadvantaged groups in Serbia with a poverty rate of 49.2% due to acute and complex social problems. The EC 2012 Progress Report states that there are around 66,000 refugees and 210,000 internally displaced persons in Serbia. The analyses²⁶⁰ of the needs of refugees show that the level of unemployment within this category is 33%; and 29% of refugees have a monthly income of only 48 Euros, putting them in the category of people living below the poverty line. A targeted survey²⁶¹ estimates unemployment among IDPs from Kosovo at 40.7%, 16% of IDP households do not have any source of income. PwD are at a greater risk of poverty and social exclusion, facing numerous barriers in accessing education, employment and healthcare. Although significant efforts and resources have been invested, the availability of community-based (CB) social services across the country is still limited to respond to the needs of disadvantaged groups. The necessities of persons with mental health problems, single parents, the elderly in rural areas, ex-offenders, drug addicts, etc. are not fully covered since adequate local services are often unavailable. 21.2% of all LSGs do not have home care services and only 38.8% have day care centres for children with disabilities. When such services do exist, they are often not mainstreamed, i.e. licensed or recognised by the LSGs and beneficiaries. The development of integrated social services and CB solutions geared to socio-economic inclusion needs to be further supported.

Social welfare expenditures at the central level represent 90% of the total social welfare budget. Services account for 32.4% and cash benefits for 67.6%. Out of the total social services at the central level, residential care represents more than 70%. This ratio gives an indication of the excessive weight of residential care and the underdevelopment of community-based services in Serbia. On the contrary, 86% of local social policy budgets are used to cover social welfare services and the remaining 14% for cash benefits. In practice, the latter has little impact on the welfare of beneficiaries, since they are only supplementing central cash benefits.

Lately, the Ministry in charge of social policy has designed a key mechanism to further the development of CB social services, consisting of a national regulatory framework. This quality assurance system sets national minimum standards, monitoring mechanisms and licensing procedures for service providers and professionals. Licensing is fundamental to expand CB services since it facilitates investment by LSGs and encourages organisations to provide services in the community. Further support to the implementation of the licensing system and to the continuous development of standards for new social services is still required.

The greatest degree of decentralisation in the **healthcare system** in Serbia has been achieved at the primary healthcare level, as local self-governments have taken on responsibility for primary healthcare institutions. Primary healthcare centres are generally the first point of contact that patients have with a health facility and with a selected physician at the level of primary healthcare. Patronage services, which are particularly important for people residing in rural or remote areas, are also organised through primary healthcare institutions. Since patronage services are often used by the elderly who may live alone and have difficulty reaching a healthcare facility, this is one means by which to address social inclusion in healthcare.

The population in Serbia is ageing with one sixth of its total population now older than 65. This is comparable to demographic trends in the EU-27, although Serbia's population under the age of 14 (15.5%) is below the European average (17%) and birth rates are persistently decreasing. As such, Serbia was distinguished as the sixth "oldest" country in the world in 2009²⁶². The average life expectancy in Serbia, in 2012, shows a slightly growing tendency in years: general – 74.74 years; separately – 72.22 for men and 77.29 for women. According to projections by the Statistical Office of the Republic of Serbia, the population decline is expected to continue for the next few decades. These are important factors to consider when developing longer-term SD/HRD policies, particularly with regard to those that aim to improve the health status of the population.

The basic characteristics of Serbian population are changes which brought population to the edge of demographic old age, which is a consequence of different tendencies in creating vital events. The data for period 2008-2012 show the decrease in birth rate in Serbia: decrease in liveborn children from 69,083 to 67,257, i.e. decrease in liveborn rate per 1000 people from 9.4 to 9.3 in 2012. Similarly, the population growth per 1000 people for the observed period shows decrease from 4.6 to 4.9 in 2012. Death rate of infants is significant and visible indicator of both health condition and health protection of population as well as the conditions in social, economic and other spheres of community. In this period, the rate of dead infants per 1000 liveborns decreases from 6.7 to 6.2. Solving these issues requires sector approach, especially because labour participation and functional social protection system are necessary to secure elderly people to count on pension and health protection when they need it the most. Without access to necessary social benefits and health protection, elderly people can

²⁶⁰ Refugee Needs Assessment in the Republic of Serbia and Assessment of needs of internally displaced persons in Serbia completed by the Commissariat for Refugees in cooperation with the UNHCR and IoM between 2008 and 2010.

²⁶¹ *The condition and the needs of IDPs in collective centres in the RS*, completed by the Commissariat for Refugees in cooperation with the UNDP in December 2009.

²⁶² "Demographic Review: Serbia in the Mid-21st Century – Depopulated and Old?", No.25/2007

be exposed to poverty and social exclusion. Among other challenges, it is necessary to strengthen capacities of health care system to meet the requirements of geriatric patients, especially at primary protection level.

Chronic non-communicable diseases are presently the leading cause of illness, disability, and premature death (before the age of 65) in the Republic of Serbia. In 2012, chronic non-communicable diseases were the cause of death in approximately 85% of cases. Vascular diseases (53.7%), tumors (21.2%), respiratory system diseases (4.9%), symptoms, signs and pathological, clinical and laboratory results (4.5%), digestive system diseases (3.3%) are the main causes of death. Out of these diseases, cardio-vascular were the cause of 53.7% of deaths, while malignant tumors caused 21.2% of fatalities.

Risk factors associated with chronic non-communicable diseases include smoking, hypertension, high cholesterol, obesity, irregular diet, physical inactivity, environmental risks, as well as alcohol and substance abuse. In 2006, 33.6% of adults and 15.5% of young people between the age of 15 and 19 in Serbia smoked; 46.5% of adults had hypertension or were at risk for developing high blood pressure; 18.3% of adults and 6.4% of children and youth between 7 and 19 years of age were obese; 74.3% of adults were physically inactive; and 40.3% of adults consumed alcohol on a daily basis or occasionally. A positive trend has been noted with a decrease since 2000 in the total number of smokers, a reduction of 6.9% among adults and 7.4% among youth. During the same period, however, the instance of adult hypertension grew by 2%. Nevertheless, the EC Progress Report for Serbia 2012 asserts that there is still a long way to go before complete alignment with EU tobacco legislation can be achieved in Serbia.

One development in the effort to combat social exclusion in healthcare has been the recent introduction of Roma health mediators. The education and employment of Roma health mediators was made possible through projects funded by the EU and by the Fund for an Open Society. Among other things, Roma health mediators contributed to increase in healthcare accessibility, to educate the Roma population about their right to healthcare as a necessary means of improving their overall health status, particularly with regard to women and children, as well as active help in getting personal documents.

B8.2. Strategic Framework

National Strategic Framework

Based on the strategic documents (presented in Annex I) and the sector and SWOT analyses, the following priorities for the sector have been identified as those best aggregating the multitude of national objectives:

The strategic framework related to the employment sub sector indicates how Serbia will proceed towards achievement of the common goals of the EU. Priorities are to increase employment in less developed areas and develop regional and local employment policies; human capital development and greater social inclusion; improvement of institutions and labour market development; and a reduction of labour market dualities.

The strategic framework for the education sub sector identifies four main objectives for long-term development of the education system in Serbia: 1. Improvement of the education process and outcomes up to the maximally achievable level – a level that is the result of overall scientific knowledge and educational practice; 2. Greater involvement of Serbian citizens at all levels of education, from preschool to lifelong learning; 3. Achievement and sustainability of education relevance, and the structure of the education system which is in accordance with the individual development needs as well as economic, cultural, research, educational, public, administrative and other systems; and 4. Improved efficiency of the use of educational resources, i.e. completing education in a planned time frame, with minimal prolongation and a reduction in early school leaving.

The sub-sector of social policy encompasses priorities such as: improving labour conditions, strengthening social dialogue, enhancing social protection, inclusion and protection of vulnerable groups (including women with multiple dimensions of vulnerability), addressing poverty reduction and youth, and supporting protection of economic and social rights. Current activities are geared towards the improvement and update of the now out-dated strategic framework. The new Social Welfare Development Strategy for the period 2013-2020 will include priorities covering the improvement of children's rights, support for families with children, protection of and support to the elderly, further deinstitutionalization and development of foster care.

The overall priority in the sub-sector of health is to continuously improve the health of the population and build the efficacy of the healthcare system through optimization of the network of healthcare facilities. The priority covers a range of factors and calls for actions in many areas that have been identified in specific strategic objectives. These include the monitoring, evaluation and analysis of the health needs and expectations of the community; the prevention and control of communicable and non-communicable diseases and injuries, as well as the associated risk factors; the promotion of healthier lifestyles; the promotion, development and assurance of healthier and safer environments for life and work; promotion, development and support for better health at every age; promotion, development and support for actions that improve the health status of vulnerable populations; and continuous support for the development of accessible, high quality health protection. Actions

related to the monitoring and improvement of human resources capacities and building of partnerships between the state, private sector and civil society are also fundamental to advancing healthcare reforms.

In order to streamline the broad array of national strategic objectives and to focus international assistance on the most pressing issues, the NAD sets out following priorities:

Priority 1, Strengthen the establishment of an efficient, stable and sustainable growth trend in employment, will enhance the effectiveness, targeting and coverage of ALMPs, further develop in-place local mechanisms to stimulate activation and employment in underserved areas, promote youth employment and entrepreneurship (especially the NEET group) and increase on-the-job safety.

Priority 2, Build a knowledge-based society, will enhance formal and non-formal education to improve the efficiency and relevance of pre-university education, heighten inclusion in schools, pursue the development of a National Qualification system for lifelong learning and raise the quality of tertiary education.

Priority 3, Increase the effectiveness and equity of social welfare, will introduce more effective targeting of welfare beneficiaries, strengthen the implementation of CB solutions for social inclusion, promote activation measures and develop social economy.

Priority 4, Improve the health status of the population by strengthening the accessibility, availability, affordability and efficiency of healthcare services, recognizes cross-sector linkages (with social policy, labour and employment and education) and covers reducing the prevalence of non-communicable diseases and strengthening of healthcare management capacities.

The NAD priorities are harmonised with the objectives defined in the strategic framework and concur with the achievement of national objectives as stated above, however, the extent to which the priorities and measures proposed in the NAD will contribute to fulfilling these priorities will depend upon available resources.

Regional and Transnational Strategies

The EU Strategy for Danube Region addresses a wide range of issues and proposed areas of cooperation that are divided among 4 pillars out of which the “Building prosperity in the Danube Region” corresponds to the sector. Priority areas relevant for the sector are “To develop the knowledge of society through research, education and information technologies” and “To invest in people and skills”. Serbia adopted a governmental decision in 2010²⁶³, which defines its own priority pillars for the **Danube Serbia Region**, aiming to achieve objectives by creating a knowledge-based economy through cooperation in the Danube region and the active role of science in achieving the objectives of the Strategy. This will be necessary to achieve sustainable development that can cope with the socioeconomic, demographic, ecological, and technological challenges of the future that can better react to changes.

International agreements related to the sector

The European Partnership with Serbia from 18 February 2008 (2008/213/EC) under European Standards, Education and Research sets out number of short and medium-term priorities, including: continue efforts to improve the education system; establish better links between vocational and higher education and the labour market and economic needs; strengthen administrative capacity and improve coordination among relevant bodies, adopt a national qualification framework for vocational and education training; promote regional cooperation in the field of higher education; and develop adequate structures and capacity in the field of health protection. **The Stabilisation and Association Agreement** (Title VIII, Cooperation Policies, Article 102 – Education and Training) states that the aim of cooperation is raising the level of general education and vocational education and training in Serbia as well as youth policy and youth work, including non-formal education. A priority for higher education systems shall be the achievement of the objectives of the Bologna Declaration in the intergovernmental Bologna process. Also cooperate will aim to ensure that access to all levels of education and training in Serbia is free of discrimination on the grounds of gender, colour, ethnic origin or religion. Also, with regard to employment, cooperation shall focus notably on upgrading job-finding and careers advice services, providing back-up measures and promoting local development to assist industrial and labour market restructuring. Cooperation shall also seek to support the adaptation of the Serbian social security system to the new economic and social requirements, and shall involve the adjustment of the legislation in Serbia concerning working conditions and equal opportunities for women and men, for people with disabilities and for people belonging to minority and other vulnerable groups as well as the improvement of the level of protection of the health and safety of workers, taking as a reference the level of protection existing in the Community. Conventions related to Human Rights, social development and Employment are cross-cutting. (Human Rights Convention; European Convention on the Protection of Human Rights and Fundamental Freedoms; Lanzarote Convention; Convention on the Right of the Child; Convention on Preventing and Combating Violence against Women and Domestic Violence; European Social Charter; Maternity Protection Convention; Private Employment Agencies Convention No. 181 and Labour Administration Convention, No. 150 concerning Private Employment Agency.

²⁶³ Participation of the Republic of Serbia in the Development of an Overall EU Strategy for the Danube Region, 10 June 2010

B8.3. EU Agenda

The Europe 2020 strategy for smart, sustainable and inclusive growth embraces a balanced vision of economic growth and social progress. Key Europe 2020 targets relevant for the HRD sector are:

- **Employment** – Raise the employment rate of the population aged 20-64 from the current 69% to at least 75%;
- **Education** - Reduce the share of early school leavers to 10% from the current 15%, and increase the share of the population aged 30-34 having completed tertiary education from 31% to at least 40%;
- **Social inclusion** - 20 million less people at risk of poverty

Three out of the seven flagship initiatives contains a coherent set of proposals for action at the EU and national level in the employment and social fields:

- **"An agenda for new skills and jobs"** to modernise labour markets and develop skills throughout the lifecycle with a view to increase labour participation and better match labour supply and demand, among others, through labour mobility;
- **"Youth on the move"** to enhance the performance of education systems and facilitate access into labour market;
- **"European platform against poverty"** to ensure social and territorial cohesion such that the benefits of growth and jobs are widely shared and people experiencing poverty and social exclusion are enabled to live in dignity and take an active part in society.
- **"AN EU Framework for National Roma Integration Strategies up to 2020"** to improve the socio-economic situation of Roma people by eliminating all forms of discrimination against them, ensuring their equal access to all fundamental rights as enshrined in the EU Charter of Fundamental Rights and breaking the vicious cycle of poverty

The Strategic framework for European cooperation in education and training (ET 2020) until 2020 aims at supporting further development of educational and training systems in a lifelong learning perspective, covering all levels and contexts (including non-formal and informal learning). The education and training systems should better provide the means for all citizens to realise their potentials, as well as ensure sustainable economic prosperity and employability. It sets four strategic objectives: a) making lifelong learning and mobility a reality; b) improving the quality and efficiency of education and training; c) promoting equity, social cohesion and active citizenship; and d) enhancing creativity and innovation, including entrepreneurship, at all levels of education and training.

Chapter 2. Freedom of Movement for Workers

NPAA measures for 2014-2016 in the area of employment and work of foreigners relate to completing the legislative framework through the adoption of bylaws for the implementation of the new Law on Employment of Foreigners. By-laws will be passed to allow the implementation of migration management, which will further harmonize the legal framework in this field.

Chapter 19. Social Policy and Employment

A common framework and objectives in social policy are represented in the Law on Social Welfare adopted and entered into force on April 12, 2011. The Law introduces new groups of beneficiaries that used to be insufficiently represented in social welfare practice, such as victims of domestic violence, abuse, and neglect and self-neglect, and of human trafficking. The Law is harmonized with international legislation: The EU Charter of the Fundamental Social Rights, International Covenant on Economic, Social and Cultural Rights, International Covenant on Civil and Political Rights; International Convention on Elimination of All Forms of Racism and Racial Discrimination, Convention of the Rights of Persons with Disabilities and The United Nations Convention on the Rights of the Child; the Lisbon Strategy; and the Convention on Action against Trafficking in Human Beings of the Council of Europe. The measures planned for 2014-2020 reported in the NPAA according to the expectations that the Republic of Serbia is to fulfil in terms of social inclusion, are to: put in place a fully comparable system of monitoring and reporting on the status of social exclusion and poverty, strengthen and build the capacities of public administration and local authorities for implementation and reporting on the social inclusion process and establish a sustainable unit to coordinate the implementation of the measures and report on the progress of social inclusion in Serbia. Social inclusion policies should become an integral part of regular activities of the relevant institutions at all levels.

According to the NPAA, 2013-2016, with a view to harmonization of the national legislation with EU legislation, the following issues will be addressed: protection of workers from the risks related to exposure to asbestos at work and implementing the 2010 Framework Agreement on prevention of sharps injuries in the hospital and healthcare sector. Employment policy priorities in the forthcoming period will be primarily oriented to: further develop the system for monitoring and evaluation of active employment policy measures and for forecasting of labour market trends; enhance the system of training to provide a

more efficient response to labour market needs; create active employment policy measures and target them to hard-to-place individuals; strengthen capacities at the local level and support further decentralization of employment policy; and target active employment policy measures at less developed regions to promote balanced and coherent regional and economic development.

Cooperation between social policy and employment is guaranteed through the European Social Charter (revised) on 29 May 2009, signed by the Republic of Serbia.

Chapter 26. Education and Culture

As regards the right to education, the legislative framework is harmonised with international standards. As defined in the NPAA 2013–2016, the process of approximation to the European regulations and standards at all levels of education will continue with adoption of the new Law on Secondary Education (harmonization with the Council Decision 63/266/EEC - 31963D0266), Law Amending the Law on Higher Education (providing for a more efficient and qualitative higher education system, increased availability, mobility and further alignment with the EU standards), Law on Certification of Qualifications for Regulated Professions (approximation to the Directive 2005/36/EC on certification of professional qualifications – 32005L0036) and corresponding implementing legislation. The areas of education, training and youth are primarily a part of national competencies. However, the common framework and objectives in education and training are related to the Bologna Declaration, Copenhagen Declaration and Communiqué from Bruges.

Chapter 28. Consumer and Health Protection

The recently established Directorate for Biomedicine will help to advance the Republic of Serbia to align more closely with the Consumer and Health Protection chapter of the EU *acquis*. As stated in the NPAA 2013–2016, strengthening the technical and administrative capacity of this body within the Ministry in charge of health will enable the healthcare system to perform more organ transplantations in-country, as well as to make it possible for Serbia to become eligible for exchange of organs with other countries by meeting the conditions that the international foundation Eurotransplant sets for new members, thereby also reducing the rising healthcare expenditures that presently go towards performing transplantations abroad. Building the capacity of the Directorate for Biomedicine will also help Serbia to approximate to the EC Directives that set the standards for ensuring the quality and safety of testing, processing, donation, procurement, preservation, storage and distribution of human blood and blood components, organs, tissues and cells. Implementation of the Laws on Organ Transplantation, on Cell and Tissue Transplantation and on Infertility Treatment by Applying in vitro Fertilization Procedures²⁶⁴ are underway with the adoption of numerous Rulebooks that have been partially harmonized with the relevant EU Directives in these fields.

Additionally, NPAA measures to improve the health status of the Roma population in the upcoming period comprise further improvements in the work of Roma health mediators, including: expanding the work of health mediators so that they will reach out to street children, the homeless and vulnerable groups living in rural environments; and the development of a monitoring system for the work of health mediators.

It is foreseen to create Action plan for continuation of activities regarding screening based on the place of screening, as well as adoption of internal documents for screening reports. In order to implement provision of International Health Regulations into our legislation, it is necessary to pass a bylaw which will define provision implementation according to IHR. The implementation of IHR is an important measure for period 2014-2016.

The EU priorities for IPA II will be defined in the Common Strategic Framework (CSF) aiming at better alignment of financial assistance with the EU enlargement policy. The priorities for individual countries will be identified in the Country Strategy Paper (CSP) prepared by the European Commission and the basis for this will be NAD and relevant national sector strategies.

Concerning Chapter 22, Regional Policy and Coordination of Structural Instruments, the Government of the Republic of Serbia and the European Commission signed the Framework Agreement on 29 November 2007 validated in the National Assembly of the Republic of Serbia on 26 December 2007 by adoption of the Law Ratifying the Framework Agreement²⁶⁵ 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 Instrument for Pre-accession Assistance (IPA). The Serbian Government adopted the Regulation on Decentralized Implementation System²⁶⁶ for managing the European Union development assistance funds under IPA.

Five components from the current regulation for the 2007-2013 cycle, in the period 2014-2020, are changed into policy areas: (a) the transition process towards Union membership and capacity building; (b) regional development; (c)

²⁶⁴ Official Gazette of RS, No. 72/09

²⁶⁵ Official Gazette of RS - International Agreements, no. 124/07).

²⁶⁶ Official Gazette of RS Nos 70/2011, 49/2012

employment, social policies and human resources development; (d) agriculture and rural development and (e) regional and territorial cooperation. The main principle of IPA II will be a sector approach.

B8.4. Overall objectives and priorities in the sector (2014-2020)

The SWOT analysis of the human resource and social development sector has been undertaken additional to the situation analysis presented in previous sections, to set out the long term objectives and medium term strategic priorities and realistic and targeted measures

<i>Strengths</i>	<i>Weaknesses</i>
<ul style="list-style-type: none"> • Established legal and strategic framework for HRD policy • Social and Economic Council operational at national level • Lessons learned from previously implemented projects in the fields of employment, VET, adult education, Roma Education, vulnerable groups, young people, outcome-based curricula • Good cooperation among HRSD sector line ministries • Developed network of institutions at the local level • Citizens are supportive of HRSD sector reforms • Continuous support from the donors community 	<ul style="list-style-type: none"> • Living standards and income levels (GDP per person) remain low relative to EU-27 • Recent economic growth driven by consumption (leading to high import levels), more than production, suggesting structural imbalance • Gains in GDP largely through productivity improvements, rather than job creation • Impact of current global financial and economic crisis on Serbian economy and jobs (high unemployment) • Skills mismatch on the labour market • Severe constraint on State Budget resulting from higher welfare expenditure and falling tax and other revenues • Regional disparities in levels of employment, unemployment, education and social inclusion • Slow implementation of existing laws, policies and strategies • Very slow integration of pilot projects into system (mainstream activity funded through State Budget) • Underdeveloped mechanisms for inter-sectorial cooperation (between ministries) and with stakeholders • Low level of social dialogue in designing policies, including engagement with employers and lack of capacity at local level to operate Social and Economic Councils • Insufficient decentralisation of service delivery and weak costumer focus • Underdeveloped links between education, employment and economic development and innovation policies, and with industrial restructuring
<i>Opportunities</i>	<i>Threats</i>
<ul style="list-style-type: none"> • Recovery expected to be led by investment, exports and job creation, as well as higher levels of personal spending • Growing SME, which is rapidly developing, sector offers new work opportunities • Increase in foreign direct investment during 2000s continues and generates new employment • Scope to use Public-Private Partnerships to invest in infrastructure and service delivery • Scope to increase social dialogue through the development of Social Economic Councils and local employment councils at local level • Measures introduced to enhance productivity and competitiveness of the Serbian economy • Upcoming amendments to the Labour Law will promote greater labour market flexibility in line with EU trends • High resilience and adaptability of population to economic fluctuations • Political will to carry out economic, social and institutional reforms and pursue EU integration • Greater access to and involvement in EU programmes, 	<ul style="list-style-type: none"> • Unfavourable demographic trends – low birth rate, ageing population, outward migration from Serbia (brain drain), depopulation of rural areas and inflow to cities and major towns • Public and private investments in human capital cut as a result of crisis • Weaker than expected recovery from current world • Financial and economic crisis undermining business and investor confidence. • Insufficient future economic growth generates too few jobs • Recovery is strong but fails to convert into job generation (only higher productivity among existing employed instead, due to capital investment) • Further restructuring of the economy worsens labour market situation in the short-term, including redundancies from privatisation of state-owned enterprises (process of privatisation not yet finished) • Underdeveloped transport, environment, economic and social infrastructure: lack of investment holds back job

<p>including Lifelong Learning, Marco Polo, Youth in Action, etc.</p> <ul style="list-style-type: none"> • Sharing of best practice from EU and other countries in particular regarding lessons learnt from previous and on-going projects • On-going support of EU and bilateral donors 	<p>creation</p> <ul style="list-style-type: none"> • Underdeveloped links between education, employment and economic development and innovation policies, and with industrial restructuring • Reverse in the trend of falling poverty levels • Increase in regional inequalities and disparities in levels of employment, unemployment, education and social inclusion
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To reflect the above and guide assistance programming the **overall objective** is formulated as follows:

To contribute to smart, sustainable and inclusive growth enabling greater opportunities for a better standard of living

In order to pursue further and achieve a smarter, more sustainable and inclusive growth in Serbia, it is necessary to strengthen socio-economic development, reaching higher levels of employment, a more educated and employable labour force and enhanced social inclusion of people from disadvantaged groups. To this end, greater coherence, harmonization and integration in sector policies will be strengthened.

Priority 1 - Strengthening the establishment of an efficient, stable and sustainable growth trend in employment

The impact of employment and labour market policies needs to be further strengthened, despite positive achievements are recognized and identified. To achieve stronger and more impactful results, there has to be an enhanced focus on the category of unemployed, especially youth, through well-targeted and tailored measures. Insufficient decentralization of employment policies and modest allocation of resources have limited the impact. Levels of efficiency and effectiveness of employment measures and programs and social dialogue have to increase and problems with occupational safety and health have to be addressed further.

Accent should be put on combining, harmonizing and integrating employment, education and social inclusion policies to bring more people to the labour market. However, there is also a need for a more strategic approach to employment policy by linking it to other policies at the national level (FDI promotion, R&D, SME development) through a concerted effort to develop certain sectors and/or regions as future sources of growth.

Priority 2 - Building a knowledge-based society through enhancement of formal and non-formal education

The overall performance of education system in Serbia need to be improved as it does not prepare students well for the world of work, it is too often based on outdated teaching methods and there is absence of quality control system and mechanism. In this context, emphasis is put on strengthening quality assurance system and development of an effective pre- and in-service teacher training for all levels of education given its importance for raising the quality of education. Also, special consideration is given to the implementation of inclusive education, to increase coverage and enrolment and to decrease dropout rate in the education system among children from vulnerable and socially excluded groups. Continuing skills mismatch on the labour market raise the issue of education relevance which will be tackled with the concerted effort to implement concept of life-long learning as a means to increase the flexibility and employability of the labour force.

Priority 3 - Increasing the effectiveness and equity of social welfare

The overall impact of social welfare and policy needs to be significantly strengthened. In terms of relevance and effectiveness, social inclusion policies have to be better targeted to relevant vulnerable groups and to increase their access to education, social and health systems and employment prospects. At present, there is a mismatch of social budget allocation and reaching of targeted beneficiaries. Generally, social welfare has to be more decidedly and significantly aim at the activation of the working age beneficiaries in the labour market. In this respect, procedures and mechanisms for coordinating the provision of social services between various sectors are not sufficiently utilised; community-based social services remain insufficient to respond to the needs of disadvantaged groups; the capacity of local self-governments to steer social inclusion policies is still in its infancy and the regulatory framework needs to be built up as the range of services expands. Despite isolated examples, there is still no comprehensive attempt at integrating employment, social and health policies, a difficult step but widely acknowledged as the best means to respond to the priorities of vulnerable and disadvantaged groups.

Priority 4 - Improving the health status of the population by strengthening the accessibility, availability, affordability and efficiency of healthcare services

The healthcare system needs to provide quality, affordable, efficient services that are equally accessible to all citizens. Quality of healthcare services delivery should be assessed regularly to determine where improvements may be warranted. Special programmes should be developed or strengthened to provide for the most suitable healthcare that is tailored to the specific needs of vulnerable groups. Standards for good clinical practice are needed and professional development for staff at various levels of healthcare delivery is necessary.. Prevention and decrease in risk factors for suffering from chronic, non-

communicable diseases should be emphasised. Systemic data collection practices will be strengthened to facilitate evidence-based decision-making in healthcare. Management capacities will be built to improve the efficiency and efficacy of healthcare services delivery at all levels and to contribute to enhancing the health status of the population. Patients' rights will be promoted throughout the healthcare system.

B8.5. Sector measures for implementation of priorities in the sector

Priority 1. Strengthening the establishment of an efficient, stable and sustainable growth trend in employment

Measure 1.1: Further promoting the implementation of Active Labour Market Programs, reinforcing their effectiveness, targeting and coverage of services

The activities that will be implemented through this measure will advance the implementation of existing ALMPs, strengthening their effectiveness by better targeting and promoting tailored approaches to individual needs. The realization of this measure will be based on the further development of: data analysis and forecasting, activation and better targeting, active labour market measures and programs (with special emphasis on hard-to-employ groups), monitoring and evaluation system. To this end, additional activities will be implemented by the Ministry in charge of labour, employment and social policy and the NES, in the field of analysis and forecasting of LM data in order to fully align with the international standards in this area and to complete preparations for the joining to the EURES network. Evidence-based data will be strengthened, especially in the field of career guidance and counselling and mediation. Counselling and mediation will be enhanced and service delivery diversified and tailored directly to the needs of the beneficiaries and in line with the business sector demands. This will be achieved through the further expansion of the services offered by job clubs to better correspond to the needs of different target groups. Considering the area of employment affairs, conducted by private employment agencies (dissemination of information regarding employment opportunities, job matching, vocational guidance and counselling etc.), cooperation between NES and these operators will be further developed and promoted (i.e. development of IT software to create a unified data base through which NES will collect and utilize data generated from agencies, on a regular basis, joint trainings in the common fields of activities). Additional recourses for the implementation of the active labour market policies and measures will be focused toward reaching an increase in employability and employment. Emphasis in this realm will be given to the disadvantage and hard-to-employ groups of unemployed (youth, persons with low/no qualification, long-term unemployed, PWDs, Roma, elderly, rural populations, refugees and IDPs). To increase the effectiveness of ALMPs, the monitoring and evaluation system will be mainstreamed more coherently and consistently. Achieving of all of these elements will be supported by the capacity and institution building of the labour market institutions specifically in the above mentioned fields, in order to assure harmonization of the adopted policy approach with current situation in the labour market. Further strengthening of the sectorial cooperation between relevant ministries, institutions and stakeholders (local bodies, social partners, civil society sector, existing networks of relevant actors...), along with the harmonization of strategic framework and the integration of services and their delivery will also be in the focus of this measure, thus contributing to the improvement of the situation in the social development sector.

Measure 1.2: Reducing regional disparities through integrated and coordinated support to generate employment

Unemployment and social deprivation represent consequence of wider social and economic issues requiring integrated/combined solutions and active involvement of wider range of stakeholders, especially at the local level. As a start, the establishment of local employment councils (LECs) represents an innovative approach in the designing and implementation of local employment policy (the needs and opportunities of local labour markets are considered). Also, Serbia is faced with regional gaps, discrepancy between the development levels of the regions/municipalities. International development assistance supported the process of decentralization of the employment policy (establishment and capacity building of LECs members and creation of inter-municipal employment priorities). It is however assessed that additional activities need to be implemented. Thus, LSGs still in the process of developing Action Plans will be supported in the preparation. Further, a Grant Scheme will be structured and defined targeting LSGs and Local Employment Councils to empower the implementation of the joint inter-municipal employment action plans. The central methodology or the implementation of the Grant Scheme and the realization of employment action plans will be based on sector-wide and integrated approaches combining necessary resources, services and relevant actors, accompanied with the efforts toward strengthening social partnerships, building capacity of local self-governments and local bodies/councils/actors, will complement to the design and implementation of local employment policies and contribute to the overall economic, social and regional development.

Measure 1.3: Improving labour policy, work environment and working conditions

This measure will both align the labour legal framework with EU regulations and support the enforcement of on-the-job health and safety rules through the respect of procedures and mechanisms and capacity building in occupational safety and health (OSH). The relevant Ministry will further harmonize the national legal framework with EU regulations, directives and standards, procedures and enforcement mechanisms. The relevant Ministry and other labour institutions and organizations

will be supported through activities such as administrative capacity building, information systems upgrade as well as development and improvement of programmes, procedures and mechanisms of enforcement. In the area of OSH this measure will support enterprises and institutions to enforce health and safety rules, to enable an overall reduction of occupational accidents and illnesses and illnesses related to work and inform in order to apply measures of prevention.. This will include the implementation and mainstreaming of adequate safety monitoring mechanisms at the level of individual enterprises, activities concerning awareness raising and enhancing knowledge of all actors in health and safety at work; OSH education modalities in line with EU standards and practice, support for solving health and safety at work problems related to injuries at work, occupational and work-related diseases and sick-leave, return to work problems, workers with disability; development and provision of preventive programs. In addition, the compulsory occupational accident insurance will be activated. To improve the work environment and working condition, social dialogue mechanisms that trigger partnership building and foster employment, competitiveness and productivity, will be further developed and empowered at the local and national level. To this end, independent and representative social partner organizations (public, private, workers stakeholders) will be supported and enabled to participate more actively in social dialogue. A Grant Scheme will be structured and defined targeting social partners to: enhance their organizational abilities to contribute to the quality and continuity of the bi- and tri-partite social dialogue process, to provide support for territorial and sector networking and support activities that will empower them to participate actively in the EU negotiation process.

Measure 1.4: Enhancing youth employability and facilitating their access to the labour market

This measure implies offering further education, (re)training or ALMP measures for young people, in particular for those not in employment, education or training (“NEET group”), also covering early school-leavers. It should also support further development of evidence-based, comprehensive and cross-sectorial policies that include measures to re-engage young people who have dropped out of education and to strengthen the link between education/training systems and the employment sector. All this will be supported by enhancing effective coordination and partnerships across policy fields (employment, education, youth, social policy, etc.) in terms of boosting quality employment opportunities, apprenticeships and traineeships, but also to help smooth the transition from unemployment, inactivity or education into work. Important pillars will consist in fostering entrepreneurial mind-sets, generating start-up support services, facilitating the availability of microfinance, and increasing awareness of the possible chances and perspectives connected with self-employment of young people, including youth entrepreneurship, social entrepreneurship and cooperatives. This will entail also ensuring that young people have full access to information about this services and possibilities and available support. by: strengthening cooperation between employment services, career guidance and counselling providers, education and training institutions, employers, CSOs and youth support services (Local Youth Offices, Youth Clubs, Youth NGOs...); and making full use of all relevant information channels and social media. In order to formalize the status of the heterogeneous groups in NEETs and promote their registration in NES more effective outreach strategies towards young people will be designed and realized according to the needs and priorities of the target groups, including information and awareness campaigns, and social media. Also, incentives and pathways to re-enter education and training programmes will be planned and offered to low skilled youth provide learning environments responding to their specific needs where they will build their key competences. All this should be followed by recognition and validation of non-formal education and informal learning. On the other side, this measure should support regular channels of communication with employers (e.g. Sector Skills Councils) as well as to establish environment that encourage employers (i.e. recruitment subsidies) to create new opportunities for young people, such as an apprenticeship, traineeship, internships or job placement, particularly for NEETs, in line with the applicable official legislation

Priority 2. Building a knowledge-based society through enhancement of formal and non-formal education

Measure 2.1: Raising the quality and efficiency of the pre-university general education

The measure will build upon already establish quality assurance elements in education system, by developing standards for facilities, equipment and didactic materials and professional competencies of educators. Based upon quality standards, development and implementation of the national system for accreditation of institutions /schools in pre-university general education will be supported. The actions related to quality assurance system under this measure will take into consideration all elements of education process, education programmes, teaching/learning process as well as the education outcomes and student achievements. Also, system of students’ assessment will be enhanced by introducing diverse methods of assessment and by improving examination system. Furthermore an implementing mechanisms, legal framework and operational structure to control the adherence/ compliance with these standards will be setup and in that respect the capacities of the Ministry (pedagogical advisors and regional school administrations) and Institute for Education Quality and Evaluation will be strengthen. This measure will be focus on raising the quality of teachers’ education (pre-service and in-service) to enhance professional competencies of educators. As integral element of quality in education, the system of teachers’ professional/career development (in-service training) based upon professionalization and evaluation will be reinforced. Monitoring and Evaluation framework for teachers’ professional development will be developed. Set of criteria focused on performance and achievements will be developed for the evaluation of teachers from the introduction into work, through acquisition, renewal and loss of license, together with marking and monitoring system. Capacity building of teachers will focus on application of new methods of teaching, continues student assessment, active learning, students’

competencies, use of ICT and assisting technology. Capacity building for pedagogical advisors and regional school administrations should be provided. Also, integration of these principles and models in initial teachers' education will be facilitated.

Measure 2.2: Increasing participation and access to education

This measure will support inclusive education and to increase coverage and enrolment in the education system among children from vulnerable and socially excluded groups, especially Roma children, children with disabilities, children from poor families and from rural/undeveloped areas. Building upon previous successful experience, the implementation of the model for functional and efficient coordination between all relevant stakeholders (education, health and social services) on local and national level will be supported. In that respect capacity building of local self-governments, social, health and education institutions will be carried out, to actively support early development of children, monitor admission to schools, implementation of inclusive policy and implement corrective mechanisms. Inclusive and pro poor measures will be piloted at the local level and introduced to the system. Additional support to the Inter-sectorial Committee for Assessing Needs for Additional Support to Child and Pupil (IRK) should be provided. To decrease school drop-out rates of vulnerable children (especially Roma children, children with disabilities, etc.) early warning system will be developed and innovative approaches will be introduced at the school level (e.g. remedial teaching, pedagogical assistance, teaching and learning styles, assistive technologies...). With the regard to VET schools, support will be provided for development of individual teaching plans and programmes and their implementation and for introduction of career guidance and counselling system. Also, supporting mechanisms to empower parents' active participation in the education of their children and to contribute more actively to the in-place social inclusion processes in schools will be implemented. On the national level capacities of the relevant line ministries will be strengthened to systematically plan financial and human resources for additional support for children from vulnerable groups as well as to develop enabling legal environment for implementation of inclusion policy and affirmative measures.

Measure 2.3: Establishing functional National Qualification Framework for lifelong learning

This measure will continue the development of the National Qualifications Framework (NQF) system aimed at facilitating access to, mobility and progression within the education and training systems and ensuring that qualifications are relevant, responding to labour market demands and available. Sustainable system of social partnership of stakeholders that links education policies with labour market forecasting and involves social partners in the programming, realisation and development of VET, as well as in defining and regularly updating standards of qualification in demand on the labour market will be institutionalised and legally regulated. The measure will also help develop a transparent credit transfer system and system for the recognition of prior learning (recognition of competences and qualifications acquired through non-formal and informal learning and certification of prior learning). The capacity of the key national institutions for NQF system management, will be strengthened, namely the Council for Vocational Training and Adult Education to steer and oversee the NQF process, the VET and Adult Education Centre to organise the NQF process and manage the work of Sector (Skill) Councils. The measure will help setting up an accreditation and licensing system, by developing standards for the accreditation of providers and quality assurance system, including standards for education programmes and exams for obtaining the qualifications. The network of vocational schools and offer of educational programmes (profiles) will be harmonised with the need of economy. VET schools will be equipped and modernised, in particular, by introducing flexible organisation of the teaching process, developing a standard of qualifications and associated competency based curriculum in line with NQF requirements and preparing for licensing and accreditation. The management of VET system will be improved by establishing monitoring and evaluation system (instruments, procedures, responsible bodies) and by defining and regulating clear roles and responsibilities.

Measure 2.4: Raising the quality and participation in tertiary education

This measure will contribute to further improvement of the quality assurance system, in line with quality references and with the European Higher Education Area (EHEA) by upgrading and merging external and internal quality assurance and control system, development of specific standards and measures for doctoral studies and teachers' education and improvement of accreditation system. Higher education programmes will be developed in line with the needs of the economy and links between higher education institutions and business and industry will be established, with a view to promoting the development of technologies and innovations. The capacities of higher education institutions to implement curricular reform, focusing on outcomes and introducing research element into structure, teaching methods and the use of new teaching materials according to the three-cycle system, the European Credit Transfer System (ECTS) will be upgraded.

Priority 3. Increasing the effectiveness and equity of social welfare

Measure 3.1: Improving the relevance and accessibility of social welfare investments through more efficient and effective use of social protection means (measures for poverty reduction) and modernizing the state mechanisms for providing support to vulnerable population

The measure will contribute to the further rationalization and prioritization of social budgets in order to: more efficiently and coherently target and reach beneficiaries, and support more concretely the integration of employment, education and social

inclusion interventions. The realization of this measure will be based on the further development of: data analysis, evidence based research, forecasting, monitoring and evaluation system. Better targeting of beneficiaries will be achieved by connecting all available databases, and developing protocols between services. Harmonization, integration and strengthening of system mechanisms will help to secure quality in implementation, and to build its capacity to monitor and evaluate social expenditures in order to make the best use of available resources. This measure will also contribute to the establishment of an EU-wise comparable social statistics system in Serbia. A sector-wide approach will constitute the principle and the methodological basis for the realization of this measure that will focus on capacity building of institutions and service-providers. In order to accomplish this, the Ministry in charge of social policy, the Institute of Social Protection, the Social Welfare Chamber and other relevant national and local institutions and organizations will be supported by the capacity and institution building for monitoring and evaluation of the allocation of social investments at the design, planning and implementation level.

Measure 3.2: Advancing the efficiency of social protection and social inclusion through innovations

The measure will contribute to the continuous development of and support to community-based approaches by: strengthening, scaling and integrating the implementation of existing CB solutions and stimulating the realization and growth of innovative and integrated ones. The logic of this measure is to pilot and refine the practice of integrating social, employment, health and education services and products at the local level to achieve higher impact in social inclusion.

Also, this measure will directly facilitate the realization of article 86 of the Social Protection Law that foresees cooperation between Centres for Social Work and Employment services in the implementation of social inclusion measures combining the right to economic social assistance with the ability to work. The adequate blend and ratio of welfare/unemployment assistance, income support, job-seeking, job coaching, training, etc. will be designed according to individualized case-management. Adequate programs creating job opportunities and raising the employability of job-seekers who qualify for activation support will include social assistance services, employment and training services, housing support and social housing, childcare, long-term care services and health services.

Social welfare services and institutions together with LSGs will further build capacities and opportunities for the establishment of a stronger social economy at the local level. Tax reductions and investments in human capital; the opportunity of access to financial resources for social entrepreneurs; the business and marketing of start-ups; and the further replication and scaling of social enterprises will be facilitated. Mutual-learning will be employed as a tool to further build public-private and wider social partnerships. Capacity building and networking of stakeholders (CSOs, businesses, Youth offices, Social Entrepreneurship Centres, and government institutions) will further promote social economy practices. The measure will include the replication, multiplication and transfer of good practice, scaling, growth and establishment of cooperatives, social enterprises/businesses, start-ups incubators and accelerators of social entrepreneurship and community-based services. The latter will consist of housing programmes for the homeless and the most vulnerable categories, integrated solutions for the prevention and monitoring of all forms of discrimination and violence, enhanced inclusion of persons with disabilities, inter-municipal cooperation with regard to more efficient and cost-effective implementation of CB services. Grant Schemes as tools for the production of social innovations/CB solutions at the local level will be elaborated by the Ministry in charge of social policy as a leading institution in cooperation with education, employment and health representatives.

Priority 4. Improving the health status of the population by strengthening the accessibility, availability, affordability and efficiency of healthcare services

Measure 4.1: Reducing the prevalence of non-communicable diseases through further implementation of prevention programmes aimed at decreasing the associated risk factors

This measure will support the addressing chronic non-communicable diseases by facilitating the development of evidence-based programmes to reduce the impact of the numerous risk factors that jeopardize their well-being. The measure will strengthen the capacities of the national Institute of Public Health and the network of 23 regional public health institutes to systematically collect data on the risk factors associated with non-communicable diseases (smoking, alcohol consumption, irregular diet, physical inactivity, obesity, high stress, etc.) and produce regular reports with this integrated data. Public awareness campaigns will continue to be designed and implemented to help promote healthier lifestyles. Beginning at the primary healthcare level, the capacities within the healthcare system will be reinforced to encourage prevention. Moreover, capacities of inspectors responsible for ensuring the effective implementation of anti-smoking laws will also be strengthened. With regard to the risk factors of alcohol consumption and substance abuse, further efforts will be made in the arena of occupational health to incorporate research on work-related injuries and diseases as well as to study the incidence of alcohol and substance abuse at the work place. A registry of occupational health injuries and diseases will be developed and updated on a regular basis.

Measure 4.2: Strengthening healthcare management capacities and introducing new technologies in order to provide better conditions for treatment and rehabilitation and to improve the efficiency of the healthcare system

To help the healthcare system function more effectively, this measure will support operations that facilitate more efficient delivery of healthcare services. The measure will support the system of patronage services, especially in rural and remote areas for those who do not have easy access primary healthcare centres. This is particularly relevant for the elderly who require home healthcare over the longer-term. Planning and management capacities will be strengthened at all levels of the healthcare system to help decrease the long waiting lists that are presently commonplace for many diagnostic and treatment procedures. Systematic changes in healthcare management approaches will be instituted to help improve the efficiency and accessibility of healthcare services delivery, especially when it refers to enhancement of capacities in prevention and control of contagious diseases. Because of the age and excessive use of much of the healthcare equipment across the country, priority lists of equipment that is most urgently needed will be prepared and educational programmes will be implemented to build the capacity for staff in healthcare institutions to use any new equipment properly. Monitoring and evaluation of health care delivery will be conducted through the effective utilisation of surveys and health information systems. Patients' rights will be promoted at all levels.

Regional, Cross-Border and Transnational Themes in Human Resources and Social Development sector

Instruments of importance for regional cooperation, such as Multi-Beneficiary IPA support, CBC and Trans National Programmes, should be provided to those actions where the benefit of a regional approach is obvious.

Multi-Beneficiary IPA

In the coming years, support from MB IPA should facilitate the completion of research that will serve as a basis for furthering social inclusion policies and practices. This will comprise the preparation of demand driven social inclusion analyses, screenings and studies which will generate information about the situation of the socially excluded and the types of interventions that are most needed. The Regional Housing Programme will also require further support to provide long-lasting, sustainable housing solutions for the most vulnerable, particularly the remaining refugees and IDPs in the partner countries of Serbia, Bosnia-Herzegovina, Montenegro and Croatia as part of the Sarajevo Process.

IPA CBC

Cross Border and Transnational Priorities are linked with the following ERDF thematic objectives: Promoting employment and supporting labour mobility (Thematic objective 8), Promoting social inclusion and combating poverty (Thematic objective 9) and Investing in education, skills and lifelong learning (Thematic objective. 10). In the context of CBC, possible areas of interventions are strengthening people-to-people cooperation and local social initiatives and improving all aspects of inclusion of the vulnerable groups particularly Roma. The translation and implementation of national commitments for Roma inclusion into local action need to be supported, with the aim to ensure equal access of Roma to education, employment, healthcare and social welfare. In particular, support the employment of Roma (with a focus on women) through self-employment, entrepreneurship, business incubators and civil society. Specific focus should be on bilingual (minority languages) education, strengthening understanding, communication and cooperation in border communities; enhancing social inclusion at the primary school level by more broadly introducing Roma mediators and pedagogical assistants (to support the inclusion of children with disabilities); building partnership with economy for sustainable development of VET; promotion of the importance of organ donation and transplantation; and small scale activities to improve women's employability.

EU Strategy for Danube Region

Within the education sub-sector, emphasis is on the activities that strengthen cooperation among universities and research facilities; upgrading of research and education outcomes; strengthening capacities of research infrastructure; cooperation between key stakeholders of labour market, education and research policies in order to develop learning regions and environments; implementation of the European Qualification Framework and lifelong learning (LLL) policies and exchange of best practices.

B8.6. Institutional framework for implementation of Sector Approach

The Human Resource and Social Development sector in the Republic of Serbia, in the context of a sector approach, is managed by the following institutions: the Ministry in charge of education (Institutes for Improvement of Education and for Education Quality and Evaluation and educational institutions), the Ministry in charge of labour, Ministry in charge of employment and Ministry in charge of social policy (NES, Inspectorates and institutions for social protection, welfare and employment at the national and local levels), the Ministry responsible for health policy development and implementation (the national Institute for public health and a network of regional public health institutes, the Directorate for Biomedicine, the Agency for Accreditation, inspectorates, the health insurance sector, and primary, secondary and tertiary health institutions). The lead institution for the sector is the Ministry in charge of employment. .

In the context of a sector approach, the Ministry coordinates the work of all relevant institutions in the sector regarding planning, programming, implementation and monitoring of the HRSD sector measures/operations which will be supported by EU funds and other international development assistance. Responsibility for formal submission and later implementation of measures/operations depends upon their content and the responsibility of institutions involved in the HRSD sector.

In order to improve and coordinate activities related to planning, programming, implementation and monitoring of EU funds and international assistance and to increase the efficiency and effectiveness of development assistance, the Sector Working Group (SWG) for Human Resources and Social Development²⁶⁷ has been established. The SWG for HRSD is responsible for coordinating activities related to planning, programming and monitoring of EU funds and international assistance, for identifying relevant measures/operations and activities and for supporting the introduction of a sector approach in the HRSD sector. The functioning, management, organization and composition of the SWG is more precisely defined by the "Rules of Procedure for Sector Working Groups for the Programming and Monitoring of the EU funds and development assistance". The national institutions participating in the SWG are the Ministry in charge of labour, the Ministry in charge of employment, the Ministry in charge of social policy, the Ministry in charge of education, the Ministry in charge of health, the Ministry in charge of youth, the Social Inclusion and Poverty Reduction Unit, the Ministry in charge of Regional Development and Local Self-Government, the Office for Human and Minority Rights, the Office of the Commissioner for Equality, the Directorate for Gender Equality, the Ministry in charge of Finance and Economy (CFCU and NF) and the Serbian EU Integration Office (SEIO). Members of the SWG are officially appointed representatives of the above mentioned line ministries, at the level of State Secretary or Assistant Minister, or appointed Senior Programming Officers (SPOs) and the Serbian EU Integration Office.

Representatives of the donor community including the Lead Donors are participating at the SWG meetings based on the needs and requirements of each SWG meeting and taking part in the consultation processes for analysing sector priority goals, measures and operations for financing from EU funds and international assistance, as well as securing data on the expected assistance during the planning period. The Lead donor(s) is responsible to support the work of the SWG and represent the interests of donors active in particular sectors.

In order to enable more inclusive and transparent dialog, consultation and communication with all relevant stakeholders in the respective sectors, SEIO established a consultation mechanism with the civil society organisation (CSOs)²⁶⁸. This mechanism is based on the consultative process with Sectorial Civil Society Organisations (SECOs) and serves as a platform that enables exchange of information and contribution of CSOs in relation to planning development assistance, particularly programming and monitoring of the Instrument for Pre-Accession Assistance (IPA). The SECO includes a consortium of a maximum of three CSOs as partners, one of which is clearly indicated as leading partner. SECO is composed of the CSOs that have significant experience with public advocacy, analyses and research in the sector, as well as experience in direct work with service providers and beneficiaries. They are influencing public policy due to their successful networking and partner work with other local and international civil society organisations as well as constructive cooperation with state institutions and the constant monitoring of their work. Members of SECO are participating at the SWG meetings based on the needs and requirements of each SWG meeting and take part in the consultation processes for analysing sector priority goals, measures and operations for financing from EU funds and international assistance. Other relevant stakeholders (agencies, private, academic sector, CSOs, etc.) can participate at the SWG meetings based on the topic, needs and requirements of each Sector Working Group meeting.

Under the Rules of Procedure for Sector Working Groups, SEIO²⁶⁹ is responsible for coordination and for ensuring the efficient functioning of all activities of the Sector Working Group. Coordination and leadership of the SWG is supported by a Task force made up of representatives from the Sector Lead Institution, Lead donor and SEIO. The SWG is also acting as the Sectorial Monitoring Subcommittee for IPA.

²⁶⁷ Act on establishing the SWG from 5.11.2012. No: 119-01-68/2012-03

²⁶⁸ Introduced in 2011

²⁶⁹ Sector for Planning, Programming, Monitoring and Reporting on EU Funds and Development Assistance

B8.7. Indicators for measuring progress

Priority 1: Strengthening the establishment of an efficient, stable and sustainable growth trend in employment													
Indicator	Unit	Baseline (2012)*	Target								Means of Verification	Institution in charge	
			2013	2014	2015	2016	2017	2018	2019	2020			
1.1. Unemployment rate – share of the unemployed in working age population (disaggregated by sex, age, educational attainment and region)	unemployment rate	24.5% for the age group 15-64 23.1% for the age group 20 to 64					13,15%				10.8% in 2020 for the age group 15-64 8.26% in 2020 for the age group 20-64	Evidence-based reports, evaluations, analysis by NES, relevant line ministries; EU progress reports; Statistical Office of the Republic of Serbia	Ministry in charge of Labour and Employment
1.2. Activity rate – share of active population in total working age population (disaggregated by sex, age, educational attainment and region)	activity rate	47.3% for the group 15 and up 60.4% for the group 20 to 64									68.8% average in 2020	Evidence-based reports, evaluations, analysis by NES, relevant line ministries; EU progress reports; Statistical Office of the Republic of Serbia	Ministry in charge of Labour and Employment

MEASURE 1.1: Further promoting the implementation of Active Labour Market Programs, reinforcing their effectiveness, targeting and coverage of services													
Indicator	Unit	Baseline (2012)*	Target								Means of Verification	Institution in charge	
			2013	2014	2015	2016	2017	2018	2019	2020			
1.1.1. Share of unemployed persons included in ALMP on an annual basis (disaggregated by sex, age, education and region)	% of total number of registered unemployed participated in ALMPs	17%					23%				25%	Evidence-based reports, evaluations, analysis by NES, relevant line ministries; EU progress reports;	Ministry in charge of Labour and Employment
1.1.2.. Share of hard-to-employ individuals covered by ALMPS (disaggregated by sex, age, education and region)	% of unemployed persons included in ALMPs	71%					80%				90%	Evidence-based reports, evaluations, analysis by NES, relevant line ministries; EU progress reports;	Ministry in charge of Labour and Employment
1.1.3. Share of persons employed after participation in ALMPs (disaggregated by gender, age, ethnicity, education and region)	% of unemployed persons included in ALMPs	21%					25%				28%	Evidence-based reports, evaluations, analysis by NES, relevant line ministries; EU progress reports;	Ministry in charge of Labour and Employment

MEASURE 1.2: Reducing regional disparities through integrated and coordinated support to generate employment												
Indicator	Unit	Baseline (2012)*	Target								Means of Verification	Institution in charge
			2013	2014	2015	2016	2017	2018	2019	2020		

1.2.1. Employment-to-population ratio by regions (disaggregated by gender)	employment ratio	Employment-to-population ratio (15-64): Belgrade 46.9% - Vojvodina 43.2% Sumadija 47.3% South-east Serbia 49.7%									SORS	Ministry in charge of Labour and Employment
1.2.2. Unemployment rates by regions (disaggregated by sex)	% of unemployment	Unemployment – to-population (15-64) Belgrade 21.6% Vojvodina 26.7% Sumadija and West Serbia 23.7% South-east Serbia 26.2%									SORS	Ministry in charge of Labour and Employment

MEASURE 1.3: Improving labour policy, work environment and working conditions												
Indicator	Unit	Baseline (2012)*	Target							Means of Verification	Institution in charge	
			2013	2014	2015	2016	2017	2018	2019			2020
1.3.1. Labour by-laws and directives aligned with the acquis	Yes/No	No					Yes				Evidence-based reports published in official gazettes of the Republic of Serbia	Ministry in charge of Labour and Employment
1.3.2. Enterprises respecting and enforcing on-the-job safety measures	%	60					80				Labour report of the Labour Inspectorate	Ministry in charge of Labour and Employment
1.3.3. Percentage of decrease in accidents on-the-job due to respect and enforcement of safety measures	%	10 (compared to 2011)					40 (compared to 2012)				Labour report of the Labour Inspectorate	Ministry in charge of Labour and Employment

MEASURE 1.4: Enhancing youth employability and facilitating their access to the labour market													
Indicator	Unit	Baseline (2012)*	Target								Means of Verification	Institution in charge	
			2013	2014	2015	2016	2017	2018	2019	2020			
1.4.1. Share of youth (15-30) from the NES register that found employment (disaggregated by sex, education level, unemployment spell, district, and region)	%	41%					49%				55%	Evidence-based data from NES and relevant institutions; Ministry in charge of Youth and Sports;	Ministry in charge of Labour and Employment with the Ministry in charge of youth policy
1.4.2. Youth activity rate (15-24) (disaggregated by sex, education level, and region)	% activity rate in youth	29.6%					30.1%				30.7% youth activity rate (15-24) in 2020	Strategies, ALMPs, NES, SORS	Ministry in charge of Labour and Employment with the Ministry in charge of youth policy
1.4.3. Percentage of youth participated in education and training employed and got employed afterwards	%											Youth policy Gazette; LFS; SORS	Ministry in charge of Labour and Employment with the Ministry in charge of youth policy
1.4.4. Number of youth included in ALMPs (disaggregated by sex, education level, unemployment spell, district, and region)	Number of youth in ALMPs	60,000					72,000				76,000	Evidence-based data from NES	Ministry in charge of Labour and Employment with the Ministry in charge of youth policy

Priority 2: Building a knowledge-based society through enhancement of formal and non-formal education													
Indicator	Unit	Baseline (2012)*	Target								Means of Verification	Institution in charge	
			2013	2014	2015	2016	2017	2018	2019	2020			
2.1. % of children (in generation) covered by primary education ²⁷⁰	%	95,2 ²⁷¹					97				≤ 98	SORS/EMIS	Ministry in charge of education
2.2. % of students (in generation) completing four-year secondary schools	%	76					88				≤ 95	SORS/EMIS	Ministry in charge of education
2.3. % of citizens age 30 – 34 with tertiary education	%	23					30				38,5	SORS/EMIS	Ministry in charge of education

MEASURE 2.1: Raising the quality and efficiency of the pre-university general education													
Indicator	Unit	Baseline (2012)*	Target								Means of Verification	Institution in charge	
			2013	2014	2015	2016	2017	2018	2019	2020			
2.1.1. % of schools achieving quality standards on	%	40					60				70	IEQE report	Ministry in charge

²⁷⁰ All data disaggregated and by generation (age group)

²⁷¹ SORS for 2009

the level 3 and 4												of education
2.1.2. Basic level of education standards achieved by students in primary education	%	75					90			95	IEQE Final Exam evaluation report	Ministry in charge of education
2.1.3. Intermediate level of education standards achieved by students in primary education	%	30					50			60	IEQE Final Exam evaluation report	Ministry in charge of education
2.1.4. Advanced level of education standards achieved by students primary education	%	15					20			25	IEQE Final Exam evaluation report	Ministry in charge of education
2.1.5. Intermediate level of education standards achieved by students in general secondary education	%	-					60			65	IEQE evaluation report	Ministry in charge of education

MEASURE 2.2: Increasing participation and access to education												
Indicator	Unit	Baseline (2012)*	Target								Means of Verification	Institution in charge
			2013	2014	2015	2016	2017	2018	2019	2020		
2.2.1. Increase coverage of preschool education	%	41.36 ²⁷²					50				SORS/EMIS	Ministry in charge of education
2.2.2. Reduce dropout rate in primary education	%	10 - 15					8			≥5	SORS/EMIS	Ministry in charge of education
2.2.3. Reduce dropout rate in secondary education	%	10 ²⁷³ (30)					15			≥5	SORS/EMIS	Ministry in charge of education

MEASURE 2.3: Establishing functional National Qualification Framework for lifelong learning												
Indicator	Unit	Baseline (2012)*	Target								Means of Verification	Institution in charge
			2013	2014	2015	2016	2017	2018	2019	2020		
2.3.1. Established a continuing work of all Sector (Skill) Councils.	No.	4	6	10	14	16	20				Report IIE	Ministry in charge of education
2.3.2. Accredited external assessors	%	0					30			50	Report on the implementation of Strategy	Ministry in charge of education
2.3.3. Institutions accredited for recognition of prior learning	No.	0					6			10	Report on the implementation of Strategy	Ministry in charge of education
2.3.4. Vocational education programmes according to the qualification standards.	%	10	20	40	50	60	80	100			Education Gazette	Ministry in charge of education
2.3.5. % of population covered by adult education and lifelong learning programmes	%	3					5			≤ 7	SORS/EMIS	Ministry in charge of education

MEASURE 2.4: Raising the quality and participation in tertiary education												
Indicator	Unit	Baseline	Target								Means of Verification	Institution in

²⁷² SORS for 2009/2010 school year

²⁷³ EUROSTAT for 2010

		(2012)*	2013	2014	2015	2016	2017	2018	2019	2020		charge
2.4.1 % of generation enrolled into higher education institutions	%	35								≤ 50	SORS/EMIS	Ministry in charge of education
2.4.2. % of enrolled students completing higher education on time or within one year of delay	%	40								70	SORS/EMIS	Ministry in charge of education
2.4.3. Dropout rate in HE	%	43 (24)								≥ 15	SORS/EMIS	Ministry in charge of education

Priority 3: Increasing the effectiveness and equity of social welfare													
Indicator	Unit	Baseline (2012)*	Target								Means of Verification	Institution in charge	
			2013	2014	2015	2016	2017	2018	2019	2020			
3.1. Social welfare beneficiaries to population ratio, disaggregated by gender, age, ethnicity and territory	%	8.8									Increase in the ratio %	Evidence-based data by relevant institutions; HBS; SORS	Ministry in charge of social policy,
3.2. % of relative at-risk-of-poverty gap (eliminated by social transfers) disaggregated by gender, ethnicity, age and territory (effectiveness- It shows the allocation of social transfers by the level of the household income and thus supports development of interventions in the domain of targeting of social transfers)	%										Decreased by %	HBS; SORS	Ministry in charge of social policy,
MEASURE 3.1: Improving the relevance and accessibility of social welfare investments through more efficient and effective use of protection means (and measures for poverty reduction) social and modernizing the state mechanisms for providing support to vulnerable population													
Indicator	Unit	Baseline (2012)*	Target								Means of Verification	Institution in charge	
			2013	2014	2015	2016	2017	2018	2019	2020			
3.1.1. Quality assurance mechanisms established	Yes/No	No (partially established)						Yes (completely established)				Evidence-based reports by relevant institutions	Ministry in charge of social policy
3.1.2. EU-wise comparable social statistics system established	Yes/No	No						Yes				Evidence-based reports by relevant institutions/data in integrated database, SORS	Ministry in charge of social policy
3.1.3. Share of social transfers (other than pensions) in household income by income decile (disaggregated by household types)	%											SORS; HBS	Ministry in charge of social policy
3.1.4. % total realized social transfers (excluding pensions) distributed to population at risk of	%											HBS; SORS	Ministry in charge of social policy

poverty																						
MEASURE 3.2: Advancing the efficiency of social protection and social inclusion through innovations																						
Indicator	Unit	Baseline (2012)*	Target								Means of Verification	Institution in charge										
			2013	2014	2015	2016	2017	2018	2019	2020												
3.2.1. Ratio of beneficiaries covered through the CB services (compared to the total social welfare beneficiaries at the local level, disaggregated by gender, ethnicity, and area)	%											Evidence-based reports and data from relevant institutions; SORS	Ministry in charge of social policy									
3.2.2.	% of employed working in social companies comparing to the total number of the employed	0%						1%				SORS data	Ministry in charge of labour and employment									
3.2.3. Accreditation and licensing system established	Yes/No	No						Yes				Evidence-based reports and data from relevant institutions	Ministry in charge of social policy									
3.2.4. Share of unemployed social protection beneficiaries registering with NES as a result of the "mix activation" measures (Disaggregate by gender, age, education, ethnic affiliation, forced migrant status and with reference to PwD)	%										Increase %	Evidence-based reports. data by relevant institutions; LFS, NES, SORS	Ministry in charge of social policy									
Priority 4: Improving the health status of the population by strengthening the accessibility, availability, affordability and efficiency of healthcare services																						
Indicator	Unit	Baseline (2012)*	Target								Means of Verification	Institution in charge										
			2013	2014	2015	2016	2017	2018	2019	2020												
4.1 Mortality rate (SDR) ²⁷⁴ of the population from ischemic heart disease, age 0-64 per 100,000	No.	28.43									18.56	regular national public health reports, WHO data for Serbia	Ministry in charge of Health									
4.2 Mortality rate (SDR) of the population from malignant tumours, all ages per 100,000	No.	204.18									167.97	regular national public health reports, WHO data for Serbia	Ministry in charge of Health									
4.3 Infant mortality rate per 1000 live births	No.	6.3									4.06	regular national public health reports, WHO data for Serbia	Ministry in charge of Health									
MEASURE 4.1: Reducing the prevalence of non-communicable diseases through further implementation of prevention programmes aimed at decreasing the associated risk factors																						
Indicator	Unit	Baseline	Target								Means of Verification	Institution in charge										

²⁷⁴ Standardised death rate

		(2012)*	2013	2014	2015	2016	2017	2018	2019	2020		
4.1.2 Mortality rate (SDR) from smoking related causes per 100,000	No.	300.47								194.66	regular national public health reports, WHO data for Serbia	Ministry in charge of Health
4.1.2 Regular, daily smokers, age 15+	%	26.2								23	regular national public health reports	Ministry in charge of Health
4.1.3 Proportion of the population ²⁷⁵ that is obese, age 20+	%	23								17	regular national public health reports	Ministry in charge of health
4.1.4 Proportion of adult population that exercises 3 or more times per week	%	25.5 ²⁷⁶									regular national public health reports	Ministry in charge of health
MEASURE 4.2: Strengthening healthcare management capacities and introducing new technologies in order to provide better conditions for treatment and rehabilitation and to improve the efficiency of the healthcare system												
Indicator	Unit	Baseline (2012)*	Target								Means of Verification	Institution in charge
			2013	2014	2015	2016	2017	2018	2019	2020		
4.2.1 Proportion of surveyed population that is satisfied with the amount of time that a primary care physician devotes to talking with the patient	%	80									regular national public health reports and surveys	Ministry in charge of health
4.2.2 Number of medical doctors per 100,000 citizens	No.	308.76								332.68	regular national public health reports	Ministry in charge of health
4.2.3 Waiting time of more than 3 days for an appointment with doctor of general medicine	%	10.4									regular national public health reports and surveys	Ministry in charge of health

²⁷⁵Most recent WHO data available was from 2008.

²⁷⁶ Most recent Batut data available was from 2006.

B8.8. Aid effectiveness, efficiency and sustainability

According to the ISDACON database, the Human Resource and Social Development sector has received substantial assistance from the international donor community over the period 2007-2012, with estimated total disbursement amounting to 425 million EUR. Largest and most important donor in the sector has been the EU with total disbursement within IPA component I amounting to 213 million EUR in the **period 2007-2013**.

In the education sub-sector, assistance under **IPA I** has been focused on strengthening institutional capacities and support to VET reforms and development of the National Qualifications Framework, design and implementation of quality assurance systems in primary and secondary education (and VET), support to early inclusion of vulnerable children in the education system, establishment of a system of “second chance” – functional elementary education for adults, and improvement of the quality of higher education teaching and infrastructure. In the social inclusion sub-sector, assistance under IPA I has been directed to support the integration of refugees, internally displaced persons (IDPs) and returnees through housing and income generation support and legal aid. The assistance has also targeted the social inclusion of vulnerable groups by strengthening national and local institutions that oversee and provide community-based social services for different target groups (including children and persons with mental illness and mental disability). IPA has provided support to health care sub-sector reforms in Serbia through support to the development of quality standards for health care, improvement of Emergency Medical Service, support to the implementation of the hospital information system, design of the treatment of infectious waste in the primary health care, implementation of organised screening programmes for breast cancer, cervical cancer and colorectal cancer, development of palliative care and improvement of the system for prevention of drug abuse in line with EU standards. For employment and labour market policy sub-sectors, assistance under IPA 2012 supported the National Employment Service (NES) to upgrade analysis and forecasting of labour market trends, improve efficiency in employment policies towards vulnerable groups and monitoring and evaluation of active labour market programmes. **IPA 2013** supported efficient and effective matching of supply and demand and overall functioning of the labour market, with special emphasis on the inclusion of the PWDs; community services in the area of education and social welfare at the local level in order to promote implementation of the social inclusion and poverty reduction policies; and further development and realisation of sustainable and inclusive models for resolving housing and improvement of physical infrastructure in selected Roma settlement.

Multi-Beneficiary IPA funds for the Western Balkans and Turkey have enabled Serbia to participate in numerous programmes since 2007, including the following in the HRSD sector: Erasmus Mundus Actions 1 and 2 (2007-2013) are building understanding and mutual enrichment between the European Union and Serbia by promoting the mobility of students and academic staff in higher education; Tempus (2007-2012) has achieved positive results in terms of encouraging reform and the process of modernisation in individual universities, faculties and departments in Serbia, particularly with regard to exposing university staff to higher education institutions in an EU environment and to implementing the Bologna process; Regional Support for Inclusive Education (2012) will endeavour to promote inclusive education and training through awareness-raising, mutual learning and capacity building measures; Youth in Action has supported non-formal education and youth by supporting exchanges of young people and those active in youth work and youth organisations as well as initiatives that reinforce young people’s mutual understanding, sense of solidarity and tolerance (2007-2013); and the Regional Housing Programme (2012-2013), as an integral part of the Sarajevo Process consisting of four Country Housing Projects in the partner countries of Serbia, Bosnia-Herzegovina, Montenegro and Croatia, that will contribute to resolving the protracted problem of the remaining refugees and IDPs by providing long-lasting, sustainable housing solutions.

Other donors, namely the World Bank, EIB, UN organisations (UNDP, ILO, UNICEF, IOM, etc.) and bilateral aid from Austria, Germany, Italy, Netherlands, Norway, Spain, Sweden, Switzerland and the United Kingdom, have been supporting reforms in the HRSD sector. VET reform is complemented by bilateral support from the German government and Austrian government, while the establishment of the teacher training system is supported by the Swiss government. The Norwegian government supports the improvement of regulatory mechanisms in social welfare. Support has been provided through the ILO, UNDP and Spanish and Italian Governments, which will build the capacity of labour market institutions in designing, monitoring, implementing and evaluating active policies on youth employment and to establish a Youth Employment Fund. The World Bank’s Delivery of Improved Local Services programme will increase the capacity of institutional actors and beneficiaries to improve access to health, education and social protection services in a decentralizing environment, while improving the efficiency, equity and quality of local delivery. The joint DfID/NMFA programme, for the implementation of the Social Welfare Development Strategy supported local social planning: 28 LSG strategies (out of which two are inter-municipal cluster strategies) with budgets and action plans; four large city strategies with action plans and budgets; 37 community-based social services (out of which 6 are inter-municipal); 31 LSGs with allocated budget resources for the implementation of local strategies.

The Report on the “Evaluation of the effectiveness and efficiency of development assistance to the Republic of Serbia per sector,” assesses relevance of the assistance to the HRSD sector as **very high**. The overall conclusion related to the

effectiveness and efficiency is that it is **medium**, while the overall rating of the impact and sustainability is **low**. As recommended in the Report in the **employment** and labour market sub-sector, support should be geared towards the implementation of ALMPs with the aim of reaching as many unemployed as possible with well-targeted measures taking into account the needs of individuals and specific groups in the local economy. Focus should be on combining employment, education and social inclusion policies to bring more people to the labour market. However, there is also a need for a more strategic approach to employment policy by linking it to other policies at the national level (FDI promotion, R&D, SME development). Social dialogue should be given higher priority and issues of informal economy. In the **education** sub-sector and VET, further support should be given to the development of an effective in-service teacher training for all levels. A financially-viable system for updating/raising the skills and competences of teachers in line with modern standards is still to be developed and implemented. There is also a case for applying the principles and methods of inclusive education to the VET sector. Finally, a concerted effort to establish a process of life-long learning is needed. Regarding **social inclusion** sub-sector, support should build on the results and best practices of pilot projects to reach out to new target groups and address their needs with personalized measures and advice. The emphasis should be on labour market integration. The long-term goal should be to achieve the progressive integration of employment, social and health services through the development of joint national standards and financing mechanisms. Serbia should also strengthen its capacity to monitor and evaluate social protection expenditures. Regarding the healthcare system, the priority should be to complete the reform of the payment system and improve the efficiency of existing health expenditures²⁷⁷.

²⁷⁷ The EUD sector evaluation is under preparation.

B9 AGRICULTURE AND RURAL DEVELOPMENT SECTOR

B9.1. Scope and background of the sector of Agriculture

The agricultural and rural development sector encompasses agricultural production, forestry, fisheries, food safety, animal welfare, and rural development. The importance of agriculture for the Serbian national economy is high, which is confirmed by data on the sector's share in GDP, employment and exports (Table B9. 1). This state of affairs is the result of two basic factors; firstly the rate of restructuring in other sectors has been slow, resulting in low investment activity and consequently low employment opportunities in non-agricultural sectors; secondly, the high availability of rich natural resources for agricultural production in Serbia²⁷⁸.

The structural features of the agro-food supply chain in Serbia point to a dual structure in every part of the chain. Serbia's farm structure is complex, ranging from small subsistence agricultural households and small semi-subsistence farms to large family farms, as well as privatized large enterprises with a mixed ownership structure. At the primary level, farms are highly fragmented, with a large part of the farm holdings being (semi-) subsistence. Some recent research (LSMS, 2008, WB and RSO) estimated that about 60% of farm holdings do not have surplus production to sell or sell on the market only infrequently. By contrast in the northern part of the country there are large farms which are well equipped and whose production is organized on the principles of modern management. However, according to Census of Agriculture 2012²⁷⁹, farms above 20 ha represents 2% of the holdings and use over 30% of the UAA (UAA - Utilised Agricultural Area). Regional differences in the structure of land, farm size, yields and production, are large and arise from heterogeneous natural conditions. A large number of small to very small firms dominate both the upstream and downstream industries. Next to these there are only a few medium to large scale operators. The structure of the food processing industry varies across branches. Nevertheless, only a few companies account for a major share of turnover. The number of enterprises registered in the food, drinks and tobacco sector (NACE 15 and 16) is about 3,300²⁸⁰. The number of enterprises has increased since the mid-2000s. Around one third of this number can be found in the meat and bread manufacturing.

The last decade was characterized by **substantial annual fluctuation of agricultural production** (which generally remained lower than in the pre-transition period). Agricultural production in Serbia is of a typically extensive nature and strongly influenced by the weather conditions, especially droughts (Table B9.1). Yields and production vary considerably and are still lower than the yield of the pre-transition period. Yields are close to regional averages and significantly below the EU27. In terms of the value of agricultural production the most significant part is crop production, within which cereals dominate. Livestock production is steadily declining and reached its lowest level in decades.

A large part of the agricultural sector is not integrated in the agro-food supply chain, either by contracting or by (any other means of) sustainable commercial relationships. Home consumption and direct sales of food (the informal economy) is highly significant in Serbia. The position of small scale operators is critical as they have to comply with the requirements of an increasingly demanding retail chain. These requirements are driven by the coinciding forces of increasing consumer awareness and public policies aiming at establishing the legal framework for food safety and quality standards. Even the larger enterprises have difficulties in adapting to EU requirements, given the limited number of licenses for export to the EU within the meat and dairy sectors. Therefore, a major challenge for the farming and processing sector is to meet the growing number of EU requirements and standards all along the food supply chain. Failure to meet such requirements may result in decreasing exports and increasing import penetration.

A number of associations at the national, regional and local levels are involved in the development of agriculture and rural development. Networking of producers' associations of different profiles of activity has started, but a central institution at the national level does not yet exist. Many of such associations keep a low profile and are only occasionally present in public decision making processes.

Crop production is a high and increasing share in Serbia's agricultural production, with maize, wheat and fruit as major crops. Maize is Serbia's biggest single commodity with an average production of 5.6 million tonnes during last decade, which was produced on approximately 1.2 million ha. Fruit and vegetable production accounts for about 12% of the value of agricultural output, and positive trends were recorded in the past years. In this sector significant progress has been made in the improvement of standards in primary production and processing and in the linkages between them. The industrial crop production (oilseeds and sugar beet) accounts for 7% of the total value of agricultural production of Serbia. Opening of the foreign market, budgetary support, export subsidies and privatization of the processing capacities contributed to fast

²⁷⁸Berkum Siemen Van and Natalija Bogdanov (2012): Serbia on the Road to EU Accession: Consequences for Agricultural Policy and the Agri-food Chain, CABI, Oxfordshire, UK

²⁷⁹ Statistical Office of the Republic of Serbia (2013): Census of Agriculture 2012 in the Republic of Serbia – First results, Belgrade

²⁸⁰Government of Republic of Serbia (GoRS), Answers to the Questionnaire of EC, chapter 20, 2011: 448-449

revitalization of industrial crop production. More than in other segments of the food chain in Serbia, this sector has set up a trade chain with a positive impact on the growth of the area cultivated and of total production.

Livestock's share in the sector's total agricultural production value declined, largely because of developments in the meat sector, where the contribution of both pig meat and beef production shows a downward tendency in recent years. Despite its importance to the rural and domestic economy, the number of all livestock has been decreasing over a last two decades. During the period 2000-2009 the number of cattle decreased from 1.25 million head to 1.00 million head. The decline particularly occurred in the milking cow herd, of which the numbers fell from 750,000 animals in 2000 to less than 500,000 in 2012. The main reasons for the reduction of livestock production were the decline in consumption, fluctuating feed prices and a limited external market. In recent years there have been substantial efforts by the state to revitalize livestock production. However, next to the unfavourable economic situation for cattle breeding, the privatization process resulted in a further reduction of the number of cattle.

Serbia has a potential for the growth of the currently export driven **organic farming sector**. The highest growth potential is mainly in rural areas where conventional production is not competitive or where there are no nearby sources of pollution. Furthermore, during the past two decades Serbian farmers could not afford synthetic inputs, which has resulted in low levels of prohibited residues and implies that in Serbia conversion periods are shorter than in the most developed countries. However, the potential for growth of this sector is limited by the reduced agriculture budget for organic production, capital constraints and a poor supply chain organization, as well as the lack of professional counselling in this sector, which leads to inefficient production, processing and marketing.

Serbia is in the process of shifting from an analogue to a digital cadastral register. The digital real estate cadastre should solve numerous problems (archiving, maintenance, distribution of the data), and contribute to a more reliable, efficient and comprehensive database on land use. Up to now, the land consolidation has been carried out on 1.879 million hectares of agricultural land, or about a third of the agricultural area in Serbia. **Land consolidation** covers most of the countryside in Vojvodina (60% of all territory in Vojvodina), followed by Central Serbia (about 9%) and least in Kosovo (5%). In the whole territory of Serbia, a single record of fixed assets was established on an area of about 87% of the territory²⁸¹.

Serbia's territory is very rich in biodiversity. The main threats to existing biodiversity which result from agricultural activities are natural habitat destruction, over-exploitation of natural resources and the effects of overusing agromachinery and agrochemicals, although the latter is rare in Serbia, and also a major problem could be the abandonment of traditional agricultural practices which holistically contribute to the preservation of agro-ecosystem. Degradation (e.g. water and soil pollution) or exhaustion (e.g. overgrazing) of natural resources and the related biodiversity loss are examples of the negative externalities of agriculture production, by contrast traditional harvesting and grazing practices in Serbia as well as the introduction of a set of agro-ecological measures represent an opportunity to support development and preservation of rural areas within the limits of the natural resources available. Serbia has demonstrated its interest and commitment to protect the environment and the country's biodiversity and rural areas through the ratification of international agreements and their adoption into the national legal framework. However, some EU directives in the field of environment (e.g. Nitrates Directive) have not been implemented yet. In the programme for financial support to agricultural production in Serbia, cross-compliance measures with environmental, animal welfare, public, animal or plant health standards do not yet exist. Generally, Serbia is facing difficulties in implementing policies and strategies for adequate environmental protection. Besides a lack of financial resources, the national legal framework is of recent date and lacks appropriate institutional structures for implementation and enforcement of regulations, especially in the sense of devising the Republic of Serbia National agro-ecological programme. The central collection of data and monitoring of environmental indicators is either completely missing or is fragmented among diverse projects, thus making their systematisation and opportunity for in-depth analysis more difficult. Finally, investments in agriculture and rural development through a series of agro-ecological measures, as well as irrigation systems, drainage and flood protection, or for waste management systems (in slaughterhouses) would contribute much to reaching environmental protection targets. However, the existing economic instruments for encouraging farmers and other actors in the agri-food supply chain to be environmentally responsible are too weak or still inaccessible to an average farmer to promote the necessary investments in sustainable environmental and natural resource management.

Although much EU legislation and many procedures have been transposed into rules and guidelines for all participants in the Serbian agri-food chain, legislative and administrative changes alone do not guarantee proper implementation of the EU veterinary and phytosanitary *acquis*. The implementation of regulations with the rigour and expertise needed for them to function requires appropriate institutions and effective organizations, and sufficient time to build up necessary expertise. Twinning projects focusing on capacity improvements in these areas have been started recently. Yet, the complexities are high, while inspectors, extension officers and farmers all need to be trained; building up the capacities to implement the regulations on animal and plant sanitary control just takes time. It should be noted that there are important differences between the plant and animal sectors. Currently, Serbia's animal sector is very little involved in international trade since it is envisaged that animal products would not be competitive on the EU market. However, even with small export flows to the

²⁸¹ Ibid.

EU, the country's health status should be indisputable and up to EU standards in order to maintain the confidence of trading partners in the EU market for animal products. The small-scale and fragmented structure of Serbia's agriculture - at the primary, processing and trade levels- makes monitoring and control on animal and plant health diseases difficult. Furthermore, investments in production facilities and methods that help to achieve higher standards fall short of what is necessary in order to comply with EU requirements.

Rural areas in Serbia are highly diverse in economic, social and demographic terms, due to differences in their geomorphological characteristics (mountainous, hilly, plain areas), composition of population, economic structures, environmental conditions, transport accessibility, and employment and income possibilities. Rural regions in Serbia cover 85% of the total territory, with the 55% of the population living in rural areas generating some 40% of the country's gross domestic product (GDP)²⁸².

During the last two decades a **number of social, economic and political changes affected population numbers and structures**. In total, during the period 2002-2011, the population in Serbian rural areas declined by 10.9% compared to an overall 4.1% decline in the country's total population²⁸³. Unfavourable demographic trends have resulted in a negative education structure of the rural labour force, whose performance cannot meet the needs of the present labour market. Unfavourable demographic trends are also determined by gender imbalances in rural areas. The share of the female population in the reproductive and working age (20-59 years) in the total rural population is 48%, which is lower than the equivalent figure for the urban population (52%). The decline of the number of women in the rural population leads to falling birth rates causes changes in the structure of agricultural production (e.g. reduction of production of vegetables, flowers and dairy products) and reduces the possibility of diversification of farm incomes through food processing.

Modest knowledge and lack of additional skills characterizes the rural population in general, confirmed by LSMS 2007 data (LSMS – Living Standard measurement Study), according to which 97% of rural population did not attend additional training and education courses, and 54% have no special knowledge or skills. As a result of poor education and low training levels, the knowledge and skills of the rural labour force are inadequate for the requirements of modern technology and adversely affect the overall capacity of the labour force in rural areas. The low quality of the workforce can be considered as one of the factors hampering economic development in rural areas because investors tend to avoid places without a high-quality and skilled labour force.

The industrial structure of Serbia's rural areas is highly dependent on the primary sector, especially on agriculture, and is still based on the depletion of natural resources. The main characteristics of Serbia's rural economy are that it has: (i) a high share of agriculture, the food industry and mining; (ii) a low participation of the tertiary sector in the GDP (iii) low levels of entrepreneurship. These characteristics reflect the underdeveloped structure of the rural economy.

Overall poverty in Serbia is strongly dependent on the characteristics and intensity of rural poverty. Regional differences in rural poverty rates are significant and follow the relationship that exists between regions in terms of overall poverty: the most unfavourable situation being in southern and eastern Serbia, and the more favourable being in Vojvodina.

Rural infrastructure demands significant investments for the establishment of new systems and for the revitalization and expansion of existing systems. Adequate rural infrastructure is an important factor in improving the quality of life for the rural population and it also has a stimulating effect on potential investors. Municipal governments have the greater part of administrative responsibility for infrastructure investments; however, local government has insufficient financial resources in relation to the scope of investments needed. .

There have been large fluctuations in level and structure of, budget support to the agricultural sector in recent years. Over the last decade there has been no stability in the total budget for agricultural support measures, which is an indication that policy is still in transition. Financial resources change depending on the annual state budget and the share of agriculture it contains (from 5% of total budgeted in 2004 to 2.5% in 2010). The model of agricultural support applied in Serbia is different from EU practice within the Common Agricultural Policy (CAP) and will have to be adjusted in the future. Adjustment will require new (accredited) institutions, greater access and transparency of support for a wider range of users.

Support for rural development has become more actively implemented since 2004. Most of the funds have been used to support improving competitiveness of farms, and the basic mechanism has been the use of subsidised interest rates on loans for farm mechanization and equipment and the allocation of grants for village and agriculture development. There are some elements of support which are based on the model of the EU directive on 'Less Favourable Areas'(LFA) but such support has been applied without clearly defined rules. In recent years there have been some attempts to deal with some sensitive social issues through support for rural development, but this practice was subsequently abandoned (e.g. support for Roma population in rural areas, refugees, non-commercial farms, agricultural cooperatives and other forms of business-economic and interest-based associations of manufacturers).

²⁸² National Programme for Rural Development 2011-2013, Official Gazette of the Republic of Serbia, No.15/11. In this document the OECD definition of rural areas has been used. Official results of the 2011 Census indicate that in Serbia there is about 40% of the rural population.

²⁸³ Statistical Office of the Republic of Serbia (2011): *Census of Population, Households and Dwellings in the Republic of Serbia – First results*, Belgrade

With regard to preparedness for **LEADER**, there has been strong bottom up planning facilitating and developing the formation of local partnerships and preparing embryonic groups for the selection process as pLAGs (potential Local Action Groups). It is expected that at least 15-20 pLAGs will meet the criteria of selection. However, as yet, such groups have no experience in generating and programming suitable project ideas. This can only happen in 2013 if some seed funding is made available from the national budget, as has been advocated, to enable these groups to put into practice much of the training and facilitation that has been provided. No institutional mandate has been built (the latest plans for a 'Leader Advisory Board' have failed owing to the lack of commitment and decision by the Ministry for a national inter-agency forum on rural development, as did the earlier plans for a 'National Leader Group'). Neither have the mechanisms been developed within DAP for the development of procedures for the implementation of LEADER measures. This means that there remains much work in building the LEADER institutional framework, and planning and lobbying for timely implementation of LEADER in the period 2014–2020. There is also a need for further technical support to ensure there are fully developed LAGs able to prepare and implement measures.²⁸⁴

Some progress has been made in the area of **institutional building** and preparation of strategic documents and legislation related to the use of pre-accession EU funds. This is particularly so for the agriculture and rural development sector operating in a context of adapting to the EU *acquis*, addressing the defined requirements related to establishment of structures and systems required for managing the CAP, managing rural development activities and establishing all IPA Rural Development (IPARD) structures. Nevertheless, the major constraint remains the deficiency of human resources. Improving human resources in the administration should have priority, as well as better coordination between the various governmental bodies.

EC 2012 Progress Report for Agriculture and Rural Development (Chapter 11) concludes that progress has been made in the area of agriculture and rural development and with regard to agricultural statistics. IPARD structures and resources have advanced well, but additional capacity building is still essential, while development and alignment with the *EU acquis* remains at an early stage. In the area of food safety, veterinary and phytosanitary policy (Chapter 12) Progress Report states that some progress was made but further strengthening of the administrative capacity of the institutions involved in monitoring food chain safety is needed. Efforts are needed for upgrading of food and feed establishments, the management of animal by-products and genetically modified organisms. Overall this sector has been assessed as moderately advanced. With regard to Fisheries (Chapter 13) Progress Report concludes that some progress can be reported with the signing of some international agreements. However, the collection of market data needs to be improved and a national catch certification scheme for imports and exports of fishery products needs to be established. Overall, preparations in the area of fisheries are moderately advanced.

Table B9.1. Key Agricultural Statistics

	Units	2005	2006	2007	2008	2009	2010	2011
Gross value added of the agriculture, forestry, hunting and fishery sector (A)								
- GVA (at current prices)	mill. EUR	2.097,7	2.261,8	2.524,8	3.003,1	2.320,4	2.378,9	2.788,0
- share in GVA of all activities	%	12,2	11,4	10,4	10,7	9,3	9,9	10,4
Employment in the agriculture, forestry, hunting and fishery sector (A)								
- number	000	619,6	530,2	540,5	696,9	614,1	522,7	466,2
- share in total employment	%	23,2	20,5	20,8	21,4	23,8	21,9	21,0
Trade in food and agricultural products								
- export of agri-food products	mill. EUR	713,7	991,9	1.217,8	1.327,9	1.380,6	1.672,5	1.919,6
- share in export of all products	%	20,27	19,44	18,93	17,87	23,15	22,62	22,74
- import of agri-food products	mill. EUR	622,0	721,1	604,4	758,4	710,7	896,4	1000,5
- share in import of all products	%	7,4	6,9	4,3	4,6	6,7	7,2	7,0
- trade balance in agri-food products	mill. EUR	91,7	270,8	613,4	569,5	669,9	776,0	919,1
Share of food, beverages and tobacco in total household's expenditures	%	25,6	23,6	21,9	22,5	22,6	22,3	:
Change in volume of Gross Agricultural Output (GAO)								
- Total	%	-3,4	-2,6	-11,7	13,7	1,3	1,1	-1,1
- Crops	%	-5,7	-3,0	-18,0	23,0	3,6	1,1	-1,8
- Livestock	%	1,1	-3,0	0,0	-3,0	-3,5	1,1	0,2
Share of crop and livestock output in total Agricultural Goods Output								
- Crops	%	67,3	63,7	62,0	68,7	69,3	68,4	68,4
- Livestock	%	32,7	36,3	38,0	31,3	30,7	31,6	31,6

Source: Experts elaboration based on Statistical Office of Republic of Serbia

²⁸⁴ "Technical Assistance for Evaluation of Agriculture and Rural Development Sector Implemented and Financed by IPA Programme and Others Donors in the Republic of Serbia", Evaluation Report, January 2013.

B9.2. Strategic Framework

National Strategic Framework

Based on the main strategic documents for the sector, which are presented in Annex 1, sector and SWOT analysis the following four priorities for the sector have been identified:

(i) Increasing competitiveness of the agri-food sector – is of great importance for the future of this sector, with respect of integration processes of the country into international market (WTO accession, Stabilization and Association Agreement with EU and joining to CEFTA) and necessary liberalization and opening of the market for foreign competition. Increasing competitiveness will lead in the long term to an increase in the standard of living of the population. Increased competitiveness of agriculture, food processing and forestry requires a focus on farm structures, quality standards, marketing of agricultural and food products, markets for land and credit, supporting the formation of farmers' associations; increasing the area under forest through supporting forestry activities and offering help to afforested land on which trees can be raised economically and in an environmentally sustainable manner. Only through increasing competitiveness can Serbian farmers survive and progress in the highly competitive EU internal market.

(ii) Sustainable rural development – improving rural development shall be achieved by stimulating employment and economic growth and rising living standards in rural areas, with special benefits for depopulated border and mountain areas. Particular attention shall be paid to elderly agricultural workers and other vulnerable categories. So, focus is also on the part of rural population which is not living from the agricultural income only but, also from the money earned in non-agricultural activities performed in rural areas. In reality, these are activities which lead to the improvement of life and entrepreneurship in villages, and most often include: investment in means of agricultural production and processing, education and training of the rural population, developing rural tourism, promotion of traditional knowledge and cultural values, protecting the natural environment and agro-eco system, etc. Nevertheless, supporting the formation of regional and local institutions to support rural development; advancing cooperation between the Ministry of Agriculture and local self-government institutions with the goal of supporting rural areas; increasing investment in rural development; focusing support for diversification of activities in rural areas are inevitable elements of sustainable rural development. Forestry also represents an essential part of the effort that is being put into the recovery and development of rural areas.

(iii) Improving food safety, animal health and welfare and plant health according to EU requirements—Achievement of this priority will surely lead to: improving consumer safety, greater profitability and competitiveness of the food industry, increasing exports by fulfilling the requirements of importing countries, substituting imported articles by domestic products of a similar level of safety, reducing control costs, and thus cheaper production, ensuring international integration (membership of EU and WTO). Formation of a comprehensive, coordinated and integrated national surveillance system for plant and animal diseases is the basis for preserving the health of animals, plants, people and the natural environment, and for the production of safe food. The biggest responsibility lies within the institutions which are responsible for creation of legal regulations and advancing the capacity of the inspection services responsible for securing that the food is entirely safe. At the same time it is necessary that all participants in the chain accept their share of responsibility in achieving this goal. The scientific and research organizations and advisory services also have an exceptionally important role in education, raising awareness and spreading information throughout the whole chain. Various structural measures in the direction of supporting investments in modern buildings which ensure a higher level of food safety and introduction of standards; establishing a system of reference laboratories in the chain of food safety; full implementation of strategies for integrated border management, especially in the area of competence of the veterinary and phytosanitary inspectorates and introduction of plant passports are also necessary actions to be dealt with in order to secure achievement of this priority.

(iv) Enhancing agro-environmental and biodiversity protection - Given the determination of Serbia to become a member of the EU, it is essential to create new and harmonize existing standards with EU policy, and to define the basic direction of policy of protecting the environment from the negative effects of agricultural production. The priority is reliant on identification of specific threats and pressures on biodiversity from the agriculture and forestry sector; enlargement of organic production which is of importance for the production of high-value and quality food, support for maintaining genetic resources of autochthonous breeds/cultivars due to the preservation of biodiversity and genetic variation. Autochthonous breeds of domestic livestock are a part of the cultural and historic inheritance and a source of genetic diversity. Forests have an irreplaceable role in mitigating anthropogenic climate change, connected with the absorption of carbon. It is necessary to pay attention that the capacity of forests in this respect is continually increased, and finally, introduction of a series of agro-ecological measures contributing to the preservation of complete agro-ecosystems (high nature value farmlands) in a wider sense is an irreplaceable activity, crucial to preservation of unique sites and habitats of plants and animals, in accordance with the European regulation (NATURA 2000).

The current sector strategic framework and the proposal of a new agriculture and rural development strategy (2014-2024) are based on principles of sustainable development and use of natural resources and gradual harmonization with the EU policy framework. The vision within the new strategy is that agriculture should become a sector whose development is based on knowledge, modern technologies and standards, that produces competitive and innovative products and ensures a

sustainable and stable income for farmers, while natural resources, the environment and the cultural heritage of rural areas are used in a way to make rural areas tempting places to live and work.

The challenge in achieving these national priorities is that they will require the integration of a wide range of actions across the whole sector. The analysis carried out suggests that to focus on only one or two of these priorities at the expense of the others will create problems within the sector, rather than providing sought-for solutions.

NAD Priority 1 *'Increased competitiveness of agribusiness sector and created conditions for the sustainable growth of farmers' income* is in line with Sector Priority (i), listed above, and has same objective i.e. to achieve a more competitive agri-food sector. The NAD envisages attainment of this priority by focusing investments on agricultural production /processing and on improving applied research / transfer of knowledge.

NAD Priority 2 *'Improved quality of life of the rural population and attractiveness of rural areas'* will contribute to the achievement of Sector Priority (ii) above, by focussing on the creation of conditions for improving rural infrastructure and by supporting the diversification of rural economies with the creation of new jobs. The priority also addresses opportunity for rural community development by further development of pre-LEADER initiatives and supporting wider implementation of agro-environmental actions.

NAD Priority 3 *'Strengthened administrative capacities for alignment of agriculture (CAP Pillar 1) and rural development (IPA RD & CAP Pillar 2) policies and institutions with EU acquis'* is considered as being horizontal / cross-cutting and is in line with the four Sector Priorities listed above.

NAD Priority 4 *'Improved standards and systems for food safety, plant health, animal health and welfare (with ref. to alignment to acquis)'* will enable setting out standards and systems in the areas of food safety, veterinary and phytosanitary control, animal welfare while building relevant capacities for their implementation, and is in line with Sector Priority (iii) above.

Regional and transnational strategies

EU Strategy for the Danube Region promotes ecological and socio-economic development in the Danube region and the Agricultural and Rural Development Sector priorities and measures are correlating with Pillar 1, *Connecting the Danube Region*, aiming to: improve regional/ local cross-border infrastructure and the access to rural areas; set -up a cooperation mechanism of cities and villages in the region with the view to commit to greenhouse gas emissions reduction, exchange best practices and test pilot projects on energy efficiency and renewable energy; and build on the renewable energy cooperation of rural areas. The Agricultural and Rural Development Sector priorities and measures are also correlating with Pillar 2, *Protecting the Environment in the Danube Region* aiming to: foster and develop an active process of dialogue and cooperation between authorities responsible for agriculture and environment to ensure that measures are taken to address agricultural pollution, and establish buffer strips along the rivers to retain nutrients and to promote alternative collection and treatment of waste in small rural settlements. Serbia adopted a governmental decision in 2010²⁸⁵, which defines its own priority pillars for the EU Strategy for Danube Region, aiming to achieve objectives by facilitating economic development and strengthening regional cooperation and partnership in the Danube region as well as by creating a knowledge-based economy through cooperation in the Danube region and the active role of science in achieving the objectives of the Strategy. The Agricultural and Rural Development Sector Priority 2 *'Improved quality of life of the rural population and attractiveness of rural areas'* will contribute to the priority area- Economic development and strengthening regional cooperation and partnership in the Danube region, under Pillar 3, *Socio-Economic Development*, by focussing on improvement and development of rural infrastructure, diversification of rural economy and creating new off-farm employment opportunities and strengthening local community initiatives.

EU documents and international agreements related to the sector

The European Partnership with Serbia from 18 February 2008 (2008/213/EC)(under: Sectorial policies – Agriculture)sets out a number of short and medium term priorities, including: (i) strengthening the administrative capacity needed to formulate and implement agricultural and rural development policy;(ii) updating legislation and strengthening implementation and controls in the areas of food safety and veterinary and phytosanitary issues;(iii) expanding animal identification and registration to all relevant species;(iv) upgrading veterinary, phytosanitary, wine and sanitary laboratories, inspectorates and controls at external borders). **The Stabilization and Association Agreement** (Title VIII, Cooperation policies, Article 97 – Agriculture, and the agro-industrial sector) states that cooperation shall be developed *"in all priority areas related to the Community acquis in the field of agriculture, as well as veterinary and phytosanitary domains"*, and also with the aim of *"modernising and restructuring the agriculture and agro-industrial sector, in order to reach community sanitary requirements and to improve water management and rural development as well as to develop the forestry sector in Serbia"*. The same article also determines that *"supporting the gradual approximation of Serbian legislation and practices to the Community rules and standards"* should be undertaken.

²⁸⁵ Participation of the Republic of Serbia in the Development of an Overall EU Strategy for the Danube Region, 10 June 2010

Preferential access to the main markets is possible through the Stabilisation and Association Agreement with the EU (SAA); bilateral Free trade Agreements; The European Free Trade Association (EFTA); the Central European Free Trade Agreement (CEFTA); and the General System of Preferences with the USA (GSP).

Under the SAA which was signed with the EU in 2008, Serbia will phase out tariffs on industrial and most agriculture products from the EU by 2014, whilst receiving unlimited duty-free access to the EU market for all basic agricultural products with the exceptions of baby-beef, sugar and wine, for which duty-free quotas are applied. Implementation of the agreement began in January 2009 under Serbia's unilateral 'Implementation Agreement' pending ratification of the SAA by all EU Member States and the European Parliament which is expected in 2013. The established quotas are for 180 000 tonnes of sugar and 8,700 tonnes of baby-beef. As regards the reciprocal concessions for wine, Serbia was given a duty-free Tariff Rate Quota (TRQ) of 63,000 hl, of which 53,000 hl must be quality wine and 10,000 hl bulk wine. The Community obtained an annual duty-free quota of 25,000 hl for quality wines. Moreover, trade liberalization within the Russia, Belorussia, Turkey and Kazakhstan has been achieved through bilateral free trade agreements, in which significant agricultural concessions have been approved. Trade in agricultural products is regulated by separate agreements with each of EFTA members (Switzerland, Norway, Iceland, and Liechtenstein), providing for mutual concessions for specified products.

Serbia joined the Central European Free Trade Agreement on 6 September 2007. For agricultural products, as of the day the Additional Protocol to the CEFTA Agreement came into force (15 December 2011 for Serbia), the Republic of Serbia to a greater extent, and in some segments fully liberalized mutual trade with all CEFTA Parties. This liberalisation is important for the CEFTA region as it seeks to benefit from the significant opportunities which exist in agricultural trade and subsequent improvement in the competitiveness of the regional economy. Serbia has completed multilateral talks for WTO membership and reached 12 bilateral agreements with those members that required them. As part of its preparations for WTO membership, Serbia still needs to conclude trade arrangements with the U.S., Ukraine, Brazil, India and the Dominican Republic in terms of trade in certain agricultural products.

Currently Serbia has active international agreements on scientific and technical cooperation in the field of agriculture with, the Republic of Tunisia, the Republic of Argentina, the Republic of India, Montenegro, Bosnia and Herzegovina, Macedonia the Federative Republic of Brazil, the Islamic Republic of Iran, the State of Israel and some other countries. One of the reasons for the institutionalization of such cooperation through international agreements is large number of existing and future projects between Serbia and the other signatories of these agreements, in the field of agribusiness, from veterinary medicine to water resources, through cooperation in the field of phytosanitary issues, analysis of agrarian policy, as well as agricultural extension services. In this way, formal dialogue becomes possible by adequate monitoring of existing projects and the timely identification of new opportunities for cooperation. Also, this kind of cooperation aims to facilitate scientific cooperation, between the countries in the field of agriculture, between the relevant institutions and the transfer of knowledge from these countries to our country.

In addition Serbia is a signatory to the following conventions: the European Convention for the Protection of Pets; the International Convention for the Protection of New Varieties of Plants; the European Convention for the Protection of Vertebrate Animals Intended for Experimental and other Scientific Purposes; the Convention on the Protection and Use of Trans-boundary Watercourses and International Lakes.

B9.3. EU Agenda

Agriculture plays a key role in ensuring smart, sustainable and inclusive growth, identified by EU 2020 strategy which five objectives and targets (**employment**: 75% of the 20-64 year-olds to be employed; **R&D/innovation**: 3% of the EU's GDP (public and private combined) to be invested in R&D/innovation; **climate change/energy**: greenhouse gas emissions 20 - 30% lower than 1990; 20% of energy from renewable sources; and 20% increase in energy efficiency; **education**: reducing school drop-out rates below 10%, and at least 40% of 30-34-year-olds completing third level education; **poverty/social exclusion**: at least 20 million fewer people in (or at risk of) poverty and social exclusion)) will have significant impacts on the agriculture and rural development sector. By responding to these challenges, the CAP will contribute to the objectives of the EU 2020 Strategy by means of:

Smart growth - i.e. increasing resource efficiency and improving competitiveness through: technological knowledge and innovation; developing high value added and quality products; developing green technologies and using ICT; investing in training; providing incentives for social innovation in rural areas; improving uptake of research;

Sustainable growth - i.e. maintaining the food, feed and renewable production base; ensuring sustainable land management; providing environmental public goods; addressing biodiversity loss; fostering animal and plant health; increasing resource efficiency through technological development; further reducing emissions and fully developing the potential of rural areas

Inclusive growth- i.e. unlocking economic potential in rural areas; developing local markets and jobs; accompanying the restructuring of agriculture; supporting farmers' income to maintain a sustainable agriculture.

Chapter 11 Agriculture and Rural Development

A number of strategic documents have been adopted in the period 2008-2013 in the process of harmonisation with the *acquis* contained in this chapter which represents one of the most challenging chapters in terms of transposition, taking into account both the scope and size of legislation, but also the importance of this sector for the Serbian economy.

Direction of EU policies

The main directions of the EU policies in agriculture and rural development sector are presented in the European Commission Communication on "*The Common Agricultural Policy (CAP) towards 2020 - Meeting the food, natural resources and territorial challenges of the future*", which presents the direction of reforms for the various different regulations and implementing acts which are expected to be in place by the end of 2013, with a view to implementing overall CAP reform from 1st January 2014.

At the time of writing of this document, proposed changes of the regulations under the new CAP post- 2014 are the following. Direct payments (Pillar 1) will be redesigned so that national envelopes for direct payments will be structured in the following manner. The Basic Payment Scheme (comprising of up to 70% of available national funding 'envelope') will replace the mix of Single Payment Schemes currently operating in different EU Member States. A Greening Payment will be introduced as compulsory for all Member States and will comprise 30% of the national envelope. Up to 5% of national envelopes may be granted to 'Areas with natural constraints' whilst 'Young farmers'(new entrants with less than 40 years) may receive up to 2% of the national envelope for the first 5 years. Support to the 'Small farmers' scheme of up to 10% of national envelopes may be granted to farmers annually as a fixed entitlement of between 500 € and 1 000 €. Lastly there will be a 'Coupled' option of up to 5% of national envelopes, or in some cases more, which will allow Member States to have the option of providing limited amounts of "coupled" payments, i.e. payments linked to specific products. All Direct Payments will continue to be linked to cross compliance.

Rural development (Pillar 2) measures will continue to be co-financed by Member States and by the EU through the 'European Agricultural Fund for Rural Development (EAFRD)', which will form part of a new Common Strategic Framework with other European Funds for economic development. The new programming period will have 6 priorities and Member States will need to meet targets in all six priority areas, with 5% of funds held back in a 'Performance Reserve' to encourage this. At least 25% of the Rural Development funding envelope for Member States' must be allocated to issues related to land management and climate change measures, including organic farming. The first set of areas of intervention focus on fostering innovation and the knowledge and the importance of advisory services in innovation. Under the second area of interventions Rural Development Programmes will continue to support quality schemes for agricultural products and foodstuffs and areas facing natural or other specific constraints. Measures of particular relevance for promoting food chain organisation and risk management in agriculture are designed to improve the position of farmers in the food supply chain and also to cope better with the uncertainty created by problems of weather, animal disease and market volatility. In addition, a set of interventions are planned to support restoring, preserving and enhancing ecosystems which are dependent on agriculture and forestry and to promote resource efficiency and the shift towards a low carbon and climate resilient economy in agriculture, food and forestry sectors. Measures of particular relevance for the promotion of social inclusion, poverty reduction and economic development in rural areas include support for basic services and village renewal in rural areas and LEADER-type interventions. In summary, the EU priorities set for Rural Development Programmes cover the following: advisory services; farm management and farm relief services; investments in physical assets; farm and business development; LEADER activities.

The acquis covering **Horizontal issues, Common market organisation and Rural development** is currently in the process of being changed as described above. Current *acquis* are: Regulation 73/2009 –establishing common rules for direct support schemes for farmers under the Common Agricultural Policy, 834/2007 -on organic production and labelling of organic products, 718/2007 -on the application of Council Regulation (EC) no.1085/2006 establishing an instrument for pre-accession assistance (IPA), 1698/2005 -on support for rural development by the European agricultural Fund for rural Development. **The NPAA** states that in the area of **agriculture and rural development** basic adjustments were made by the Law on Incentives in Agriculture and Rural Development, which is partly in line with European legislation. In this way, the ambience is created that the existing support system became predictable for many years with a view to facilitating the planning of primary agricultural production, securing stable producers income and respecting of quality standards. The law stipulates that agricultural support in Serbia follows the basic orientation of the CAP in terms of the transition from production-related (coupled payment) towards decoupled payment but stay itself with a certain level of production-related direct payments (in the areas of production where necessary). In addition, this law was first created conditions for partial implementation of mechanisms for "cross-compliance" and modulation of the EU's CAP. Detailed application of these mechanisms will be implemented gradually, given that we still have not created the conditions for the full implementation of these mechanisms at farms, the recipients of direct payments. The use of this mechanism in Serbian agriculture will require a detailed and comprehensive training of farmers, with the lead role in education had professional advisory services. In the

domain of **agricultural markets** in recent years Serbia started with the adoption of laws and regulations applicable to the European rules, in accordance with Council Regulation (EC) No 1234/2007 establishing a common organization of agricultural markets and specific provisions for certain agricultural products (Single CMO Regulation) (Council Regulation 1234/2007, 32007R1234R (07)).

Quality policy: Regulations 1151/2012, 479/2008 and 110/2008. An essential goal of agricultural quality policy is to establish quality schemes, to inform buyers and consumers about product characteristics and farming attributes to provide buyers and consumers with accurate, useful and guaranteed information. The regulations listed above cover aspects of support schemes for: protected designations of origin and protected geographical indications (PDOs and PGIs);, traditional specialities guaranteed scheme (TSGs), including protected designations of origin and geographical indications;,, traditional terms, labelling and presentation of certain wine sector products and spirit drinks. **The NPAA** states that special progress is evident in the field of harmonization in the area of geographical origin of agricultural and food products, which is defined by the Law on Indications of Geographical Origin (Official Gazette of RS 18/10). Significant progress has been achieved in the areas of viticulture and wine production, especially in matters of harmonization with EU regulations and attainment of EU standards related to geographical origin of wine, declaration and quality. In the field of production of **alcoholic beverages** during the period 2008-2012 the Republic of Serbia adopted a number of regulations relating to the organization of the market spirits and other alcoholic beverages, thereby transposing the part of EU *acquis* concerning the sector of alcoholic beverages in its own legislation. Progress is not satisfactory and is currently conducting a revision of the draft law.

Organic farming: Regulations 834/2007, 889/2008 and 1254/2008. These regulations provide rules for organic farming and production. Organic production is supported by European financial support, policies and laws and these are designed to reinforce consumer confidence whilst creating the conditions for fair competition among organic producers in the EU countries. **The NPAA** states that from January 2011, organic farming in Serbia is regulated under the *Law on Organic Production* (Official Gazette of RS 30/10) and the *Rulebook on Control and Certification in Organic Production and Methods of Organic Production*(Official Gazette of RS 48/11 and 40/12) which were prepared in accordance with Council Regulation No,834/2007, 889/2008, considering that certain provisions of the EU regulations have not been transposed into the current Law, that appropriate penal provisions are lacking, that the legal framework does not provide an efficient control system. Draft Law on organic production and organic products has been prepared and is expected to be adopted in 2014.

Chapter 12: Food safety, veterinary and phytosanitary policy

Harmonisation with the *acquis* in Chapter 12 has been extensively carried out by the Serbian authorities to ensure transposition of that part of EU framework legislation which focus on the removal of potential barriers to trade with EU.

Direction of EU policies

Since 2000, when the European Commission (EC) adopted the '*White Paper on Food Safety*', there have been no major changes in the food safety policy area. At that time the EC modernised the then existing legislation into a coherent and transparent set of rules, which reinforced controls from '*the farm to the table*' in order to guarantee a high level of human health and consumer protection.

In the policy area of animal health the EC is working on the implementation of the '*Animal Health Strategy (2007-2013)*', which focuses on the preventive approach and the strengthening of existing mechanisms. A key element of this strategy is to establish an overarching legal framework which supports the livestock sector and ensures smooth a functioning, regulated EU market for live animals and their products. The emphasis of this strategy is to simplify legislation and to reduce the associated administrative burden. The intention of the overarching legal framework is to increase internal coherence between animal health issues and closely related areas such as EU veterinary expenditure, official controls by competent authorities, zoonosis, and veterinary medicines. With regard to animal welfare, the EU '*Animal Welfare Strategy 2012-2015*' is the main policy document which aims to ensure: that animals do not endure avoidable pain or suffering; that the owners /keepers of animals respect minimum welfare requirements; that proper information and education on animal welfare issues is made available to citizens and operators alike.

Feed, plants and plant reproductive material are essential sub-sectors for the safety and security of the food chain. In this area the EC has prepared new legislative proposals for Plant Health and Plant Reproductive Material replacing the former directive with a new regulation. The existing legal framework will be replaced with four regulations these are: the Regulation on plant health (hazardous organisms, outbreaks, import, intra EU trade), the Regulation on official controls (compliance checks), the Regulation on expenditures (Co-financing of the EU) and the Regulation on plant reproductive material.

On 6 May 2013, the European Commission proposed a package of legislative measures to strengthen the enforcement of health and safety standards for the whole agri-food chain. Once adopted, the package will bring around 70 legislative measures down to four Regulations. New elements of the proposed package which contribute to better enforcement of agri-food chain rules will benefit the public at large by increasing food safety as a whole and the protection that those rules afford against plant and animal health, animal welfare and the environment, include: (i)The requirement to perform regular, unannounced official controls directed at identifying intentional violations and (ii) Financial penalties that offset the economic advantage sought by the perpetrator of the violation. The package also gives the Commission more powers to oblige

member states to carry out controls and tests within a co-ordinated control plan of limited duration to ascertain the extent of specific shortcomings along the food chain and to establish permanent specific control requirements in relation to specific sectors and/or newly identified risks which emerge along the food chain or which emerge from new patterns of production or consumption of food. The package proposed by the Commission consists of the following proposals for: Regulation on the production and making available on the market of plant reproductive material; Regulation on official controls and other official activities performed to ensure the application of food and feed law, rules on animal health and welfare, plant health, plant reproductive material and plant protection products; Regulation on animal health; Regulation on protective measures against pests of plants. It aims to put in place a robust, transparent and sustainable regulatory framework. The Commission expect that the package will enter into force in 2016. **Food safety and control: Regulations 178/2002, 852/2004, 853/2004 and 183/2005.** These regulations provide rules for food and feed safety and they were integrated into the national Law on Food Safety which is harmonised with the EU *acquis*. Further harmonisation with EU *acquis* is focused on the alignment through by-laws which aim to ensure the effective implementation of framework laws. **The NPAA** states that The *Law on Food Safety* created a legal basis for the transposition of regulations from the so-called EU 'Hygiene Package' (Regulations 178/2002, 852/2004, 853/2004, 854/2004 and 183/2005).

Plant Health: The *acquis* on Plant Health is currently being changed; the outline of these changes is described above. **The NPAA** states that in the period 2008-2012, in the field of **plant health**, the *Law on Plant Health* (Official Gazette of RS41/09) and 29 bylaws were adopted and a legal framework was established for the system of plant health, harmonised with Council Directive 2000/29 Celex 32000L0029.

Plant Protection Products and Residues: Directives 2009/128 and 2009/127; Regulations 1107/2009, 1185/2009 and 396/2005. In 2009 EU adopted new legislative framework governing: (i) the evaluation and approval of active substances at EU-level (ii) authorisations of plant protection products at the level of EU member states (iii), statistics in the area of sales and use of plant protection products and (iv) sustainable use of plant protection products. One of the major challenges for Serbia in the forthcoming period in this policy area will be the alignment of Serbian legislation which is related to the food and feed residue monitoring system. **The NPAA** states that the Law on Plant Protection Products is partly harmonised with previous Council Directive 91/414/EEC concerning the placing of plant protection products (PPP) on the market and with the basic provisions of Regulation of the European Parliament and of the Council 396/2005/EC on maximum residue levels of PPP in or on food and feed.

Veterinary policy: Directives 2001/89/EC, 77/391/EEC, 2005/94/EC, 92/35/EEC, 92/66/EEC, 2003/85/EC, 2008/71, 98/58/EC, 86/609/EEC, 1999/22/EC, 91/496/EEC, 97/78/EC and 96/93/EC; Regulations 1266/2007 and 1177/2006, 999/2001, 1760/2000, 504/2008, 21/2004, 854/2004, 998/2003 and 288/2004; Commission Decisions 2003/803/EC, 93/119/EC, 2007/275/EC. The overall aim within this policy area (according to the EU Animal Health Strategy) is to put greater focus on precautionary measures, disease surveillance, controls and research, in order to reduce the incidence of animal disease and minimise the impact of outbreaks when they do occur. **The NPAA** states that *The Law on Veterinary Matters*, the Law on Food Safety and the Law on Animal Welfare have created a legal basis for the transposition of veterinary regulations, the so-called 'Hygiene Package', a set of regulations covering feed and animal by-products, animal health protection and animal welfare, international trade, certification and veterinary control. Bylaws are accompanied by appropriate guides, manuals and instructions to facilitate the implementation of regulations and compliance with EU regulations. In accordance with the Law on Medicines and Medicinal Products a number of regulations were adopted in this area. The Law on Animal Welfare was adopted which was prepared in accordance with EU regulations, and with the European Convention, the recommendations of the European Federation of Veterinarians (FVE), as well as the recommendations of the World Organization for Protection Animal Health (OIE).

Genetically Modified Organisms: Regulations 1829/2003 and 1830/2003. The *acquis* in this policy area is designed to ensure strong protection of human life, health and welfare, to protect the environment and to defend consumer interests (thereby ensuring the effective functioning of the internal market). In mid-2010, the EC proposed new rules for the authorisation of GMOs. If adopted, EU countries will be able to restrict or ban GMO cultivation on their territory. They will be able to use any acceptable reason under the Treaty without undermining the EU risk assessment which remains unchanged. **The NPAA state** that until regulations have been adopted in accordance with the new law governing genetically modified organisms, the regulations adopted in accordance with the old Law on Genetically Modified Organisms (Official Journal of FRY 21/01 and Official Gazette of RS, 101/05—other law) will apply if they do not contradict the new law governing genetically modified organisms.

Chapter 13 – Fisheries

Commission Decision 93/140/EEC; Regulations 1250/2008, 762/2008. Segments of legislation from the chapter on Veterinary Policy and Food safety along (Chapter 12) with part of the *acquis* of Chapter 13 are applicable to Serbia. This relates in particular to legislation dealing with: health; general and special hygienic requirements; organisation of official controls for establishments authorised to export fishery products and to produce safe food for export in the EU.

The EU priorities for IPA II will be defined in the Common Strategic Framework (CSF) aiming at better alignment of financial assistance with EU enlargement policy. The priorities for individual countries will be identified in the Country Strategy Paper (CSP) prepared by the European Commission and the basis for will be NAD and relevant national sector strategies.

B.9.4. Overall objectives and priorities in the sector (2014-2020)

The **SWOT analysis of the agriculture and rural development sector** has been undertaken additional to the situation analysis presented in previous sections, to set out the long term objectives and medium term strategic priorities and realistic and targeted measures.

<i>Strengths</i>	<i>Weaknesses</i>
<ul style="list-style-type: none"> • The potential for the production of high value added products, including organic • Well positioning and competitiveness on the regional market + trade agreements with the EU, Russia and CEFTA countries • Richness of natural resources (soil), cultural heritage and biodiversity • Potential for direct marketing and creation of value added products in farm households • Some of EU framework legislation already transposed to national legislation • The Food Safety Law already includes most of the principles required in the <i>acquis</i> • Progress with regard to alignment with the CMOs, rural development policy, as well as food safety, veterinary and phytosanitary policy. • Progress in the preparations for the management and control system under the IPARD. 	<ul style="list-style-type: none"> • Fragmented , not consolidated parcels • Technical and technological obsolescence and inefficient system of agricultural knowledge transfer • Extension services not modernised for new challenges and expectations of farming community • Low awareness concerning environmental issues • Food safety standards not yet improved and aligned with EU requirements • Lack of educated, trained and skilled labour force in rural sector • Lack of continuation of local area partnerships development and improvement • Lack of awareness of agri-environment al needs • Large part of the agricultural sector is not integrated in the agri-food supply chain • Lack of interest in cooperation among farmers and rural entrepreneurs • Unused natural resources and cultural heritage of rural areas • Undeveloped or neglected rural physical and social infrastructure • Low administrative capacity in terms of number of employees and their quality for effective policy planning, implementation and monitoring meeting EU requirements • Insufficient access to finance and limited investment capacities • Lack of statistical basis for the policy comparable to the EUROSTAT • The weak resilience of agriculture to the climate changes
<i>Opportunities</i>	<i>Threats</i>
<ul style="list-style-type: none"> • The possibility of export growth, especially of products of higher added value • The possibility of attracting FDIs • Increasing market of existing upstream and downstream industries • Ability to generate new jobs and growth of employment through diversification of goods and services provided by farms • The growth of attractiveness of rural areas for investment and living • Availability of financing from EU pre-accession and bilateral funds • Acceleration of EU accession process 	<ul style="list-style-type: none"> • Trend in climate change which may cause long term fall of agricultural productivity • Insufficient resources of the national budget to support agricultural policy and insufficient financial assets of private sector • Insufficient capacities for pulling of resources and absorption of EU funds • Increased competition on the domestic and regional markets and with EU Member States through the progressive implementation of the Interim Agreement and regional SAAs. • Continuation of the intensive depopulation of villages and its consequences • Uncertainty of the path of reforms towards legal EU approximation • Lack of stability and often changing sector's policy and

	administration responsible for policy implementation <ul style="list-style-type: none"> • National strategy and supporting documents adoption delayed • Lack of progress in establishing sustainable partnership of local stakeholders
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To reflect the above and guide assistance programming the overall objective is formulated as:

Viable and competitive agriculture sector that respects high environmental, quality and food safety standards ensuring at the same time improved quality of life in rural areas

This objective sets a clear direction to develop a sustainable and efficient agricultural sector in order to increase and strengthen competitiveness on regional and world markets; harmonize the supply of agricultural and food products to the demand of the domestic and foreign consumers, including their wishes for high food quality, food safety, and hygiene; promote the life quality of the population in rural areas and environment protection; strengthen capacities for adjusting the agricultural and rural development policy to comply with CAP standards.

The stated objective can be realized through the implementation of a range of measures and activities merged into four priorities:

Priority 1: Increasing the competitiveness of agribusiness sector and created conditions for the sustainable growth of farmers' incomes (with ref. to IPA RD axis 1)

Objectives of the priority are: improvement of agricultural holdings by modernisation and applying EU standards in production practices; development of agri-food chain by improving handling, processing and marketing of produce and food products in accordance with EU standards; stimulation of farmer and rural agri-business co-operation; improvement of agricultural extension services by better uptake of research, applying innovative solutions and knowledge transfer to agricultural producers.

Despite the importance of agriculture in the Serbian economy, agricultural production in many areas remains weak and uncompetitive; a result of historically low levels of investment, large numbers of very small farms, and an uncertain land market. A key characteristic of Serbian agriculture is the variability between different production sectors, some of which are more competitive than others. Examples are vegetables, sugar and some vegetable oils; but certainly the fruit sector (especially various types of berries) has achieved a strong export position. Current deficiencies in the country's primary agricultural produce and food handling system and shortage of compliance with international standards are impediments for a more competitive presence of Serbian agricultural produce on international markets. Liberalisation process would subject the Serbian food supply chain to competition from mature industries and highly efficient, well-organized international business. For the same reasons income of farmers in the coming period will be exposed to great risks. The economic position of primary producers is unfavourable, while the investment needs that would contribute to agricultural productivity growth are high. Without investment support Serbian farmers will not be able to achieve sustainable income growth and deal with foreign competition. To be ready for such competition, the Serbian agri-food chain has to tackle a number of serious bottlenecks. Agricultural extension services need functional modernisation and build capacities to advice on modern technologies as well as implementation of agricultural policy.

The approach is to support development of high value added agricultural production by modernization of the sector (primary agriculture and processing facilities) and meeting EU quality standards and good practices in production, harvesting, handling, processing and storage; develop organic farming, facilitate access to market for organic products and raise public awareness; foster innovations and their transfer through improved agricultural extension and advisory system; facilitate farmers and agri-food operators towards better access of products and semi-products to raw material market, stimulate farmer and rural agribusiness co-operation.

Priority 2: Improving the quality of life of the rural population and attractiveness of rural areas (with ref. To IPA RD axes 2 and 3)

Objectives of the priority are: improvement and development of rural infrastructure for quality life and better business; diversification of rural economy and creating new off-farm employment opportunities; development of local area based initiatives and wider implementation of agri-environmental actions;

Achieving sustainable growth of rural economy is one of the key national priorities, due to already high urban/rural gap that continues to grow. Lack of new jobs and insufficient overall capacities for gainful employment cause a high dependence of rural economy on agriculture and contributes to rural poverty. Such dependences increase pressure on local resources and agri-environment. Low wages and the limited number of jobs in rural areas are the main reasons behind the out-migration process from the countryside to in-country and overseas urban centres, dominantly driven by young people and threatening further depopulation of rural areas. Physical rural infrastructure and services are in decline and need renovation and

reconstruction in order to support increase of rural living standards and access to several markets (local, urban, labour, etc.). Modern infrastructure is one of the most important prerequisites for further capital investments.

Significant is shortage of off-farm working possibilities in rural areas. Rural business needs support for manufacturing and provision of services in rural areas and for establishing co-operation networks with already existing small and medium-enterprises to stimulate growth of the rural economy.

Small-scale handling and processing of agricultural products, production of traditional products, protection of product name and origin, collecting natural (wild) fruit, growing spices, medicinal and aromatic plants etc. has been perceived as potential opportunity. Needs have been identified for construction, reconstruction and adaptation of authentic traditional buildings which may be used as accommodation renting, catering facilities, mills, wine cellars and development of recreational areas for the purpose of tourism activities and production of traditional crafts. Improvement of rural infrastructure, better conditions for the valorisation of natural resources and rural heritage, development of local products as well as easier access to financial capital, goods, services and knowledge, are the key directions to achieve the sustainable development of rural areas.

The approach is to assist improving physical rural infrastructure and services by investing in the renovation and reconstruction of water supply and sewage systems, small scale waste water treatment, local roads incl. forest roads through development of plans, technical designs and relevant project documentation. Creation of off-farm work possibilities incl. valorisation of natural resources and rural heritage, agro-tourism or non-agricultural micro-businesses development, development of local products and craft; increase of services in rural areas and stimulation of co-operation between small and medium- enterprises for growth of the rural economy; facilitating access to financial capital, goods, services and knowledge for rural dwellers. Strengthening local community initiatives based on LEADER approach; wider implementation of agri-environment actions aimed at conservation of both agro-biodiversity and biodiversity of wildlife by means of indirect activities of protection of habitats and authentic high nature value farmlands.

Priority 3: Strengthening administrative capacities for alignment of agriculture (CAP Pillar 1) and rural development (IPA RD & CAP Pillar 2) policies and institutions with EU *acquis* (with ref. to administration capacity building)

Objectives of the priority are: Improvement and strengthening of administrative and institutional capacities for alignment of agriculture and agricultural market organisation with EU *acquis*; Improvement and strengthening of administrative and institutional capacities for alignment of rural development with EU *acquis*.

The administrative capacities and institutional framework of the country's agriculture and rural sector need to be in place to effectively apply the policies related to agriculture as well as to appropriate market functioning that allows the agri-food chain to compete on the domestic and external markets. Preparations observed so far have concentrated on adopting the legislative requirements of the EU *acquis* and first steps in the establishment of new and the improvement of existing institutions. A large number of laws and regulations have been passed, but their effective implementation is at an early stage in several areas. National Codex Alimentarius (NCA) has been introduced and a preparation for establishing the NCA Committee is underway in order to raise the overall level of security, communication, safety, health protection and consumers' interest in the area of food safety and quality and providing information and notifying of standards, guidelines and recommendations designed by NCA. .

Since the new measures will be part of rural development priorities in the new programme (IPARD II), rural policy implementing structures need additional support in terms of operative programmes and the implementation of agricultural policy, as well as adjustment to the CAP. Quite large differences still exist comparing with EU requirements. There are still deficiencies in agricultural policy analysis, monitoring and evaluation.

The priority will assist in development of administration and control systems (IACS, Farmer Identification, LPIS) and improvement of the scope and coverage of the market data collection in line with EUROSTAT methodology (based on the achieved results from IPA 2012 assistance). Less favoured areas (LFA) in Serbia will be defined and outlined. The system for management and support for area based initiatives (Local Action Groups based on LEADER principles) needs improvement and continuation of development. There is not yet a system enabling implementation of certain number of agri-environmental measures, especially in the sense of development of LPIS system which will provide insight into the high nature value farmlands, and the implementation of the Nitrates directive which defines the nitrate vulnerable zones or the zoning of Serbia's environmental measures in accordance with the regulation Natura 2000.

There is lack of efficient system to monitor and analyse public expenditure on agricultural and rural development and CMO measures as well as system for identification and registration of payment entitlements accompanied by administrative controls. In the near future the responsible institutions Managing Authority (MA)²⁸⁶ and Paying Agency (PA)²⁸⁷ will increase

²⁸⁶ Managing Authority tasks will be performed by the Rural Development Department in the Ministry of Agriculture, Forestry and Water Management

²⁸⁷ Paying Agency tasks will be performed by the Directorate for Agrarian Payments in the Ministry of Agriculture, Forestry and Water Management

number of employees regarding workload analysis for a new set of measures. All employees will need to be trained for specific duties and the institutions strengthened.

The approach is to improvement of the administrative capacities and institutional framework of the country's agriculture and rural sector for further alignment with EU *acquis*; strengthening analytical capacities for policy formulation and development; strengthening of agriculture and rural policy planning, management and implementing structures - Managing Authority (MA) and Paying Agency (PA) - and their capacities and resources; gradual building of administration capacity, management and control mechanisms for implementation of the agricultural policy and common market organisation.

Priority 4: Improving standards and systems for food safety, plant health, animal health and welfare (with ref. to alignment to *acquis*)

Objectives of the priority are to set out standards and systems for food safety and build relevant capacities for their implementation.

Competition on the fairly saturated EU food markets is increasing with respect to quality and safety. Setting standards on food quality and food safety and incentive to the participants on the market to accept the rules are important public responsibilities that are increasingly incurred by the Serbian government authorities. If the Serbian agri-food chain wants to take part in the expected expansion of the modern retail sector, it has to match the quality of its supply with the market demanded quality. Much legislation and many procedures have recently been transposed into rules and guidelines for all participants in the agri-food chain. Yet, a legislative and administrative change has not yet been completed and alone do not guarantee a proper implementation of the veterinary and phytosanitary legislation aligned with EU *acquis*. The implementation of regulations with the rigour and expertise necessary for them to function needs building appropriate institutions and development of effective organizations, quality human resources and the time to build up the expertise in this area. Twinning projects focusing on capacity improvements in these areas have been started only recently. Yet, the complexities are high, while inspectors, extension officers and farmers need to be trained. Building up the capacities to set out standards and implement the regulations on animal and plant sanitary control requires sufficient time and availability of financial resources.

The approach is to building and improvement of systems and standards in the food safety system incl. food, feed and animal by-products in the process of alignment to EU *acquis*; building and improvement of systems and standards for the plant health and plant protection products; building and improvement of systems and standards for the veterinary services, animal health and welfare; building and improvement of necessary capacities, both human and institutional to make the standards implementable and the systems efficient.

B9.5. Sector measures for implementation of priorities in the sector

Priority 1: Increasing the competitiveness of agribusiness sector and created conditions for the sustainable growth of farmers' incomes (with ref. to IPA RD axis 1)

Measure 1.1. Investing in agricultural holdings, processing and marketing of agricultural produce, introducing EU standards for agricultural produce and food

This measure is aimed to support the modernization and restructuring of farms and processing plants specialized in production and processing of fruit-vegetables, milk, meat, and other products reflecting regional production conditions in Serbia, in order to increase their competitiveness through more efficient use of production resources, including introduction of new technologies, improvement of safety and quality conditions for agricultural produce as well as harmonization of agricultural production with hygienic, plant and animal health and environmental requirements.

Support will be provided for investments in the modernization and development of the processing plants and food business operators, and preparing the products for sale on the market. The measure will support the plants processing animal and non-animal products by purchase of storage and cooling facilities, handling and packaging, labelling and other type of equipment in the food processing chain as well as introduction of modern or special processing technologies. Support will be provided to development of innovative solutions in food and feed production.

Agricultural producers and agri-business co-operation will be supported in order to strengthen their competitiveness through adaptation of the production and output of group members to market requirements; joint placement of products on the market, including preparation for sale, centralization of sales and supply to bulk buyers.

This measure refers to IPA RD II measures: 101, 102 and 103

Measure 1.2. Fostering innovations, uptake of research and knowledge transfer by means of extension service

Support under this measure envisages strengthening the role of extension service in knowledge transfer and providing support to farmers to produce innovative high quality competitive products. Support will be provided for establishment of the

functional system of agricultural extension service which should improve uptake of the applied research by farmers and private forest owners and help to establish data collection systems (Crop Progress Report, Agricultural market information system, etc.).

The network of demonstration units will be established to improve transfer of modern technologically advanced farming and processing practices (incl. organic production) from research to primary agriculture and strengthen cooperation between farmers, agribusiness and knowledge centres. More efficient tailor made advisory services will be developed. Provision of advice on accessibility of agricultural and rural development policy assistance for agricultural producers and rural dwellers, income and cost calculations with regards to applied new technologies, machinery and equipment.

Support to development of innovative solutions in food production will be provided by encouraging cooperation between producers and research and technological development providers in order to acquire the necessary technological knowledge. Special attention will be given to enhance the awareness about importance of the technological development for increase of farmers' income.

This measure refers to IPA RD II measures: 303 and new measure: Advisory services" – an IPA RD measure number not yet determined.

Priority 2: Improving the quality of life of the rural population and attractiveness of rural areas (with ref. To IPA RD axes 2 and 3)

Measure 2.1. Creating conditions for improvement of rural infrastructure

This measure increases the readiness of Serbian authorities to utilize future funding for investments into physical infrastructure in rural areas. The measure will assist preparation of the planning and project documentation necessary for future infrastructure development concerning projects on rehabilitation of local roads incl. construction of fire prevention roads with elements of forest paths, construction of sewage systems and, where applicable, of small scale wastewater treatment plants. Local access to information and communication technologies will be supported. The measure will assist development of forest infrastructure, its planning and construction, as well as development of sustainable forest management for biomass utilization. Assistance will enable preparation of documentation necessary for landscaping rural areas.

This measure refers to IPA RD II measures: 301

Measure 2.2. Supporting diversification of rural economy and creation of new jobs

The measure will support diversification of economic activities and development of alternative employment possibilities, create additional sources of income for farming families and rural population. It will assist development of specialized products and access to markets outside of the conventional food chain, manufacturing traditional food, goods and services, development of agro-tourism and recreational areas and services.

Supported will be activities that raise awareness and provide information for all potential actors/beneficiaries concerning activities related to project preparation and business planning for small-scale processing of agricultural products, protection of product name and origin, collecting natural (wild) fruit, growing spices, medicinal and aromatic plants etc. Utilisation of forest products is important for rural development (biomass and fuel-wood, non-wood forest products, charcoal etc.).

Support to construction, reconstruction and adaptation of authentic traditional buildings (accommodation capacities, catering facilities, mills, wine cellar), production of old crafts is also envisaged.

This measure refers to IPA RD II measures: 302

Measure 2.3. Improving the Local Action Groups (LEADER similar) and introducing agri-environmental actions

Established Local Action Groups will be supported in order to strengthen their administrative and managements capacities. Development of local area based partnerships based on the key LEADER features will be promoted and supported.

Concerning agri-environmental actions organic production will be supported as well as maintain of autochthonous genetic resources of domestic animals and agricultural cultivars, while other actions with regards to improvement of biodiversity of wildlife and the preservation of its habitats, preservation and nurture of high nature value farmlands, preventing water and soil pollution, promoting traditional harvesting and grazing practices will be defined and implemented to the extent which is feasible at the given moment. Awareness will be raised of farming community and rural dwellers with regards to agri-environment and preservation of natural resources.

This measure refers to IPA RD II measures: 202 and 201 (agro-environmental actions)

Priority 3: Strengthening administrative capacities for alignment of agriculture (CAP Pillar 1) and rural development (IPA RD & CAP Pillar 2) policies and institutions with EU acquis (with ref. to administration capacity building)

Measure 3.1. Improving rural development analytical, programming, programme management and implementation capacities

This measure intended to support current efforts to improve accessibility and transparency of granting processes; and strengthen the monitoring and evaluation (M&E) of the distribution, use, and impact of rural development measures under IPARD and future EU Rural Development Programme. Programming and the rural development programme management capacities will be strengthened within Managing Authority (MA) support to accreditation of institutions MA, PA) and measures will be provided.

Harmonisation through identification of missing legal and institutional framework necessary to implement agri-environmental measures, by determining the scope of support and potential beneficiaries. Establish preconditions for proper design of improving the knowledge base for agri-environmental measures implementation such as: mapping of Highly Nature Value Farming, European landscapes and forestry areas (including Natura 2000 sites), developing of Integrated Forest Information System (IFIS), and identifying Nitrate vulnerable zones. Training and advisory support to beneficiaries with regards to applying for agri-environmental measures and following good agricultural and forestry practice. Further development in line with National Action Plan for the Development of Organic Farming in Serbia, support to Ministry of Agriculture, Forestry and Water Management in the process of Serbia's accession to the third countries EU list.

Through this measure support will be provided to Paying Agency (PA) staff to effectively analyse various aspects of applications for financing (technical, financial and economic viability, risk assessment and management, contracting and procurement aspects) through provision of training and technical advice. Guidance and support to potential rural development programme final beneficiaries will be provided through training, publicity and awareness raising campaigns on the rural development programme. Support to final beneficiaries will be organised through the structure of extension services (national and provincial) and other operators as: civil society organisations, agricultural schools and institutes and specifically through already established Rural Development Network in Serbia. This measure envisages further support to development of future LEADER programme management structure and to building implementation mechanism for agri-environmental measures under IPARD (being developed under IPA 2012).

Measure 3.2 .Improving administrative capacities for agricultural and food policy and CMO

This measure will strengthen the capacity to effectively implement and administer alignment of agriculture with Common Agricultural Policy. Analytical capacities of Serbian authorities will be enhanced to plan, monitor and evaluate agricultural policy and assess the effectiveness of implemented measures. Support will be provided for development of agricultural policy indicators in accordance with EU requirements including improvement of the scope and coverage of the market data collection in line with EUROSTAT methodology; setting up the Integrated Administration and Control System (IACS) including its subsystems incl. farmer identification system, further development of Land Parcel Identification System (LPIS) based on the achieved results from IPA 2012 assistance; development of procedures to monitor and analyse public expenditure on agricultural and rural development measures; implementation of Common Market Organisation (CMO) measures. The system for identification and registration of payment entitlements will be developed, as well as relevant administrative controls and on the spot check system. Less favoured Areas (LFA) will be defined with an action plan enabling its introduction to the agricultural support policy. Support will be provided to Land Management Directorate for continuation of land consolidation activities.

It envisages further capacity building activities for administration in monitoring of standards implementation. The support of strengthening the administrative and operational capacities for implementing national food quality policy in order to ensure effective implementation of specific EU quality schemes (e.g. PDO, PGI, TSG, organic farming, marketing standards) and establishing an efficient control system for these products. Since National Codex Alimentarius Point within Ministry in charge of agriculture and rural development has been recently established administrative capacities for functioning of National Codex Committee will be strengthened. Support will be provided in particular to wine sector in prevention of frauds through performing the isotopic analyses and improving of knowledge of wine production and marketing, as well as the support for further zoning of viticulture areas and strengthening capacities of the association of grape and wine consumers and designations of geographical origin of wine. It will also cover the system of control and supervision over organic production and marketing of organic products.

Priority 4: Improving standards and systems for food safety, plant health, animal health and welfare (with ref. to alignment to *acquis*)

Measure 4.1 Building standards and capacity for veterinary services, animal health and welfare

This measure will focus on the completion of alignment with EU *acquis* in the area of veterinary and animal health. It will provide support to the Veterinary Directorate in determining potential gaps in procedures for official controls in food and feed and strengthening system for animal feed controls. Taking into account the priorities foreseen under the NPAA the focus on alignment will be with regards to improvement of animal welfare standards. Awareness raising and educational campaigns will be conducted for farmers. Financed will be the programmes for eradication and control of animal diseases and Veterinary Medical Products control.

Measure 4.2 Strengthening food safety system

This measure will assist the completion of necessary legal and administrative framework of food safety and in particular strengthening the system of risk analysis and food and feed labelling in line with EU legislations. Completion of development of the system will be accompanied with awareness raising and educational campaigns; improvement and further development of the animal-by products management system, categorization of establishments and strengthening of the Rapid Alert System for food and feed. Supported will be capacity building, training and equipping of the inspection service for food safety as well as training and awareness raised of food business operators. Further development of food chain laboratory system will be financed (providing training for introduction and development of new diagnostic protocols and methods; equipment supply, etc.).

Measure 4.3. Building plant health and plant protection product standards and administrative capacities

This measure will support alignment with the *aquis* in phytosanitary field with attention for on-going changes at the EU level. Alignment of the legislation will be focused on the preparation/changes of legislation in accordance with EU plant health, seed and planting material regulation that will enter into force in 2016. This applies to protective measures against harmful organisms and making available on the market of plant reproductive material. Support for plant health protection, improving plant passport system, as well as development and introduction of diagnostic protocols and confirmation, as well as upgrading of keeping registers in phytosanitary area, regarding introduction of specific software for the electronic management of databases is needed. This measure will support implementation of the new Law on plant protection products in particular the establishment of residue monitoring, plant protection products in food and feed, in compliance with the EU requirements. Supported will be strengthening of authorisation for put on the market, post-registration control and collecting data on circulation and use of plant protection products, as well as sustainable application of plant protection products, including Awareness raising on integrated managements of hazardous organisms and educational campaigns for farmers.

Regional, Cross Border and Transnational Themes in Agriculture and Rural Development sector

Instruments of importance for regional cooperation, such as Multi-Beneficiary IPA support, CBC and Trans National Programmes, should be provided to those actions where the benefit of a regional approach is obvious.

Multi-beneficiary IPA

Through Multi-beneficiary assistance support should be provided to those actions which require cooperation of all parties in order to achieve the positive outcome in the region. These actions include cooperation among countries in fight against animal and diseases and alignment of eradication and control programmes. Some of these activities are already covered through cooperation agreements existing on bilateral level, but through IPA programmes these should be brought to regional level.

Although significant results were achieved in previous years in this field (eradication of rabies and classical swine fever), the continuation should be ensured, notably for priority diseases which exist in surrounding region (FMD- Foot and mouth disease, ASF- African swine fever, PPR- Peste des petits ruminants). Activities should be envisaged for development of short and long term strategic plans for regional cooperation and collaboration in the control and eradication of animal diseases within the Western Balkans. In particular, the actions will be focused on enhancing the laboratory networking, harmonised surveillance procedures, sharing of epidemiological information and common animal disease control strategies.

Another aspect of regional cooperation is related to land and sustainable forests management (SFM). This action should be focused on the joint efforts aimed to prevent land pollution and joint surveillance of forests aimed to prevent forests fires, and improvement SFM especially with coppice and private forest with focus on energy purposes).

Cross-border cooperation

IPA CBC programmes should be more focused on implementation of the joint elements of rural development programmes of participating countries, namely those related to investments into physical infrastructure of joint interest (local roads, sewerage, cultural/touristic objects), but also to the actions covering diversification of activities of rural economies. The main rationale for this approach lies in fact that major part of the territory benefiting from CBC support belongs to rural areas.

Aspect of regional cooperation are: Forest Fire Prevention and Control in Western Serbia; Usage of irrigation potential of rivers (especially Drina); Conservation of agro-biodiversity in cross border region; Support to producers of strategically important products for export, such as berry-like fruit in Western Serbia.

Trans National Programmes

In order to contribute to the implementation of the objectives of the **EU Strategy for Danube Region**, namely those relating to the Pillar I "Connecting the Danube Region" and more specifically the Priority area (1) To improve mobility and multimodality (improve the regional/ local cross-border infrastructure and the access to rural areas) and Priority area (2) 'To encourage more sustainable energy' (set-up a cooperation mechanism of cities and villages in the region with the view to commit to greenhouse gas emissions reduction, exchange best practices and test pilot projects on energy efficiency and

renewable energy and build on the 'Renewable Energy Cooperation of Rural Areas), TA for technical project preparation and assistance for works and supply is needed for projects aimed to support village development in the Danube region through investment in rural tourism and infrastructure, encourage diversification of rural economy and improve the efficiency of the local economy by strengthening the capacity of local communities and the development of tourism (rural, agricultural, environmental), the development of local trade, and improving agricultural production in the Danube region.

B9.6. Institutional framework for implementation of Sector Approach

The agriculture and rural development sector in the Republic of Serbia, in the context of Sector Approach, is in the responsibility of the Ministry in charge for agriculture and rural development and its constituent Directorates which are: the Veterinary Directorate, the Phytosanitary Directorate, the Agricultural Land Directorate, the Directorate for Agrarian Payments, the Directorate of National Reference Laboratories and the Forestry Directorate; together with the inspection services of the Ministry. In addition, the following institutions are involved in operation of the sector: the Provincial Secretariat for agriculture, forestry and water management, the Agricultural Extension Service (on republican and provincial level), the local authorities, national scientific and educational institutions (secondary and tertiary education) and the Intellectual Property Office (specifically for indications of geographical origin). The lead institution for the sector is the Ministry in charge of agriculture and rural development.

In the context of Sector Approach, The Ministry coordinates the work of all relevant institutions in the sector in regard to planning, programming, implementation and monitoring of the Agricultural and Rural Development Sector measures/operations which will be supported by EU funds and other international development assistance. Responsibility for formal submission and later implementation of measures/operations depends of their content and responsibility of institutions involved in the Agricultural and rural Development sector.

In order to improve and coordinate activities related to planning, programming, implementation and monitoring of EU funds and international assistance and to increase the efficiency and effectiveness of development assistance, a Sector Working Group (SWG)²⁸⁸ for Agriculture and Rural Development has been established. The SWG for Agriculture and Rural Development is responsible for the coordination of activities related to planning, programming and monitoring of EU funds and international assistance. In addition, the SWG is responsible for proposing relevant measures and activities and to support the introduction of the Sector Approach into the Agriculture and Rural Development sector. The functioning, management, organisation and composition of SWG is more precisely defined by the 'Rules of Procedure for Sector Working Groups for the Programming and Monitoring of the EU funds and development assistance'. The institutions participating in the SWG are as follows: the Ministry in charge of agriculture and rural development, the Ministry in charge for energy, Ministry in charge for environmental protection, Ministry in charge for urban and spatial planning; the Ministry in charge for natural resources, the Ministry in charge for regional development, Ministry in charge for local self-government, the public administration body in charge for gender equality and the Office responsible for European integration affairs (SEIO). Members of the SWG are officially appointed representatives of the above mentioned line ministries and institutions, at the level of State Secretary or Assistant Minister, or appointed Senior Programming Officers (SPOs) and SEIO.

Representatives of the donor community including the Lead Donors are participating at the SWG meetings based on the needs and requirements of each SWG meeting and takes part in consultation processes for analysing sector priority goals, measures and operations for financing from EU funds and international assistance as well as they secure data on the expected assistance during the planning period. The Lead donor(s) is responsible to support the work of the SWG and represent the interests of donors active in particular sectors.

In order to enable a more inclusive and transparent dialogue, consultation and communication with all relevant stakeholders in the respective sectors, SEIO has established a consultation mechanism with civil society organisation (CSOs)²⁸⁹. This mechanism is based on the consultative process with Sectorial Civil Society Organisations (SECOs) and serves as a platform that enables exchange of information with, and contributions from CSOs, in relation to the planning of development assistance, particularly the programming and monitoring of the IPA. SECO represents a consortium of maximum three CSOs, where one is defined as Leader of the consortium. SECO is composed of the CSOs that have significant experience with public advocacy, analyses and research in the sector, as well as experience in direct work with service providers and beneficiaries. They are influencing public policy due to their successful networking and partner work with other local and international civil society organisations well as constructive cooperation with state institutions and the constant monitoring of their work. Members of SECO are participating at the SWG meetings based on the needs and requirements of each SWG meeting and takes part in consultation processes for analysing sector priority goals, measures and operations for financing from EU funds and international assistance. Other relevant stakeholders (agencies, private, academic sector, CSOs, etc.) can participate at the SWG meetings based on the topic, needs and requirements of each Sector Working Group meeting.

²⁸⁸ Act on establishing the SWG from 5.11.2012. No: 119-01-68/2012-03

²⁸⁹ Introduced in 2011

Under the Rules of Procedure for Sector Working Groups, SEIO²⁹⁰ is responsible for coordination and ensuring the efficient functioning of all activities of the Sector Working Group. Coordination and leadership of the SWG is supported by a Task force made up of representatives from the Sector Lead Institution, Lead donor and SEIO. SWG is also acting as Sectorial Monitoring Subcommittee for IPA.

²⁹⁰ Sector for Planning, Programming, Monitoring and Reporting on EU Funds and Development Assistance

B9.7. Indicators for measuring progress

PRIORITY 1: Increasing the competitiveness of agribusiness sector and created conditions for the sustainable growth of farmers' incomes (with ref. to IPA RD axis 1)												
Indicator	Unit	Baseline (2012)*	Target								Means of Verification	Institution in charge for reporting
			2013	2014	2015	2016	2017	2018	2019	2020		
1.1 Change in volume of Gross Agricultural Output (GAO) - Annual Growth Index, change from previous year	%	-1.1 (2011)									Statistical Yearbook	Statistical Office of the Republic of Serbia
1.2 Change in volume of Manufacture of food products - Annual Growth Index, change from previous year	%	- 2.9 (2011)									Statistical Yearbook	Statistical Office of the Republic of Serbia
MEASURE 1.1: Investing in agricultural holdings, processing and marketing of agricultural produce, introducing EU standards for agricultural produce and food												
Indicator	Unit	Baseline (2012)*	Target								Means of Verification	Institution in charge for reporting
			2013	2014	2015	2016	2017	2018	2019	2020		
1.1.1 Nr of supported farm holdings	Nr farm										Paying Agency (PA) progress report	Ministry in charge for agriculture and rural development
1.1.2 Nr of supported processing businesses	Nr enterprise										PA's progress report	Ministry in charge for agriculture and rural development
1.1.3 Nr of established farmer groups	Nr group										PA's progress report	Ministry in charge for agriculture and rural development
MEASURE 1.2: Fostering innovations, uptake of research and knowledge transfer by means of extension service												
Indicator	Unit	Baseline (2012)*	Target								Means of Verification	Institution in charge for reporting
			2013	2014	2015	2016	2017	2018	2019	2020		
1.2.1 Nr of participants of modern curricula based training courses	Nr participant										Ministry in charge for Agriculture, Forestry and Water Management, ,	Ministry in charge for agriculture and rural

												Department for Rural Development Report	development
1.2.2 Public investment in agricultural research as a percentage of GDP Agriculture	%											Ministry of Education, Science and Technology Development report	Ministry of Education, Science and Technology Development
PRIORITY 2: Improving the quality of life of the rural population and attractiveness of rural areas (with ref. To IPA RD axes 2 and 3)													
Indicator	Unit	Baseline (2012)*	Target								Means of Verification	Institution in charge for reporting	
			2013	2014	2015	2016	2017	2018	2019	2020			
2.1 Rural households above poverty line	%	86.4 (2010)										Household Budget Survey / (SILC potentially)	Statistical Office of the Republic of Serbia
MEASURE 2.1: Creating conditions for improvement of rural infrastructure													
Indicator	Unit	Baseline (2012)*	Target								Means of Verification	Institution in charge for reporting	
			2013	2014	2015	2016	2017	2018	2019	2020			
2.1.1 Nr of mature projects ready for financing	Nr project											Ministry in charge for Agriculture, Forestry and Water Management, PA, Department for rural development report	Ministry in charge for agriculture and rural development
MEASURE 2.2: Supporting diversification of rural economy and creation of new jobs													
Indicator	Unit	Baseline (2012)*	Target								Means of Verification	Institution in charge for reporting	
			2013	2014	2015	2016	2017	2018	2019	2020			
2.2.1 Nr of implemented economic diversification projects	Nr project											PA's progress report	Ministry in charge for agriculture and rural development
2.2.2 Employment of rural population out of Agriculture	% of total employed rural population	58.3 (2012)										Labour Force Survey	Statistical Office of the Republic of Serbia
MEASURE 2.3 Improving the Local Action Groups (LEADER similar) and introducing agri-environmental actions													
Indicator	Unit	Baseline (2012)*	Target								Means of Verification	Institution in charge for	
			2013	2014	2015	2016	2017	2018	2019	2020			

											reporting	
2.3.1 Nr of registered new LAGs	Nr LAG										Ministry in charge for Agriculture, Forestry and Water Management Department of Rural Development report	Ministry in charge for agriculture and rural development
2.3.2 Nr of supported agri-environmental actions	Nr project										PA progress report	Ministry in charge for agriculture and rural development
PRIORITY 3: Strengthening administrative capacities for alignment of agriculture (CAP Pillar 1) and rural development (IPA RD & CAP Pillar 2) policies and institutions with EU acquis (with ref. to administration capacity building)												
Indicator	Unit	Baseline (2012)*	Target								Means of Verification	Institution in charge for reporting
			2013	2014	2015	2016	2017	2018	2019	2020		
3.1 Signed IPA RD conferral of management	YES/NO							YES			Ministry in charge for Agriculture, Forestry and Water Management, Department of Rural Development report,	Ministry in charge for agriculture and rural development
3.2 Closed Chapter11 of the <i>acquis</i>	YES/NO								YES		SEIO report (NPAA)	SEIO
MEASURE 3.1: Improving rural development analytical, programming, programme management and implementation capacities												
Indicator	Unit	Baseline (2012)*	Target								Means of Verification	Institution in charge for reporting
			2013	2014	2015	2016	2017	2018	2019	2020		
3.1.1 Relevant institutions ready for implementation of IPA RD	YES/NO					YES						Ministry in charge for agriculture and rural development
3.1.2 Defined IPA RD measures accredited	YES/NO					YES						Ministry in charge for agriculture and rural development
MEASURE 3.2: Improving administrative capacities for agricultural and food policy and CMO												
Indicator	Unit	Baseline (2012)*	Target								Means of Verification	Institution in charge for
			2013	2014	2015	2016	2017	2018	2019	2020		

											reporting	
3.2.1 % of implemented EU aligned ARD sub-sector policies against planned	%										Ministry in charge for Agriculture, Forestry and Water Management Department of Agrarian Policy report	Ministry in charge for agriculture and rural development

PRIORITY 4: Improving standards and systems for food safety, plant health, animal health and welfare (with ref. to alignment to acquis)													
Indicator	Unit	Baseline (2012)*	Target								Means of Verification	Institution in charge for reporting	
			2013	2014	2015	2016	2017	2018	2019	2020			
4.1 % of adopted EU aligned regulations against annual NPAA	%											SEIO annual report on NPAA	SEIO
4.2 % of implemented EU aligned regulations against nr of adopted	%											Ministry in charge for Agriculture, Forestry and Water Management Legislative Department's report	Ministry in charge for agriculture and rural development
Measure 4.1 Building standards and capacity for veterinary services, animal health and welfare													
Indicator	Unit	Baseline (2012)*	Target								Means of Verification	Institution in charge for reporting	
			2013	2014	2015	2016	2017	2018	2019	2020			
4.1.1 % of implemented EU aligned veterinary, animal health and welfare standards and control systems against planned (3)	%											Veterinary Inspection's registrar of laboratories	Ministry in charge for agriculture and rural development
4.1.2 % of laboratory tests meeting requirements of adopted standards against baseline(2)	%											Veterinary Inspection's registrar of laboratories	Ministry in charge for agriculture and rural development
4.1.3 Change in number of animal disease and zoonosis incidents against baseline	%											Veterinary Inspection's registrar of disease	Ministry in charge for agriculture and rural development
MEASURE 4.2: Strengthening food safety system													
Indicator	Unit	Baseline (2012)*	Target								Means of Verification	Institution in charge for reporting	
			2013	2014	2015	2016	2017	2018	2019	2020			
4.2.1 % of implemented EU aligned food safety standards and diagnostic protocols against planned(3)	%											Ministry in charge of agriculture, forestry and water management	Ministry in charge for agriculture and rural development
4.2.2 Nr of laboratory tests meeting requirements of adopted food safety standards and protocols	Nr test											Ministry in charge of agriculture, forestry and water management	Ministry in charge for agriculture and rural development
4.2.3 Change in foodborne illness incidents against baseline	%											Ministry of Health annual report	Ministry in charge for Health

MEASURE 4.3: Building plant health and plant protection product standards and administrative capacities													
Indicator	Unit	Baseline (2012)*	Target								Means of Verification	Institution in charge for reporting	
			2013	2014	2015	2016	2017	2018	2019	2020			
4.3.1 % of implemented EU aligned phytosanitary plant health and plant protection products standards and control systems against planned	%											Plant Protection Directorate's report	Ministry in charge for agriculture and rural development
4.3.2 Nr of laboratory tests meeting requirements of adopted EU aligned standards	Nr test											Plant Protection Directorate's report	Ministry in charge for agriculture and rural development
4.3.3 Decrease of harmful organisms incidents	%											Plant Protection Directorate's report	Ministry in charge for agriculture and rural development

B9.8. Aid effectiveness, efficiency and sustainability

Estimated total disbursement of around 91 million EUR of ODA funding during 2007-2012 (source ISDACON) putting the Agriculture and Rural Development (ARD) Sector on the 8 place among the all recipients of assistance from the international donors. There are three main sources of international support: EU through IPA funds; Bilateral Assistance – from EU countries through their developing agencies (Germany, Netherlands, Denmark, Sweden, Austria, Italy, etc.) and other countries (USA, Japan, Norway, Switzerland); and international organizations and IFI's through credit lines, loans and grants (UNDP, FAO, EBRD, WB, USAID, USDA, Germany etc.). Largest and most important donor in the sector has been the EU with total disbursement within IPA component I amounting to 58 million EUR in the period 2007-2013.

IPA I financial support, for ARD sector in 2007-2012, was provided for various activities e.g. the establishment of the Serbian Farm Accountancy Data Network (FADN), support to National Reference Laboratories Directorate, Support for Food Safety, Animal Welfare and Control/Eradication Classical Swine Fever and Rabies (**Multi- Beneficiary Programme**, 2008, for Western Balkans), development of a sustainable inspection services information system for the Ministry in charge for agriculture and rural development, Institutional Capacity Building and Support to Agriculture and Rural Development in Serbia for IPARD implementation and etc. IPA 2013 support to the ARD sector is focusing on further enhancement of food safety and disease control systems, modernization of agricultural and food sector and development of rural areas with protected environment but also with the aim of securing improvement of quality of life of rural population.

Whilst all donors expressed their support for Serbia in its key objective of EU integration and harmonisation, and in accordance with national priorities from the National Agriculture strategy (2005), their programmes and projects were often of a more specific nature, addressing market reforms and competitiveness (e.g. the large USAID Agribusiness Project, or the work with the extension services by the World Bank STAR Project) or had tangible project objectives working to improve one commodity (e.g. the Fruits and Berries project financed by Denmark).²⁹¹ But in most cases, according to the report "Evaluation of effectiveness and efficiency of development assistance to the Republic of Serbia per sector"²⁹², besides that **relevance** of ODA overall is considered to be high, **the effectiveness** of the support is more visible at the local level and with bilateral projects while effectiveness of the support at the central level has been less successful. In addition **efficiency** at this level remains problematic due to lack of managerial capacity of ministry officials, the adoption of a reactive (passive) approach, and the unclear division of responsibilities for achieving efficiency savings and overall can be consider being low. So while individual projects may have achieved their objectives (effectiveness) and gone on to achieve outcomes (impact) in their own narrow sense, **the overall impact** on the ARD sector is quite weak and **the sustainability** of outcomes will be difficult to achieve.

Besides main recommendation, given in the SIDA report on the "Evaluation of the effectiveness and efficiency of development assistance to the Republic of Serbia per sector" (concentrate and integrate ODA to maximize impact; strengthen policy planning and coordination at the centre of Government; apply the most effective and efficient modalities based on agreed rules; establishing a culture and embedding a system of monitoring and evaluation) which are relevant for all sectors, the evaluation report are also proposing specific sector recommendations. In aim to have big contribution of agriculture and rural development sector in achievement of macroeconomic stability and economic recovery of Serbia, the sector need more creative development vision. According to evaluation reports, to be more competitive, the sector needs to start producing more high value products, restructuring, increasing investment and output, productivity and quality. ODA support will help reorientation of the sector in following areas: market research (to determine new markets and future food demand); strengthen research and development (R&D) in aim to produce high value products; support agri-business SMEs as source of employment in rural areas; intensive waterway network for irrigation purposes; and strengthening extension service as main channels for dissemination of knowledge to farmers. In general Serbia should improve efficiency of the governance of the accession process, result-based management, increase efficiency of interventions and use more opportunities for regional (in former Yugoslav republics) sharing of learning and experiences along the road to accession.

²⁹¹ Technical Assistance for Evaluation of Agriculture and Rural Development Sector Implemented and Financed by IPA Programmes and other Donors in the Republic of Serbia. Evaluation Report (EU Delegation, January 2013)

²⁹² Evaluation of Effectiveness and Efficiency of Development Assistance to the Republic of Serbia per Sector (April 2013), SIDA

B10. CULTURE THEMATIC AREA

B10.1. Scope and background for the thematic area

The Scope of the area reflects national priorities as well as needs arising from the EU accession process led by the preparation to negotiate on chapter 26 - Education and culture. For the cross-cutting area of culture following themes and sub-areas are of special concern:

- contemporary art and culture
- creative industries
- cultural heritage
- intercultural dialogue
- human and civil rights
- public interest
- regional and international cooperation
- culture & education
- cultural tourism and culture & business.

The government announced the established cultural policy based on law on Culture, as well as on international conventions (Council of Europe and UNESCO) ratified by Serbia. In strategic and operational terms, the focus will be on the adoption and ensuing implementation of the Culture Development Strategy 2013-2023 and on addressing the problems of public cultural institutions, primarily the ineffective investment policy relating to the modernization of major national cultural institutions, but also inefficient management, both in the administration dealing with the cultural policy and in cultural institutions. The aim is to further develop and revitalise the cultural infrastructure and reconsider the management approach and petrified practices in cultural institutions. Needless to emphasise, cross-sector cooperation is an essential part of modern definition of cultural policy. Regardless of this fact, the overall potential of culture as a factor of social and economic development is by far not exploited sufficiently.

Although culture in Serbia is facing serious constraints concerning financial problems and lack of a national cultural strategy, some system areas are more sustainable than others and show essential vitality. The role of the civil sector in this process is highly significant: CSOs have realised many interdisciplinary projects on human rights, intercultural dialogue, reconciliation and regional cooperation, audience development, inclusion, gender and LGBT issues. Bearing in mind that the civil sector is more adaptable to new cultural currents, its impact on the cultural system and public sphere becomes stronger. The public sector also comes up with some important initiatives in respect to modern approaches to implementing the cultural policy through more efficient and effective management and program concepts (e.g. Belgrade Philharmonic Orchestra, research institutes and centres). Each for their part, public and civil sector, is giving impulse to education and capacity building. Public, civil and private sector cooperation is present, but still not strategically positioned to make the synergies more effective.

One of the major challenges is the decentralization of the cultural system. As a response, several local cultural strategies (Belgrade, Kragujevac, Nis, Novi Sad) and strategic plans for a number of local cultural institutions (Leskovac, Pirot, Vranje, Zajecar) have been adopted. More are still under development. Local civil sector organisations are also very active in contributing to this process.

The public budget for culture in 2013 decreased to a very low percentage (0.62%), which has provoked strong reactions and public debates. In accordance with this trend and raising the concept of self-sustainability, the cultural organizations started turning to the culture market, which is still undeveloped and unregulated. These circumstances have severely threatened the cultural organizations well-functioning. Financial problems are also heavily impacting the programme quality, production standards and enthusiasm of professionals. Furthermore, sponsorships and other types of co-opting the business sector to support the culture development were drastically reduced due to the economic crisis.

The growth of the creative industries (covering topics relating to cultural heritage and contemporary culture) is not fully satisfactory, yet there are some initiatives in this field. The results of a study of the Creative Economy Group performed within the project *Creative Serbia 2020* relating to size and performances of the target group in this sub-area is promising: full time employment of 150,000 person (creative and complementary industries - about 7.3% of total employment); 8,230 enterprises, 750 entrepreneurs, about 10 relevant civil initiatives; 9.8 billion EUR total turnover which makes 16.8% of total turnover of economy; contribution of core creative industries is 2.9% of total GVA, supporting services 6.9% of GVA and productivity 35% higher than the average of the Serbian economy (2010).²⁹³

²⁹³ Creative Economy Group, 2011

In the field of cultural heritage the institutional support is focused upon: the research, protection, presentation and sustainable use of immovable and archaeological heritage, intangible heritage and museums assets, archives and libraries assets. Although culture is a rather marginalized theme when it comes to ODA, some initiatives stand out like the *Project of Rehabilitation of Senj mine* which is the sole project in the Republic of Serbia financed by the European Parliament within the Pilot scheme for preserving and restoring cultural heritage in the Western Balkans and the Ljubljana process as a joint initiative of the Council of Europe and EU.

Major problems in this field are related to the lack of strategic direction, deficient law enforcement, the scarce resources reflected in outdated research, presentation, audience development, animation, and mediation activities. Some of these depend on well-developed and comprehensive digital registries. The state of affairs in Serbia conversely indicates to varying levels of digitalization in a range of sub-areas often bypassing the central registries. Another problem refers to inefficient work and lack of proper management in cultural institutions. The Ministry in charge is neither monitoring nor evaluating the achievement of their results, although almost 69% of the Ministry's budget²⁹⁴ is transferred to them. There is much scope for improvement in this respect.

B10.2. Strategic framework

National Strategic Framework

Given that there is no strategic framework as yet in place for the field of culture main departure points in setting directions of the cultural policy are based on the Law on Culture and ratified International Agreements and Conventions as listed in the Annex.

Based on that, ten principles of cultural development are articulated as being priority:

- Freedom of expression in cultural and artistic creation;
- Autonomy of social subjects in culture;
- Openness and availability of the cultural content to the public and citizens;
- Respect for the cultural and democratic values of European and national traditions and diversity of cultural expression;
- Integration of cultural development into social-economic and political long-term development of the democratic society;
- Democratic cultural policy;
- Equality of social subjects in the process of establishment of institutions and other legal entities in culture and equality in the working process of all institutions and other subjects in culture;
- Decentralization of the decision-making process,
- Organizing and financing of cultural activities;
- Encouragement of cultural and artistic creation and preservation of cultural and historical heritage;
- Encouragement of sustainable development of the cultural environment as an integral part of the living environment.

The Culture Development Strategy covering the period until 2023 is currently under preparation and will be in line with the above principles. The Strategy will give an analysis of the current state, main postulates of culture development, objectives, priority areas and cross-border cooperation; Strategic directions and instruments covering cultural property protection, in the country and abroad, promotion of cultural creativity and production (including national minorities), work of institutions and other actors in the field of culture and capital investments for the institutions; human resources and their education, scientific and research work, amateurism and inter-sector cooperation (stimulating tax, entrepreneurship). The adoption of the Strategy is planned in 2013 as per NPAA.

In view of the above principles, the area and SWOT analysis, the NAD priority 1 has been defined as: "Develop a system which enables the implementation of EU standards in culture and fosters cultural diversity on the territory of Serbia". The attainment of this priority is envisaged through two types of actions. The first relates to the further development of cultural policy instruments – legal, financial and organisational - with a particular focus on better management of public institutions and cultural organisations, whereas the second type of actions concentrates on the preservation of cultural heritage and support to cultural production and creativity in arts.

Regional and Transnational Strategies

EU Strategy for the Danube region aims at boosting the development of the Danube Region and was endorsed in 2011. The Strategy articulates four main pillars of joint actions, out of which the first - *Connecting the Danube Region* within

²⁹⁴Ministry of Finance, Law on the Budget of the Republic of Serbia for 2013.

Priority 3: To promote culture and tourism, people to people contacts refers to development in this area. Several actions are proposed relating to culture: to build on cultural diversity as strength of the Danube Region; to enhance cooperation and contacts between people of different origins, to encourage creativity, and provide a driving force for cultural innovation and economic development, based on heritage, traditions and tourism; to promote cultural exchange and exchange in the arts; to collect existing data on cultural activities and establish a comprehensive data base giving an overview of cultural activities in the Danube Region.

EU documents and international agreements related to the sector

The Stabilization and Association Agreement (Title VIII, Cooperation policies, **Article 103** – Cultural cooperation) states that cooperation serves to raise the mutual understanding and esteem between individuals, communities and peoples. The cooperation should promote cultural diversity within the framework of the **UNESCO Convention on the protection and the promotion of the diversity of cultural expressions**. **Article 4** of the **SAA** focuses on the cooperation which will promote the audiovisual industry and encouragement of coproduction in the field of television and cinema.

UNESCO Conventions ratified: Convention on the protection and promotion of the diversity of cultural expressions (2005, ratified 2009); UNESCO Convention on Protection of the World Cultural and Natural Heritage (1972, notification of succession 2001); UNESCO Unidroit Convention on stolen or illegally exported cultural objects (1995, notification of succession 2001); Convention for the Safeguarding of Intangible Cultural Heritage (2003, ratified 2010); Fighting against the illicit trafficking of cultural property (1970, Notification of succession 2001); Protection of Cultural Property in the Event of Armed Conflict (1954, Notification of Succession 2001); Protection of Copyright and Neighbouring Rights (1952, 1971, Notification of succession 2001); UNESCO Convention on the rights of persons with disabilities (2006). **Council of Europe conventions ratified:** Convention on the Protection of Human Rights and Fundamental Freedoms (1950, ratified 2004); European Cultural Convention (1954, ratified 2011); Convention for the Protection of the Architectural Heritage of Europe (1985, ratified 2001); European Charter for Regional or Minority Languages (1992, ratified 2006); European Convention on the Protection of the Archaeological Heritage (Revised) (1992, ratified 2009); European Convention on Cinematographic Co-Production (1992, ratified 2004); Framework Convention for the Protection of National Minorities (1995, ratified 2001); Council of Europe Framework Convention on the Value of Cultural Heritage for Society (2005, ratified 2010); European Landscape Convention (2000, ratified 2011).

B10.3. EU Agenda

Europe 2020 sets the direction of EU policies for the period 2014-2020. These are:

- Smart growth – developing an economy based on knowledge and innovation
- Sustainable growth – promoting a more resource efficient, greener and more competitive economy
- Inclusive growth – fostering a high-employment economy delivering economic, social and territorial cohesion

Smart growth means strengthening knowledge and innovation as drivers of our future growth. This requires improving the quality of education, strengthening research performance, promoting innovation and knowledge transfer throughout the Union, making full use of information and communication technologies and ensuring that innovative ideas can be turned into new products and services that create growth, quality jobs and help address European and global societal challenges.

Creative Europe as the new framework programme for Europe's cultural and creative sectors for the 2014-2020 Multi-Annual Financial Framework (MFF) will help to seize the opportunities of the 'digital age' and globalization and reach their potential so that they can contribute to the Europe 2020 goals for sustainable growth, jobs and social cohesion. This Programme opens up new international opportunities, markets and audiences and builds on the success of the MEDIA and Culture programmes in which Serbia too was involved in the period of 2007-2013. Concerning the international dimension, the current annual calls with a changing country focus will be abandoned in favour of a greater opening of the programme to acceding, candidate and potential candidate countries, countries of the European neighbourhood area and of the European Economic Area (EEA). As regards the regional scope of MEDIA, access should be simplified and offer the possibility to participate to "the greater European audio-visual area", i.e. all acceding, candidate and potential candidate countries²⁹⁵.

Creative Europe programme will be comprised of three Strands:

- A Cross-sectorial Strand addressed to all cultural and creative sectors;
- A Culture Strand addressed to the cultural and creative sectors;
- A MEDIA Strand addressed to the audio-visual sector.

²⁹⁵ COM(2011) 786/2 Creative Europe - A new framework programme for the cultural and creative sectors (2014-2020)

General objectives of the new framework programme are: Fostering the safeguarding and promotion of European cultural and linguistic diversity and strengthening the competitiveness of the cultural and creative sectors with a view to promoting smart, sustainable and inclusive growth.

The EU priorities for IPA II will be defined in the Common Strategic Framework (CSF) aiming at better alignment of financial assistance with EU enlargement policy. The priorities for individual countries will be identified in the Country Strategy Paper (CSP) prepared by the European Commission and the basis for will be NAD and relevant national sector strategies.

B10.4. Overall objectives and priorities in the thematic area (2014-2020)

The SWOT analysis has been undertaken additional to the situation analysis presented in previous sections, to set out the long term objectives and medium term strategic priorities and realistic and targeted measures.

<i>Strengths</i>	<i>Weaknesses</i>
<ul style="list-style-type: none"> • New initiatives in the field of interdisciplinary and inter-sectorial approach to culture (arts, culture, design, architecture, business, creative industries, social activism, human rights, social responsibility, cultural management) - mostly generated by the civil sector • Long research tradition in culture • Development of local cultural strategies (city and county level) • Continuous dialogue with neighbouring and other EU countries • Rich natural resources combined with interesting cultural assets and potentials 	<ul style="list-style-type: none"> • Lack of strategic direction and effective cultural policy • Lack of monitoring and evaluation of policy implementation • Reduced budget for culture, and lack of a regulated culture market (lack of instruments of economic stimulus for investment in culture) • Outdated approach to cultural production, management, and inadequate cultural infrastructure • Centralized cultural system • Low level of professional standards in art and cultural production • Low level of professional standards in protection and presentation of cultural heritage • Insufficient cross-sector cooperation and policy coordination related to culture
<i>Opportunities</i>	<i>Threats</i>
<ul style="list-style-type: none"> • Creation of a regional market based on similar language (film, publishing, performing arts, media) • Development of regional and international cooperation with the aim to create internationally recognized regional identity • Rich trans-cultural identity of cultural heritage • Cultural tourism and local community development • IPA (in particular CBC and MB) and other international funding programs • Potentials of Creative industries • Industrial infrastructure legacy • Capacity building of cultural organizations 	<ul style="list-style-type: none"> • Fatigue in the cultural scene (lack of funds, unregulated system) • Degradation of culture and the value system due to the political and economic interests • Disappearance of the intangible cultural heritage, which could be exploited in view of cultural tourism and cultural industry development • Protection, preservation and sustainable use of cultural heritage endangered due to lack of resources

Taking into account the Law on culture and international obligations in the cultural policy, the objective for 2014 – 2020 is: **Full achievement of professional EU standards in the implementation of the overall cultural policy aimed at protection of public interest, freedom of expression, cultural identities, social cohesion and regional development.**

In the absence of a culture development strategy, the articulated objective is a response to many assessed weaknesses both in formulating and implementing a coherent cultural policy. Apart from the strategic framework, what is needed is to strengthen institutions and other actors in culture to efficiently operate and use the scarce financial resources in the most effective way and in line with values articulated in ratified international conventions and agreements.

Following priority has been identified in order to contribute to achieving the overall objective and respective reforms in this area:

Priority 1: Developing the system which enables the implementation of EU standards in culture and fosters cultural diversity on the territory of Serbia

Establishing and implementing EU standards of cultural policy aimed at the protection and preservation of the cultural identities and cultural heritage, improved social cohesion and international and regional cooperation are key objectives in this field. In order to improve the cultural system it is necessary to focus upon capacity building of all actors in culture (public administration at all levels, cultural institutions/associations/private initiatives) with the aim to foster human rights, free expression, cultural diversity, intercultural dialogue, gender equality and social inclusion. In addition, perceiving culture as the potential agent in enhancing the competitiveness should be explored in terms of supporting creative industries and cultural tourism.

B 10.5. Measures for implementation of priorities in the thematic area

Priority 1: Developing the system which enables the implementation of EU standards in culture and fosters cultural diversity on the territory of Serbia

Measure 1.1. Strengthening professional standards by further development of cultural policy instruments (legal, financial, organizational, etc.)

In order to help all relevant actors in culture implement the cultural policy in a more coherent and effective way assistance for capacity and institutional strengthening of public administration at all levels is needed to further develop **legal** and **financial** instruments and mechanisms. Regarding **legal** instruments, the Ministry announced some changes of the Law on Culture, in terms of ensuring better implementation. In addition, there is an initiative to partly change several by-laws, after the adoption of amendments to the Law on Culture. As for **financial** mechanisms, the Ministry in charge for culture deploys the instrument of the open call for a variety of programmes and it is vital to introduce monitoring, evaluation and reporting mechanisms for the assessment of the effectiveness of such support.

One of major problems in implementing the cultural policy is the outdated approach in the management and promotion of cultural assets and contemporary achievements. For that reason support is needed for improving professional standards and **organizational** aspects of work in cultural institutions/associations/private initiatives in terms of fostering modern concepts for conceiving and implementing projects in contemporary cultural/art production and cultural heritage. Support is also crucial in introducing a more efficient management in cultural institutions through the development of strategic and management plans and capacity building to implement them.

Measure 1.2. Preserving the cultural heritage and supporting cultural production and creativity in arts

This measure will support the protection and preservation of cultural heritage and promote contemporary cultural production for strengthening the cultural institutions and other actors operating in the field of culture in terms of project preparation and implementation. In order to finally progress with the digitalization of cultural heritage, assistance is vital for completing the central national registries, envisaging the integration of fragmented systems. In order to promote and popularize culture, assistance is needed for enhancing the research in culture by promoting partnerships between cultural institutions delivering topic specific high level trainings and educational institutions (e.g. Institute for Conservation). Revision of outdated presentation techniques by introducing new exhibition concepts in museums and elsewhere is a priority action for support. Also, cooperation and support is needed for the exchange and mobility of individuals/professionals and cultural production. All future investments should be closely linked with the direction of the new strategy and will follow procedure and criteria for identification and selection of investment projects set by NIPAC TS.

Regional, Cross-Border and Transnational Themes in Culture

Instruments of importance for regional cooperation, such as Multi-Beneficiary IPA support, CBC and Trans National Programmes, should be provided to those actions where benefit of regional approach is obvious.

IPA Multi-Beneficiary assistance fosters common approaches and regional cooperation in cultural heritage and reappraisal of history as a means of dialogue, reconciliation and developing good neighbourly relations in the Western Balkans. The **Ljubljana process** (EU and Council of Europe) in which Serbia has taken active part already yields results (Franciscan Monastery in Bac) and there are other projects on the priority intervention list within this framework where support for project preparation for cultural infrastructure is needed (e.g. Suvaca mill in Kikinda, the Site Justiniana Prima, the Military Institute in Kragujevac and Foundry Pantelic in Belgrade).

Concerning contemporary cultural and art production the focus of interest is placed on the existing initiatives such as the Council of Ministers of Culture of South East Europe, the South East Museum Network and the Forum of Slavic Cultures. According to the declaration adopted by the Council of Ministers of Culture of South East Europe, Serbia got the support from all countries in the region to initiate the regional mechanism for the **Film Fund**.

Future **IPA CBC and transnational** assistance will be valuable for the development of “**Cultural Routes**” and other forms of cultural heritage clusters and networks in the Danube region to build upon the pilot project “Cultural Route – Fortresses on the Danube” (involving seven cities on the Danube). Also, to fully reflect national priorities, support is needed for the development and promotion of projects in contemporary cultural/art production which foster inter-cultural dialogue and liaise with the business community on both sides of the border. Exchanging best practices related to cultural tourism and conceiving and promoting joint quality products and services in respective cross-border areas would contribute to the local development.

Priorities concerning the implementation of the **EU Strategy for the Danube Region** and in particular those relating to the Pillar I - Connecting the Danube region through the promotion of culture and tourism and people to people contacts will among other concentrate on building professional capacities on local and regional level on best cultural practice in the Danube region, preservation, protection, reconstruction and promotion of cultural heritage and its use for contemporary production purposes. For Serbia, of particular interest is fostering mobility of artists and cultural operators in the Danube region (events, festivals, residence programs, etc.), building professional capacities on local and regional level aimed at the development of regional and international cooperation, thus bundling efforts to create an internationally recognized regional identity. Also, networking and cooperation with other European cities on the Danube, with the aim of recognizing European values and mutual European heritage is crucial for the achievement of the Strategy's objectives.

B10.6. Institutional framework for implementation of thematic area approach

The policies relating to culture are addressed by: the ministry in charge of culture, the ministry in charge of economy, the ministry in charge of education, the regional secretariat in charge of culture (Vojvodina), local authorities.

Support to policy making and policy implementation in Culture is provided by: the National Council for Culture discussing cultural policy models and priorities; reinforcing the institutional system and its professional standards (including a return to functioning of closed institutions waiting for renovation), audience development, digitalization of public "memories", development of inter-sectorial relations (especially involving business in cultural financing), etc. There are also numerous other institutions operating in the field of culture: The National Councils of National Minorities (20); Centres for Culture of National Minorities of Vojvodina (5); Cultural institutions founded by the state (26); Cultural institutions founded by the region of Vojvodina (13); Cultural institutions founded by cities and communities.

CSO play a significant role in Serbian society in terms of implementation of cultural policies. Concerning the modern concepts in culture, as well as cultural policy goals, CSOs in Serbia in some cases even manage the functions of public cultural institutions. There are also different types of private initiatives in culture implementing the culture policy of public interest complementary to the public/civil sector. They also substantially contribute in developing cultural industries. To a lesser extent, philanthropy is also present.

In order to improve and coordinate activities related to planning, programming, implementation and monitoring of EU funds and international assistance and to increase the efficiency and effectiveness of development assistance, the Sector Working Group (SWG) for the area of culture and media²⁹⁶ has been established. The SWG for the area of culture and media is responsible to coordinate activities related to planning, programming, and monitoring of EU funds and international assistance, to identify relevant measures/operations and activities. The functioning, management, organisation and composition of SWG is more precisely defined by the *Rules of Procedure for Sector Working Groups for the Programming and Monitoring of the EU funds and development assistance*. The Sector Working Group for the area of culture and media comprises of representatives from European Integration Office, Ministry in charge of Culture affairs, Ministry in charge of Telecommunication affairs, Ministry in charge of Youth, Directorate for Gender Equality of the Ministry in charge of Labour, Employment and Social Policy affairs. The work of this SWG was joined with the work of the SWG for CSOs. Thus, the representatives from the Office for Cooperation with Civil Society, the Office for Human and Minority Rights, Ombudsman Office and Commissioner for Protection of Equality also take part at the meetings. Members of the SWG are officially appointed representatives of the above mentioned line ministries, at the level of State Secretary or Assistant Minister, or appointed Senior Programming Officers (SPOs) and the Serbian EU Integration Office.

Representatives of the donor community including the Lead Donors are participating at the SWG meetings based on the needs and requirements of each SWG meeting and takes part in consultation processes for analysing sector priority goals, measures and operations for financing from EU funds and international assistance as well as they secure data on the expected assistance during the planning period. The Lead donor(s) is responsible to support the work of the SWG and represent the interests of donors active in particular sectors/areas.

²⁹⁶ Act on establishing the SWG from 5.11.2012. No: 119-01-68/2012-03

In order to enable more inclusive and transparent dialog, consultation and communication with all relevant stakeholders in the respective sectors, SEIO established a consultation mechanism with the civil society organisation (CSOs)²⁹⁷. This mechanism is based on the consultative process with Sectorial Civil Society Organisations (SECOs) and serves as a platform that enables exchange of information and contribution of CSOs in relation to planning development assistance, particularly programming and monitoring of the Instrument for Pre-Accession Assistance (IPA). The SECO indicates a consortium of maximum three CSOs as partners, one of which is clearly indicated as leading partner. SECO is composed of the CSOs that have significant experience with public advocacy, analyses and research in the sector, as well as experience in direct work with service providers and beneficiaries. They are influencing public policy due to their successful networking and partner work with other local and international civil society organisations well as constructive cooperation with state institutions and the constant monitoring of their work. Members of SECO are participating at the SWG meetings based on the needs and requirements of each SWG meeting and takes part in consultation processes for analysing sector priority goals, measures and operations for financing from EU funds and international assistance. Other relevant stakeholders (agencies, private, academic sector, CSOs, etc.) can participate at the SWG meetings based on the topic, needs and requirements of each Sector Working Group meeting.

Under the current *Rules of Procedure for Sector Working Groups*, SEIO²⁹⁸ is responsible for coordination and ensuring the efficient functioning of all activities of the Sector Working Group. Coordination and leadership of the SWG is supported by a Task force made up of representatives from the area Lead Institution, Lead donor and SEIO. SWG is also acting as the Sectorial Monitoring Subcommittee for IPA TAIB under the decentralised management.

²⁹⁷ Introduced in 2011

²⁹⁸ Sector for Planning, Programming, Monitoring and Reporting on EU Funds and Development Assistance

B10.7. Indicators for measuring progress

PRIORITY 1: Developing the system which enables the implementation of EU standards in culture and fosters cultural diversity on the territory of Serbia												
Indicator	Unit	Baseline (2012)	Target								Means of Verification	Institution in charge for reporting
			2013	2014	2015	2016	2017	2018	2019	2020		
1.1. % of institutions and cultural organizations working in line with developed strategic and implementation plans, reporting on the achievement of results performed regularly	%	N/A	N/A	30%	50%	80%	100%	100%	100%	100%	Annual Report of the Ministry, Annual reports of cultural institutions cultural organization report	Ministry in charge of culture
1.2. Degree/Level of digitalization in culture	%	N/A	N/A	20%	30%	50%	75%	85%	90%	100%	Annual Reports of cultural institutions, Ministry in charge of culture	Ministry in charge of culture
MEASURE 1.1: Strengthening professional standards in order to further develop instruments of cultural policy (financial, legal, organizational, etc.).												
Indicator	Unit	Baseline (2012)	Target								Means of Verification	Institution in charge for reporting
			2013	2014	2015	2016	2017	2018	2019	2020		
1.1.1. M&E model/methodology for all Ministry's open calls for (co)financing		N/A	N/A			x					Evaluation reports for respective open calls	Ministry in charge of culture
1.1.2. No of cultural institutions with developed management plans, N° of cultural institutions with adequate management expertise in steering structures	N°	N/A	N/A	5 out of 26	10 out of 26	20 out of 26	26 out of 26 (100%)				Cultural Institutions Report Cultural organization report ZAPROKUL	Ministry in charge of culture
MEASURE 1.2: Preserving the cultural heritage and supporting cultural production and creativity in arts												
Indicator	Unit	Baseline (2012)	Target								Means of Verification	Institution in charge for reporting
			2013	2014	2015	2016	2017	2018	2019	2020		
1.2.1. % of digitalized thematic units within the Central digital registry for cultural heritage completed	%	N/A					75%			100%	Ministry's Annual Reports, Annual Report of the National Cultural institutions	Ministry in charge of culture
1.2.2. % of digitalisation of Intangible heritage according to the UNESCO propositions	%	N/A					50%			100%	Ministry's Annual Reports, Annual Report of the Centre for Intangible Cultural Heritage of the Republic of Serbia	Ministry in charge of culture
1.2.3. % of exhibitions introducing new approaches in cultural presentation	%	N/A	N/A	N/A	10%	30%	50%	60%	65%	70%	Annual Reports of Museums Annual Reports of independent cultural scene (coordinated by NKSS, SEKO et al)	Ministry in charge of culture

1.2.4. % of joint projects and events between the public and civil sector in the field of culture	Nº	N/A	N/A				50%				Ministry's Annual Reports, Annual Reports of independent cultural scene (coordinated by NKSS, SEKO et al)	Ministry in charge of culture
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B10.8. Aid effectiveness, efficiency and sustainability

The EU supported the developments in the field of culture through the Transnational cooperation programme 2007-2013 "South East Europe" - CULTEMA, the EC Community Programme "EC CULTURE 2007 - 2013", and within the IPA Multi-Beneficiary assistance the Ljubljana process focused on the reappraisal of history as a means of dialogue in Western Balkans. Based on the ISDACON data base the estimation of the overall realized international assistance in the period 2007-2012 amounted to 42.35 million EUR.

Within the **bilateral donor** resourcing projects in the area of culture in the period of 2007-2013 some most prominent have been: Italian Government for the modernization/establishment of cultural institutions and for creation of municipal youth culture and leisure centres; Turkish Government with the support in renovating cultural centres; Swedish Government in the field of music and cultural heritage without borders; Swiss Government within the Swiss culture program 2007 and 2008; Japan for the equipment for the National Theatre in Belgrade; USA for the reconstruction of the Youth centre in Belgrade; Slovak Government predominantly for supporting Slovak minority culture; UNDP also supported the reconstruction of the cultural monuments.²⁹⁹

Due to the fact that there has been no strategic framework set by the government for culture in the past programming phase, the thematic area of culture saw in most cases unsystematic and ad-hoc assistance to individual projects³⁰⁰.

As indicated in the Report: the "Evaluation of the effectiveness and efficiency of development assistance to the Republic of Serbia per sector"³⁰¹, culture is the weakest and probably the most marginalized theme within the eight sectors supported by ODA thus far. Culture is characterized by lack of any systematic approach to development, with changing political visions to what culture should represent, as well as extremely weak, fragmented and sporadic funding by individual donors. Culture today struggles with dilapidated institutions, scarce funding, no strategy and weak support from all sources.

The international assistance has not provided significant and coherent support to the government in the development of such a framework in culture and has not brought any significant contribution to systematic approach to this field.

The relevance of the support may be best evidenced in individual projects supported, whose interventions generally responded to identified needs of the beneficiaries. The overall conclusion relating to the relevance of the assistance in the area of media and culture is that it has been **high**, as it responded to the needs of the government in respective areas, yet with the lesser degree of support to culture area.

In addition, there is an on-going evaluation lunched by EU Delegation in this sector. The report on Technical Assistance for Evaluation of Civil Society, Culture and Media thematic areas Implemented and Financed by IPA Programmes and other Donors in the Republic of Serbia is in progress.

Together with the civil society, media and culture themes are extremely relevant for the overall democratization and development of the country, and thus deserve a more integrated approach to programming of assistance. So far, the donor assistance has been fragmented with some overlaps.

Building upon the results of the mentioned evaluation and pertinent recommendations, Serbian priorities in the next programming cycle envisage further support which will focus on strengthening all relevant actors to implement the strategic directions embedded in the Culture Strategy to be adopted in 2013, and help institutions and other actors operating in the area of culture to develop and implement the cultural policy in a more consistent and efficient and effective manner.

²⁹⁹ ISDACON data base, Serbian European Integration Office

³⁰⁰ Evaluation of Effectiveness and Efficiency of Development Assistance to the Republic of Serbia per Sector (April 2013), SIDA

³⁰¹ In this Evaluation media, culture and CSOs have been considered as one sector.

B11 MEDIA THEMATIC AREA

B11.1. Scope and background for the thematic area

The Scope of the area reflects national priorities as well as needs arising from the EU accession process led by the preparation to negotiate on chapter 10 – Information society and media. This cross-cutting area includes following subareas:

- Media
- Digital Switchover.

In particular, following themes are of special concern: public interest, media policy including the role of the state in the media, role of public media, public broadcasting services, media literacy, media pluralism, digital broadcasting.

The IREX Serbia Media Sustainability Index³⁰² (2013) lists the subjects with the broadcasting licenses and print media: Radio Stations: 214 (2 public service + 4 national coverage, 48 regional, 267 local); Television Stations: 111 on air, 134 licensed (2 public service, 4 are national, 30 regional, and 98 local; 39 cable stations); Print: 591 outlets. In comparison to other EU countries, these numbers by far surpass the needs of the Serbian market size.

From the programme perspective it is irrational to have hundreds of broadcasters. The digitalization of the television system through multiplexes is expected to offer more channels for distribution at national level, but consequently fewer at local level.³⁰³ By digitalising the television transmission, Serbia gains access to 32 frequencies of same quality in contrast to 8 national frequencies used today. However the digitalisation process develops at a very slow pace although substantial support was provided by EU through IPA 2010. Presently, only some 50% of the IPA funded equipment has been installed. The reason for not being able to fully utilise this equipment has been the lack of available frequencies as the result of a large number of issued licenses for analogue broadcasting. To address this problem, the Ministry in charge has initiated changes to the current Analogue Terrestrial Television Frequency Allocation Plan. These changes should enable the usage of the freed frequencies for the expansion of the digital network and would enable putting into use the remaining EU funded equipment. The pilot network covers some 40% of Serbia's population and will form an integral part of the final digital terrestrial television network after the transition to digital terrestrial broadcasting of television program is completed. Once complete, the nationwide digital terrestrial broadcast will be transmitted from 25 locations throughout the country, whereas the currently developed digital network might be transmitted from only 13 transmitters and 2 gap filler stations. Coverage for the first and the second multiplex will be at least 95% and 90% of the population, respectively.

It is expected that digital broadcasting will contribute to a strengthened promotion of public interest via media. The public interest in media refers to the production of: general information, specialised media contents relating to politics, culture, education, religion, economy, regional and local communities, media contents dedicated to children, media contents of importance for the protection of cultural heritage and promotion of contemporary culture, contents of investigating journalism, original audio-visual and radiophonic works on Serbian and minority languages of importance for the media pluralism, media diversity and media literacy, as well as preservation of Serbian and ethnical minorities identity, fostering the rule of law, democracy, EU standards, creativity, education/science in media.

At present, the cable TV system is available in 34% of households, satellite reception in 8%, whereas only 1% of households use Internet TV broadcasting, although the number of public media broadcasting via Internet is increasing. However, legislation in this field is lagging behind.

When talking about new media platforms, the latest data on internet access is indicative. Presently, 222 providers are registered with 5,038 million subscribers, which is a growth of 31% as compared to 2011³⁰⁴. Over 1 900 000 persons used the Internet (almost) every day, which is an increase of over 200,000 compared to 2010³⁰⁵. In 2011, there were a greater percentage of male users as compared to female users in all age groups, with the biggest discrepancy of 4.3%, in the 16-24 age groups. While in urban areas the number of households with Internet connection amounts to 51%, in rural areas there are only 27.2% of households. Yet, the growth rate of Internet connections in 2010 was 1.7% in urban and 3.1% in rural areas³⁰⁶.

Unsuccessful privatization, unfavourable economic position and financial dependence of most of the media are reflected in low quality production, proliferation of tabloids and self-censorship. Consequently, efforts need to concentrate on the quality improvement and diversity of program contents of public interest together with editorial independence both in public broadcasting services and other media outlets. The liaison with the civil sector for the active support in creating quality

³⁰²http://www.irex.org/sites/default/files/u105/EE_MSI_2013_Serbia.pdf

³⁰³ COWI Media Study, Final Draft, 2010

³⁰⁴http://www.b92.net/biz/vesti/srbija.php?yyyy=2013&mm=04&dd=17&nav_id=706062

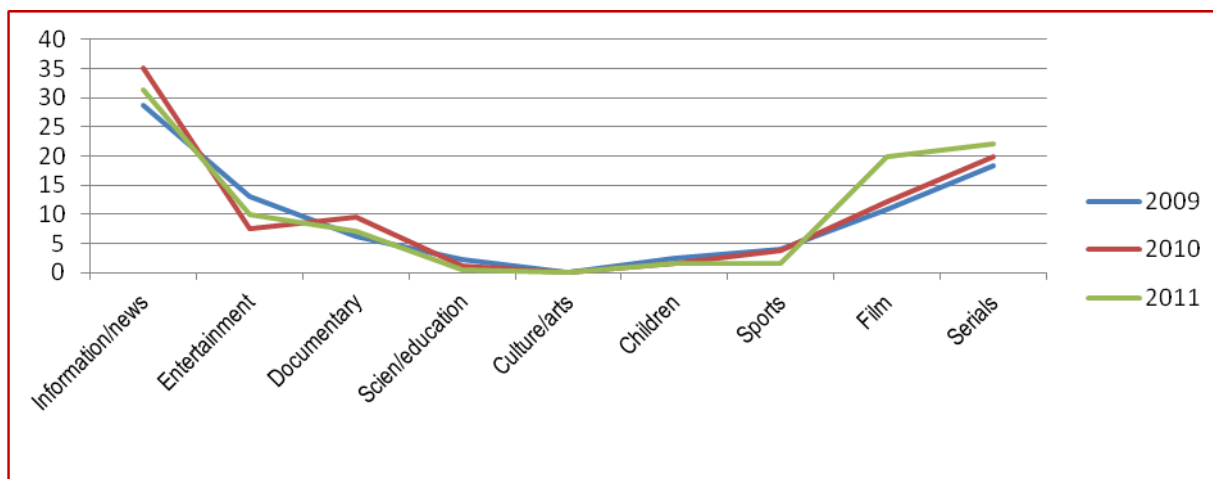
³⁰⁵ An Overview of Telecom Market in the Republic of Serbia in 2011, RATEL, Belgrade, 2012

³⁰⁶ An Overview of Telecom Market in the Republic of Serbia in 2011, RATEL, Belgrade, 2012

programmes in particular those targeting local communities is essential. Also, media literacy is very low and it is crucial to join efforts together with the ministry in charge for education, CSOs and other relevant actors in conducting a comprehensive media literacy analysis and enhance the present level through targeted actions.

The Serbia Progress Report 2012 states that provisions allowing for the financing of certain media from the State budget remain to be brought into line with the EU *acquis* as it constitutes State aid. With a view to implementing the Action Plan of the Media Strategy, expert working group of the Ministry in charge together with representatives of the EU Delegation and OSCE, as observers, is drafting media regulations, particularly Law on Public Information, Law on Electronic Media and Law on Public Media Services. Their adoption is expected in 2013³⁰⁷. Also, the radio spectrum provisions remain to be aligned with the EU regulatory framework. Switchover from analogue to digital signal remains to be fully ensured. The overall conclusion is that there was little progress as regards audiovisual policy, particularly in the implementation of the Media Strategy which aims at aligning with the EU *acquis* in this area.

Figure B11.1. Program contents share on RTS I in %³⁰⁸



B11.2. Strategic framework

National Strategic Framework

Based on the main strategic documents for the area of media, which are presented in Annex I, and SWOT analysis the following policy priority directions have been identified:

(i) Public Interest

The production and publication of the following content in the media outlets in the Republic of Serbia in public broadcasting services and other media outlets is defined as being of public interest (among others such as rule of law, which is already supported by the on-going assistance project):

- Media content for children and youth;
- Media content of relevance to the preservation of cultural heritage and content promoting artistic and cultural creativity and the work of cultural institutions;
- Media content for blind and visually impaired persons, persons with hearing impairments and other persons with special needs,

provided that the production and publication of such content is relevant to the: Preservation and advancement of media pluralism and media content diversity; Encouragement of media literacy; Encouragement of media creativity and creativeness;

(ii) Role of the State

Respecting and guaranteeing the freedoms of opinion and expression, the freedom of the media and the right to be informed are of main concern. Policy priority is to create an environment enabling the independent, autonomous, professional and sustainable work of media outlets, which respect the broadest spectrum of human rights and are able to contribute to the citizens' full participation in social, political and cultural life (among other). A particular focus is strengthening the conditions

³⁰⁷ NPAA 2013-2016, SEIO

³⁰⁸Source: Comparative analysis of program contents, RBA 2009-2011

for the protection of the rights of children, youth and groups with special needs in the field of public information. To meet this end it is necessary to eliminate the discrepancies in the existing legislation and advance the protection of the free flow of information and freedom of expression, the independence and editorial autonomy of the media and media pluralism.

Although huge efforts are needed to advance with the digitalization process, there is full commitment to the process of switching from analogue to digital broadcasting within the internationally agreed deadlines. Digital technology will enable the Republic of Serbia to broadcast up to 20 different programmes in standard resolution within the band of one radio frequency channel, which will result in the more efficient use of the radio frequency spectrum, greater market competition and greater opportunities for fostering creativity and preserving cultural identity.

(iii) Role of Media Outlets

The main role of media outlets comprises the preparation and timely dissemination of media content satisfying the broadest interests and needs of the citizens and thus the achievement of public interest, whilst abiding by the principles of the freedom of expression and free flow of information and the professional and ethical requirements of impartiality, accuracy, balance and respect for human dignity. In cooperation with the civil society, the public broadcasting services shall establish forms of communication with the public, such as the establishment of advisory structures, holding of public debates, panel discussions and talks providing the public with the opportunity to express its opinions about the programme content and its wishes and requirements. Also, funding from public revenue is granted for content of public interest produced by media outlets on new media platforms in accordance with project-based funding principles.

(iv) Public Broadcasting Service

The public broadcasting service institutions: public broadcasting service, shall be established as independent and autonomous legal entities enabling the realisation of public interest in the area of public informing, and especially the expression of diverse ideas and opinions and provision of fundamental and comprehensive media service which encompasses the content related to news, education, culture and entertainment. The public broadcasting services are: the republic and provincial public broadcasting service. The republic broadcasting service is the Public broadcasting institution 'Radio Television of Serbia' (RTS), with a seat in Belgrade. The provincial broadcasting service is the Public broadcasting institution 'Radio Television of Vojvodina' (RTV), with a seat in Novi Sad. The core activity of the public broadcasting service is the production of radio, television and multimedia content, music production and the provision of audio and audio-visual media services and releasing of electronic publications as services of public interest. The core activity of the public broadcasting service especially includes production, purchase, editing and broadcasting of informative, educational, culture-artistic, children, entertaining, sports, religious and other media content of general interest to the public, especially directed towards exercising of human rights and freedoms of citizens, exchanging of ideas and opinions, nurturing the values of democratic society, fostering political, gender, interethnic and religious tolerance and understanding, as well as preserving the national identity of the Serbian people and ethnic minorities.

(v) Media Literacy

Policy priority is to encourage the development of media literacy by developing the citizens' individual capacities to use, understand and critically evaluate the various aspects of media outlets and media content, as well as their social skills to competently use information and communication services.

(vi) Media Pluralism

The Republic of Serbia shall monitor the development of media on new technological platforms by taking measures encouraging the preservation and strengthening of media pluralism and media content diversity.

The current strategic framework for the area of media defining the development of the Public Information System in the Republic of Serbia until 2016 is based on the standards, experience and regulatory framework of the democratic world. It is based on the Constitution of the Republic of Serbia and the leading commitments of the United Nations, Council of Europe and European Union. However, one of major challenges remains the slow implementation of priorities together with more rigorous law enforcement. The analysis carried out, coupled with the principle of concentration and building upon previous and on-going aid assistance led to the definition of the NAD Priority, accompanied by three measures.

NAD Priority 1: "Strengthen the freedom and professionalization of media and completing the digital switchover within the set deadline in order to better protect public interest, and foster media literacy and media pluralism" is in line with all the above policy directions. The attainment of this Priority is envisaged through three types of actions. The first is targeting different public and other actors in the field of media to fully implement and freely operate within the changing media regulatory framework. In this respect special focus will be on the local level. The second concentrates upon improved quality media programmes/contents on all media platforms with special focus on children and youth, culture in media, gender equality and social inclusion which is directly linked to Policy direction (i) Public interest, (iii) Role of media outlets and (v) Media pluralism. Also within this type of actions and in close correlation with the above is the support for improved media literacy, linked to policy priority (iv). The third type of action is related to completion of the digital switchover within the set deadline and supports the priority (ii) as listed above.

EU documents and international agreements related to the sector

The European Partnership with Serbia (2008/213/EC) (under: Sector policies – Information society and media) sets out following priorities for the short and mid-term: ensure that the strategy adopted is put into effect, including adoption and implementation of the necessary law, strengthen administrative capacity and continue alignment with the *acquis* for the audio-visual sector. **The Stabilization and Association Agreement** (Title VIII, Cooperation policies, **Article 4**) stipulates the cooperation which will promote the audio-visual industry and encourage coproduction in the field of television and cinema. Cooperation could include programmes and facilities for the training of journalists and other media professionals, as well as technical assistance to the media, the public and private, so as to reinforce their independence, professionalism and links with European media. Serbia is expected to align its policies on the regulation of content aspects of cross-border broadcasting with those of the EC and shall harmonise its legislation with the EU *acquis*. Serbia shall pay particular attention to matters relating to the acquisition of intellectual property rights for programmes and broadcast by satellite, cable and terrestrial frequencies.

UNESCO Conventions ratified: Convention on the protection and promotion of the diversity of cultural expressions (2005, ratified 2009); Protection of Copyright and Neighbouring Rights (1952, 1971, Notification of succession 2001); UNESCO Convention on the rights of persons with disabilities (2006). **Council of Europe conventions ratified:** Convention on the Protection of Human Rights and Fundamental Freedoms (1950, ratified 2004); European Charter for Regional or Minority Languages (1992, ratified 2006); Framework Convention for the Protection of National Minorities (1995, ratified 2001); European Convention on Transfrontier Television (1989, ratified 2009).

B11.3. EU Agenda

Europe 2020 sets the direction of EU policies for the period 2014-2020. These are:

- Smart growth – developing an economy based on knowledge and innovation
- Sustainable growth – promoting a more resource efficient, greener and more competitive economy
- Inclusive growth – fostering a high-employment economy delivering economic, social and territorial cohesion.

Smart growth means strengthening knowledge and innovation as drivers of our future growth. This requires improving the quality of our education, strengthening our research performance, promoting innovation and knowledge transfer throughout the Union, making full use of information and communication technologies and ensuring that innovative ideas can be turned into new products and services that create growth, quality jobs and help address European and global societal challenges.

Creative Europe as the new framework programme for Europe's cultural and creative sectors for the 2014-2020 Multi-Annual Financial Framework (MFF) will help to seize the opportunities of the 'digital age' and globalization and reach their potential so that they can contribute to the Europe 2020 goals for sustainable growth, jobs and social cohesion. This Programme opens up new international opportunities, markets and audiences and builds on the success of the MEDIA and Culture programmes in which Serbia too was involved in the period of 2007-2013. Concerning the international dimension, the current annual calls with a changing country focus will be abandoned in favour of a greater opening of the programme to acceding, candidate and potential candidate countries, countries of the European neighbourhood area and of the European Economic Area (EEA). As regards the regional scope of MEDIA, access should be simplified and offer the possibility to participate to "the greater European audio-visual area", i.e. all acceding, candidate and potential candidate countries³⁰⁹.

Creative Europe programme will be comprised of three Strands:

- A Cross-sectorial Strand addressed to all cultural and creative sectors;
- A Culture Strand addressed to the cultural and creative sectors;
- A MEDIA Strand addressed to the audio-visual sector.

General objectives of the new framework programme are: fostering the safeguarding and promotion of European cultural and linguistic diversity and strengthening the competitiveness of the cultural and creative sectors with a view to promoting smart, sustainable and inclusive growth.

Overview of relevant acquis (Chapter 10)

As foreseen in the **NPAA**, the national laws should be approximated to the EU legislation, namely the Audio-visual Media Services Directive, 2010/13/EU and Recommendation on the protection of minors. Like other goods and services, the audio-visual media are subject to the rules of the single European market. The rules laid down in the AVMS Directive define EU-wide coordination of national legislation on all audio-visual media; both traditional TV broadcasts and on-demand services. The EU coordination in that respect concentrates upon: providing rules to shape technological developments, creating a level playing field for emerging audio-visual media, preserving cultural diversity, protecting children and consumers, safeguarding

³⁰⁹ COM(2011) 786/2 Creative Europe - A new framework programme for the cultural and creative sectors (2014-2020)

media pluralism, combating racial and religious hatred, guaranteeing the independence of national media regulators. The AVMSD governs EU-wide coordination of national legislation in the following areas: General principles; Incitement to hatred; Accessibility for people with disabilities; Principles of jurisdiction; Major Events; Promotion and distribution of European works; Commercial communications; Protection of minors.

Although the EU Acquis does not specifically regulate national broadcasting, public service broadcasters are those with a public service mandate. The **Protocol on the System of public broadcasting** in the Member States sets out the competencies of the European Union and the Member states in this field. The Commission's task is to verify whether or not Member States respect the Treaty provisions, especially the State Aid rules in this area. The Principles are laid down in the Communication from the Commission on the application of State aid rules to Public Service Broadcasting.

Following the implementation of the Action Plan for fulfilment of the European Commission recommendations expressed in the Serbia 2012 Progress Report, the Council of RBA appointed persons who will exclusively monitor those contents containing discriminating speech or hate speech and submit reports on this to the Council for decision.

In accordance with the Strategy for the Development of Public Communication System in the Republic of Serbia that defines a set of media laws, and as defined in the **NPAA** in the period 2014-2016 the RBA will adopt implementing legislation within its competences, and in the accordance with Audio-visual Media Service Directive 2010/13/EU. Those documents will relate to: protection of minors against programmes of broadcasters, media literacy and protection of national culture in programmes, code of conduct of broadcasters, qualifications of programmes in compliance with EBU standards, conversion of licenses from analogue to digital broadcasting and managing the timeline of broadcasters in multiplex.

The EU priorities for IPA II will be defined in the Common Strategic Framework (CSF) aiming at better alignment of financial assistance with EU enlargement policy. The priorities for individual countries will be identified in the Country Strategy Paper (CSP) prepared by the European Commission and the basis for will be NAD and relevant national sector strategies.

B11.4. Overall objectives and priorities in the thematic area

The SWOT analysis has been undertaken additional to the situation analysis presented in previous sections, to set out the long term objectives and medium term strategic priorities and realistic and targeted measures.

<i>Strengths</i>	<i>Weaknesses</i>
<ul style="list-style-type: none"> • The strategic framework in place and legislation moderately ahead • Use of new media platforms is annually increasing (growth of 31% as compared to 2011) • Increased use of the Internet (more than 10% in comparison to 2010) 	<ul style="list-style-type: none"> • Implementation of the Media Strategy very slow, none of deadlines being met • Low level of law enforcement (State Aid) • Incoherence of certain laws tackling media issues • Lack of transparency of media ownership • Lack of consensus between key stakeholders regarding burning issues like PBS funding • The number of weak media and distribution companies exceeds the capacity of the Serbian media market • Lack of media space devoted to culture, art, children and youth • Unfavourable economic position and financial dependence of most of the media • Low quality of media/programme contents • Low level of media literacy • Proliferation of tabloids and self-censorship • Lack of transparency of the advertising market • Slow progress in the preparation for the digital switchover
<i>Opportunities</i>	<i>Threats</i>

<ul style="list-style-type: none"> • Capacity building of institutions, regulatory and self-regulatory bodies in charge for media • The digital distribution system encourages centralization at regional level • Encourage PBS to produce quality minority programmes across the public broadcasting system thus increasing the dialogue on shared platforms 	<ul style="list-style-type: none"> • Cost of digitalization • Continued state ownership of media outlets • The negative aspects of privatization and commercialization in media • Degradation of the value system due to the political and economic interests (over-politisation, vulgarization)
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Taking into account policy directions of main strategic documents, and development in the area, the objective for 2014 – 2020 is defined as: **Full achievement of professional EU standards in the domain of audio-visual services aimed at protection of democratic values, rule of law, freedom of expression and information, cultural identities, public interest, social cohesion and regional development.**

The implementation of the Media Strategy indicates to a very slow pace of progress in this field. Capacity building among public authorities, media and information society stakeholders is required to meet EU standards and properly apply new media laws in their daily work and help citizens to protect their rights to the freedom of expression and information, intellectual property, and human dignity. Also, the media content in Serbia has deteriorated in quality and there is a noticeable lack of media content that properly tackles common democratic principles such as transparency, good governance and the rule of law. Also other contents defined as being of public interest are hugely neglected, such as contents for children and youth, cultural contents and those addressing social inclusion. The NPAA lists a number of documents pertaining to EU standards in the area of audio-visual policy which have all been taken into consideration when formulating the objective.

Following priority has been identified in order to contribute to achieving the overall objective and respective reforms in this area:

Priority 1: Strengthening the freedom and professionalization of media and completing the digital switchover within the set deadline in order to better protect public interest, and foster media literacy and media pluralism

High on the priority agenda is to ensure enforcement and better monitoring of European media standards (such as media freedom and pluralism) in the domain of audio-visual media services aiming at protection of public interest, freedom of expression and supporting the role of media in strengthening the democratic society. In particular, this relates to the adoption and timely improvement of the regulatory framework (having in mind that technological development is always a step ahead of development of legal instruments) and implementation of media laws in order to help media operate freely and responsibly. Two other topics that will be in the focus are the production of high quality media contents of public importance and improving media literacy. Media literacy builds an understanding of the role of media in society as well as essential skills of inquiry and self-expression necessary for citizens of a democracy. Finally, it is important to meet the deadline set for the completion of the switchover to digital broadcasting.

B11.5. Measures for implementation of priorities in the thematic area

Priority 1: Strengthening the freedom and professionalization of media and completing the digital switchover within the set deadline in order to better protect public interest, and foster media literacy and media pluralism

Measure 1.1: Empowering all relevant institutions, regulatory and self-regulatory bodies, as well as media industry, media associations

Building upon the results of the on-going IPA 2012 project “Strengthening media freedom” with particular focus on implementing the Media Strategy, some major laws regulating the area of media, namely the Law on Public Information, Law on Electronic Media and Law on Public Services are currently under preparation and will be approximated to the Audio-visual Media Services Directive (Directive 2010/13/EU). Further support is needed for the capacity strengthening of the Ministry, regulatory and self-regulatory bodies, as well as media industry, media associations and journalists to fully implement and freely operate within the changing media regulatory framework, with particular focus at the local level. This measure will specifically target the Ministry in charge for media policy and relevant regulatory bodies (RBA, RATEL), public media, media associations.

Measure 1.2: Strengthening the democratic society through quality media/programme contents, improved media literacy and pluralism

Given the all-pervasive commercialization and vulgarization in media coupled with the decline in number and quality of media/programme contents and consequently weak protection of the public interest, it is exceptionally important to focus on a set of thematic topics for which assistance is needed. This explicitly refers to the realization of quality programs and projects which contribute to promotion of the EU integration accession process, culture in media, educational programmes, in

specific those for children and youth, media literacy, gender equality and social inclusion. The support includes assistance, cooperation and transfer of knowledge, organization of workshops, round tables, conferences, and diverse studies on media topics related to the quality media contents. To contribute to improved media literacy, support is necessary to conduct the media literacy analysis and act in accordance to key findings and recommendations. This would also help in defining adequate, evidence based targets throughout the coming years. In addition, support will be sought for training in on new media platforms at the local level. This measure is targeting public media, media associations, cultural institutions, educational institutions, CSOs.

Measure 1.3: Completing the digital switchover

In order to achieve the set target and complete the digital switchover by June 2015, and build upon the on-going IPA assistance, support is necessary to expand the network and purchase additional equipment. Assistance will also be sought for installation of those systems. In order to overcome the problems with the lack of available frequencies which has substantially impeded the installation the EU funded equipment so far, changes to the current Analogue Terrestrial Television Frequency Assignment Plan relating to freeing frequencies for the expansion of the Initial network are underway. This will enable an efficient use of support and accomplishment of the targeted coverage. Given that the public and information component of the digital switchover, i.e. the way how the change would affect citizens is very important, support will be sought for an information campaign.

B11.6. Institutional framework for implementation of thematic area approach

The policy relating to media and digital switchover are addressed by: the ministry in charge of media and the ministry in charge of telecommunications. In the area of media, two institutions form the core of the Serbian regulatory bodies and are key for policy implementation: the Republican Broadcasting Agency (RBA), the Republican Agency for Telecommunications (RATEL).

In order to improve and coordinate activities related to planning, programming, implementation and monitoring of EU funds and international assistance and to increase the efficiency and effectiveness of development assistance, the Sector Working Group (SWG) for the area of culture and media³¹⁰ has been established. The SWG for the area of culture and media is responsible to coordinate activities related to planning, programming, and monitoring of EU funds and international assistance, to identify relevant measures/operations and activities. The functioning, management, organisation and composition of SWG is more precisely defined by the *Rules of Procedure for Sector Working Groups for the Programming and Monitoring of the EU funds and development assistance*. The Sector Working Group for the area of culture and media comprises of representatives from European Integration Office, Ministry of Culture and Information, Ministry of Foreign and Internal Trade and Telecommunications, Ministry of Youth and Sports, Directorate for Gender Equality of the Ministry of Labour, Employment and Social Policy. The work of this SWG was joined with the work of the SWG for CSOs. Thus, the representatives from the Office for Cooperation with Civil Society, the Office for Human and Minority Rights, Ombudsman Office and Commissioner for Protection of Equality also take part at the meetings. Members of the SWG are officially appointed representatives of the above mentioned line ministries, at the level of State Secretary or Assistant Minister, or appointed Senior Programming Officers (SPOs) and the Serbian EU Integration Office.

Representatives of the donor community including the Lead Donors are participating at the SWG meetings based on the needs and requirements of each SWG meeting and takes part in consultation processes for analysing sector priority goals, measures and operations for financing from EU funds and international assistance as well as they secure data on the expected assistance during the planning period. The Lead donor(s) is responsible to support the work of the SWG and represent the interests of donors active in particular sectors/areas.

In order to enable more inclusive and transparent dialog, consultation and communication with all relevant stakeholders in the respective sectors, SEIO established a consultation mechanism with the civil society organisation (CSOs)³¹¹. This mechanism is based on the consultative process with Sectorial Civil Society Organisations (SECOs) and serves as a platform that enables exchange of information and contribution of CSOs in relation to planning development assistance, particularly programming and monitoring of the Instrument for Pre-Accession Assistance (IPA). The SECO indicates a consortium of maximum three CSOs as partners, one of which is clearly indicated as leading partner. SECO is composed of the CSOs that have significant experience with public advocacy, analyses and research in the sector, as well as experience in direct work with service providers and beneficiaries. They are influencing public policy due to their successful networking and partner work with other local and international civil society organisations well as constructive cooperation with state institutions and the constant monitoring of their work. Members of SECO are participating at the SWG meetings based on the needs and requirements of each SWG meeting and takes part in consultation processes for analysing sector priority goals, measures and operations for financing from EU funds and international assistance. Other relevant stakeholders (agencies,

³¹⁰ Act on establishing the SWG from 5.11.2012. No: 119-01-68/2012-03

³¹¹ Introduced in 2011

private, academic sector, CSOs, etc.) can participate at the SWG meetings based on the topic, needs and requirements of each Sector Working Group meeting.

Under the current *Rules of Procedure for Sector Working Groups*, SEIO³¹² is responsible for coordination and ensuring the efficient functioning of all activities of the Sector Working Group. Coordination and leadership of the SWG is supported by a Task force made up of representatives from the area Lead Institution, Lead donor and SEIO. SWG is also acting as the Sectorial Monitoring Subcommittee for IPA TAIB under the decentralised management.

³¹²Sector for Planning, Programming, Monitoring and Reporting on EU Funds and Development Assistance

B11.7. Indicators for measuring progress

PRIORITY 1: Strengthening the freedom and professionalization of media and completing the digital switchover within the set deadline in order to better protect public interest, and foster media literacy and media pluralism													
Indicator	Unit	Baseline 2012	Target								Means of Verification	Institution in charge for reporting	
			2013	2014	2015	2016	2017	2018	2019	2020			
1.1. Media Freedom Index ³¹³	Rank	63					within first 50					Media literacy analysis (once produced) OSCE and EU Reports Annual Report of the Reporters without borders Report of the Council of Europe on media freedom AIEM Report IREX Media Sustainability Index	Ministry in charge for media
1.2. Media Sustainability Index ³¹⁴		1.93	2.0	2.2	2.3	2.5	2.5-3.0	3.0	Above 3.0	Above 3.0			
1.3. ICT Development Index (IDI) ³¹⁵		5.40 (2011)	5.62 (2012)	5.9	6.2	6.4	Above 6.50						
MEASURE 1.1: Empowering all relevant institutions, regulatory and self-regulatory bodies, as well as media industry, media associations and journalists													
Indicator	Unit	Baseline (2012)	Target								Means of Verification	Institution in charge for reporting	
			2013	2014	2015	2016	2017	2018	2019	2020			
1.1.1. % of annual adoption of legal acts as envisaged by the NPAA relating to the Transposition of AVMSD	%	N/A	100%	100%	100%	100%	100%	100%	100%			Annual report of the SEIO, Official Gazette of the Republic of Serbia EU progress report	Ministry in charge for media

³¹³ Press Freedom index 2013, Reporters without borders, for freedom of information

³¹⁴ IREX, December 2012 (The MSI considers all the factors that contribute to a media system—the quality of journalism, effectiveness of management, the legal environment supporting freedom of the press, etc.)

³¹⁵ The IDI Index serves as a benchmarking tool for monitoring the development of information society worldwide. It is composed of 11 indicators divided into three sub-groups: ICT readiness (infrastructure and access), ICT use and intensity of use (by individuals, households and undertakings) and ICT Capability (skills necessary for the effective use of ICTs. This index has been chosen since it is also covering some aspects of media literacy.

1.1.2. Number of RBA penalties against the broadcasters due to discriminating speech or hate speech	N°	N/A To be monitored by RBA as from 2013									RBA annual report – the number should raise at first and then decline	Ministry in charge for media	
1.1.3. Number of court trials against journalists/media	N°	242 (2011)									http://tpson.portal.sud.rs/libra_portal_full/default.cfm OSCE Report	Ministry in charge for media	
MEASURE 1.2: Strengthening the democratic society through quality media contents, improved media literacy and diversity													
Indicator	Unit	Baseline (2012)	Target								Means of Verification	Institution in charge for reporting	
			2013	2014	2015	2016	2017	2018	2019	2020			
1.2.1. % of cultural contents in PBS ³¹⁶ and commercial TV media production	%	(2011) PBS: 4.72% Com: 0.44%					PBS: 7%					PBS commercial media, Comparative analysis of program contents by RBA	Ministry in charge for media
1.2.2. % of children and youth programs in PBS and commercial TV media production	%	(2011) PBS: 3.82% Com: 3.30%					PBS: Above 5%					PBS commercial media, RBA Comparative analysis of program contents by RBA	Ministry in charge for media
1.2.3. % of educational-scientific programs in PBS and commercial TV media production	%	(2011) PBS: 4.93% Com: 1.07%					PBS: Above 6%					PBS commercial media, Comparative analysis of program contents by RBA	Ministry in charge for media
1.2.4. Media Literacy analysis							x					Ministry's annual report	Ministry in charge for media
Media literacy ³¹⁷ : Reception 1.2.5. % of daily users by age and gender, using new media platforms (Internet): % of daily users: overall population versus digital natives (12-29) ³¹⁸	%	m:45% f:36% o:45% dn:84%										Internet providers, local media, IPSOS Media CT: Monitoring of the new media usage -2012	Ministry in charge for media
MEASURE 1.3: Completing the digital switchover													
Indicator	Unit	Baselin	Target								Means of Verification	Institution in charge for	

³¹⁶ Data for PBS relate to RTS1 and RTS2, Data for commercial TV encompass: RTV Pink, TV Avala, TV B92, TV Prva- TV Fox, Hepi TV- TV Kosava

³¹⁷ Media and information literacy (in the absence of an aggregated indicator here the category: Reception of proposed categories by UNESCO has been chosen. Some other aspects are already covered by the IDI index.

³¹⁸ IPSOS Media CT: Monitoring the use of new media - 2012

		e (2012)									reporting	
			2013	2014	2015	2016	2017	2018	2019	2020		
1.3.1. Coverage of population; Number of fully operational transmitters, Digital broadcasting fully functioning	%; Nº	53%; 13+2 gap fillers	70 %; 35	80%; 45	96%; 74+ 111 gap fillers						Country wide digital broadcasting Ministry's annual Report	Ministry in charge of telecommunications

B11.8. Aid effectiveness, efficiency and sustainability

The EU supported the developments in the field of media in the period of 2007-2013 through improving capacities and professionalism in media in achieving EU media standards and supporting the role of media in strengthening the civil society in Serbia. Also in the focus was strengthening media capacities to inform the public on all aspects of EU integration at the national, regional and local level. OSCE also supported the development of media. The total disbursement of the overall development assistance in the period 2007-2012 is amounting to 0.86 million EUR.

Within the bilateral donor community the US Government is by far the most prominent donor in this field. The Media support programme focuses particularly on building sustainability and professional skills of selected local and regional broadcast media; advocacy and monitoring skills of media support institutions, and encourages quality media coverage of reform and other issues of concern and interest. It builds upon USAID's previous media work, by providing support to the transition of the Serbia's media into a legally sound, economically viable sector that provides professional and independent news and information to citizens throughout Serbia. The beneficiaries were the Coalition of national partners: media support organizations, media associations (Media Coalition consisted of: ANEM, NUNS, UNS, NDNV); local media outlets and local media. Media Coalition is grouped around the key issues in media development field: Media strategy, Media Law, Broadcast Media Law etc. Another important bilateral donor in this thematic field is the Slovak Government for support to the Media Centre in Kovacica³¹⁹.

The Digital Switchover was supported through IPA with 10,500,000 EUR, yet the implementation lags behind, thus much effort will be needed if the set deadline (June 2015) for its completion is to be achieved.

Due to the fact that there has been no strategic framework set by the government for area of media in the past programming phase, the thematic area of media saw in most cases unsystematic and ad-hoc assistance to individual projects. The adoption of the first Media Strategy, despite its gaps and weaknesses, was a step forward in systematizing this field, as well as creation of the Media Coalition, which is a strong advocacy and expert body.

As indicated in the SIDA Report on the "Evaluation of the effectiveness and efficiency of development assistance to the Republic of Serbia per sector", the assistance was instrumental in developing a more enabling framework for developments in the area of media.

The relevance of the support may be best evidenced in individual projects supported, whose interventions generally responded to identified needs of the beneficiaries. The overall conclusion relating to the relevance of the assistance is that it has been **high**, as it responded to the needs of the government in the respective area³²⁰.

Non-transparent media ownership, political capture and other negative factors influence sustainability of achieved changes in this area to a great extent. The overall findings relating to the sustainability of assistance in this sector lead to rating the sustainability of assistance as **low-medium**.

In addition, there is an on-going evaluation lunched by EU Delegation in this sector. The report on Technical Assistance for Evaluation of Civil Society, Culture and Media thematic areas Implemented and Financed by IPA Programmes and other Donors in the Republic of Serbia is in progress.

Together with the civil society, media and culture themes are extremely relevant for the overall democratization and development of the country, and thus deserve a more integrated approach to programming of assistance. So far, the donor assistance has been fragmented with some overlaps.

Building upon the results of the Report: "Evaluation of the effectiveness and efficiency of development assistance to the Republic of Serbia per sector" and pertinent recommendations, the next programming cycle envisages further support to enhancing media freedom and continuation of assistance to the Government in adoption and particularly implementation of legislation relating to media freedoms, with full inclusion of representatives of the media sector (both independent and state owned).

³¹⁹ ISDACON Data base, SEIO

³²⁰ Evaluation of Effectiveness and Efficiency of Development Assistance to the Republic of Serbia per Sector (April 2013), SIDA

B12 CIVIL SOCIETY THEMATIC AREA

B12.1. Scope and background of the thematic area

The civil society is cross-cutting theme for all nine sectors but it is also a separate area with the focus on three main issues: CSO enabling environment, referring to the set of precondition providing for dynamic, pluralistic and competent civil society; establishment of permanent dialogue and partnership with public authorities; and CSOs' capacity to perform their roles as independent development actors more effectively.

Serbia is still a country in transition facing numerous challenges: unemployment rate has significantly increased recently (25.5 % of the workforce in 2012), the population is ageing (average age is 42, 2 year), informal economy is widespread, judicial system is under reform, etc. In this context civil society is a crucial component of a democratic system and is an asset in itself that can contribute to more effective policies, equitable and sustainable development and inclusive growth. The main challenges facing the area are multi-faceted, including overall weak strategic framework, unsystematic support from the government, and also varying capacities of organisations and institutions within the area. Civil society is a heterogeneous sector facing challenges of their own organisational development, financial sustainability and recognition by the society and particularly the Government.

Recognising the importance of CSOs' participation in policy processes the Government have set up the Office for Cooperation with Civil Society to assist development of constructive relations between public authorities and CSOs. The Office for Cooperation with Civil Society was established in 2011, and performs expert, administrative and operational tasks in the Government domain aimed at creation of an enabling environment for the development of civil society, and establishing the cooperation of public authorities with CSOs. The Office for Cooperation with Civil Society initiates dialogue with civil society on matters of mutual interest and strengthens capacities of institutions at both local and national level for cooperation with civil society. The Strategic Framework for period 2011-2014, as well as the Operational Plan 2013-2014, issued by the Office has several clear targets to be achieved: establish a National Council for the Development of Civil Society, develop a Strategy for enabling environment for civil society development; initiate improvement and revision of legislation relevant for civil society, promote new financing sources as a prerequisite for the long-term sustainability of CSOs; and further develop an institutional framework conducive to civil society development, as well as standards of communication, cooperation and participation in the decision making processes between the Government and the CSOs.

In its work the Office rely on various CSOs, networks and initiatives, among which the SECO mechanism (Sectorial Civil Society Organizations Network) that represents networking in the area of EU integration and civil society involvement in the international development aid programming process, and KOCDs (Contact Civil Society Organizations) which represents a network of organisations in the area of social protection for marginalised groups that jointly approach decision-makers in this area.

A Coordination Body for the EU Accession Process, chaired by the Prime Minister, has been set up to deal with SAA implementation and the negotiation process. The Office for Cooperation with the Civil Society is a member of the Expert Group of this Coordination Body. The Prime Minister's Council for EU Integration include representatives of CSOs.

Also, legal framework for associations and foundations has been improved, with legislation on associations, endowments and foundations, volunteering and the Law on accountancy that will simplify accounting procedures for small associations and foundations is in preparation. As of December 2010, CSOs are exempted from 2.5% of taxes on gifts and donations on condition that they are performing activities of public interest but they are still considered as enterprises in all aspects of their work. Another important law has been passed, the Social Protection Law allowing civil society organisations to compete in the market as social service providers. Furthermore, a Decree on Incitement Funds or Shortage of Funds for Financing Programs Carried out by Associations was adopted, establishing criteria, conditions and method for allocation of funds from the state budget. The adoption of the Decree is of great importance for sustainability and further development of civil society and civic activism in general.

Although there are significant steps forward more constructive cooperation, the relationship between the government and CSOs is in most cases still marked by fragmented cooperation and a selective approach. Good practice established by some institutions should be used and further efforts remain to be made in order to improve the cooperation and develop partnership. Participation in decision-making processes and monitoring of governance and democratic processes is a key area where civil society involvement is of utmost importance. Awareness rising among public authorities on the advantages of cooperation with CSOs in the early stages of policy framing, as well as in implementation and monitoring, should be made a priority. Furthermore, overall standards and procedures regarding appointment of CSO representatives to various bodies at national and local level should be discussed and developed, taking into account best practices in neighbouring countries and CSO proposals.

Sustainable funding is a huge challenge for Serbian CSOs as they depend on declining international donor support, while funding from public sources still lacks transparency and clearly defined criteria although steps have been taken in that direction with the bylaws on transparent funding that needs to be promoted and better implemented especially on the local level.

At the local level, both the mechanisms for cooperation with CSO and practice remain poor. However, in some municipalities there are units or responsible persons for cooperation with CSOs, such as Youth Councils and Youth Offices, although these offices cooperate only with CSOs dealing with youth issues.

After the Law on Associations entered into force, a uniform Register of Citizens' Associations was established at the Business Registers Agency (BRA), and currently there are approximately 20,000 registered associations. The results of one research³²¹ show that the CSO sector is relatively young, because the majority of organizations were founded after 2000, while only one fourth of organizations were founded before 1990. The majority of CSOs primarily deal with social services, culture, media and recreation, and environment. The majority of CSOs are based in Vojvodina (36%), followed by Belgrade (28%), with the remainder spread relatively evenly over Western, Central, Eastern and Southeast Serbia. In Belgrade, the majority of CSOs are business/professional and other associations (51%) and CSOs involved in the field of law, advocacy and politics (42)". Serbian civil society is predominantly based in cities and unevenly represented in the regions. Civil society in rural areas is very limited and its capacity is not well developed. The CSO Assessment indicated that 20% of CSOs do not have office space. 30% of CSOs do not have computers, 13% have only one computer for ten or more people, 36% have one computer for three to ten people, 18% have one computer for one to three people, and only 3% have more than one computer per person.

The practice of networking and establishing partnerships among CSOs as a means to effectively engage on relevant issues, in particular at transnational level, faces many difficulties partly due to the lack of resources and capacities. The great majority of CSOs have cooperated with other CSOs within the same place/town and same region in Serbia; however, as the territorial distance grows, the number of CSOs that cooperate diminishes. This is exceptionally important information in the context of European Integration, since requirements for cooperation with CSOs from the region and with European CSOs and networks will increase in the near future. What is cause for greatest concern is the assessment of almost one half of CSOs that they do not have sufficient capacities for cooperation on projects with other CSOs. Therefore, there is a need to support and provide funding for existing partnerships and networks, and also to promote concepts based on more flexible, modern principles. According to the research - Assessment of the Situation in the Civil Society Organizations Sector in Serbia (2011), 86% of CSOs have cooperated or established partnerships with other organizations. But, 65% of CSOs are not members of any network. There is a need to promote good networking concepts and possibilities.

The most significant obstacles to the long-term sustainability of CSOs are the low level of state support which is not based on the well-defined priorities, under-developed business sponsorship, lack of individual giving, the withdrawal of international donors, and under-developed cooperation with local authorities. Complex procedures and requirements by donors, lack of information and insufficient experience in project-writing are the most frequent problems faced by CSOs when competing for project financing. When planning and implementing a project, the dominant problem that the great majority of CSOs encounters is a lack of financial assets for co-financing.

According to the **Annual Summary Report on budget expenditures provided to the associations and other CSOs from the budget of The Republic of Serbia in 2011**, total amount of funds allocated to the associations and other CSOs, taken from all economic classifications from which funds were being allocated, amounts to 3.052.736.657 RSD. On the other hand, the report indicates that only 1/3 of the funds were allocated to CSOs, while majority of financial support was provided to citizen associations, endowments and foundations.

EC Progress Report for Serbia 2012 noted that the Office for Cooperation with Civil Society is active in raising awareness on importance of involving civil society and citizens in decision-making and that civil society continues to play an important role in social, economic and political life and in promoting democratic values.

B12.2. Strategic framework

National Strategic Framework

Based on the current strategic documents, which are presented in Annex I and SWOT analysis the following national objectives referring to the Civil Society Organisations area have been identified:

- Promoting civil society and improving the general society's awareness of CSOs and strengthening mechanisms of communication and cooperation between the Government and CSOs through regular information to all

³²¹ Assessment of the situation in civil society organisations in Serbia, Civic Initiatives and the Office for Cooperation with the Civil Society, 2011

stakeholders, cooperation with media, informing the Government institutions about Office and CSOs activities, improving CSOs' communication with local administration, and expanding and clarify the concept of civil society to the institutions

- Strengthening the capacity of institutions and CSOs through building capacities of the Office, development of Strategy for the Development of Civil Society in Serbia, and building capacities of the institutions and CSOs for cooperation;
- Improving the framework for transparent and sustainable funding of civil society through development of performance indicators for civil society, annual report on the development of CSOs in Serbia, improvement of the legal framework and CSOs financing from public funds, development of new funding sources, and cooperation with international donors;
- Strengthening the institutional framework for the development of civil society through establishment of National Council for development of civil society, further improvement of the institutional framework for the development of civil society, and assessment and identification of shortcomings in the legal framework relevant to CSOs;
- Ensuring the effective participation of CSOs in policy making through participation of NGOs in consultative processes at the national level, and promotion of good practices cooperation mechanisms at the local level;

Promoting CSOs' participation in the processes of European integration and cooperation initiatives in the Western Balkans and the European Union through cooperation with similar institutions in the Western Balkans, ensuring participation of CSOs in the EU community programs, strengthening regional networks, coalitions and connections with civil society networks in EU, effective participation and use of pre-accession funds by CSOs, and increasing the capacity of the Office to programme, manage and monitor the EU funds. Although numerous national sector strategies recognise the importance of civil society and its active role in achieving set objectives, currently there is no specific strategy for this area. As planned in the Offices' Strategic Framework 2011 – 2014 the area specific strategy will be developed by 2014 guided by the vision of Serbia as a developed democratic and solidary society in which all citizens enjoy their rights, freely choose and are able to express their needs through collaboration and partnerships, develop their potential and realize their right to a quality and dignified life.

The Strategic Framework objectives have been considered as the basis for carrying out strategic area assessment and identification of priorities.

NAD Priority 1 - To ensure active and equal participation of CSO in policy making, implementation and monitoring on national, regional and local level will support sustainable development of civil society, partnership between CSOs and the Government, and further strengthening of CSOs' capacities to participate in decision-making processes, to monitor and evaluate the implementation of policies, strategies and laws.

Regional and Transnational Strategies

The EU Strategy for Danube Region promotes socio-economic development in the Danube region and the CSO area priority and measures are correlating with pillar 4 *Strengthening the region*, aiming at institutional capacity building, including the establishment of the Danube Civil Society Forum and the improvement of public administration and services. The Danube Civil Society Forum is the platform for civil society dialogue and networking in the Danube basin. It functions as the interface for structured consultations between civil society and public and private authorities on the regional, national and EU level as well as to international and intergovernmental organisations active in the region. The Danube Civil Society Forum supports civil society organisations in the Danube basin. It aims to promote and enhance civil society participation and networking in the framework of the European Union Strategy for the Danube Region.

International agreements

The European Partnership with Serbia from 18 February 2008 (2008/213/EC) under Political criteria – Civil and Political Rights, sets out short term priority to adopt legislation on associations and the legal status of NGOs, encourage the development of civil society organizations and regular dialogue with civil society on policy initiatives. The **Stabilization and Association Agreement (SAA)** stipulates that "Considering the commitment of the Parties to contribute by all means to the political, economic and institutional stabilization in Serbia as well as in the region, through the development of civil society and democratisation, institution building and public administration reform, regional trade integration and enhanced economic cooperation, as well as through co-operation in a wide range of areas, particularly in justice freedom and security, and the strengthening of national and regional security" (pg. 5).

B12.3. EU Agenda

The Europe 2020 strategy for smart, sustainable and inclusive growth requires a coordinated response of all stakeholders, including social partners and civil society. Civil society is recognised as one on the stakeholders in achieving set objectives.

The key aspects that will influence civil society are: monitoring social and economic change, integrated policy development, the 'Youth on the Move' strategy (one of the EU 2020 'flagship initiatives') and reducing poverty and social exclusion. Other relevant documents are: The Communication from The Commission to The European Parliament, The Council, The European Economic And Social Committee and The Committee Of The Regions - "The roots of democracy and sustainable development: Europe's engagement with Civil Society in external relations" COM (2012) 492, "Towards a reinforced culture of consultation and dialogue - General principles and "Minimum standards for consultation of interested parties by the Commission" COM (2002) 704, and "Guidelines for EU support to civil society in enlargement countries, 2014-2020" The Communication puts forward three priorities for EU support: 1. To enhance efforts to promote a conducive environment for CSOs in partner countries; 2. To promote a meaningful and structured participation of CSOs in domestic policies of partner countries, in the EU programming cycle and in international processes; and 3. To increase local CSOs' capacity to perform their roles as independent development actors more effectively. The Guidelines sets out an agenda for support to civil society within the enlargement policy, defining the areas, modalities and set of objectives, results and indicators which will allow for the measurement of progress at country level as well across the enlargement region.

Furthermore, the Council of Europe document "Code of Good Practice for Civil Participation in the Decision-making Process" is relevant as it covers important subjects such as mechanisms for CSOs participation in decision-making processes and civil society involvement in public policy. This document lays out the rationale, the framework and the means for enhanced civil participation.

Chapter 23. Judiciary and Fundamental rights

The National Assembly of the Republic of Serbia adopted in 2009 the Law on Associations², which regulates the constitutionally guaranteed freedom of association and represents a sound legal framework for the establishment, operation and activities of domestic and foreign associations in the Republic of Serbia. The provisions of the Law largely stimulate the development of civil society organizations in Serbia, since the association is defined as a voluntary, non-governmental, non-profit organisation, based on freedom of association of more individuals or legal entities, established for the purpose of achieving and improving a common or general purpose or interest which are not prohibited by the Constitution or law. The institutional framework for the systematic and continuous dialogue with civil society was established in January 2011, with the establishment of the Office for Cooperation with Civil Society. The establishment and the scope of the Office are defined by the Regulation on the establishment of the Office for Cooperation with Civil Society³²². As defined in NPAA 2013 – 2016, in the forthcoming period activities will be focused on amending the law in order to create an enabling environment for civil society, and initiating laws governing standards of cooperation between civil society and state institutions, and standards of participatory process with civil society in drafting legislation. Furthermore, the National strategy for the creation of an enabling environment for the development of civil society will be developed, regulation and transparent national funding mechanisms and procedures for the co-financing of EU projects will be improved. As part of institutional development, the establishment of the Council for development and cooperation with civil society is foreseen.

The EU priorities for IPA II will be defined in the Common Strategic Framework (CSF) aiming at better alignment of financial assistance with EU enlargement policy. The priorities for individual countries will be identified in the Country Strategy Paper (CSP) prepared by the European Commission and the basis for will be NAD and relevant national sector strategies.

B12.4. Overall objectives and priorities in the thematic area (2014-2020)

The SWOT analysis of the civil society area has been undertaken additional to the situation analysis presented in previous sections, to set out the medium term strategic priorities and realistic and targeted measures

The Civil Society SWOT analysis reported below identifies the challenges that the CSO area priority aims at overcoming.

<i>Strengths</i>	<i>Weaknesses</i>
<ul style="list-style-type: none"> • Established Office for Cooperation with the Civil Society; • The existence of local foundations; • Ability to attract/recruit volunteers and activists; • CSOs are flexible and can respond quickly; • CSOs identify and advocate for important issues; • Previous successes and contribution to the democratic changes. 	<ul style="list-style-type: none"> • Relationship between the government and CSOs is still not systematized; • Lack of awareness among public authorities on the advantages of cooperation with CSOs; • Under-developed cooperation with local authorities; • Influence of networks in Serbia is small; • Limited sustainability; • Weak CSO governance, transparency, and accountability.
<i>Opportunities</i>	<i>Threats</i>

³²² Official Gazette of the Republic of Serbia, No. 26/10

<ul style="list-style-type: none"> • Improved legal, financial, fiscal, and institutional framework for associations and foundations; • Availability of financing from EU and bilateral donors; • Growth of new media and social networking; • Development of the National Strategy for CSO development and establishment of the Council. 	<ul style="list-style-type: none"> • Insufficient level of state support; • Absence of planning the financial allocations based on priorities, as well as absence of monitoring the impact of supported actions • Insufficient experience and capacities of CSOs; • The personal Income Tax Law does not envisage any tax benefits for giving to public benefit; • Underdeveloped mechanisms for donations and philanthropic giving; • Legal framework does not encourage corporate giving/socially responsible business.
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To reflect the above and guide assistance programming the overall objective is formulated as follows:

Sustainable, dynamic, pluralistic and competent civil society as a constitutive element of participatory democracy

The overall objective is integrating culture of consultation, dialogue and partnership into public life, thus promoting democratic values and active citizenship. Involving all interested parties in policy formulation process secures wide social consensus on fundamental rights and developmental objectives of the society.

Priority 1. Ensuring active and equal participation of CSO in policy making, implementation and monitoring on national, regional and local level

The ability of CSOs to participate in different domains of public life depends on a set of preconditions. Therefore the priority aims at creating enabling environment for sustainable development of civil society and their active and equal participation in policy making, implementation and monitoring. Also, improving the capacity of policy makers and civil servants to work with CSOs will strengthen democratic institutions and reforms and increase trust and competencies to build up dialogue and opportunities for partnerships. The CSOs also have a role to play as independent development actors and in that respect their capacity to perform their roles more effectively will be strengthened.

B12.5. Sector measures for implementation of priorities in the sector

Priority 1. Ensuring active and equal participation of CSO in policy making, implementation and monitoring on national, regional and local level

Measure 1.1. Creating an enabling environment for the sustainable development of civil society and partnership with the Government

This measure is addressing institutional, legal and financial preconditions necessary for the sustainable development of civil society thus enabling establishment of partnership and permanent dialogue between public authorities and CSO. The measure will support implementation of the National strategy for enabling environment for civil society development, including development of monitoring, evaluation and reporting mechanisms. It will also support CSOs in their efforts to monitor the Office work and implementation of the Strategy, including production of the shadow reports for Government actions in different areas. Activities will include improvement of institutional (Council for Cooperation with CS), legal (Integration of cooperation with CS into laws/regulations, amending regulation to create a more enabling environment for development of CS and for the exercise of the rights of freedom, expression, assembly, association etc.), fiscal and financial framework (philanthropy and favourable tax laws), non-financial support (legislation allowing state and local authorities to allocate state property, renting space without financial compensation - time-bound, free training, consultations and other resources, to CSOs) as well as transparent state funding for CS development in accountable manner and its participation in the decision-making process. Enhancement and institutionalization of the permanent dialogue, partnership and cooperation between the Government and civil society, both on national and local levels (cooperation, communication, consultation and participation) in creation and monitoring of public policies by creating applicable models and mechanisms (standards and bylaws). Also, actions will aim to develop public-private partnerships and mechanisms for cooperation between local self-governments and CSOs. A supportive environment for CSO involvement in service provision should be further strengthened. Capacity building for Government institutions and National Assembly to better understand the benefits of CSOs' constructive participation in the process of development, implementation and monitoring of national strategies, at all levels. In order to be able to efficiently fulfil its mandate based on the training needs assessment, capacity building of the Office for Cooperation with the Civil Society and other public institutions will be supported, so as to raise the understanding of the cooperation mechanisms and dialogue in the overall process of policy making and implementation.

Measure 1.2. Further strengthening of CSOs' capacities to participate in decision-making processes, to monitor and evaluate the implementation of policies, strategies and laws

The CSOs must overcome capacity constraints ranging from limitations in technical management and leadership skills, fundraising, to organisational and issues of internal governance. Through grant schemes for CSOs, this measure will support capacity building of civil society organisations to participate in the decision-making processes and implement sector policies; to monitor and evaluate the effects as well as to monitor and actively participate in the EU negotiations processes, to strengthen membership base, by higher internal governance standards, including democratic structures, monitoring and evaluation, financial management, transparency, geographic outreach and cooperation. Moreover, CSOs should be supported to increase their effectiveness by increasing their capacity for analysis, monitoring and advocacy as well as networking, partnership, coalition-building and active involvement in the policy and law making processes. Finally, financial sustainability requires improved capacity for diversified fundraising targeting public as well as private sources of income. On the national level, further capacity building will be carried out for SECO members for participation in the planning of development assistance, particularly programming and monitoring the use of the Instrument for Pre-Accession Assistance. In addition, the capacity building should be provided for SECO members to be able to participate in the consultative processes. Also, actions are aiming at increasing the role of local CSOs, non-formal groups and citizens' initiatives in influencing the local and national level policies with consideration to constituency building and representativeness, which should be done in particular through re-granting and flexible support mechanisms to respond to their immediate needs. Support to existing and new networks, coalitions and alliances of civil society organisations at local and national level, as well as the region of WB and Turkey and the EU level in tackling local, national, regional and transnational challenges. In addition, raising awareness and development of Corporate Social Responsibility, private and corporate philanthropy, as well as of social entrepreneurship will be supported.

Regional, Cross-Border and Transnational Themes in CSO

Instruments of importance for regional cooperation, such as Multi-Beneficiary IPA support, CBC and Trans National Programmes, should be provided to those actions where benefit of regional approach is obvious.

The focus will be on development of cooperation with Governmental institutions dealing with CS issues in the WB region and Turkey. It will also facilitate communication, cooperation and partnership between the Office for Cooperation with Civil Society and EU organisations and institutions dealing with CS issues. Communication, cooperation and information flow between and with CSOs in West Balkan region and Turkey, and EU Member States is to be strengthened and common actions implemented. On the regional level focus will be on development and implementation of mechanisms for monitoring the enabling environment for civil society development.

MB IPA

Following the experience so far with implementation of Civil Society Facility, focus should be on: civic initiatives and capacity-building enforcing the role of civil society at local, national and regional levels; joint activities between civil society organisations in different (potential) candidate countries and EU countries to develop networks and promote knowledge transfer and People-2-People programme – visits to EU institutions and knowledge sharing between the EU and civil society bodies in current and future EU countries.

CBC and TNP

In the context of regional cooperation and development emphasis should be on the development of civil society and local communities by fostering common regional identity, stronger social and cultural ties between communities in the border area and joint capacity-building actions undertaken in relation to civil society, establishing partnerships and models for co-operation based on best practices and common needs and people-to-people actions. It is expected that the CSO will support implementation of other sector specific themes.

EU Strategy for Danube Region

The emphasis is on the active participation in the “Danube Civil Society Forum” aiming to promote and enhance civil society participation and networking in the framework of the European Union Strategy for the Danube Region.

B12.6. Institutional framework for implementation of thematic area approach

The Civil Society area in the Republic of Serbia is steered by the Office for Cooperation with the Civil Society, with the support and assistance of SECO mechanism (in the field of planning and programming of international assistance), CSOs' networks and individual CSOs.

The coordinating institution for the civil society area is the Office for Cooperation with the Civil Society. The Office within its regular mandate initiates the adoption of regulations, other general instruments and public policy documents relevant to the legal and tax-related status of CSOs and monitors and is responsible for the implementation of the regulations and policies. The Office also initiates dialogue with the civil society on policy issues, collects and distributes information relevant to CSOs, and undertakes other measures and activities aiming at raising capacities and sustainability of CSOs. The Office

coordinates and encourages cooperation between ministries, other Government agencies and local government bodies with CSOs and conducts activities related to the training and professional advancement of the staff in public administration and local governments, as well as other stakeholders, including also raising awareness among public administration on the benefits of cooperation with CSOs.

In the field of planning and programming of EU funds and international development assistance, a consultative mechanism with civil society organisations (CSOs) – SECO mechanism - was established in 2011. SECO mechanism is based on the consultative process with Sectorial Civil Society Organisations (SECOs) and serves as a framework that enables exchange of information and contribution of CSOs in relation to planning of development assistance, particularly programming and monitoring of the Instrument for Pre-Accession Assistance (IPA). SECO represents a network, led by consortium of maximum three CSOs, where one is defined as Leader of the consortium. The mechanism systematically and transparently involves the CSO sector in an inclusive debate and dialogue, with Government representatives, on the EU funds and development assistance planning and programming processes. It serves as a platform that enables CSOs to influence and to provide recommendations for further improvement of the strategic documents related to planning and programming of international development assistance (i.e. "National Priorities for International Assistance"). In this regard the SECO for Civil Society, Media and Culture has been established and its primary goal is to enable the inclusion of CSOs into the European integration and IPA fund programming processes in a systematic and transparent way.

In order to improve and coordinate activities related to planning, programming, implementation and monitoring of EU funds and international assistance and to increase the efficiency and effectiveness of development assistance, the Sector Working Group (SWG) for Civil Society, Media and Culture³²³ has been established. The SWG for Civil Society, Media and Culture is responsible for coordinating activities related to planning, programming and monitoring of EU funds and international assistance and proposing relevant measures and activities contributing to the improvement of CSO functioning. The functioning, management, organisation and composition of the SWG is more precisely defined by the "Rules of Procedure for Sector Working Groups for the Programming and Monitoring of the EU funds and development assistance". The national institutions participating in the SWG are the Office responsible for cooperation with civil society, Ministry in charge of labour, employment and social policy, Ministry in charge of finance and Ministry in charge of economy, Office responsible for the protection of rights of citizen, Commissioner responsible for the Protection of equality and office responsible for European integration affairs (SEIO). Members of the SWG are officially appointed representatives of the above mentioned institutions, at the level of State Secretary or Assistant Minister, or appointed Senior Programming Officers (SPOs) and the Serbian EU Integration Office.

Representatives of the donor community including the Lead Donors are participating at the SWG meetings based on the needs and requirements of each SWG meeting and takes part in consultation processes for analysing sector priority goals, measures and operations for financing from EU funds and international assistance as well as they secure data on the expected assistance during the planning period. The Lead donor(s) is responsible to support the work of the SWG and represent the interests of donors active in particular sectors.

In order to enable more inclusive and transparent dialog, consultation and communication with all relevant stakeholders in the respective sectors, SEIO established a consultation mechanism with the civil society organisation (CSOs)³²⁴. This mechanism is based on the consultative process with Sectorial Civil Society Organisations (SECOs) and serves as a platform that enables exchange of information and contribution of CSOs in relation to planning development assistance, particularly programming and monitoring of the Instrument for Pre-Accession Assistance (IPA). The SECO indicates a consortium of maximum three CSOs as partners, one of which is clearly indicated as leading partner. SECO is composed of the CSOs that have significant experience with public advocacy, analyses and research in the sector, as well as experience in direct work with service providers and beneficiaries. They are influencing public policy due to their successful networking and partner work with other local and international civil society organisations well as constructive cooperation with state institutions and the constant monitoring of their work. Members of SECO are participating at the SWG meetings based on the needs and requirements of each SWG meeting and takes part in consultation processes for analysing sector priority goals, measures and operations for financing from EU funds and international assistance. Other relevant stakeholders (agencies, private, academic sector, CSOs, etc.) can participate at the SWG meetings based on the topic, needs and requirements of each Sector Working Group meeting.

Under the Rules of Procedure for Sector Working Groups, SEIO³²⁵ is responsible for coordination and ensuring the efficient functioning of all activities of the Sector Working Group. Coordination and leadership of the SWG is supported by a Task force made up of representatives from the Sector Lead Institution, Lead donor and SEIO. SWG is also acting as Sectorial Monitoring Subcommittee for IPA TAIB under the decentralised management.

³²³ Act on establishing the SWG from 5.11.2012. No: 119-01-68/2012-03

³²⁴ Introduced in 2011

³²⁵ Sector for Planning, Programming, Monitoring and Reporting on EU Funds and Development Assistance

B12.7. Indicators for measuring progress

PRIORITY 1: Ensuring active and equal participation of CSO in policy making, implementation and monitoring on national, regional and local level												
Indicator	Unit	Baseline (2012)	Target								Means of Verification	Institution in charge for reporting
			2013	2014	2015	2016	2017	2018	2019	2020		
1.1. A number of laws, bylaws, government procedures and decisions developed for open, regular and transparent communication and cooperation between government institutions and civil society organisations	No	0	1	2	3	3	3	3	4	5	Official Gazette LMs reports OCCS report	Office for Cooperation with Civil Society
MEASURE 1.1: Creating an enabling environment for the sustainable development of civil society and partnership with the Government												
Indicator	Unit	Baseline (2012)	Target								Means of Verification	Institution in charge for reporting
			2013	2014	2015	2016	2017	2018	2019	2020		
1.1.1. Number of regulations amended to create more favourable financial and tax regime for CSOs and other associations	No	0								3	Official Gazette, LMs report, OCCS report	Office for Cooperation with Civil Society
1.1.2. % of national budget disbursed for CSO institutional and project support	%	0.60%								0.85%	Law on Budget, Law on Final Account, OCCS's Annual Summary Report	Office for Cooperation with Civil Society
1.1.3. % of local budgets disbursed for CSO institutional and project support	%	2.58% ³²⁶								2.65%	Law on Budget, Decision on Budget, Law on Final Account, /Decision on Final Account OCCS's Annual Summary Report	Office for Cooperation with Civil Society
MEASURE 1.2: Further strengthening of CSOs' capacities to participate in decision-making processes, to monitor and evaluate the implementation of policies, strategies and laws.												
Indicator	Unit	Baseline (2012)	Target								Means of Verification	Institution in charge for reporting
			2013	2014	2015	2016	2017	2018	2019	2020		
1.2.1. Number of CSOs registered	No	20,000								Not less than 25,000	Serbian Business Register Agency	Office for Cooperation with Civil Society
1.2.2. % of CSOs capable to ensure sustainable financing through diverse resources	%	6%								20%	CSOs narrative and financial reports, Multiannual research report	Office for Cooperation with Civil Society

³²⁶ The data was received from the Treasury. The data may differ from the cities and municipalities' accounting data, if they failed to record the data on payments correctly.

1.2.3. % of CSOs involved in domestic and foreign coalitions and networks	No	35%								50%	CSOs reports, Multiannual research report	Office for Cooperation with Civil Society
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B12.8. Aid effectiveness, efficiency and sustainability

According to the ISDACON database, the civil society area has received substantial assistance from the international donor community over the period 2007-2012, with estimated total disbursement amounting to €64.45 million. Largest and most important donor in the sector has been the EU with total disbursement within IPA component I amounting to 11 million EUR in the period 2007-2013.

In the six annual programmes **2007 – 2013, IPA component I** supported civil society in establishing partnership and networking with European and regional counterparts, promoted anti-discrimination and tolerance, cultural diversity and pluralism, policy dialogue with Serbian authorities, improved CSOs' capacities to formulate public policy, policy analyses and advocacy, as well as developing, implementing and monitoring policies and actions that harmonise with EU standards at the local level. Also, under multi-beneficiary IPA, the civil society facility projects (IPA 08 - €16.5 million, IPA 09 - € 10 million, IPA 11-13 - €7.5 million) have provided technical assistance to CSOs and supported 'People 2 People' activities and partnership actions.

Bilateral donors in Serbia are still very active in their support to CSOs to promote the development of democracy and support CSOs through various individual projects. Donors have supported strengthening of the role of civil society in shaping poverty-related policies and practice through provision of community-based social services, public-civil society partnership, gender mainstreaming in sector policies, and promoting civil society advocacy to improve legal and regulatory framework, such as USAID's recently completed \$27.5 million programme Civil Society Advocacy Initiative, and by the means of UN Agencies (such as UNDP). The World Bank has been running a Small Grants / Civil Society Fund Program for Serbian CSOs and the Regional Environmental Sector for Central and Eastern Europe (REC) has completed the SECTOR Framework Programme (Supporting Environmental Civil Society Organisations in South Eastern Europe) and has initiated the SENSE (Strengthening of environmental civil society in Serbia" in cooperation with the Swedish International Development Cooperation Agency (SIDA). Also, the Norwegian Ministry of Foreign Affairs has programs of support to CSOs. USAID's new Civil Society Forward continues to support CSOs' improving their sustainability.

The "Evaluation of the effectiveness and efficiency of development assistance to the Republic of Serbia per sector"³²⁷ assess the relevance of the assistance as **high**, as it responded to the needs of the government in all respective areas. Overall conclusion related to the efficiency is that it is **high**, while overall rating of the impact and sustainability is **low-medium**. As recommended in the Report further project-based approach to the CSO area in 2014-2020, should be dedicated to ensure there is continues to the improvements in donor coordination with ministries, OCCS and other stakeholders and a common vision for each theme on where the support and goals of the assistance should go with regards to empowerment of civil society as extremely relevant for the overall democratisation and development of the country. International assistance to civil society should be continuous and should focus on further support to building capacities and tools of civil society to monitor the implementation of policies and legislation, as well for contributing to policy making as such. Also, there needs to be a greater focus on further strengthening of the enabling environment (legal and institutional, but also financial framework) as well as investment in capacities of organisations within sectorial networks in all relevant areas, as a large number of CSOs, particularly at local level, do not have extensive experience with sector-based networking.

In addition, there is an on-going evaluation lunched by EU Delegation in this sector. The report on Technical Assistance for Evaluation of Civil Society, Culture and Media thematic areas Implemented and Financed by IPA Programmes and other Donors in the Republic of Serbia is in progress.

³²⁷ Evaluation of Effectiveness and Efficiency of Development Assistance to the Republic of Serbia per Sector (April 2013), SIDA

SECTION C: COORDINATION AND IMPLEMENTATION

C.1 The role of SEIO/NIPAC

The Serbian aid coordination mechanism was established by the SEIO which is responsible for ensuring the effective and efficient use of international assistance to support the achievement of national strategic development priorities³²⁸.

In its aid coordination role, SEIO is responsible for the following tasks:

- preparation of strategic planning documents defining national development goals and priorities for the programming of international assistance;
- consultation with, and coordination of stakeholders³²⁹ in order to identify sectorial, inter-sectorial and regional strategies, priority needs and identifying adequate programmes and projects to be financed by international assistance;
- providing information to, and cooperation with the donor community to enable alignment of international assistance with national priorities;
- participation in the design of donor strategies and planning of programmes and projects financed by assistance;
- monitoring of programme and project implementation by means of: reports from the beneficiaries; donor reports; on the spot checks and the commissioning of evaluation reports;
- harmonization of international assistance programmes and projects with the national priorities and ensuing cooperation with stakeholders;
- development and improvement in the management of international assistance; data gathering, analysis and preparation of reports on the use of international assistance (via ISDAICON);
- reporting to relevant bodies, the Government and international institutions on the implementation of projects financed by EU funds and international assistance.

National IPA Coordinator (NIPAC) is Government's officer, who is the main interlocutor between the Serbian government and the EC regarding IPA and is responsible for ensuring the overall coordination of IPA assistance and its linkage to the EU accession process³³⁰. SEIO department '*Planning, Programming, Monitoring and Reporting on EU Funds and Development Assistance*' provides the Technical Secretariat to support the NIPAC. The NIPAC draws-up and, subject to examination IPA Monitoring Committee, submits to the EC annual and final reports on IPA implementation.

The NIPAC function will continue under IPA-2 (2014-20), specifically the (draft) Rules of Application states that:

'The NIPAC will 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 assistance. The NIPAC shall ensure coordination within the national administration and with other donors and a close link between the use of IPA assistance and the general accession process.' (Article 4)

In order to support the functions of the NIPAC the Technical Secretariat is responsible for:

- Coordination of programming of IPA funds, as well as identification and determination of funding priorities under IPA;
- Providing support to the National IPA Coordinator in establishing the procedure for programming and monitoring under IPA and roles and responsibilities of the institutions in the programming and monitoring process;
- Coordination of the programming process, monitoring the programming process and supporting the institutions involved in programming;
- Providing technical support to the National IPA Coordinator in establishing, chairing and organising the work of the IPA Monitoring Committee, TAIB Monitoring Committee and relevant Sectorial Monitoring Subcommittees;
- Assisting the National IPA Coordinator in preparation of Annual and Final IPA Implementation Reports, as well as preparation of Annual and Final TAIB Implementation reports;
- Collecting and analysing regular sector supports and projects monitoring reports in terms of achievement of purpose and objectives;
- Preparing the regular monitoring reports for the TAIB Sectorial Monitoring Subcommittees;
- Organising and implementing the procedure of monitoring the implementation of sector supports and/or projects, as well as supervising the implementation of recommendations provided during monitoring. Monitoring of

³²⁸ The Decree amending the Decree on establishing European Integration Office from June 2010 (Official Gazette of RS, no. 126/07, 117/08, 42/10, 48/10 and 106/12), defines scope of work of the European Integration Office

³²⁹ Stakeholders' institutions are: authorised bodies and public administrations, local self-government and other relevant institutions.

³³⁰ Minister without portfolio responsible for European integration is the designated NIPAC, and before him was the Head of European Integration Office.

implementation is performed until minimum one year after the execution of the latter contract within sector support and/or project;

- Monitoring the fulfilment of preconditions for the initiation of public procurement procedures;
- Consultations with the Programme Authorising Officer with regards to planning of procurement funded by IPA and monitoring the implementation of procurement and contracting;
- Implementing adequate measures aimed at ensuring the publicity and visibility of activities funded by IPA, including developing and monitoring the implementation of the IPA Communication Strategy;
- Organising the process of evaluation of IPA programmes in order to assess the level of achievement of programme purpose and objectives as well as supervising the implementation of recommendations resulting from the process of external evaluation of IPA programmes.

C.2 Sector Coordination

Sector Working Groups (SWGs) were established to provide a mechanism for consulting and coordinating the various institutions responsible for sector management during the programming and monitoring of international assistance. SWGs ensure transparent and inclusive dialogue between all relevant stakeholders around national strategies for each specific sector /thematic area³³¹, and thereby ensure effective participation and coordination of all relevant institutions within a given sector. Donor and IFI representatives participate in the work of SWGs during the programming of international assistance taking an active part in the preparation of projects /programmes. SWGs therefore serve as platforms for donor and IFI coordination and consultation at the sector level and thereby provide a means for achieving one of the EC's objectives for introducing a Sector Approach, namely the establishment of a sector policy dialogue³³² between donors and beneficiary administrations. Coordination and cooperation with other state institutions, public enterprises, local self-government bodies and Autonomous Provinces is secured by the responsible line ministries which are members of the SWGs.

The composition, functioning, management and organisation of SWGs are regulated by the '*Rules of Procedures for Sector Working Groups*' which are adopted by NIPAC and which identify the functions of the leading national institution (the sector lead institution) and the lead donor in each SWG. Coordination and leadership of the SWG is supported by a 'task force' made up of representatives from the sector lead institution, the lead donor and SEIO. SEIO provides the secretariat of each SWG and it is responsible for ensuring the efficient functioning and coordination of their activities. Members of the SWG are Senior Programme Officers (SPOs) or officials of equivalent rank from the sector line ministries together with representatives of other relevant national organisations and institutions, including the Parliament, the National Bank and SEIO. SWGs are established for the period of four years and meet regularly at least four times a year but often more frequently if necessary.

In order to establish transparency and to enable scrutiny of the planning, programming and monitoring of international assistance by the wider public, SEIO have established a statutory consultation process with the representatives of CSOs. Sector Civil Society Organisations (SECOs) have been identified and selected to take part in the work of SWGs. They act as representatives of the wider community of both national and international CSOs. The number of SECOs corresponds to the number of SWGs and SECOs regularly participate in SWG meetings during the programming and monitoring phases of the international assistance project /programme cycle. In this way, SECO mechanism serves as a platform for exchange of information and contribution of the many CSOs which have an interest in each of the sectors /thematic areas.

Indeed, the mechanism sees CSOs as the main interlocutors through a form of representation based on sector specialisation: each SECO comprises up to three CSOs which are particularly active, representative and involved in the development of a given sector. These CSOs are selected based on public invitation and one in each group is designated to act as the rapporteur for the whole group. SECOs are visible and oriented to the maximum transparency and participation. A dedicated website³³³ is active and it is regularly updated with information about important developments of this consultative process.

C3 Sector Lead Institution

The lead national (sector) institution is the ministry responsible for coordinating the activities of all relevant institutions related to preparation, implementation and monitoring of sector projects /programmes to be supported by international assistance. This institution has the main responsibility of leading the relevant institutions in the process of policy making, implementation, monitoring and reporting within each sector. This is a significant responsibility since achieving reform results within sectors/ thematic areas requires long-term governmental ownership, leadership and political will. The first and crucial

³³¹ Sector Working Groups are the following: Justice; Home Affairs; Public Administration Reform; Competitiveness; Human Resource and Social Development; Agriculture and Rural Development; Environment and Climate Change; Energy; Transport; Culture and Media; CSOs.

³³² Sector Approach in Pre-Accession Assistance. Ref. Ares(2013)65573 – 18/01/2013. Section 2

³³³ www.cdspreldaze.org.rs

role of the sector lead institution is to guide the efforts within the sector, with the power to make decisions, control resources and coordinate all participating institutions in providing inputs to achieve the desired long and medium-term sector impacts.

The lead institution plays a predominant role in most of the institutional functions for the sector and takes overall responsibility within the government for:

- the strategic and policy planning and implementation;
- the delivery of strong internal and horizontal intergovernmental coordination arrangements as well as good vertical coordination of national, regional and local activity;
- the coordination of the necessary partnerships between government, the professional, CSOs and donor communities;
- the finalisation of a comprehensive legislative framework;
- the provision of sustainable sources of annual funding and a rational framework for resource allocation;
- the setting-up of a regular performance monitoring and evaluation framework.

Taken all together, the above institutional functions represent the main criteria for identifying the sector lead institutions i.e. they need to have both the legal mandate and the capacity to perform these functions and to organise, coordinate and manage sector reforms.

In addition, sector lead institutions should take a greater role in the upcoming EU accession negotiations. The table presented in Annex 6 shows the sector lead institutions for each sector /SWG in comparison with the institutions which provide the presidents of the working groups established for each chapter of the *acquis*. Inspection of this table shows that in all but one sector there is a direct correspondence between the institutions leading the negotiations and SWG sector lead institutions. The one exception is the sector of Public Administration Reform (PAR) where the sector lead institution is the Ministry in charge of Public Administration despite the fact that the negotiations on all the chapters covered by the sector are led by the ministry responsible for Finance. The chapters covered by the PAR sector are concerned solely with public finance management whilst there is no *acquis* that deals with PAR. However, there is the EC initiative to establish thematic PAR group where PAR related issues will be discussed. In addition, there are two main reasons for the institutional lead to be taken by the Ministry responsible for Public Administration, these are as follows:

- (i) PAR is considered to be an essential requirement for the negotiations on all the chapters of the *acquis* and in this sense it underpins all the sectors and is cross-cutting.
- (ii) PAR is an SAA obligation, since under Article 114 (Public Administration) of the SAA, '*Serbia must ensure the development of an efficient and accountable public administration, notably to support rule of law implementation, the proper functioning of the state institutions*'.

C4 Implementation modalities

International assistance encompasses the support of bilateral and multilateral partners and IFIs³³⁴ which is provided in the form of grants and concessional loans, provided that the grant element in the total approved funds is at least 25%.³³⁵

Implementation modalities of development assistance vary depending on the type of assistance and whether it is provided in the form of grants or concessional loans. In the case of bilateral and multilateral grants, implementation modalities fall into two groups:

- The first group tends to manage their projects directly by their own development agencies (e.g. Germany/GIZ, USA/USAID, Sweden/SIDA, Switzerland/SDC, Japan/JICA);
- In the second group, bilateral grants show a gradual shift from implementation through development agencies (or direct implementation by bilateral/multilateral donors) towards a more significant use of national administrative systems and structures (e.g. Norway, Sweden, USAID). This is in line with the Paris Declaration (indicator 5b, see Table 4, Section A.4.3).

In some cases donors are providing support by using international organisations as implementing partners or they pool their own funds (e.g. Multi Donor Trust Fund in Justice Sector). Development assistance can be also implemented in a form of budgetary support. General budget support is un-earmarked contributions to the government budget to support the implementation of macroeconomic reforms (structural adjustment programmes, poverty reduction strategies). Sector budget support, like general budget support, is an un-earmarked financial contribution to a recipient government's budget. However, in sector budget support, the dialogue between donors and partner governments focuses on sector-specific concerns, rather than on overall policy and budget priorities.

³³⁴ Funds/donations of private and NGO sector are not included

³³⁵ OECD definitions of official development assistance

Implementation modalities for IFI and bilateral loans strongly depend on the agreements reached between the government and the particular financial institution or donor government providing the loans. This implies that implementation of IFI/ bilateral loans is strictly regulated and agreed between two sides regardless of how it is managed by national institutions.

The management of IPA funds has, to date, been managed by the EU Delegation. However, the Serbian authorities are currently at an advanced stage of preparations for the conferral of management responsibilities for IPA funds under the decentralised management system (DMS). The preparation process for the conferral of management involves five distinct stages, these are:

Stage 0: Establishment of the management and control system

Stage 1: Gap assessment

Stage 2: Gap plugging

Stage 3: Compliance assessment

Stage 4: National accreditation and submission of DMS application for conferral of management with *ex-ante* controls

The necessary structures (National Fund, Central Financing and Contracting Unit, NIPAC TS, CBC Body, Operating Structures and Audit Authority) have been established and DMS posts (Competent Accrediting Officer, National Authorising Officer, Programme Authorising Officer, NIPAC, Head of Operating Structures, Senior Programme Officers) have been appointed. It is expected that by the end of 2013 the Serbian administration will take on the tendering, contracting and payment responsibilities for IPA from the EU Delegation.

The EU Programmes are managed by responsible line Directorate Generals, while responsibility for implementation of individual projects lies at project applicants.

C5 Instruments for aid effectiveness

The aid coordination mechanism in place aims at improving aid effectiveness, speeding up reforms and streamlining external funding towards national priorities and objectives. Within the existent aid coordination mechanisms three key instruments are developed to assist alignment of donor resources to national priorities:

- This document, the **NAD**, which aligns international assistance with national priorities through sector approach.
- **Action Plan for Programming of International Assistance** which is prepared by SEIO, aims to organise and efficiently implement the process of programming and reporting on the international development assistance. It ensures synchronization of development aid programming with specific donor calendars, national planning and budgeting processes. The Action Plan defines the instructions and procedures for all actors to follow in the process of programming EU funds and development assistance and describes the different roles and responsibilities in the programming and reporting processes. **ISDA CON** (www.evropa.gov.rs) serves as an IT support to the management of international assistance and to the increase of its effectiveness. The system provides comprehensive data and reports on international assistance, with the purpose of ensuring efficiency in programming, securing timely and effective communication and exchange of information between the users and enabling transparent use of international assistance. The system is going to become a monitoring tool for EU funded projects under the new financial perspective 2014-2020. It includes an aid management platform and a website for sharing information on EU funds and development assistance.

ANNEXES

ANNEX 1 - STRATEGIC AND LEGAL FRAMEWORK

This Annex contains the appropriate strategies for the period the document '*National Priorities for International Assistance to the Republic of Serbia 2014-2017, with 2020 Projections*' is related to.

JUSTICE SECTOR

Strategic Framework

New **National Judicial Reform Strategy 2013-2018**³³⁶ was adopted in 2013. The new Strategy is further strengthening key principles that will improve the judicial system regarding its independence, impartiality and quality of justice, competence accountability and efficiency. Specific measures will be dealing with the improvements in the legislative framework, reduction of existing backlog of pending court and enforcement cases and the length of court proceedings, which should simplify and streamline rules of procedure, smooth introduction of new legal professions, better internal organisation of courts and increased efficiency of individual judges and prosecutors. Also the ICT Strategy, as referred in the National Judicial Reform Strategy, is in the process of drafting and it will in detail define dynamics and time frame for establishment of the ICT system in the judiciary.

National Anti-Corruption Strategy³³⁷ for 2013 - 2018 is adopted and will serve as a foundation for the new Action Plan as a key document in the process of the fight against corruption. The Strategy is structured around following priority areas: Public Finances, Public Enterprises, Financing of political parties, Urban and Spatial Planning, Justice, Right of Access to Information of Public Interest, Police, Education and Sport, Media, prosecution of criminal offences of corruption, Public Procurement, Healthcare, Whistle-blower protection. Serbia has adopted the **National Strategy for the Fight against Organised Crime**³³⁸ in 2009.

In addition, Serbia adopted in 2010 the Strategy for Development of the Free Legal Aid System³³⁹ and the Strategy for Reducing Overcrowding in Institutions for Enforcement of Criminal Sanctions³⁴⁰ for the period from 2010 to 2015. New Strategy for the Development of the System for Execution of Criminal Sanctions in the Republic of Serbia for the period 2013 to 2020 is being in the process of preparation and its adoption is expected in the 2013 and some of determined priorities are: further development and widely implementation of alternative sanctions, creation of measures for the execution of alternative measures and sanctions, introduction of new ways of alternative sanctions, training for judicial function bearers, probation officers, police officers, etc., further development of the post penal care of convicted persons as support to implementation of the new legislation and introduction of the new ICT.

Strategy of the Reform of Penitentiary System in Serbia was adopted in 2005 and it defined modern instruments and working methods to build the capacity of prison staff and to contribute to the development of a safe, secure and transparent environment for persons detained in prison. The new draft Strategy defined several the most important areas that need to be developed and relevant priorities and made connection for harmonization of the penal system reform with reforms related to other institutions of the judicial system and state authorities. Relevant policies promoting H&MRs refer to enhancement of the socio-economic position and participation, representation, protection and decision-making mechanisms of minority and vulnerable groups. Strategic documents include: Strategy for Sustainable Survival and Return to Kosovo and Metohija (2010 – 2015); The National Strategy for Improved Status of Women and Gender Equality Promotion (2009 – 2015); The Strategy for Improvement of The Status of Roma in The Republic of Serbia (2009 – 2012) outdated-the new strategy is under development; National strategy for prevention and combating violence against women (2011 -2014); National strategy for resolving the problems of refugees and internally displaced persons (2011 – 2014); Strategy for fight against trafficking in human beings (2006-implementation period unknown); Strategies for prevention and suppression of human trafficking and protection of victims in Serbia, (2013-2017 to be adopted); Antidiscrimination Strategy 2013-2018 (to be adopted in 2013). **Regarding the protection of minorities**, Serbia has undertaken, in preparation of the 2014 elections to the Minority Councils, a revision of the 2009 Law on the National Minority Councils³⁴¹, in order to address some of the shortcomings. This follows the recommendations by the Ombudsman and the Commissioner for free access to information of public

³³⁶Official Gazette of the RS^a, No. 57./2013

³³⁷Official Gazette of the RS^a, No. 57./2013

³³⁸Official Gazette of the RS^a, No. 23/2009

³³⁹Official Gazette of the RS^a, No. 74/2010

³⁴⁰Official Gazette of the RS^a, No. 53/10

³⁴¹Official Gazette of the RS^a, No. 72//09

importance and personal protection in particular regarding the electoral process and the rules governing the constitution of the Councils. Serbia also took steps to improve the implementation of the legal framework throughout its territory.

Legal Framework

The judicial system legislative framework relies upon: Law on the High Judicial Council³⁴², Law on Judges³⁴³, Law on Organization of Courts³⁴⁴, Law on the State Prosecutorial Council³⁴⁵, Law on Public Prosecution,³⁴⁶ Law on the Seats and Territorial Jurisdiction of Courts and Public Prosecutor's Offices³⁴⁷, Law on the Judicial Academy³⁴⁸, Misdemeanour Law³⁴⁹, Civil Procedure Code³⁵⁰, Law on Non-Contentious Proceedings³⁵¹, Law on Enforcement and Security³⁵², Law on Public Notaries³⁵³. In accordance with relevant laws, the High Judicial Council, State Prosecutorial Council and Judicial Academy were established and new reduced judicial network has been introduced, characterized by drastic reduction in the total number of courts and prosecutors and in line with this reduced number of judges and public prosecutors. The Law on Organization and Jurisdiction of Government Authorities in Suppression of Organized Crime, Corruption and Other Severe Criminal Offences (as lastly amended in 2011); the Law on Civil Servants (2006, as amended in 2009); and the Law on Mutual Legal Assistance in Criminal Matters (2009).

Fight against corruption is based on the following legal framework: Law on Anti-Corruption Agency³⁵⁴, Law on organisation and jurisdiction of state authorities in combating organised crime, corruption and other severe criminal offences³⁵⁵, Criminal Code³⁵⁶, Criminal Procedure Code³⁵⁷, Law on financing of political activities³⁵⁸, Law on Seizure and Confiscation of the Proceeds from Crime³⁵⁹, Law on Liability of Legal Entities for criminal offences³⁶⁰, Law on execution of criminal sanctions³⁶¹, Law on Civil Servants³⁶², Law on Free Access to Information of Public Importance³⁶³. Furthermore, the Republic of Serbia can further benefit from the proper implementation of the United Nations Convention against Corruption. This is the only international convention that establishes the key principles of prevention and criminalization of corruption, international cooperation in this area as well as asset recovery. Serbia ratified the Convention in 2005. The Government should aim at full-fledged implementation of the Convention and the Protocols – in order to further strengthen the preparedness for meeting the requirements of the EU *acquis*, in particular chapters 23 and 24.

Human rights protection instruments have been transposed in the Serbian legal system and incorporated through the following legal framework: Law on Free Access to Information of Public Importance strengthening the enforcement of the Commissioner's for Information of Public Importance and Personal Data Protection decisions, Law on the Prohibition of Discrimination³⁶⁴ (2009), (the National Assembly elected the Commissioner for Equality in May 2010).

HOME AFFAIRS SECTOR

Strategic Framework

The **Development strategy of Ministry of Interior** (2011 – 2016) provides general direction for development of Ministry in charge of home affairs. Following areas have been recognized for future development: Organization and management; Security of the individual, the community and the state; Partnerships on national, regional and international level; System of internal and external control and transparency in work. These objectives will be achieved through specific activities and tasks that will be part of the Action Plan for the implementation of the Strategy.

³⁴²Official Gazette of the RS⁴, No.(116/2008, 101/2010 and 88/2011)

³⁴³Official Gazette of the RS⁴, No.(116/2008, 58/2009 CCD, 104/2009, 101/2010, 82/2012 Constitutional Court Decision, 121/2012, 124/2012 – Constitutional Court Decision,)

³⁴⁴Official Gazette of the RS⁴, No.(116/2008, 104/2009, 101/2010,31/2011-other law, 78/2011-other law 101/2011)

³⁴⁵Official Gazette of the RS⁴, No.(116/2008, 101/2010,88/2011)

³⁴⁶Official Gazette of the RS⁴, No. 116/2008,104/2009, 101/2010, 78/2011-other law, 101/2011, 38/2012-CCD 121/2012)

³⁴⁷Official Gazette of the RS⁴, No. (116/2008)

³⁴⁸Official Gazette of the RS⁴, No. (104/2009)

³⁴⁹Official Gazette of the RS⁴, No. (101/2005,116/2008 and 111/2009)

³⁵⁰Official Gazette of the RS⁴, No.(72/2011)

³⁵¹ "Official Gazette of SRS"(No. 25/82, 48/88, "Official Gazette of the RS⁴,46/95, 18/2005, 85/2012)

³⁵²Official Gazette of the RS⁴, (No. 31/2011 99/2011-)other law

³⁵³Official Gazette of the RS⁴, (No. 31/2011,85/2012and 19/2013)

³⁵⁴Official Gazette of the RS⁴, No.(97/2008,53/2010 and 66/2011 CD)

³⁵⁵Official Gazette of the RS⁴, No. 42/2002, 27/2003, 39/2003, 67/2003,29/2004, 58/2004, other law, 45/2005, 61/2005, 72/2009, 72/2011,other law 101/2011,other law32/2013)

³⁵⁶Official Gazette of the RS⁴, No. 85/2005, 88/2005,107/2005, 72/2009,111/2009,121/2012)

³⁵⁷Official Gazette of the RS⁴, No. 72/2011,101/2011.121/2012 and 32/2013)

³⁵⁸Official Gazette of the RS⁴, No. 43/2011)

³⁵⁹Official Gazette of the RS⁴, No. 32/2013

³⁶⁰Official Gazette of the RS⁴, 97/2008

³⁶¹Official Gazette of the RS⁴, No. 85/2005, 72/2009 31/2011

³⁶²Official Gazette of the RS⁴, No. 120/2004, 54/2007, 104/2009, 36/2010

³⁶³Official Gazette of the RS⁴, No. 120/2004, 54/2007, 104/2009, 36/2010

³⁶⁴Official Gazette of the RS⁴, No. 22/2009

To enhance the efficient prevention and fight against organised crime, Serbia has adopted the **National Strategy for the Fight against Organised Crime** in 2009³⁶⁵. The Strategy, foresees the long-term trends and directions of functioning of the organised crime structures, as well as the capacities of the Republic of Serbia for prevention and its reduction to the lowest possible rate.

The **Integrated Border Management Strategy**³⁶⁶, was adopted in 2012, and defines areas of common interest for all four border services (border police, customs and the two inspection services), relating to the field of joint training, infrastructure, equipment and information technology and telecommunications systems. It is a document that determines the policy regarding establishing a system of integrated border management, sets a framework for the elaboration of harmonised and synchronised sector strategies and for implementation plans, defines roles and responsibilities of the state authorities and relevant border services, identifies strategic goals, and decides on basic directions for actions during the process of establishing and implementation the long-term sustainability and stability of the established system of integrated border management.

The **Community Policing Strategy with Action Plan**, adopted on 30 April 2013 includes a new methodology of Police work including significant emphasis on Prevention at local level. The Community Policing Strategy represents further elaboration of the idea on the establishment of new ways of cooperation between the police and the citizens, the community and the institutions, aiming at reduction and control of security challenges, risks and threats directed towards the community, the groups and individuals within the Republic of Serbia.

Overall objective of the **Strategy for emergency Management and civil protection**³⁶⁷ is to develop a comprehensive, efficient and effective system to reduce the risk and consequences of natural disasters and other catastrophes, thus integrated emergency management in the Republic of Serbia, which contributes to increased security and sustainable development in the region.

The overall objective of the **Strategy for fire protection**³⁶⁸ is to improve fire safety by taking preventive measures and implementation of the security measures of all subjects. Main areas of action include legal and regulatory environment, preventive actions, reactive action, cooperation of all factors, especially the cooperation with international actors, assessment of capacity in knowledge, skills and the necessary equipment.

Main objectives of **National Defence Strategy**³⁶⁹ are: efficient defence system, peace and a favourable security environment, and integration into European and other international security structures and participation in NATO's Partnership for Peace.

National Security strategy³⁷⁰ (2009) objectives are to improve the safety of citizens, society and the state, strengthen national security institutions, implement effective preventive measures and activities, as well as adequately addressing security risks and threats in order to protect national interests.

Small arms and light Weapons control strategy³⁷¹ overall objective is to establish a uniform system of effective control of small arms and light weapons in the Republic of Serbia, which will reduce the number of weapons in illegal possession, misuse of legally held weapons and increase the overall security of the citizens and the society as a whole.

National strategy for resolving the problems of refugees and internally displaced persons³⁷² is a framework for generating initiatives and implementing activities with the goal to resolve problems of refugee and IDP issues.

National strategy for prevention and combating violence against women (2011) has overall goals to: Establish a system of primary, secondary and tertiary prevention; improve the legislative framework for the protection of women from violence; improve multi-sectorial collaboration, institutional capacity building and development of services; improving the system of measures of protection and support for victims of violence.

The **Strategy for Combating Illegal Migration in the Republic of Serbia**³⁷³ recognizes as one of its fundamental values, the protection of persons submitting requests for asylum and as a specific goal, define the necessity for the, "development of a system of measures for political migrants – asylum seekers." Main objective of Strategy is significant improvement of effectiveness and efficiency in combating illegal migration.

³⁶⁵ For the period 2009 – 2014

³⁶⁶ For the period

³⁶⁷ For the period 2011 – 2016

³⁶⁸ For the period 2012-2017

³⁶⁹ Adopted in 2009

³⁷⁰ For the period

³⁷¹ For the period 2010 – 2015

³⁷² For the period 2011 – 2014

³⁷³ For the period 2009 – 2014

Strategy for fight against trafficking in human beings³⁷⁴ (2006) contains series of measures and actions to be taken in order to timely and comprehensive respond to the problem of human trafficking in the country, with special emphasis on the protection of human rights victims. The strategic objectives in the fight against trafficking in human beings are grouped into five areas: institutional framework, prevention, assistance, protection and reintegration of victims, international cooperation and monitoring and evaluation of results. Strategy for prevention and suppression of human trafficking and protect victims in Serbia, 2013-2018 has been developed. The Action Plan for the implementation of this Strategy has been prepared as well.

National **Strategy against Money Laundering and Terrorism financing**³⁷⁵, was adopted in September 2008 and includes steps for improvement of legislative, institutional, and operational framework for fight against money laundering and the financing of terrorism. The Action Plan for the implementation of the Strategy was adopted in 2010.

National Anti-Corruption Strategy³⁷⁶ for 2013 - 2018 will serve as a foundation for the new Action Plan as a key document in the process of the fight against corruption. Draft Strategy is structured around following priority areas: Public Finances, Public Enterprises, Financing of political parties, Urban and Spatial Planning, Justice, Right of Access to Information of Public Interest, Police, Education and Sport, Media, prosecution of criminal offences of corruption, Public Procurement, Healthcare, Whistle-blower protection.

In July 2009, the Republic of Serbia adopted the **Migration Management Strategy**³⁷⁷, addressing all aspects of migration, with the aim to monitor and manage migration in line with European standards and regulation in this area.

Main priority of the **Strategy on the Reintegration of Returnees Based on the Readmission Agreements**³⁷⁸ is sustainable integration of returnees into the community, respecting social and cultural diversity.

Legal framework

Constitution of the Republic of Serbia³⁷⁹ contains norms for establishing the basic constitutional values such as human rights, human freedom, the rule of law, market economy, social justice, civil rights on provincial and local self-government.. Almost all freedoms and rights in the sphere of individual and political rights are elaborated in the Constitution, including the protection of the moveable and immoveable property rights.

The amendments to the Criminal Code³⁸⁰ introduced changes in the matter of regulating criminal terrorism, primarily for the purpose of synchronising the Criminal Code with the relevant international legal instruments/sources in the area. The Criminal Code has introduced new offences such as public instigation of terrorist acts and recruitment and training of terrorist acts. While Serbia is a party to 14 of the 18 international counter-terrorism legal instruments, there is still a need to ratify the remaining four instruments.

The Criminal acts Procedure Code³⁸¹ introduced significant changes to the criminal procedure system in Serbia, introducing prosecutorial investigation. The new CPC came into force on 15 January 2012 initially only in specialised prosecutors' offices and courts dealing with war crimes and organised crime, but it was planned that its implementation starts also in prosecution offices and courts of general jurisdiction as of January 2013.

The Law on Mutual Legal Assistance in Criminal Matters³⁸² regulates in a complete manner all forms of mutual legal assistance in criminal matters (extradition, mutual execution of court decisions in criminal matters, transfer and takeover of prosecution, general aspects). In the context of the UNCAC review process, what was highlighted as good practice was the fact that the Law on Mutual Assistance in Criminal Matters was comprehensive and coherent and regulates in a detailed manner all forms of international cooperation used by the Serbian authorities. With regard to terrorism, it should be ensured that the law specifies that terrorist offences should be exempted from the application of the political offence exception.

The Law on psychoactive controlled substances sets the conditions for the production and marketing, import, export or transit of psychoactive controlled substances, requirements for job execution. The Law on substances used in the illicit production of narcotic drugs and psychotropic substances (precursors)³⁸³ sets the conditions for production and marketing, import, export, transit of precursors, as well as the performance requirements in this area in accordance with the 1988 United Nations Convention.

Law on Asylum³⁸⁴ defines the process for obtaining right to asylum protection, defines the responsibilities and rights of asylum seekers, persons seeking asylum, persons who have been granted refuge, subsidiary or temporary protection within

³⁷⁴ For the period

³⁷⁵ For the period 2008 – 2013

³⁷⁶ Official Gazette of the RS⁴, No. 57/2013

³⁷⁷ For the period 2009 – 2011

³⁷⁸ For the period 2009 – 2010

³⁷⁹ Official Gazette of the Republic of Serbia, No 98/2006

³⁸⁰ Official Gazette of the Republic of Serbia, No. 85/2005, 88/2005 – corr. 107/2005, 72/2009, 11/2009, 121/2012

³⁸¹ Official Gazette of the Republic of Serbia, No. 125/2005

³⁸² Official Gazette of the Republic of Serbia, No. 72/2009

³⁸³ Official Gazette of the Republic of Serbia, no 107/05

³⁸⁴ Official Gazette of the Republic of Serbia, No. 109/07

the asylum process, precisely defines the competencies of institutions involved in the process of resolving asylum claims, providing basic living conditions and the protection of the human rights of asylum seekers. By means of this law a twofold administrative procedure has been envisioned regarding the resolution of asylum claims, the possibility of appealing to the Administrative Court as a tertiary judicial instances, provision of the accommodation and basic living conditions of asylum seekers within the Asylum Centre as also the integration of those persons who have been granted subsidiary, temporary protection or asylum.

Law on Foreigners³⁸⁵ is, "lex generalis," in the event of deficiencies in the scope, content, type of rights and responsibilities of asylum seekers, persons seeking asylum, persons who have been given refuge, subsidiary protection or else temporary protection within the asylum procedure.

Law on Protection of the State Border³⁸⁶ regulates the protection of the national borders, organizations and means of achieving protection. The Law in question stipulates that the Border Police has the authority to perform controls of persons, means of transport and goods found on public roads and facilities of importance to border flows within the place of the border crossing and at other locations between borders crossings, on tributary roads located alongside the national frontiers in order to stop and or uncover illegal migration and suppress cross border crime. With this law, the Republic of Serbia established an effective system of protection of the state border and a high standard of border control, and cooperation of all authorities involved in the operation is regulated. A set of seven accompanying by-laws was adopted in December 2012.

The Law on Migration Management³⁸⁷ adopted in November 2012 sets a competent authority for the integration of persons with granted asylum (that is the Commissariat for Refugees and Migration), thus filling in the previously existing legal gap.

Regulatory and legal framework for defence system consists of several laws: Law on Defence³⁸⁸, Law on Serbian Armed Forces³⁸⁹ and Law on Organisational Principles of Security Services of the Republic of Serbia³⁹⁰. In the field of defence and security the following laws are relevant: Law on Engagement of the Serbian Armed Forces and other Defence Forces in Multinational Operations outside the Republic of Serbia borders³⁹¹ and the Law on Military Security Agency and Military Intelligence Agency³⁹², Law on Civilian Service³⁹³ Law on Conscription, Compulsory Labour and Requisition³⁹⁴. Regulatory and legal framework created conditions for defence system reform and strengthen mechanisms of democratic and civilian oversight of the Serbian Armed Forces.

Other relevant laws are: Law on Execution of Criminal Sanctions³⁹⁵, Law on Seizure and Confiscation of the Proceeds from Crime, Law on Organisation of Courts³⁹⁶, Law on Public Prosecution³⁹⁷, Law on the Police³⁹⁸, Law on the organisation and responsibilities of the State institutions in suppressing organised crime, corruption and other severe criminal offences³⁹⁹, Customs Law⁴⁰⁰ and Law on State Border Protection⁴⁰¹.

PUBLIC ADMINISTRATION REFORM SECTOR

Strategic Framework

Strategy for Public Administration Reform in the Republic of Serbia (2004-2008) was the first basic strategic document in the field of public administration. Activities in the implementation of this strategic document were defined in the Action Plan for Implementation of Public Administration Reform which is the integral part of the Strategy. So far, the Government adopted two Action Plans – first for the period 2004-2008 and second for 2009-2012. A coordination structure for the development of the **new PAR draft strategy** for 2013-2016 is now fully operational. Several meetings have taken place of the inter-Ministerial project group and amongst the 7 Working Groups during the last months and the new draft version of the PAR strategy was developed, including a draft action plan. New strategy for public administration with an action plan will cover broader field known as public administration – state administration, local self-government and other forms of exercising public authority, while keeping continuity with the previously adopted principles of public administration reform. An

³⁸⁵ Official Gazette of the Republic of Serbia, No. 97/08

³⁸⁶ Official Gazette of the Republic of Serbia, No. 97/08

³⁸⁷ Official Gazette of the Republic of Serbia, no 107/12

³⁸⁸ Official Gazette of the Republic of Serbia, no 116/07, 88/09, 104/09

³⁸⁹ Official Gazette of the Republic of Serbia, no 116/07, 88/09 and 101/10

³⁹⁰ Official Gazette of the Republic of Serbia, no 116/07 and 72/12

³⁹¹ Official Gazette of the Republic of Serbia, no 88/09

³⁹² Official Gazette of the Republic of Serbia, no 88/09 and 55/12

³⁹³ Official Gazette of the Republic of Serbia, no 88/09

³⁹⁴ Official Gazette of the Republic of Serbia, no 88/09 and 95/10

³⁹⁵ Official Gazette of the Republic of Serbia, No. 85/2005 and 72/09

³⁹⁶ Official Gazette of the Republic of Serbia, No. 116/2008, 104/2009 and 101/2010

³⁹⁷ Official Gazette of the Republic of Serbia, No. 116/2008, 104/2009 and 101/2010

³⁹⁸ Official Gazette of the Republic of Serbia, No. 101/05 and 63/2009 – decision of the Constitutional Court

³⁹⁹ Official Gazette of the Republic of Serbia, No. 42 /02, 27/03, 39 /03, 67 /03, 29/04, 45/05, 72/09

⁴⁰⁰ Official Gazette of the Republic of Serbia, no 18/2010 and 111/2012

⁴⁰¹ Official Gazette of the Republic of Serbia, no 97/2008

attempt is being made that main reform directions, currently outlined in various strategies, are brought together within the scope of new PAR Strategy and Action Plan.

Strategy for Professional Development of Civil Servants in the Republic of Serbia⁴⁰² (2011-2013) with Action Plan provided basic guidelines for establishing a new – integrated, comprehensive and sustainable system for professional development of civil servants, completely in function of achieving the goals of the public administration reform. Creating a professional public administration is the key condition for success of the public administration reform, and, having in mind the absence of a systemic and suitable approach in resolving the issues of professional development of civil servants, this strategy tried to fill the gap. Other important reason for introducing the new system for professional development is the establishment of standards of quality and contents of the professional development programmes for civil servants, general as well as individual.

Strategy for Development of e-Government⁴⁰³ (2009-2013) with the Action Plan sets out the objectives of the introduction of government which should allow more efficient and effective operation of administrative bodies and public authorities in the provision of public services to citizens, companies and other organizations. The new Strategy and an action plan for e-Government development for 2014-2018 is planned to be adopted by end 2013.

National Anti-Corruption Strategy⁴⁰⁴ for 2013 - 2018 has been adopted and will serve as a foundation for the new Action Plan as a key document in the process of the fight against corruption. Draft Strategy is structured around following priority areas: Public Finances, Public Enterprises, Financing of political parties, Urban and Spatial Planning, Justice, Right of Access to Information of Public Interest, Police, Education and Sport, Media, prosecution of criminal offences of corruption, Public Procurement, Healthcare, Whistle-blower protection

The **decentralization** strategy was expected to be drafted under coordination of the Ministry in charge for regional development and local self-government and adopted by the Government by mid-2014. Nevertheless, the principles of balanced regional development are included in several strategic documents, mentioned below. Regarding **fiscal dimension** of the decentralization, both the Fiscal Strategy and the PEP announce more efficient mobilisation of capacities of local public finances and fostering the fiscal responsibility of local self-government. Measures envisaged improving management of local public finances concern setting the limitation to growth of wages and subsidies on the local level and transfer of competences from Republic to LSG units in the areas of transport infrastructure, education, social and health protection to local level.

Regional Development Strategy of the Republic of Serbia⁴⁰⁵ (2007-2012) was the first strategic document defining in a comprehensive and consistent way basic development priorities of the country's regional development and the ways of reaching these priorities. According to the Strategy the main regional development goals are: sustainable development, enhancing regional competitiveness, alleviating regional disproportions and poverty, stopping negative population trends, continuation of the decentralization process, building institutional regional infrastructure. A new regional development strategy is still in the drafting phase and it is up to be approved in 2013.

National Sustainable Development Strategy⁴⁰⁶ (2008-2017) as well underlines that the regional and local aspects of sustainable development should include establishing a better organized and coordinated local government, local administration and public utility companies, the development of local economy on the basis of available natural resources and measures to support the promotion of sustainable use of resources; strengthening the institutional capacity of local self-government and increased capacity of staff in appointed and elected positions in municipal administrations; and promoting the development of local management for sustainable development through the development of local strategic and development plans.

The draft **Strategy for restructuring of public utility companies (PUC) in Serbia** (2011) has been prepared with the objective of gradually transforming PUC's which are the responsibility of local governments into financially sustainable, market-oriented companies that provide high quality services to its clients. This should be achieved by introducing a common methodology for tariff-setting and business standards, improving operational efficiency, increasing capital investment, also with participation of private capital, and putting in place transparent ownership and governance structures.

Fiscal Strategy⁴⁰⁷ (2014-2016) defines the objectives and guidelines of the Government's economic and fiscal policy, setting the path of fiscal consolidation and the three year expenditure ceilings. Responsible use of public funds and increasing value for money is a general requirement on public administration which connects the overall administration

⁴⁰² Official Gazette of RS No 56/2011

⁴⁰³ Official Gazette of RS No 83/09 and 5/10

⁴⁰⁴ Official Gazette of the RS", No. 57/2013

⁴⁰⁵ The concept of the region in the Strategy implies "a local government unit on the territory of the administrative district" and does not match with the EU definition, where the region is defined as an economic region. The concept of the region in the Strategy implies "administrative district" defined under Article 38 of the Law on State Administration (Official Gazette of RS No 79/2005, 101/2007 and 95/2010).

⁴⁰⁶ Official Gazette of the Republic of Serbia, No 57/08

⁴⁰⁷ Serbian Government adopted Fiscal strategy for 2014 with projections for 2015 and 2016 on the Sitting form the 1st of November of 2013

reform to the area of public finance management. Fiscal Strategy and the PEP prioritize establishing sustainable medium-term expenditure framework, executing the structural reforms plan and the public debt reduction through inter-institutional fiscal coordination, introduction of program budgeting, improving the system of capital investment budgeting, and developing a transparent system of planning, awarding and control of spending on all budget subsidies. The special emphasis is on the improvement of the system of controlling the number of employees and the salary mass amount in the public sector.

Tax Administration Development Strategy (2010-2014) and the **Customs Administration Business Strategy**⁴⁰⁸ (2011-2015) address the key public administration bodies responsible for increasing revenue efficiency, reducing grey economy and taxes and contributions evasion, and improving business environment.

Strategy for Development of Public Procurement (2011-13)⁴⁰⁹ aims at increasing transparency and efficiency of the public procurement system and contributing to better public expenditure management.

Strategy of Internal Financial Control in the Public Sector (2009-2014)⁴¹⁰ sets the framework for development of internal financial control mechanism. As the Internal Audit has been the main focus of PIFC development, with the new PIFC strategy for years 2014-2019 (under preparation) more weight has to be given to encouraging the managerial accountability underpinned by financial management and control systems, and broadening the outreach of internal audits to local-level institutions.

Strategy of the Ministry of finance for Successful European Integration Process (2011)⁴¹¹ has the main objective to assist the ministry in its preparation for negotiations and for the screening in EU accession areas under its competence, and to support the process of the institutional strengthening of the ministry.

Strategy of Regulatory Reform (2008-11)⁴¹² is the key national document in the area of reducing bureaucracy and improving public administration's contribution to national competitiveness. The Office for Regulatory Reform and Regulatory Impact Assessment has published a draft strategy for 2013-16. Its main goals are creation of a business-friendly environment, reduced legal uncertainty, and improved national economic competitiveness.

Legal framework

Legal framework for the organisation and functioning of the public administration in Serbia is comprised of a set of laws, adopted since 2004 to date, in accordance with the Strategy for Public Administration Reform. Basic laws that govern the functioning of the administration on the state level are **Law on Government**⁴¹³ and **Law on Public Administration**⁴¹⁴ with a set of different governmental regulations. These laws were adopted in 2005 and set basic principles and rules for professional and impartial functioning of the administration. The scope of work and responsibilities of the ministries, special organisations is prescribed by the **Law on Ministries**⁴¹⁵. This law has been changed significantly after each parliament elections. Labour relations in administration at central level are governed by **The Law on Civil Servants**⁴¹⁶ adopted in 2005, which regulated in a comprehensive manner the rights and duties of civil servants in the Republic of Serbia, in accordance with principles of the European Administrative Space. The salaries of the civil servants are regulated by the **Law on Salaries of Civil Servants and Other Employees**⁴¹⁷ which was adopted in 2006. The **Law on Public Agencies**⁴¹⁸ prescribes general rules for establishing para-governmental agencies. Other important pieces of legislation are **Law on the Ombudsman**⁴¹⁹, **Law on Free Access to Information of Public Importance**⁴²⁰ and **Law on Anti-Corruption Agency**⁴²¹.

The **Law on Administrative Inspection** adopted on 17 November 2011⁴²² determines organization, operation and manner of operation of administrative inspection, rights, duties and responsibilities of administrative inspectors and other matters of importance for the work of administrative inspection as a form of internal monitoring of proper implementation of the law. The legislative framework is still incomplete. New legislation on general administrative procedures and on local government employees and salaries is yet to be adopted. Also the **Law on Administrative Disputes**⁴²³ still needs to be fully aligned with European standards for judicial review of administrative acts.

⁴⁰⁸ Tax and Customs administration development strategies are certainly important internal organizational documents, not published in the Official Gazette

⁴⁰⁹ Official Gazette of the Republic of Serbia, No 71/2011

⁴¹⁰ Official Gazette of the Republic of Serbia, No 61/2009

⁴¹¹ The Strategy was adopted by the ministry in charge of finance in March 2011, but not published in the Official Gazette

⁴¹² Official Gazette of the Republic of Serbia, No 94/2008

⁴¹³ Official Gazette of RS No 55/05, 71/05 – corrigendum, 101/07, 65/08, 16/11, 68/12, 72/12 and 74/12 – CC

⁴¹⁴ Official Gazette of RS No 79/05, 101/07 and 95/2010

⁴¹⁵ Official Gazette of RS No 72/12

⁴¹⁶ Official Gazette of RS No 79/05, 81/05 – corrigendum, 83/05 – corrigendum, 64/07 and 67/07 – corrigendum, 116/08 and 104/09

⁴¹⁷ Official Gazette of RS No 62/06, 63/06 – corrigendum and 115/06 – corrigendum, 101/07 and 99/10

⁴¹⁸ Official Gazette of RS, No 18/05 and 81/05 – corrigendum

⁴¹⁹ Official Gazette of RS No 79/05 and 54/07

⁴²⁰ Official Gazette of RS No 120/04, 54/07, 104/09 and 36/10

⁴²¹ Official Gazette of RS No 97/2008, 53/2010 and 66/2011

⁴²² Official Gazette of the Republic of Serbia" No 87 from 27 November 2011

⁴²³ Official Gazette of the Republic of Serbia No. 111/2009

The **Law on Regional Development**⁴²⁴, adopted in 2009, defines five statistical regions and their names and defines the following: the way of establishing the areas that constitute a region and the way of establishing local self-government units that constitute an area, the indicators of the regional development level and local government units; classification of regions and local government units per its development level; existence of development-related documents at the national and regional levels; regional development subjects; measures and incentives and sources of financing for implementation of regional development measures. Local government system is governed by the **Law on Local Self-Government**⁴²⁵ and the **Law on Local Elections**⁴²⁶. System and organization of local government is directly dependant on the **Law on Territorial Organisation of the Republic of Serbia**⁴²⁷ and the **Law on the Capital City**⁴²⁸. In accordance with constitutional authorization, the **Law on the Communal Police**⁴²⁹ was adopted. Elements of fiscal decentralization are regulated by the **Law on Financing of Local Self-government Units**⁴³⁰, adopted in 2006 and amended in 2011, with the aim to establish transparency in providing municipalities with additional funding through allocations stemming from the personal income tax. In addition, the law was amended in 2012 with the aim to limit certain local fees and to abolish local para-fiscal levies.

The **Budget System Law**⁴³¹ established numerical fiscal rules and procedures, including the setting-up of a Fiscal Council, which determine the path of expenditure-driven fiscal consolidation. It also formalized a multi-annual budgetary process, which is supposed to underpin a more rigorous and efficient medium-term planning. Within the public finances management system, amendments to the Budget System Law have a significant role as they improve the system of controls of the number of employees and the mass amount of salary in the public sector. Within three fiscal years (2014-2016), apart from the implementation of the restrictive indexing of salaries and pensions, significant effects are expected to be seen from the improved system of controls of salaries and number of employees in the public sector based on the single register and centralised calculation of payroll for all the public sector employees.

The **Law on Public Private Partnerships (PPPs) and Concessions**⁴³², adopted in 2011, introduced the concept of PPP with clearly defined rules of procedure. The law established an intergovernmental Commission for Public Private Partnerships (CPPP). Implementing the Law is still missing and the staff of the ministry in charge of finance needs to be trained on the award of PPP contracts. The **Law on Utility Services**⁴³³, adopted in November 2011, regulates in detail the provision and of public utility services as well as public private partnership in this area. The **Law on Public Property**⁴³⁴, adopted in November 2011, decentralizes public ownership entitlements into state, provincial and municipal property, and provides specific rules for use and disposal of public property. The new **Law on Public Procurement**⁴³⁵ which was adopted in December 2012 further harmonized the Serbian regulations with the *acquis* governing public procurement. The adoption of a new Law and its implementation should significantly meet the priority related to the reduction of corruption in public procurement and the priority related to taking appropriate measures by the authorities in case of misuse of public funds.

The legal system that regulates the segment of Serbian public administration is currently at a relatively high regulatory level. From that point of view, the forthcoming normative activities in the public administration reform process will be chiefly concentrated on finalizing certain elements of normative system. Following the completion of the 'legislative phase' of the public administration reform process, the focus shall be on the organizational and functional projects related to the consistent and proper implementation of bylaws and other adopted regulations and public policies. This phase of further reform activities is therefore aimed at continuing the enhancement of public administration system operation (its reform) and connecting this process with the process of European integration.

COMPETITIVENESS SECTOR

Strategic Framework

Overarching strategy for competitiveness has been provided in the **Strategy for Industrial Policy (2011-2020)**.⁴³⁶ It has identified goals of industrial restructuring through dynamic and sustainable industrial growth and the pro-active role of Government. It emphasises the need for institutional set-up, improvement in the competitiveness of Serbian industry, faster development of entrepreneurship, exports increase and restructuring, reform of the education system in line with labour market demand, active and dynamic cooperation of science and industry, support to innovation, research and development, new investment in new products, employment and labour market policy reform, balancing Government's role in stabilisation, development and social issues, development of the regional industrial centres and regional economic infrastructure,

⁴²⁴ Official Gazette of RS No 51/2009 and 30/2010

⁴²⁵ Official Gazette of Republic of Serbia, No 129/07

⁴²⁶ Official Gazette of RS, No 129/07, 34/10 and 54/11

⁴²⁷ Official Gazette of Republic of Serbia, No 129/07

⁴²⁸ Official Gazette of Republic of Serbia, No 129/07

⁴²⁹ Official Gazette of RS, No 51/09

⁴³⁰ Official Gazette of the Republic of Serbia No. 62/2006, 47/2011 and 93/2012

⁴³¹ Official Gazette of the Republic of Serbia No. 54/2009, 73/2010, 101/2010, 101/2011 and 93/2012

⁴³² Official Gazette of the Republic of Serbia No. 88/2011

⁴³³ Official Gazette of the Republic of Serbia No. 88/2011

⁴³⁴ Official Gazette of the Republic of Serbia No. 72/2011

⁴³⁵ Official Gazette of the Republic of Serbia No. 124/2012

⁴³⁶ Official Gazette of the Republic of Serbia No. 55/05, 71/05 – correction, 101/07, 65/08, 16/11

improvement in energy efficiency and environment protection. The Strategy envisages the process of consistent implementation of structural reforms and adjustments in order to create business environment where social partners (private enterprises, government institutions and civil organisations) work together to achieve abovementioned goals. Its implementation requires synergy of 13 different policies - education, technological development, research and development, restructuring and privatisation, foreign investments, ICT, entrepreneurship, employment, energy efficiency, environmental protection, protection of market competition, regional development, promotion of corporate management.⁴³⁷

National strategies that align with and support the Strategy for Industrial policy are outlined below:

The Strategy for Development of Competitive and Innovative Small and Medium-sized Enterprises (2008-2013)⁴³⁸ has been implemented on the basis of a five years' Operating plan and a yearly budget allocation for its measures and specific programmes. The aim of the Strategy is to develop entrepreneurial economy based on knowledge and innovation thus creating a sustainable, competitive and export oriented SME sector and is based on the Think Small First Principle. The Strategy was prepared in a consultative process directly including SMEs and their representatives aiming to address their needs. It is built on 5 pillars covering promotion & support for entrepreneurship and establishment of new enterprises, human resources for a competitive SME sector, financing SMEs and taxation of SMEs, their competitive advantage on export markets and legal, institutional and business environment. The comprehensive Strategy for the Development of Entrepreneurship and Competitiveness for 2014-2020 is being prepared, with special emphasis on SME development and initial basis being the Small Business Act.

The Strategy of Scientific and Technological Development of the Republic of Serbia (2010-2015)⁴³⁹ has defined Government objectives to create a national innovation system by promoting applied research and technology transfer and creating partnerships between the public R&D sector and industry. It envisages goals of reorganising existing R&D institutes, ensuring application of knowledge based innovations into products and services that will enhance the Serbian knowledge based economy and its competitiveness.

The Strategy for the Intellectual Property Development (2011-2015)⁴⁴⁰ has defined Serbia's objective of having the level of protection of intellectual, industrial and commercial property similar to the one existing in the European Union, including the efficient means for the enforcement of those rights, as well as mechanism of permanent harmonization of domestic regulations with the new EU regulations in the area.

The Strategy of Development and State Support for the Information Technology Industry⁴⁴¹ has defined the IT as one of the leading drivers of competitiveness and innovation. It envisages support for IT entrepreneurship and Start-ups through grants, development of business incubators and technology parks. It is focused on tax relief for software companies and support for exporters of software products and solutions. Improvement of legal framework is planning to create better conditions for electronic payment services, exchange of electronic accounting documents and the e-government while the changes in the education system should enable youth to acquire useful and up-to-date IT knowledge and skills.

Strategy for Development of Information Society in the Republic of Serbia until 2020⁴⁴² defines following priority areas: electronic communications; e-government, e-health and e-justice; ICT in education, science and culture; electronic commerce (e-commerce); business sector ICT; information security.

The Strategy on Market Surveillance⁴⁴³ is focused on establishing an efficient market surveillance system for achieving product safety with minimal burden on the economy. It has defined the main priorities regarding the harmonization of the legal framework and enforcement of the laws and regulation through competent authorities and institutions. It involves not only introducing new standards and legislation that products must comply with, but also a new approach to market surveillance. The **new approach to technical harmonisation** within the EU is based on the principle of harmonising the essential requirements of products and then applying the "general reference to standards" formula and the principle of mutual recognition in order to eliminate technical obstacles to the free movement of goods within the EU.

The National Strategy for Tourism Development until 2015 prioritises key areas to stimulate economic growth, employment and quality of life, including development of a positive international image of the country, ensuring the long term protection of natural and cultural resources, and achieving international quality standards.

Regulatory Reform Strategy in the Republic of Serbia for the period 2013 – 2015 is based on principles of legal certainty and predictability, as well as dismissing unnecessary administrative procedures (cutting the red tape), having in mind international experiences in regulatory reform and more specifically the principles of "good regulation" established by OECD. In order to simplify the regulatory environment, the Strategy reflects upon the results of the implementation of the

⁴³⁷ NPAA

⁴³⁸ Official Gazette of the Republic of Serbia No. 55/05, 71/05 - correction, 101/07,65/08

⁴³⁹ Official Gazette of the Republic of Serbia No 13/10

⁴⁴⁰ Official Gazette of the Republic of Serbia, No 55/05, 71/05, amendment 101/07, 65/08 and 16/11

⁴⁴¹ Official Gazette of the Republic of Serbia No. 55/05, 71/05 – icorrection, 101/07, 65/08, 16/11, 68/12 – 72/12

⁴⁴² Official Gazette of the Republic of Serbia, No. 51/2010

⁴⁴³ Official Gazette of the Republic of Serbia", No. 55/05, 71/05-amended, 101/07 and 65/08

previous Strategy for the period 2008 - 2011 so as to draw conclusions and avoid previous determined deficiencies. Similarly, it turns to the results of the implementation of the Comprehensive Regulatory Reform in Serbia (SRP). The goals of the Strategy are the promotion of economic development, competitiveness, legal certainty of doing business, decrease of administrative costs, improvement of Serbia's international rating in terms of the quality of the business environment, and ensuring transparency and public participation in regulatory reform.

The Fiscal Strategy for 2014 with the projections for 2015 and 2016⁴⁴⁴ comprises of the macroeconomic framework, fiscal framework, strategy for managing public debt and structural reforms in the given period 2014-2016. Under the structural reforms of the real sector, the Strategy focuses on improvement of business and investment environment, through reducing the costs and risks of doing business that will consequently strengthen private sector and encourage investment and employment.

The National Plan for Regional Development should be adopted in 2013 covering the period of 2014-2022 and defining the strategic framework for reducing regional disparities across Serbia.

The Strategy for the Development of Quality Infrastructure in Serbia (2014-2020) is being drafted and adopted by the Government in early 2014. The drafting process is led by the ministry in charge of economy, in close cooperation with all interested parties (ISS, ATS, DMDM, conformity assessment bodies, chambers of commerce etc.). The preparation is being preceded by a comprehensive analysis of existing conditions in the functioning of the quality infrastructure and benchmarking with countries from the region and the EU. The Strategy is identifying priorities and measures for further improvement of Serbia's quality infrastructure needed to increase the number of products with potential for exports complying with international quality and conformity standards.

The Consumer Protection Strategy (2013-2018) draft which has already been publicly consulted is expected to be adopted by the Government by mid-2013. The Draft Strategy rests on six objectives, which relate to: enhancing consumers' interests through legislative improvements (including further EU law transposition), better integration of consumer policy into other state policies, further improvement of institutional framework, building up effective market surveillance, strengthening of consumer organisations and position of individual consumers as well as establishment of framework for regional and international cooperation.

Legal Framework

The Law on the Registration of Business Entities⁴⁴⁵ determines the conditions, subject matter and procedure for the registration in the Register of business entities, as well as the way of operation of the Register of business entities. **The Law on Companies**⁴⁴⁶ and the **Law on the Registration in the Serbian Business Registers Agency**⁴⁴⁷ were enforced in the first half of 2012. They fully implement European corporate directives (Second Directive 77/91/EC and by amending Directive 2006/68/EC, Directive 2005/56/EC on cross-border mergers of companies with limited liability, 2007/36/EC Directive on Shareholders' Rights, Directive 2007/63/EC amending the third and sixth directive, Directive 2009/101/EC (codified First Directive), Directive 2009/102/EC on single-member private limited liability companies).

The research activity is regulated in the **Law on Scientific and Research Activity**⁴⁴⁸ which defines the basis by which scientific and research activity in Serbia is financed in accordance with the State budget. On the other hand, the legal framework for the formation of the national innovation system in Serbia is established through the **Law on Innovation Activity**⁴⁴⁹. The law enables the formation of organizations for support of innovation activities and technology transfer centres, defines intellectual property rights, and established Innovation Fund. The legal framework regarding inventions is defined in the **Patent Law**⁴⁵⁰ defining the legal protection of inventions.

For the purpose of electronic documents protection, the **Law on Electronic Signature**⁴⁵¹ was adopted. For electronic data storage it is essential that the data is signed with an electronic signature, which secures appropriate functions, such as authenticity, integrity and legality, in accordance with the legislation. It determines the use of an electronic signature in legal matters, as well as the rights, commitments and responsibilities with respect to electronic certificates. **The Law on Electronic Document**⁴⁵² regulates the conditions and procedures for using electronic documents in legal commercial, administrative, judicial and other proceedings, as well as the rights, liabilities and responsibilities of other legal entities in regard to the electronic document.

⁴⁴⁴ Serbian Government adopted Fiscal strategy for 2014 with projections for 2015 and 2016 on the Sitting form the 1st of November of 2013

⁴⁴⁵ Official Gazette of the Republic of Serbia, No. 55/04

⁴⁴⁶ Official Gazette of the Republic of Serbia, No. 36/11, 99/11

⁴⁴⁷ Official Gazette of the Republic of Serbia, No. 99/11

⁴⁴⁸ Official Gazette of the Republic of Serbia, No. 110/05, 50/06 and 18/10

⁴⁴⁹ Official Gazette of the Republic of Serbia, No. 110/05 and 50/06 – correction and 18/10

⁴⁵⁰ Official Gazette of the Republic of Serbia, No. 99/11

⁴⁵¹ Official Gazette of the Republic of Serbia, No. 135/04

⁴⁵² Official Gazette of the Republic of Serbia No. 151/09

The Law on Electronic Commerce⁴⁵³ for the first time introduces into the legal system of Serbia the possibility of concluding and realizing a legal contract exclusively by electronic means in trading of goods and services, that is, creates the legal basis for concluding a contract in electronic format. This provides for legal protection in online trading, i.e. the option that any contractual party, service provider, i.e. seller or buyer, may exercise the protection of their rights before the court of law. In that sense, the most significant element of the proposed law is concretization of a special form of contract - the contract in electronic format, which is concluded under the conditions and in the manner envisaged by this law. The Law transposes relevant directives, namely the Directive 2000/31/EC on electronic commerce, as well as Directive 98/48/EC amending Directive 98/34/EC.

The legal provisions of achieving balanced regional development are set in the **Law on Regional Development**⁴⁵⁴ which defines the goals of stimulation of the regional development, amongst others: overall socio-economic sustainable development; reduction of regional and inter-regional disparities in the socio-economic development and living conditions with an accent on the stimulation of the underdeveloped, depressed industrial and rural areas; reduction in negative demographic migrations, development of the economy based upon knowledge, innovation, modern scientific and technological achievements and management as well as the development of competitiveness on all levels; establishment of the legal and institutional framework for planning, organising, coordinating and realisation of development activities; initiating inter-municipal, interregional, cross-border and international cooperation in matters of common interest; more efficient usage of domestic natural resources and goods, as well as foreign ones at the republic, provincial, regional and local level. **Furthermore, the Law on Spatial Plan of the Republic of Serbia**⁴⁵⁵ 2010-2014-2020 determines a long term basis of organization, setup, usage and protection of the territory of the Republic of Serbia with the aim of coordination of economic and social development with natural, ecological and cultural potentials and limits.

The Law on Foreign Investments⁴⁵⁶ establishes guaranteed rights of foreign investors who invest in the economy of Serbia. The Law promotes conditions for stimulating foreign investment in order to generate efficient development of Serbian economy, to strengthen its competitiveness, to establish a wider presence of Serbian economic entities in the international trade, to import new equipment and contemporary technologies, to modernise business and increase export volume, all for the purpose of achieving economic progress in Serbia.

The general Serbian Market Surveillance framework is regulated by the **Law on Market Surveillance**⁴⁵⁷ which is incorporating relevant provisions of the EC Regulation 765/2008. It establishes a clear distinction and different provisions for "inspection" and "market surveillance", provides guidelines and responsibilities for cooperation, information exchange, implementing, planning and monitoring activities of market surveillance and coordination.

The most relevant pieces of legislation in terms of free movement of goods are the **Law on Technical Requirements for Products** and the **Assessment of Compliance**⁴⁵⁸ and **Law on Standardization**⁴⁵⁹. The former is aimed to be a solid basis for an efficient and effective transposition of EU technical directives pertaining to the old and new approach, as well as for national technical regulation in regards to products, which are not included in the legal acts on the EU level. More specifically, Decision 768/2008 EC, Regulation 765/2008/EC and Regulation 764/2008/EC were taken into consideration during the process of legal drafting. The Law on Standardization was envisioned as providing the necessary conditions for an accelerated and effective adoption of EU standards.

The Law on General Product Safety⁴⁶⁰ was adopted in 2009 so as to incorporate provisions comprised in above all Directive 87/357/EEC on misleading products and Directive 2001/95/EC on general product safety. It is applicable to all products under the condition that their safety is not regulated by a specific legal provision or when a specific legal act did not encompass all the provisions of this Law on the obligations of producers and distributors, of exchange of information and oversight, or did not include all types and categories of risk.

The Law on Metrology⁴⁶¹ and the **Law on Accreditation**⁴⁶² which was adopted in compliance with Regulation 765/2008/EC transpose relevant EU regulations in the area and provide the basic horizontal framework in their respective areas.

The Law on Foreign Exchange Operations⁴⁶³ regulates the movement of capital by endorsing the principle of gradual liberalisation of capital movement. In this vein, the liberalisation of long-term capital operations ensued, while deposit operations of residents were partially liberalized, whereas short-term capital operations were accompanied by limitations.

⁴⁵³ Official Gazette of the Republic of Serbia No. 41/09

⁴⁵⁴ Official Gazette of the Republic of Serbia, No. 51/09, 30/10

⁴⁵⁵ Official Gazette of the Republic of Serbia, No. 88/10

⁴⁵⁶ Official Gazette of the Republic of Serbia, No. 3/2002

⁴⁵⁷ Official Gazette of the Republic of Serbia, No. 92/11

⁴⁵⁸ Official Gazette of the Republic of Serbia, No. 36/09

⁴⁵⁹ Official Gazette of the Republic of Serbia, No. 36/09

⁴⁶⁰ Official Gazette of the Republic of Serbia, No. 41/09

⁴⁶¹ Official Gazette of the Republic of Serbia, No. 30/10

⁴⁶² Official Gazette of the Republic of Serbia, No. 73/10

In regard to competition, **the Law on Protection of Competition**⁴⁶⁴ prescribes notable changes in regards to the independence and organization of the Commission for Protection of Competition (e.g. appointment of the President and Council of the Commission).

In terms of state aid, **the Law on State Aid Control**⁴⁶⁵ reflects compliance with EU secondary legislation such as Regulation 70/2001/EC and Regulation 800/2008/EC declaring certain categories of aid compatible with the common market in application of Articles 107 and 108 of the TFEU.

The Law on Consumer Protection⁴⁶⁶ transposes a dozen EU directives. It regulates consumer rights, conditions and means of their protection, rights and obligations of consumer organisations and associations, out-of-court consumer dispute settlement, and rights and obligations of state authorities in terms of consumer protection.

The Law on Trade⁴⁶⁷ regulates conditions and manner for conduct and development of trade on the integrated market of the Republic of Serbia, as well as market protection, protection from unfair market competition, and surveillance. The Law is in compliance with Directive 98/6/EC of the European Parliament and of the Council of 16 February 1998 on consumer protection in the indication of the prices of products offered to consumers. Amendment to the Law on Trade⁴⁶⁸ was adopted with the aim to further improve business environment and create conditions for more intensive development of trade, to develop and improve traders business, but also competition between them, all of which affect better position of consumers.

Serbia has adopted several laws relevant to the daily operations of private sector in order to ease their business activities.

The Law Amending the Law on the Republic Administrative Fees revoked the non-tax levies imposed to businesses and households reduced them and reduced their costs. A total of 138 previously imposed para-fiscal levies and fees (both republic and local) are revoked, which resulted in simplicity and predictability of the tax system, thus making 30,000 entrepreneurs and small business owners relieved of various levies. **The Law Amending the Law on Value Added Tax** enabled SMEs to have the possibility to pay VAT once they have been paid for their goods. **Furthermore, the Law Amending the Law on Local Self-Government Funding** revokes the payment of communal tax on business signs and local communal taxes for small enterprises and limits the amount for others. **The Law on the Terms for Settling Financial Obligations in Commercial Transactions** obliges the state and public enterprises to settle their obligations towards suppliers within 45 days, whereas the private sector is obliged to settle the obligations towards suppliers within 60 days enabling liquidity and normal business activity.

ENERGY SECTOR

Strategic Framework

Strategy Implementation Programme (Programme) and Energy Balance. The current energy policy in Serbia is established⁴⁶⁹ by the **Energy sector development strategy for the period 2005-2015**⁴⁷⁰ adopted by the National Assembly. The Strategy defines key development priorities in the energy sector namely the technological modernization and/or construction of energy sources/objects, rational use of quality fuels, use of renewable energy sources and new energy technologies.

Programme for Implementation of the Energy Sector Development Strategy of Serbia 2007 – 2012 expired in 2012 and has not been substituted by a new one which should establish conditions, manner, timeline and measures for Strategy implementation.

Energy sector development Strategy covering the period until 2025 with projections until 2030 is in the preparation with the adoption foreseen for 2013 ensuring a smooth transition to a new overarching strategic framework in the sector.

The Energy balance of the Republic of Serbia represents annual energy and/or energy sources needs expressed on a monthly level to be provided for the reliable, safe and quality supply of the final customer and is to be prepared for every subsequent year by the end of the current year.

Energy Law also envisages elaboration of **national action plans** that specify the development objectives and measures for their implementation.

A simplified version of the **National renewable energy Action Plan until 2020 (NREAP)** has been prepared. NREAP sets national goals for the share of energy from renewable energy sources in the sectors of transport, electricity and heating and cooling until 2020. The adoption of this document is planned within the first half of 2013.

⁴⁶³ Official Gazette of the Republic of Serbia, No. 62/2006, 31/2011 and 119/2012

⁴⁶⁴ Official Gazette of the Republic of Serbia, No. 51/09

⁴⁶⁵ Official Gazette of the Republic of Serbia, No. 51/09

⁴⁶⁶ Official Gazette of the Republic of Serbia, No. 73/2010

⁴⁶⁷ Official Gazette of the Republic of Serbia, No.53/2010

⁴⁶⁸ Official Gazette of the Republic of Serbia, No.10/2013

⁴⁶⁹ As stipulated by the energy law

⁴⁷⁰ Official Gazette of the Republic of Serbia, No. 44/05

Second Energy Efficiency Action Plan of Republic of Serbia for the period 2013-2015 is in preparation.

The Second National Communication under the United Nations Framework Convention on Climate Change (UNFCCC) is also in preparation.

The Strategy of the mineral resources management until 2030 defines a dynamic development plan relating to all aspects of the mining industry until 2030 by setting the long term objectives for mining, geological research of energy, metallic, non-metallic and mineral raw materials, subterranean waters and geothermal sources.

National Sustainable Development Strategy is an overarching multi-sector document. Key sustainable development objectives in the energy sector, foreseen by the Strategy are: wider use of renewable energy sources, rational use of natural resources, implementation of the international conventions, protocols and treaties regarding the climate change, air protection, harmonization of national legislative with EU regulations.

National Programme for Environmental Protection lays down a set of objectives for Government policy over 2010-2019 at three levels: short-term (2010-2014), continuous (over the whole period of the National Programme), and medium-term (applying to the 2015-2019 period only). The NPEP covers all aspects of environmental policy and planning, financing and economic instruments, institutional capacity building, including policy in the areas of energy waste management, primarily by waste water treatment and air quality.

Other important policy and strategic documents relevant for the energy sector are classified as sector documents of different sectors and described in relevant sections of the NAD.

Legal Framework

Legislative framework for the energy sector consists of the cross-sector legislation, energy sector legislation and other sectors' legislation. Some of main legal documents covering the scope of this sector are:

The **Law on Energy**⁴⁷¹ regulates the following issues: energy policy objectives and the method of its implementation; conditions for reliable, secure and quality energy and energy-generating products supply; conditions for safe supply to the customers; conditions for constructing new energy facilities; conditions and manner of performing energy related activities; manner of organizing and functioning of the electricity and natural gas market; rights and obligations of market participants; protection of energy customers; manner, conditions and incentives for energy production from renewable energy sources and combined generation of electricity and heat; rights and duties of governmental bodies and the Energy Agency of the Republic of Serbia in enforcing this law and monitoring the implementation hereof.

The **Law on efficient use of energy**⁴⁷² regulates: conditions and manner for efficient energy use in production, transmission, distribution and end energy use; energy efficiency policy; energy management system; labelling of energy efficiency level of products for energy end use; minimal requirements for energy efficiency in production, transmission and distribution of electricity and heat as well as in gas supply; financial, incentive and other measures in this area as well as other issues of relevance for the rights and obligations of natural and legal person related to energy efficiency.

The **Law on Integrated Pollution Prevention and Control**⁴⁷³ also calls for reduced use of energy, sustainable use of energy and, among others, for reuse of energy.

ENVIRONMENT AND CLIMATE CHANGE SECTOR

Strategic Framework

Current environment policy in Serbia is defined through:

The **National Programme for Environmental Protection (NPEP) 2010-2019**⁴⁷⁴, defines strategic objectives for environment protection policy as well as specific objectives. The NPEP covers all aspects of environmental policy and planning, financing and economic instruments, institutional capacity-building, education, legislation, monitoring, enforcement, and policy in the areas of water quality, waste management, chemicals and risk management, air quality and climate change, nature protection, biodiversity and forests, fisheries, soil protection, noise, radiation, industry, energy, agriculture, forestry and hunting.

The **Environmental Approximation Strategy (EAS) 2011-2019**⁴⁷⁵ covers legislative, institutional and financial components and is the key document for the harmonization of legislation in the field of environmental protection in Serbia. The objectives of the EAS are to address the complexity of the challenge to apply EU environmental legislation in Serbia and to provide a sound basis for the accession negotiations on Chapter 27. It aims to address the challenges approximation will pose to

⁴⁷¹ Official Gazette of the Republic of Serbia, No. 57/11, 80/11- corr. 93/12 and 124/12

⁴⁷² Official Gazette of the Republic of Serbia, No. 25/13

⁴⁷³ Official Gazette of the Republic of Serbia, No. 135/04

⁴⁷⁴ Official Gazette of the Republic of Serbia, No. 12/10

⁴⁷⁵ Official Gazette of the Republic of Serbia, No. 80/11

legislation (including the response to deficiencies in the current legislative process in Serbia), the extent of change that will be required in organizing and operating institutions responsible for environmental protection, and the approach to closing the economic gap between business as usual and full compliance with the *acquis*.

Waste Management Strategy (2010-2019)⁴⁷⁶ complements the National Environmental Protection Programme and defines policy objectives in waste sector up to 2014. The Strategy proposes the establishment of 12 regional waste management centres (out of 26) in Serbia by the end of 2013. It also proposes to re-cultivate existing unsanitary landfills, which represent the greatest risk to the environment, environmental 'hot spots' of historical hazardous waste pollution, and to establish a hazardous waste management system.

National Strategy for Sustainable Use of Natural Resources and Goods in the Republic of Serbia (2012-2021) covers seven key natural resources (priorities) in Serbia: mineral resources (metallic, non-metallic and fossil fuels); renewable energy sources; forest resources; biodiversity and geodiversity; water resources; and soil. Key objectives are the following: ensuring the conditions for sustainable use of resources by proper planning of each resource balance and consumption; reduction of resources use impact on economy and the environment and establishing of indicators for monitoring.

National Strategy for Biodiversity (2011-2018) describes the state of biological diversity, provides an analysis of direct and indirect factors endangering biodiversity and suggests strategic areas for intervention, with defined objectives and activities for each area. The Strategy is accompanied by an Action Plan adopted for a period of seven years (2011 - 2018) with activities defined for implementation in the short term (1-3 years), medium term (3-5 years) and continuous (5-7 years).

National Sustainable Development Strategy (2008-2017)⁴⁷⁷ is a multi-sector strategy. The main developments in environment priorities for Serbia are defined in this strategy. These priorities are linked to the EU integration process by the transposition of EU legislation and the implementation of the Stabilization and Association Agreement (SAA).

Strategy for the Implementation of the Aarhus Convention (2012-2014) aims to provide a process for feasible, effective, step-by-step implementation of Aarhus Convention requirements, but is also geared to accommodate conditions specific to the Republic of Serbia. The implementation plan includes follow-up actions to support EU-related requirements.

National Cleaner Production Strategy (2009-2015) was adopted to introduce cleaner production and environmental management systems in industrial facilities.

The Second National Communication under the United Nations Framework Convention on Climate Change (UNFCCC) is in preparation and supported by the Global Environment Facility with UNDP as implementing agency. This document should include the preparation of the GHG Inventory for the period until 2009 (2010), as well as projections and a mitigation plan until 2020. It should include long-term framework mitigation strategy following the EU Roadmap 2050 as a guideline for development. The adaptation programme as the part of the Second National Communication will take into consideration the EU White paper.

National Spatial Plan until 2021⁴⁷⁸ is a multi-sector strategy which **determines the following:** long-term foundations for the organisation, use and regulation of the space of the Republic of Serbia; urbanization development directions and basic criteria for the regulation of settlements; planning principles and criteria for the use of natural resources and environmental protection; conditions for the protection and use of areas of special importance. The Plan is in compliance with the National Programme for Environmental Protection and the National Waste Management Strategy.

Legal framework

The legal framework in Serbia is defined by a set of laws and corresponding secondary legislation. Most important is the **Law on Environmental Protection**⁴⁷⁹ which sets out a comprehensive national system for environmental protection covering action plans, conditions and instruments for sustainable management and the preservation of natural balances, diversity and quality of natural values and conditions for survival of living beings, prevention, control, reduction and remediation of all forms of pollution, promotion and utilization of products, processes, technologies and practices which have less harmful effects on the environment, the application of special codes of conduct in waste management from its generation point to its disposal.

In terms of **horizontal legislation** in place are two major laws. The **Law on Strategic Environmental Impact Assessment**⁴⁸⁰ prescribes the relations between environmental protection policy and other sector policies in the field of physical and city planning or land utilization, agriculture, forestry, fisheries, hunting, energy industry, transport, waste management, water management, telecommunications, tourism, natural habitat and wild flora and fauna preservation, establishing a framework for the adoption of future development projects. The **Law on Environmental Impact**

⁴⁷⁶ Official Gazette of the Republic of Serbia, No. 29/10

⁴⁷⁷ Official Gazette of the Republic of Serbia, No. 57/08

⁴⁷⁸ Official Gazette of the Republic of Serbia, No. 88/10

⁴⁷⁹ Official Gazette of the Republic of Serbia, No. 135/04 and 36/09

⁴⁸⁰ Official Gazette of the Republic of Serbia, No. 135/04

Assessment⁴⁸¹ prescribes the procedure with regard to the assessment of potentially significant environmental impacts of certain projects carried out by public or private enterprises. According to this law the assessment of impacts must be carried out for projects in the fields of: industry, mining, power industry, traffic, tourism, agriculture, forestry, water management, waste management and general public services, as well as for projects planned for sites within protected natural areas or the protected surroundings of cultural landscapes.

As regards **air quality**, the **Law Amending the Law on Air Protection**⁴⁸² was adopted in January 2013 and sets the framework for air protection measures. The Law stipulates the adoption of the **Regulation on Emission Limit Values from combustion plants**, which will enable better transposition of the Large Combustion Plants Directive. The **Law on Ratification of the Protocol on Heavy Metals to the Convention on Long-range Transboundary Air Pollution**⁴⁸³ and the **Law on Ratification of the Protocol on Persistent Organic Pollutants to the Convention on Long-range Transboundary Air Pollution**⁴⁸⁴ was adopted in March 2012.

In **waste management**, the **Law on Waste Management**⁴⁸⁵ covers the classification of waste, waste management planning, stakeholders, obligations and liability with regard to waste management, special waste streams management, requirements and procedures for the issuance of permits, trans-boundary waste movement, reporting, waste management financing, supervision and other relevant aspects of waste management.

Water management is regulated by the amended **Law on Water**⁴⁸⁶ which sets conditions for water management to ensure that: good /acceptable water quality standards are achieved and maintained; that water demands are met; there is compliance with international practices and trends in water use; water protection, and flood protection and that the 'user pays' and 'polluter pays' principles are embedded in the collection of funds from all users and all polluters. The implementing legislation which is in place includes the Amendments to the Regulation on Emission Limit Values in Water and the Deadlines for their Achievement which was adopted in 2012⁴⁸⁷ and which partially transposes the requirements of the Water Framework Directive (WFD)⁴⁸⁸ and the Urban Wastewater Directive⁴⁸⁹. The Regulation on limit values of pollutants in surface waters, ground waters and sediments and the deadlines for reaching the values adopted in May 2012⁴⁹⁰ partially transposes the following directives: WFD, Groundwater Directive⁴⁹¹, Water Quality Standards Directive⁴⁹², Fish directive⁴⁹³). The Regulation on Annual Water Monitoring Program adopted in 2012⁴⁹⁴ partially transposes a number of EU Directives dealing with water quality⁴⁹⁵.

In **Industrial Pollution Control and Risk Management**, the **Law on Integrated Pollution Prevention and Control**⁴⁹⁶ sets forth conditions and procedures for the issuance of integrated operating permits for plants and activities which may have a negative impact on human health, environment or tangible assets, type of activities and plants, supervision and other relevant aspects of environmental pollution prevention or control.

Nature protection is regulated by **Law on Nature Protection**⁴⁹⁷, which regulates the protection and preservation of nature and its biological, geological and landscape diversity as part of the environment. Management of chemicals and biocidal products is regulated by the **Law on Chemicals**⁴⁹⁸ and **Law on Biocidal Products**. These laws regulate placing of chemicals on the market, i.e. conditions for placing on the market and use of biocidal products and are in accordance with the Regulation on Registration, Evaluation and Authorisation of Chemicals (REACH), the Regulation on Classification, Packaging and Labelling of Chemicals (CLP), the Regulation on Detergents, i.e. the Directive on Biocidal Products. These laws provide a legal basis for adoption a series of by-laws which ensure harmonisation with other horizontal EU legislation in the area of chemicals and biocidal products. However, as the EU has amended the legal framework regulating the biocidal products by adopting the Regulation on Biocidal Products 528/2012, it is necessary that our legislation in the area of biocidal products be aligned with the requirements from the new regulation. Furthermore, the adopted by-laws are constantly amended as part of the process of harmonising with the changes in the relevant EU legislation.

⁴⁸¹ Official Gazette of the Republic of Serbia, No. 135/04 and 36/09

⁴⁸² Official Gazette of the Republic of Serbia, No. 36/2009, 10/2013

⁴⁸³ Official Gazette of the Republic of Serbia, No. 1/2012

⁴⁸⁴ Official Gazette of the Republic of Serbia, No. 1/2012

⁴⁸⁵ Official Gazette of the Republic of Serbia, No. 36/09, 88/10

⁴⁸⁶ Official Gazette of the Republic of Serbia, No. 30/10, 93/12

⁴⁸⁷ Official Gazette of the Republic of Serbia, No. 67/2011 and 48/2012

⁴⁸⁸ 2000/60/EC

⁴⁸⁹ 91/271/EEC

⁴⁹⁰ Official Gazette of the Republic of Serbia No. 50/12

⁴⁹¹ 2006/118/EC

⁴⁹² 2008/105/EC

⁴⁹³ 2006/44/EC

⁴⁹⁴ Official Gazette of the Republic of Serbia, No. 100/12

⁴⁹⁵ Directives 2000/60, 2006/118, 2008/105.

⁴⁹⁶ Official Gazette of the Republic of Serbia, No. 135/04

⁴⁹⁷ Official Gazette of the Republic of Serbia, No. 36/2009-76, 88/2010-162, 91/2010-133 (corrigendum)

⁴⁹⁸ Official Gazette of the Republic of Serbia, No. 93/2012

The **Law on Protection against Environmental Noise**⁴⁹⁹ regulates the area of protection against noise and transposes the requirements from the Directive on Assessment and Management of Environmental Noise⁵⁰⁰. This law requires drawing up of strategic noise maps and adopting action plans based on the maps.

The **Law on Mining and Geological Survey**⁵⁰¹ provides the framework for rational use of natural resources. It also regulates the geological storage of carbon dioxide. Essential articles of the Directive on Geological Storage of Carbon Dioxide⁵⁰² were transposed into this law.

TRANSPORT SECTOR

Strategic Framework

The transport policy of Serbia is driven with the aim of economic and social development, following the EU Transport policy provisions. The strategic framework is defined by the **Strategy of development of rail, road, water, air and intermodal transport in the Republic of Serbia for 2008-2015**⁵⁰³. The strategy is promoting principles of safety, inter-modality, application of new technologies, complementary use of different transport modes and rational use of available capacities and resources in Serbia. All this should contribute to sustainable development of the transport system and stable institutions. Strategy envisages implementation of the measures which should lead to the institutional capacity strengthening and implementation of the infrastructure priority projects. Main Strategy goals which are reflected in the transport policy of the Republic of Serbia could be summarized as follows:

- Rehabilitation, reconstruction and construction of Pan European Corridors which run through Serbia in order to reach the standards of the Tran-European Transport Network;
- Efficient usage of comparative advantages of each mode of transport by introduction of fair charge determining and charging for infrastructure, with the special focus on the intermodal transport;
- Upgrading of quality of services of transport system by better organization of transport operations based on economical, safe and environment protecting aspects;
- Increase of traffic safety and security;
- Strengthening of the transport market and its gradual deregulation by creating legal and business environment which would result in better competitiveness among transport modes and within the modes on the transport market. This includes establishment of regulatory, operational and managing functions in the sphere of transport, gradual and justified deregulation which should lead to liberalization of the transport market, strengthening the capacities of local operators' for domestic and international market competition;
- Decrease of negative impact of transport on the environment, in accordance with principles of sustainable development;
- Establishment of stable financing mechanism for the transport sector development.

Investments in the Serbian transport infrastructure are considered as a cornerstone for the development of the Serbian transport system compliant with the EU standards and interoperable with the neighbouring countries.

Therefore, the **General Master Plan for Transport (GMPT)** (2009-2027) is a comprehensive plan of future investments in transport infrastructure. GMPT provides overall picture of transport infrastructure in Serbia and rolling out infrastructure projects necessary for implementation in the period 2009 – 2027, including costs calculation and rating of individual projects within specific transport modes. The total required costs of public funding have been calculated as EUR 22,183 million for investments and maintenance. GMPT should serve as a tool for prioritization of investments in transport infrastructure since includes possibility for updating of macro economical parameters which may affect prioritization.

Having in mind that modernization of the railway infrastructure requires purposeful planning due to technical and technological features which are impacting costs, the Ministry in charge of transport and JSC Serbian Railways initiated preparation of the detailed **Investment plan in railway infrastructure for the period 2012-2021**. This investment plan should be completed by mid-2013 and it is financed by the European Investment Bank (EIB) through the Western Balkan Investment Framework (WBIF).

Safety aspect of the transport system is recognized as very important for the transport system development and **National Road safety strategy and action plan for the period 2013-2020** are prepared but not yet adopted.

⁴⁹⁹ Official Gazette of the Republic of Serbia, No. 36/09, 88/10

⁵⁰⁰ 2002/49/EC

⁵⁰¹ Official Gazette of the Republic of Serbia, No. 88/2011

⁵⁰² 2009/31/EC

⁵⁰³ Official Gazette of the Republic of Serbia, No. 04/08

Legal Framework

Strategy principles for the Serbian transport system development are reflected in the legal framework as well. Concerning the **legal framework**, some progresses were noticed in the last two years in the area of transport policy, particularly in road, inland waterways and air transport. Namely, in **Road transport**, the draft Law on carriage of goods in road traffic, fully harmonised with the EU requirements, has been positively assessed by the EC but it is not adopted yet as well as the Law on carriage of passenger in road traffic. The digital tachograph system has been introduced and in January 2012 and the Road Traffic Safety Agency started issuing memory cards for digital tachographs. Parallel to this, the Law on working time of professional drivers and tachographs is under drafting procedure. The **Railway Law** and the Railway Safety and Interoperability law received positive opinion from the EC (DG Move) and the Railway Law was recently approved by the Government, however, they are not yet adopted by the Parliament. Consequently, a specific attention would have to be paid to a fair market access for all operators; further efforts need to be made in separation of infrastructure manager and railway operations, as well as the strengthening of the regulatory functions of the railway regulatory body. The **Intermodal transportation** does not have specific legal framework adopted.

Inland waterway transport is mainly regulated by the Law on navigation and ports, which fixes conditions for using Serbian waterways and entering the ports. This Law was amended in 2012⁵⁰⁴ for taking into account the closing of *Plovput* and the transfer of its missions to the Ministry in charge of transport. In that context, method and cost of a special examination for navigation safety inspectors and on the format of the official navigation safety inspector's identity card were adopted in February 2012. A Rulebook on the qualification and conditions for obtaining certificate for competence of on-board crew member of merchant inland waterway vessels was adopted in July 2012. The Law on maritime navigation⁵⁰⁵ and the Law on vessels nationality and registration⁵⁰⁶ describe requirements for ships cruising under Serbian pavilion.

In **Civil Aviation**, the Law on Obligations and the Basics of Property Relations in Air Transport is aiming to align national provisions with the EU legislation on passenger's rights and the Law on amendments of the air transport law⁵⁰⁷ were adopted by the Parliament. Further national provisions intending the alignment with the Single European Sky legislation has been achieved, in particular concerning the provision of air navigation services (ANS), the methodology for determining and calculating the ANS charges, the regulation of air space management, and the interoperability of the ATM systems.

HUMAN RESOURCES AND SOCIAL DEVELOPMENT SECTOR

Strategic Framework

Serbia started to cooperate in the coordination of EU employment policies and developed the **National Employment Strategy 2011-2020** that indicates how Serbia will proceed towards achievement of the common goals of the EU. Priorities in the strategy promote employment in less developed regions and development of regional and local employment policies; human capital and greater social inclusion; improvement of institutions and labour market development; and a reduction of labour market dualities. The **Strategy for Development of Education in Serbia by 2020** was adopted in 2012 and is closely related to the previously adopted Vocational Education Development Strategy in the Republic of Serbia⁵⁰⁸. The strategy defines four main objectives for long-term development of the education system in Serbia: 1. Improvement of the education process and outcomes up to the maximally achievable level - level that is result of overall scientific knowledge and educational practice; 2. Greater involvement of Serbian citizens at all levels of education, from preschool to life-long learning; 3. Achieving and sustainability of the education relevance, and the structure of the education system which is in accordance with the individual development needs; economic, cultural, research, educational, public, administrative and the other systems; 4. Improved efficiency of the use of educational resources, i.e. finishing of education in planned time frame, with the minimal prolongation and the drop-out decrease.

The sub-sector of social policy encompasses labour, social dialogue, social protection, inclusion and protection of vulnerable groups (including women with multiple dimensions of vulnerability), poverty reduction, youth and it is also related to protection of economic and social rights. Current activities are geared towards the improvement and update of the now outdated strategic framework. The development of a new strategy for Social Welfare Development Strategy for the period 2013-2020 is planned for the second half of 2013. The strategy will focus on children's rights, support for families with children, protection of and support to the elderly, further deinstitutionalization and development of foster care. Preparation of a document for the improvement of social inclusion and poverty reduction is also planned. Other under-way strategic documents are: development of the Action plan for improvement of Social dialogue, a New Strategy for Safety and Health at Work 2013-2017 and a National Youth Strategy for the period 2014-2024.

Other relevant SD and HR sector policies are: The National Strategy for Improved Status of Women and Gender Equality Promotion (2009-2015); The National Strategy for Prevention and Combating of Violence Against Women (2011); The

⁵⁰⁴ Official Gazette of the Republic of Serbia, No. 121/12

⁵⁰⁶ Official Gazette of the Republic of Serbia, No. 87/11

⁵⁰⁷ Official Gazette of the Republic of Serbia, No. 10/13

⁵⁰⁸ Official Gazette of the Republic of Serbia, No. 92/12

⁵⁰⁸ Official Gazette of the Republic of Serbia, no. 1/07

National Strategy for Resolving the Problems of Refugees and Internally Displaced Persons (2011-2014); The Strategy for Improving the Position of People with Disabilities (2007-2015); The Strategy for Career Guidance and Counselling (2010-2014); Youth strategy (until 2014); The National Strategy for Protection of Children and Prevention of Violence (2008-2015); The Strategy for Tobacco Control (2010-2015); The Strategy on Public Health (2009-2015); The Strategy for the Prevention and Control of Non-Communicable Diseases (2009-2016); The Strategy for the Development and Health of Youth (2006-2014); The Strategy for Continuous Improvement of the Quality of Health Care and Patients' Safety (2009-2015); The Strategy for Securing Sufficient Blood Supply (2009-2015); The National Mental Health Strategy (2007-2014); The Strategy for the Fight Against HIV/AIDS (2010-2015); The National Strategy on Ageing (2006-2015)

Legal framework

The Labour Law⁵⁰⁹ ensures working conditions corresponding to EU standards, thus ensuring continuity of labour legislation reforms. The Law on Employment and Unemployment Insurance⁵¹⁰ is the umbrella normative framework regulating the employment policy in Serbia. The Law on Health and Safety at Work⁵¹¹ contains basic provisions and principles on the introduction of measures to encourage improvements in the safety and health of workers at work. The Law lays down employees' and employers' respective rights, obligations and responsibilities regarding measures the application of which shall ensure safe and healthy working conditions at the workplace. A law amending Law on health and safety at Work is supposed to be due by December 2013. By the adoption of the Law on Vocational Rehabilitation and Employment of Persons with Disability⁵¹² (in 2009), with accompanying by-laws, the legal framework is created for as complete as possible labour market integration and activation of PWD, simultaneously with the regulation of the employment and vocational rehabilitation. The compulsory pension and disability insurance in the Republic of Serbia is regulated by the Law on Pension and Disability Insurance⁵¹³, which entered into force and is applicable of 10 April 2003. The matters of contributors, pension calculation, compulsory pension and disability contribution payment and collection control, are all regulated by the Law on Compulsory Social Insurance Contributions⁵¹⁴. The Law on Voluntary Pension Funds and Pension Plans⁵¹⁵ governs the area of voluntary pension funds and pension plans. In this area, the following by-laws are in force, which fall under the competence of the Ministry in charge of labour, employment and social policy. The Law on the Prohibition of Discrimination⁵¹⁶ regulates general prohibition, the forms and cases of discrimination, as well as the methods of protection against discrimination (Article 1) and establishes the Commissioner for the Protection of Equality, as an independent state organ, independent when it comes to performing the tasks prescribed by this Law. Law on Professional Rehabilitation and Employment of Persons with Disabilities⁵¹⁷ protects and promotes the employment rights and envisions the proactive policy measures for the employment of people with disabilities.

The Law on the Foundations of Education and Upbringing⁵¹⁸ was adopted in 2009 with the aim to improve the **quality** of education in Serbia, and to make it **efficient** and **accessible** to all. This law governs pre-university education. The Law establishes the Council for Vocational Training and Education of Adults as a body responsible for managing national qualification development. Apart from this law separate laws on Preschool Education, Primary Education and Secondary Education exist. Also, there is a Law on Textbooks and other teaching aid. Apart from aforementioned laws, legal framework in pre-university education consists of numerous by-laws and regulations (more than 60). Ministry is currently in process of preparing new law on Primary and Secondary education as well as Law on adult education. High education is governed by Law on High Education⁵¹⁹. The law was amended in 2012 and one of adopted changes relate to the remits of National High Education Council to propose National qualification framework for high education.

The Law on Social Welfare⁵²⁰ (2011) seeks to provide better protection to the poorest citizens through more efficient financial support, the promotion of active inclusion and the effective decentralisation of services delivery. The Law promotes service delivery pluralism and quality assurance through national minimum standards for social services and supervisory support. It also creates a regulatory framework based on the licensing of professionals and service providers and inspection mechanisms.

509 Official Gazette of RS, 24/05, 61/05 and 54/09

510 Official Gazette of RS, 36/09 and 88/10

511 Official Gazette of RS, 101/05

512 Official Gazette of RS, 36/09 and 32/13

513 Official Gazette of RS, 34/03, 64/04, 84/04, 85/05, 101/05, 63/06, 5/09, 107/09, 101/10 and 93/12),

514 Official Gazette of RS, 84/04, 61/05, 62/06, 5/09, 52/11 and 101/11

515 Official Gazette of RS, 85/05 and 31/11

516 Official Gazette of RS, 22/09

517 Official Gazette of the Republic of Serbia, No. 032/2013

518 Official Gazette of the Republic of Serbia, No. 72/2009 and 52/2011

519 Official Gazette of the Republic of Serbia, No. 76/2005, 100/2007, 97/2008, 44/2010, and 93/2012

520 Official Gazette of the Republic of Serbia, No.

The Law on Health Care⁵²¹ and the Law on Public Health⁵²² set out the legislative framework in support of a health policy that aims to continuously improve public health and optimize the network of health institutions so as to provide for quality healthcare that is accessible to all.

AGRICULTURE AND RURAL DEVELOPMENT SECTOR

Strategic Framework

The Agricultural Strategy for Serbia (2005)⁵²³ commits the country to the process of EU accession and underlines that Serbia must prepare for, and adopt, the support systems of the CAP. Other goals of Serbian agricultural policy are: (i) to increase the wealth of the nation through an efficient agricultural sector, producing products that are internationally competitive in terms of quality and price; (ii) to ensure that the food provided to Serbian consumers meets acceptable standards of quality and safety; (iii) to prepare Serbia's agricultural trade and support policies for accession to the World Trade Organisation (WTO); (iv) to secure support to the living standards of people depending on agriculture as major source of income, but who are unable to keep up with economic reforms; (v) to provide support to sustainable rural growth; (vi) to protect the environment from adverse effects of agricultural production. The strategy identifies three strategic objectives: improving food safety, veterinary and phyto-sanitary control; aligning with the standards required by the EU *acquis*; and encouraging sustainable development of the rural economy and rural areas through diversification.

The National Agricultural Programme of the Republic of Serbia 2010-2013 (2010)⁵²⁴ and **The National Rural Development Program for 2011-13(2011)**⁵²⁵ are documents through which national agricultural strategy is implemented. They set strategic goals and specific objectives for the sector. Their focus is on improving the competitiveness of the agricultural, forestry and food sectors through restructuring, development of markets and market mechanisms, and improving rural development and environmental protection.

The Serbia Agriculture and Rural Development Strategy 2014-2024 is under development and will be implemented through **The National Agricultural and Rural Development Programme of the Republic of Serbia 2014-2020**.

The National Action Plan for the Development of Organic Farming (2010) has the overall aim of increasing the amount of land in certified organic production or in conversion to organic production so that it covers 50,000 ha by 2014 (from a base level of 596 ha in 2009). Other key areas of activity include plant health, seed and plant materials, plant protection products, and veterinary policy, which are only partially harmonized with EU legislation and need further laws and by-laws to be adopted. The National Action Plan was revised in November 2011 and the final draft of the National Action Plan for Organic Production Development 2012 – 2016 is completed and will be submitted for adoption which is expected to take place during 2013.

The Forestry Development Strategy of the Republic of Serbia (2006)⁵²⁶ has the overall strategic aim of preserving and expanding forests and developing forestry as an economic activity. Key aims include supporting the economic and social functions of forests whilst preserving their ecological features; institution building and support for management to enable sustainable exploitation of forest resources.

The Biodiversity Strategy of the Republic of Serbia for the period 2011-2018 (2011)⁵²⁷ recognises the linkages between biodiversity and agriculture. The strategy identifies specific threats and pressures on biodiversity from the agriculture and forestry sectors and proposes concrete actions for their mitigation.

The National Strategy for Sustainable Use of Natural Resources and Goods in the Republic of Serbia (2012-2021)⁵²⁸ defines the following objectives: ensuring the conditions for sustainable use of resources by proper planning of each resource balance and consumption; reduction of resource-use impacts on the economy and the environment; and establishing monitoring indicators.

The Strategy for Regional Development (2007-2012) (Official Gazette of the Republic of Serbia, No. 55/05 and 71/05), which addressed the specific problems of rural areas and obstacles to their development is now outdated; New **National plan of regional development from 2014 until 2020** is under development and should be in Serbian parliament by the end of the year. The plan will be based on an entirely different concept of regional policy in relation to the past-not the concept of development assistance, but to improve the potential of the region themselves. The new concept is aimed at solving two key problems, such as unemployment and the huge regional differences that now exist. The aim is to stop the migration, promote new prospects and ensure economic development in all regions. The new concept is compliant with the principles of the EU, which is the regional development by 2020 placed in the foreground.

⁵²¹ Official Gazette of the Republic of Serbia" No. 107/05

⁵²² Official Gazette of the Republic of Serbia" No. 72/09 and 107/05

⁵²³ Official Gazette of the Republic of Serbia, No.78/05

⁵²⁴ Official Gazette of the Republic of Serbia, No.83/10

⁵²⁵ Official Gazette of the Republic of Serbia, No.15/11

⁵²⁶ Official Gazette of the Republic of Serbia, No.59/06

⁵²⁷ Official Gazette of the Republic of Serbia, No.13/2011

⁵²⁸ Official Gazette of the Republic of Serbia, No 33/12.

Legal framework

Since 2009 Serbia has adopted 37 new primary laws and 126 by-laws in order to harmonise with the EU *acquis*, addressing implementation requirements for the following sectors and sub-sectors: agriculture, food safety, veterinary and phytosanitary protection, water, forestry and rural development.. The current legal framework is made up of the following main laws:

The Law on Incentives for Agriculture Production and Rural Development⁵²⁹ sets the minimum guaranteed annual amounts for incentives in these areas. The law identifies three groups of government incentives: direct payments, rural development payments and specific incentives. The Law also dictates that the agriculture budget should not be less than 5 per cent of Serbia's total budget. In February, the Serbian Government adopted a 'Rulebook on Payment of Agriculture Subsidies' which specifies the exact amounts to be paid in 2013.

The Law on Agriculture and Rural Development⁵³⁰ specifies: the goals of agricultural policy and how to achieve them; the types of agricultural subsidies; the Farm Register; the establishment and functioning of the Directorate for Agrarian Payments.

The Law on Food Safety⁵³¹ lays down general conditions for the: safety of food and feed; duties and responsibilities of food and feed business operators; rapid alert system; emergency measures and crisis management; food and feed hygiene and quality. **The Law on Public Warehouses for Agricultural Products**⁵³² enables implementation of the warehouse receipts system as an alternative solution for commodity producers, processors and traders to access short-term financing for operations ;to take advantage of price fluctuations; and to secure the storage of their produce; **The Law on Animal Welfare**⁵³³ regulates responsibilities of legal and natural persons and entrepreneurs in terms of animal welfare, specifically for: the protection of animals from torture and mistreatment; the care for animal health and life; the treatment of animals during keeping, raising, circulation, transport, slaughtering and conducting experiments. In addition, the Law can facilitate exports of Serbian animals, and products of animal origin, in particular to the EU, since once it is implemented it will ensure that all requirements in terms of keeping and transportation of animals are fulfilled; **The Law on Plant Health**⁵³⁴ governs the protection and improvement of plant health; specifically it describes: (i) measures for the protection, detection, prevention of spreading, control and eradication of harmful organisms; (ii) phytosanitary controls and requirements for production, processing, imports, storage and trade in plants, plant products; (iii) requirements for prescribed facilities, as well as conditions for carrying out activities in the area of protection of plant health. The Law also envisages establishment of the national phytosanitary reference laboratory, and introduces controls based on the assessment of risk; **The Law on Organic Production**⁵³⁵ describes in detail the organic production of agricultural and other products; organic production aims and principles; organic production methods; control and certification in organic production; processing, labelling, transportation, marketing, imports and exports of organic products; supervision of the performance of delegated tasks; and other matters relevant to organic production; **The Law on Genetically Modified Organisms**⁵³⁶ (GMOs) regulates basic conditions for the use of GMOs in closed systems (laboratory work, greenhouses) and their deliberate release into the environment (experimentally work in the field, and commercial growing). The Law entirely prohibits the commercial growing of live modified organisms, or placing into circulation of live modified organisms and products obtained from GMOs. This practice is very strict compared to the practices imposed in some countries, in particular, USA and is not in conformity with the EU *acquis*. The law does not deal with trade, circulation, transportation, labelling and/or traceability of the GMO for commercial purposes. The Law on Agricultural Land (Official Gazette of RS, No. 62/06 and 41/09) regulates the planning, protection, organization (measures which implemented planning documents through the process of land consolidation and land management in order to improve the natural and ecological conditions on agricultural land), and the use of agricultural land; monitor the implementation of this law and other issues of importance for the protection, development and use of agricultural land as an asset of general interest. Law regulated establishment of Directorate of Agricultural Land, as the administrative body within the ministry responsible for agriculture. The Act stipulates that the owner of land cannot be foreign individuals or legal entity as well as the procedure for granting the lease of agricultural land owned by the state.

CULTURE THEMATIC AREA

Strategic Framework

The long awaited **Culture Development Strategy 2013-2023** is scheduled for adoption in 2013. Apart from giving an analysis of the current state, the new strategy is expected to set strategic directions, priorities and objectives regarding the

⁵²⁹Official Gazette of the Republic of Serbia, No 10/13

⁵³⁰Official Gazette of the Republic of Serbia, No 41/09

⁵³¹Official Gazette of the Republic of Serbia, No41/09; 93/12

⁵³²Official Gazette of the Republic of Serbia, No41/09

⁵³³Official Gazette of the Republic of Serbia, No 41/09

⁵³⁴Official Gazette of the Republic of Serbia, No 41/09

⁵³⁵Official Gazette of the Republic of Serbia, No 30/10

⁵³⁶Official Gazette of the Republic of Serbia, No 41/09

cultural heritage protection, promotion of cultural creativity and production, work of cultural institutions, cross-sector cooperation. The Strategy will be accompanied by an action plan containing targets and indicators for the implementation.

EU Strategy for the Danube region aims at boosting the development of the Danube Region and was endorsed in 2011. The Strategy articulates four main pillars of joint actions, out of which the third refers to Building prosperity in the Danube region. Several actions are proposed relating to culture: to build on cultural diversity as strength of the Danube Region; to enhance cooperation and contacts between people of different origins, to encourage creativity, and provide a driving force for cultural innovation and economic development, based on heritage, traditions and tourism; to promote cultural exchange and exchange in the arts; to collect existing data on cultural activities and establishing a comprehensive data base giving an overview of cultural activities in the Danube Region.

Legal Framework

The legal framework relating to **culture** is set by the **Law on Culture**⁵³⁷. According to this Law, the Republic of Serbia takes care of achieving common interest in culture and of implementation of culture policy as a set of objectives and measures for promotion of culture development based on the principles determined by the Law, including the principle of respecting cultural and democratic values of the European and national tradition and diversity of cultural expression. Concerning the newly adopted Law on Public Procurement⁵³⁸ employees engaged in culture and organizations found it highly unfavourable to serve the needs of cultural organizations. They launched an initiative to exempt the field of culture from its full application.

Other important laws relevant for culture are: Law on Common Interest Activities within Culture⁵³⁹, Law on Cultural Property⁵⁴⁰, Law on Self-Employment in Cultural or Other Activities within Culture Sector⁵⁴¹, Law on Publishing⁵⁴², Law on Legacies and Foundations⁵⁴³, Law on Library and Information Activities⁵⁴⁴, Law on Old and Rare Librarian Materials⁵⁴⁵, Law on Cinematography⁵⁴⁶.

MEDIA THEMATIC AREA

Strategic Framework

Strategy for the Development of the Public Information until 2016 (Media Strategy) was adopted by the Government in 2011⁵⁴⁷. The purpose of the strategy is to define key directions of the public information system development in Serbia as a whole and its constituent parts in a way to secure the freedom of media and media market as key players in the process of further strengthening the democratic relations. Improving the public information system entails the harmonization of the legal framework and practice with the international and European regulatory framework and strengthening the capacities of all actors in this area to act in line with the public interest and welfare of citizens and all social groups. The Strategy defines the public interest, the role of the Government in the public information system, ownership and transparency of public media ownership, as well as media concentration. The Strategy also defines the role of printed media and newspaper agencies, conditions for further development of electronic media and new technologic platforms, as well as the position of the public service within the public information system.

Strategy of Electronic Communications Development until 2020 was adopted by the Government in 2010⁵⁴⁸. The Strategy sets the main directions and objectives for the electronic communications development in Serbia, defines measures that enable the use of new ICT technologies, access to the electronic communications infrastructure and also those to broaden the scope of services to residential and business users thereby contributing to the increase of Serbia's competitiveness. Priorities focus upon the efficient spectrum management, further development of the broadband access, switchover to digital broadcasting, planning the best use of the digital dividend and introduction of new multi-media services. This strategic document is justifiably rather technical in its approach. For the area of media of particular interest is the switchover to digital broadcasting.

Strategy for Development of the Information Society in Serbia until 2020⁵⁴⁹ together with the **Strategy of Electronic Communications Development until 2020**⁵⁵⁰ represents the Digital Agenda for the Republic of Serbia. The strategy identifies priorities in six key areas: electronic communications; e-government, e-health and e-justice; ICT in education,

⁵³⁷ Official Gazette of the Republic of Serbia, No. 72/2009

⁵³⁸ Official Gazette of the Republic of Serbia, No. 124/2012

⁵³⁹ Official Gazette of the Republic of Serbia, No 49/92

⁵⁴⁰ Official Gazette of the Republic of Serbia, No 71/94

⁵⁴¹ Official Gazette of the Republic of Serbia, No 39/93, 42/98

⁵⁴² Official Gazette of the Republic of Serbia, No 37/91, 53/93, 67/93, 48/94, 135/2004, 101/2005

⁵⁴³ Official Gazette of the Republic of Serbia, No 88/10

⁵⁴⁴ Official Gazette of the Republic of Serbia, No 52/11

⁵⁴⁵ Official Gazette of the Republic of Serbia, No 52/11

⁵⁴⁶ Official Gazette of the Republic of Serbia, No 99/2011 and 2/2012

⁵⁴⁷ Official Gazette of the Republic of Serbia, No. 75/11

⁵⁴⁸ Official Gazette of the Republic of Serbia, No. 99/06

⁵⁴⁹ Official Gazette of the Republic of Serbia, No. 51/10

⁵⁵⁰ Official Gazette of the Republic of Serbia, No. 68/10

science and culture; e-commerce; business ICT sector; and information security. Of special interest is the switchover from analogue to digital broadcasting in Serbia which should enable citizens to receive better quality of sound and picture, more radio and TV programmes, new services for persons with disabilities and elderly citizens, mobile programme receiving as well as convergence of services.

The present **Broadcasting development strategy**⁵⁵¹ expires in 2013 and is planned to be substituted by a new one covering the period 2013-2018 (to be prepared by the Republican Broadcasting Agency-RBA).

Legal Framework

The current legal framework **in the field of media** is defined by the **Law on Public Information**⁵⁵² which is in line with the European Convention on Human Rights and Fundamental Freedoms, the International Convention on Civil and Political Rights and Recommendations of the Council of Europe in relation to the freedom of expression and information. It defines the right to public information as a right to freedom of expression and regulates rights and obligations of actors in the process of public information. The Law guarantees the right to establishment and freedom of public media. The **Law on Broadcasting**⁵⁵³ regulates, in accordance with international conventions and standards, conditions and manner of broadcasting activities. The Law also determines conditions and procedures for licensing broadcasting of radio and television programs, as well as other issues of significance to the field of broadcasting. Apart from those, the subject of public information is regulated by a number of other laws such as: Law on Local Self-Government⁵⁵⁴, Law on the Capital City⁵⁵⁵, Law on national Councils of National Minorities⁵⁵⁶, Law on Advertisement⁵⁵⁷, Law on privatisation⁵⁵⁸, Law on State Aid Control⁵⁵⁹

CIVIL SOCIETY THEMATIC AREA

Strategic Framework

Although there is no specific strategy for this area, numerous national sector strategies recognise the importance of civil society and its active role in achieving set objectives. The Office for Cooperation with Civil Society issued a **Strategic Framework for 2011-2014** with several clear targets to be achieved. **Operational Plan for the period 2013-2014** contains objectives for the development of civil society: 1. developing a Strategy to create an environment conducive to the development of civil society in the Republic of Serbia, and to establish a National Council for the Development of Civil Society; 2. promoting new financing sources as a prerequisite for the long-term viability of CSOs: promoting institutional grants, corporate social activities, individual philanthropy, corporate philanthropy and social entrepreneurship, creating functional mechanisms for philanthropic giving, developing criteria for CSOs to play a public role, making public spending by local government more transparent, revising the system of CSO financing from gambling and game of chances revenue, introducing tax incentives etc.; 3. further developing an institutional framework conducive to civil society development, i.e. creating specific units or tasks in relevant government ministries, considering the possibility of establishing a Civil Society Development Fund; strengthening mechanisms for cooperation between CSOs and the Serbian National Assembly.

The Office for cooperation with Civil Society will start development of the Strategy for Creation of Enabling Environment for Development of CSO and adoption is foreseen by the end of 2014.

Furthermore, the European Commission is in the process of designing Guidelines for EU support to civil society in enlargement countries for the period 2014-2020, with a set of proposed objectives, results and indicators. The Guidelines tackle the issues of creation of enabling environment for civil society development, capacity building of CSOs and cooperation between CSOs and Government institutions. This document is to be an integral part of the Country Strategy Paper for Serbia after its completion, which is to be done through a wide consultative process with the civil society.

Legal framework

The Law on Citizens' Associations⁵⁶⁰ was adopted in July 2009. It regulates the establishment and legal status of associations, their financing, as well as other issues significant for the functioning of associations and for the first time, regulates the status and operations of foreign associations. The law requires all associations to re-register in line with the new registration requirements. Under the Law on Associations (Article 38), the Government passed the Regulation on funds intended to incentivise programmes or matching grants for funding programmes of public interest implemented by

⁵⁵¹ Official Gazette of the Republic of Serbia, No. 41/2009

⁵⁵² Official Gazette of the Republic of Serbia, No. 43/2003, 61/2005, 71/2009, 89/2010 - Decision of the Constitutional Court and 41/2011 – Decision of the Constitutional Court

⁵⁵³ Official Gazette of the Republic of Serbia, No. 42/2002, 97/2004, 76/2005, 79/2005 – other law, 62/2006, 85/2005 и 41/2009

⁵⁵⁴ Official Gazette the Republic of Serbia, No. 129/2007

⁵⁵⁵ Official Gazette of the Republic of Serbia, No. 129/2007

⁵⁵⁶ Official Gazette of the Republic of Serbia, No. 72/2009

⁵⁵⁷ Official Gazette of the Republic of Serbia, No. 79/2005

⁵⁵⁸ Official Gazette of the Republic of Serbia, No. 38/01, 18/03, 45/05, 123/07 – other law, 123/07, 30/10 – other law, 93/12, 119/12

⁵⁵⁹ Official Gazette of the Republic of Serbia, No. 51/2009

⁵⁶⁰ Official Gazette of the Republic of Serbia, No. 51/2009

associations⁵⁶¹ which regulates by the criteria, conditions and methods of allocation of funds from the budget of Republic of Serbia to associations, which provides for the allocation of funds to be transparent and evens the procedures of awarding financial support to civil associations and other civil society organisations by government institutions at the republic level, the provincial budget and at the local self-government unit level. The Government has also adopted the Law on Volunteers⁵⁶² and Law on Endowments and Foundations⁵⁶³. Another important law is the Social Protection Act⁵⁶⁴; this law further decentralises the social welfare system, allowing civil society organisations to compete in the market as social service providers. Additionally, four secondary legislation acts have been adopted, in the form of rulebooks regulating the conditions and standards for providing social services and licencing of social workers and organisations providing social services. The Law on Accountancy is in process of amending in order to simplify financial management for smaller CSOs and foundations but also introduce non-profit accounting. Significant improvement in the field of participating in law making processes was achieved with the amendment of the Government's Rules of Procedures article related to public hearing issue. The Rules of Procedures now oblige institutions to conduct the public hearing in law-preparing and regulate all important segments of the process, such as the criteria for obligatory public hearings, reasonable timeframes for duration of public hearing, and obligatory reporting on conducted public hearings.

⁵⁶¹ Official Gazette of the Republic of Serbia, No. 8/12

⁵⁶² Official Gazette of the Republic of Serbia, No.36/2010

⁵⁶³ Official Gazette of the Republic of Serbia, No. 88/2010

⁵⁶⁴ Official Gazette of the Republic of Serbia, No. 24/2011

ANNEX 2 - NAD PRIORITIES AND MEASURES

Sector	Justice		Home Affairs	
<i>Priorities</i>	<i>(1) Improving judicial system, legal certainty and fight against corruption</i>	<i>(2) Improving the protection and promotion of Human and Minority rights</i>	<i>(1) Improving the overall security and fight against crime</i>	<i>(2) Ensuring integrated border management and management of migration flows</i>
Measures	1.1 Further supporting the reform of the judicial system in line with the EU accession requirements	2.1 Implementing existing strategic and legal framework for the protection of human and minority rights	1.1 Improving and implementing strategic and normative framework for crime fighting and prevention	2.1 Enhancing integrated border management (Implementation of the IBM Strategy)
	1.2 Increasing the efficiency and quality of the judicial system in accordance with international and European standards	2.2 Promoting the culture of tolerance, diversity, equality to prevent H&MR violation in employment, education, health and public information	1.2 Strengthening the capacities of state authorities to efficiently process cases of organised crime, corruption ⁵⁶⁵ , money laundering, terrorism financing, terrorism, war crimes and other criminal acts	2.2 Improving migrations management mechanisms
	1.3 Improving anticorruption policy in line with enhanced prevention, prosecution and processing of corruption cases		1.3 Strengthening the capacities of police, state authorities, local municipalities, minorities and civil society for the comprehensive and efficient protection of human and minority rights, safety and security of citizens	
		1.4 Enhancing capacities of state authorities for the efficient reaction in emergency situation and effective protection of citizens		

Sector	Public Administration Reform (PAR)		
<i>Priorities</i>	<i>(1) Increasing the effectiveness, efficiency and transparency of public administration</i>	<i>(2) Strengthening strategic planning and coordination of public policies</i>	<i>(3) Improving transparency, efficiency and accountability in public finance management</i>
Measures	1.1 Reorganising structures and optimising processes of public administration at all levels	2.1 Improving administrative capacity for effective and efficient strategic and fiscal planning and their coordination	3.1 Improving budget planning and preparation process
	1.2 Transferring functions of public administration closer to citizens and businesses within de-concentration /decentralisation process	2.2 Improving institutional and technical capacity for monitoring and forecasting socio-economic developments	3.2. Strengthening public revenue management

	1.3 Improving human resources management and development system at all levels of public administration		
	1.4 Modernising delivery of public administration services through further improvement of information and communication technologies at all governance levels		3.3 Strengthening public expenditure management and budget execution
	1.5 Strengthening control mechanisms of the functioning of public administration and increasing its transparency		

Sector	Competitiveness		
<i>Priorities</i>	<i>(1) Improving the quality of products and services and raising levels of productivity</i>	<i>(2) Improving innovation levels and enhancing quality of public and private sector R&D</i>	<i>(3) Improving operating environment for doing business through evidence-based policies and regulatory simplification</i>
Measures	1.1 Providing of and accessing to finance	2.1 Increasing the quality of the R&D base to pursue economic development	3.1 Improving the policy, regulatory and institutional frameworks by applying evidence-based approach to policy making and administrative and regulatory simplification
	1.2 Ensuring access to sustainable modern infrastructure	2.2 Widening the diversity of support mechanisms for commercialization	3.2 Improving administrative capacity with attention to proper estimation of necessary staff, other resources, knowledge and skills in the administration and judiciary
	1.3 Ensuring a competitive manufacturing and production base		3.3 Improving the general requirements and the capacities of companies for complying with the EU-harmonised legislation

Sector	Energy		
<i>Priorities</i>	<i>(1) Improving policy, institutional and legislative framework to ensure a sustainable development in the energy sector</i>	<i>(2) Securing reliable, quality and efficient energy supply chain</i>	<i>(3) Mitigating adverse impact of energy sector to the environment through reduction of pollution, soil remediation activities and preparatory activities aiming to facilitate future sustainable energy production</i>
Measures	1.1 Supporting the enforcement of national legislation in energy sector and improving monitoring and reporting mechanisms for policy implementation and law enforcement at central and local level	2.1 Improving the security of energy supply in electricity transmission and gas transport enabling regional energy market integration and establishment of emergency oil stocks	3.1 Decreasing pollution arising from the energy sector affecting the quality of air, water and soil

	1.2 Further supporting Serbian energy market to enhance its internal and regional competitiveness	2.2 Enhancing the use of all renewable energy sources with focus on biomass.	
		2.3 Increasing energy efficiency in district heating and energy consumption sector, with a focus on public and residential building sectors	

Sector	Environmental Protection		
Priorities	(1) <i>Creating and strengthening policy, regulatory, financing and monitoring mechanisms for ensuring sustainable development including awareness rising in regard to environmental issues</i>	(2) <i>Supporting climate change adaptation, mitigation and risk prevention</i>	(3) <i>Ensuring environmental sustainability by sound management of natural resources and reduction of pollution</i>
Measures	1.1 Strengthening multiannual planning, legal reforms and institution-building related to environmental protection	2.1 Supporting implementation of Climate change strategy and related action plan	3.1 Ensuring conservation, sustainable use and more efficient management of natural resources (nature protection, biodiversity, remediation of contaminated sites)
	1.2 Developing integrated monitoring /information systems on environmental quality, improving reporting and strengthening law enforcement		3.2 Developing and improving waste management systems
			3.3 Enhancing water management (water supply and waste water management)
			3.4 Improving air quality by reduction in harmful emissions

Sector	Transport		
	(1) <i>Increasing the effectiveness of the transport system by strengthening the policy and institutional framework, management capacities and implementation mechanisms</i>	(2) <i>Improving the capacity and quality of transport infrastructure and services within the Pan-European Transport Corridors and the South East Europe Core Regional Transport Network</i>	(3) <i>Promote sustainable urban and suburban transport</i>
Measures	1.1 Strengthen capacity of the administration for strategic/policy planning and transport management	2.1 Modernizing the railway infrastructure	3.1 Improving the efficiency urban and suburban transport and its connectivity with the international and national transport corridors, in line with the integrated planning approach for urban and suburban transport
	1.2 Setting-up organizational and structural changes of the public enterprises operating in the transport sector aiming at commercialization of its activities in accordance with EU requirements	2.2 Improving the road transportation taking into account social features, capacity and safety features 2.3 Strengthening capacities for efficient inter-modal transport aiming to increase the modal split of transport modes in favour of the least polluting modes (rail, waterways)	3.2 Improving development and implementation of adequate urban and suburban traffic policies to decrease congestion and security

		2.4 Improving navigation conditions within inland waterways	
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Sector					Human Resources and Social Development			
<i>Priorities</i>	<i>(1) Strengthening the establishment of an efficient, stable, and sustainable growth trend in employment</i>	<i>(2) Build a knowledge-based society through enhancement of formal and non-formal education</i>	<i>(3) Increasing the effectiveness and equity of social welfare</i>	<i>(4) Improving the health status of the population by strengthening the accessibility, availability, affordability and efficiency of healthcare services</i>				
Measures	1.1 Further promoting the implementation of Active Labour Market Programs, reinforcing their effectiveness, targeting and coverage of services	2.1 Raising the quality and efficiency of the pre-university general education	3.1 Improving the relevance and accessibility of social welfare investments through more efficient and effective use of social (pro-poor) budgets and modernizing the state mechanisms for providing support to vulnerable population	4.1 Reducing the prevalence of non-communicable diseases through further implementation of prevention programmes aimed at decreasing the associated risk factors				
	1.2 Reducing regional disparities through integrated and coordinated support to generate employment	2.2 Increasing participation and access to education	3.2 Advancing the efficiency of social protection and social inclusion through innovations	4.2 Strengthening healthcare management capacities and introducing new technologies in order to provide better conditions for treatment and rehabilitation and to improve the efficiency of the healthcare system				
	1.3 Improving labour policy, work environment and working conditions	2.3 Establishing functional National Qualification Framework for lifelong learning						
	1.4 Enhancing youth employability and facilitating their access to the labour market	2.4 Raising the quality and participation in tertiary education						

Sector					Agriculture and Rural Development			
<i>Priorities</i>	<i>(1) Increasing the competitiveness of agribusiness sector and created conditions for the sustainable growth of farmers' incomes (with ref. to IPA RD axis 1)</i>	<i>(2) Improving the quality of life of the rural population and attractiveness of rural areas (with ref. to IPA RD axes 2 and 3)</i>	<i>(3) Strengthening administrative capacities for alignment of agriculture (CAP Pillar 1) and rural development (IPA RD & CAP Pillar 2) policies and institutions with EU acquis (with ref. to building the administrative capacities)</i>	<i>(4) Improving standards and systems for food safety, plant health, animal health and welfare (with ref. to harmonisation with EU acquis)</i>				
Measures	1.1 Investing in agricultural holdings, processing and marketing of agricultural produce, introducing EU standards for agricultural produce and food	2.1 Creating conditions for improvement of rural infrastructure	3.1 Improving rural development analytical, programming, programme management and implementation capacities	4.1 Building standards and capacity for veterinary services, animal health and welfare				

	1.2 Fostering innovations, uptake of research and knowledge transfer by means of extension service	2.2 Supporting diversification of rural economy and creation of new jobs	3.2 Improving administrative capacities for agricultural policy and CMO	4.2 Strengthening food safety system
		2.3 Improving the Local Action Groups (LEADER-type) and introducing agri-environmental actions		4.3 Building phytosanitary and plant protection product standards and administrative capacity

ANNEX 3 – MATRIX OF CROSS-IMPACTS AT PRIORITY LEVEL

		ARD			COMP			NRG		ENV		JUS		HMA	HRS			PAR	TRA
		P 1	P 2	P 3	P 1	P 2	P 3	P 2	P 3	P 1	P 3	P 1	P 2	P 1	P 1	P 2	P 4	P 1	P 2
ARD	P 1				AM1.1 CM1.3	AM1.2 CM2.1													
	P 2																		
	P 3									AM3.2 ENVM1.2					AM2.2 HRDM1.2				
COMP	P 1	CM1.3 AM1.1						CM1.2 EM2.1											CM1.2 TM2.1M2.2
	P 2	CM2.1 AM1.2													CM2.1 HRDM2.4				
	P 3										CM3.2 JM1.1							CM3.2 PM1.3	
NRG	P 2				EM2.1 CM1.2														
	P 3									EM3.1 ENVM3.1 M3.4									EM3.1 TM2.3
ENV	P 1			ENV1.2 AM3.2															
	P 3							ENVM3.1 M3.4 EM3.1											ENVM3.1 M3.4 TM2.3
JUS	P 1						JM1.1 CM3.2							JM1.3 HM1.2					
	P 2													JM2.1 M2.2 HM1.3	JM2.2 HRDM1.1		JM1.2 M2.2 HRDM3.2		
HMA	P 1										HM1.2 JM1.3	HM1.3 JM2.1 M2.2							
HRS	P 1			HRDM1.2 AM2.2									HRDM1.1 J2.2					HRDM1.1 PM1.3	
	P 2				HRDM2.4 CM2.1														
	P 3											HRDM3.2 JM2.1 M2.2							
PAR	P 1					PM1.3 CM3.2									PM1.3 HRDM1.1				
TRA	P 2				TM2.1M2.2 CM1.2			TM2.3 EM3.1		TM2.3 ENVM3.1M3.4									



ANNEX 4 – METHODOLOGY FOR INFRASTRUCTURE PROJECT SELECTION AND PRIORITIZATION

I. Introduction

Serbia has high needs for infrastructure development in order to adequately prepare for future EU accession and to meet national development goals. Given that both domestic and external financial resources for infrastructure are limited, it is important to focus available funding on *strategically significant infrastructure projects* i.e. on those projects which will make the largest contributions (impacts) towards the achievement of national policy objectives for accession and socio-economic development. It should be noted that the identification of strategically significant projects will be an important element in the successful adoption of the Sector Approach under IPA2 for the programming period 2014-2020.

Past and on-going donor assistance (including EU assistance) has supported infrastructure project preparation at both central and local government levels. Notable in this respect are the EU PPF⁵⁶⁶ and SIDA⁵⁶⁷ projects (support to central government institutions), the EU MISP⁵⁶⁸ projects (support to municipalities) and the Western Balkans Investment Framework (support and leveraged IFI investments at the level of the Western Balkans Region). As a consequence a large number of procedures, documents and manuals have been produced to support infrastructure project development in Serbia. The purpose of this Concept Paper is to build on this existing base of documentation and to develop a consolidated standard methodology which can be used by the Serbian authorities for the selection of strategically significant projects. This methodology should generally be applicable to all funding sources (particularly IPA2) and should address the needs of both central and local governments. The methodology is a basis for a successful programming process during which the selection of projects for funding is performed and the financial arrangement for funding the individual projects is identified.

A major problem identified by EUD /SEIO task managers and sector specialists is that often assessments of project maturity do not take into account the quality of project documentation. Inadequate and incomplete documentation is a significant factor in delaying the full preparation of infrastructure projects in Serbia, leading to delays in tendering, subsequent slow implementation and poor absorption of available funding. Given that the costs of preparing major infrastructure projects can be as much as 10% of the total project value, the selection of projects with inadequate documentation also results in inefficient and ineffective use of technical assistance budgets. Linked to the problem of poor documentation is the poor capacity of line ministries and public utility companies to monitor the preparation of infrastructure projects. A system whereby nominated lead ministries which will act as focal points for coordinating and managing project preparation is currently being established but it is still to be fine-tuned and is not standardised among the various responsible bodies /ministries.

II. Proposed Methodology

Two main weaknesses have been identified in the existing selection procedures. Firstly, little attention is paid to the strategic significance of projects i.e. to their potential contribution towards achieving strategic objectives. Secondly, the assessment of project readiness (maturity) does not take into account the quality (reliability of data) and completeness of planning and technical documentation. In response to these weaknesses, it is proposed to incorporate additional assessments into the existing project selection process, namely the *Strategic Relevance Assessment* and the *Gap Assessment of the projects* before final selection. These assessments are shown in Figure 1 (steps 3 and 5). The prioritization criteria are developed separately for the following sectors and sub-sectors: energy, transport, environment (waste management, water/wastewater), and business infrastructure (industrial zones, business parks, incubators).

The proposed methodology is a top-down process where potential projects are encouraged either directly from national strategies or from other sources. The majority of potential projects is currently represented in a variety of formats and contain different levels of information. In order to establish the minimum level of information needed for the prioritisation process, the projects identified in step

⁵⁶⁶ PPF=Project Preparation Facility

⁵⁶⁷ SIDA=Swedish International Development Agency

⁵⁶⁸ MISP=Municipality Infrastructure Support Programme



Project Preparation Facility, Serbia (PPF5)

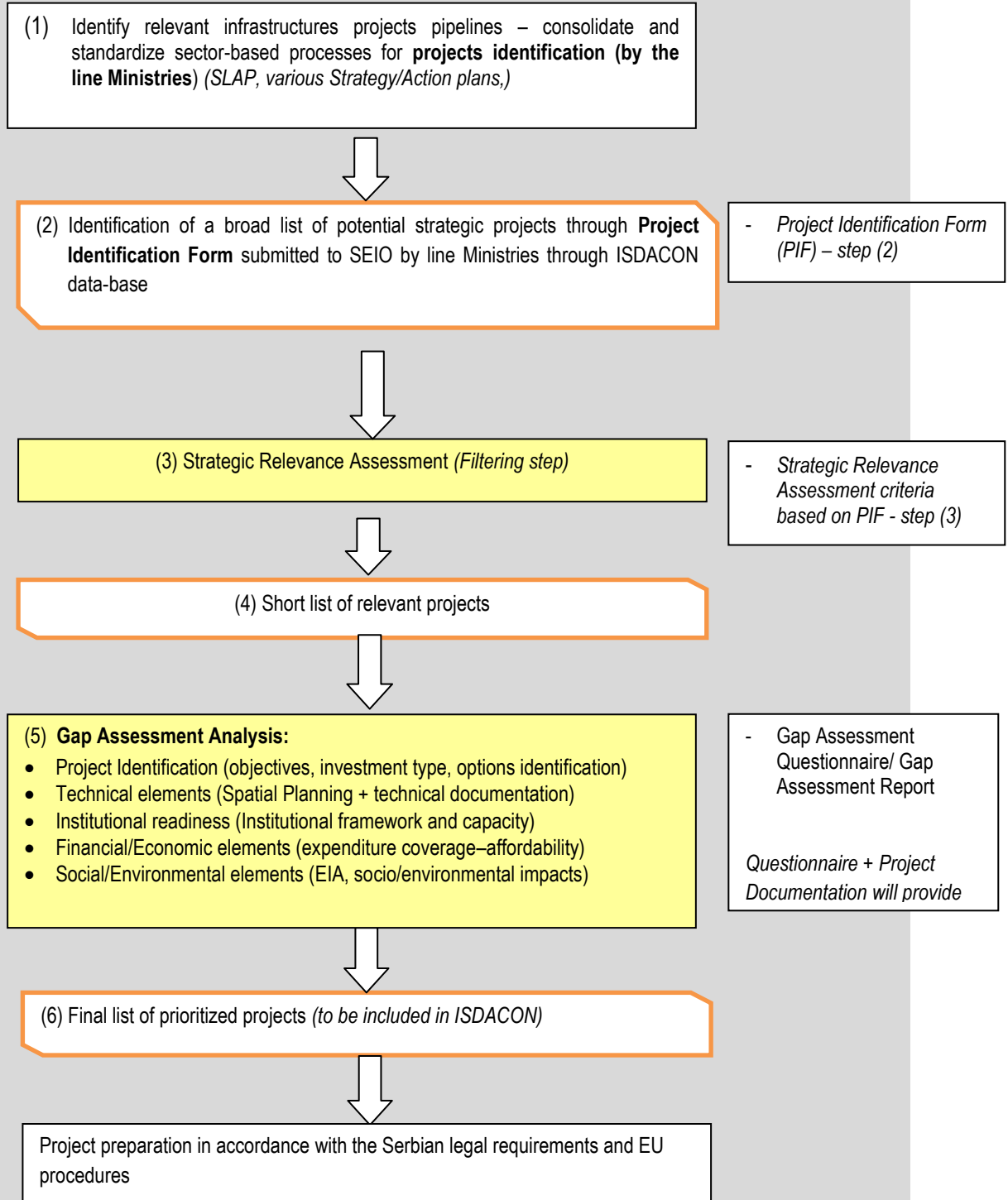


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2 should be summarised in a standardised Project Identification Form (PIF), a template for such a PIF has been developed by the SEIO and includes few very simple eligibility criteria.

The 'long list' of projects is assessed for strategic relevance (step 3) and short list of projects will be done in order to further check the scope of the project, analyse alternative options and using technical, institutional, financial, environmental criteria as shown in step 5. A final list of priority projects is produced and depending on their readiness, the projects are classified into four groups. This sequence of steps should act as a quality filter gradually reducing the long list of potential, thereby ensuring that only the strategic projects are selected for full preparation. This in turn should decrease the problems encountered during implementation.

Figure 1: Methodology for Infrastructure Project Prioritisation





III. Project Identification

(Step 1)

Identify relevant infrastructures projects pipelines – consolidate and standardize sector-based processes for **projects identification (by the line Ministries)** (SLAP, various Strategy/Action plans,)

The first step in the prioritisation process is the identification of a pipeline of infrastructure projects which potentially might be important in the implementation of sector strategies or national /regional socio-economic development programmes (Figure 1, step 1). This step aims to consolidate and coordinate existing identification procedures currently used by line ministries, national enterprises, local authorities, regional agencies and SEIO. The two main sources of pipeline projects are expected to be:

- a) Structured project pipelines/mechanisms (SLAP⁵⁶⁹ and respective line ministry databases),
- b) Sector Strategy Action Plans - Master Plans.

The main elements of the project identification step are summarized in Table 1, below.

Table 1: Summary of Project Identification

Scope	Key Actors	Inputs	Method	Outputs
Consolidate and coordinate existing processes for project identification in order to provide a basis for the subsequent formulation and selection of strategic infrastructure projects Identify potential infrastructure projects sources/pipelines	<ul style="list-style-type: none"> - Line Ministries - Projects proponents⁵⁷⁰ (Line Ministries, National Enterprises, Public Utility Companies (PUCs), Municipalities, etc.) 	<ul style="list-style-type: none"> - National Strategies/ Sector Strategies and other Policy Documents - SLAP and other project databases 	Identification of potential projects from existing project databases and pipelines according to a sector strategic objectives following National Sector Strategies/Action Plans.	Identified infrastructure projects pipeline formulated

⁵⁶⁹ SLAP will be treated as one of several sources of potential infrastructure projects in the sectors of environment and business development, as SLAP does not cover the sectors of transport and energy

⁵⁷⁰ One should differ between the proponents in respect of this methodology from the project proponents in the programming process. Project proponents in respect of this methodology are all the state bodies involved in realisation of infrastructural projects. Project proponents in respect of programming process can only include line ministries.



IV. Standardise Information for Potential Projects

(Step 2)

Identification of a broad list of potential strategic projects through **Project Identification Form (PIF)** submitted to SEIO by line Ministries through ISDACON data-base

Given that projects will be identified from a wide variety of sources, they exist in a number of different formats and are at different stages of preparation. For example, many (but not all) projects registered on the SLAP database are assessed on 6 separate criteria⁵⁷¹ which are individually scored and used to provide an overall assessment of project quality. To standardise the format, projects identified by line ministries may exist only as short 'project concept' containing less information with little or no prior assessment.

Therefore, project promoters should complete a standard 'Project Identification Form' (PIF) which will provide sufficient information for the following step in the prioritisation process (assessment of strategic relevance) to be carried out. In order to ensure that this step is carried out consistently and efficiently, it is further proposed that the process of coordinating the preparation and analysis of PIFs is managed by one institution, namely SEIO through ISDACON database. This includes the establishment and operation of Sector Working Groups and the management of a database, ISDACON, which can be readily adapted to host a national infrastructure project pipeline.

A standard PIF template has been developed for the following sectors: environment, transport, energy and business infrastructure. Regardless of sector, each PIF template will address three sets of basic project information, these are as follows:

- a) General data and information, including information on sector institutional set up and policy/strategy ownership,
- b) Eligibility/Consistency with EU policies – IPA priorities/Country Strategy Paper – Overall national strategic framework – Individual sector strategies,
- c) Questions for Strategic Relevance Assessment based on sector Strategic Relevance criteria agreed with line Ministries, and on whose basis the projects will be assessed in the next step of the prioritisation process (Figure 1, step 3).

Project data from PIFs will be uploaded to the ISDACON⁵⁷² database by the line Ministry. It is proposed that access to the data base for PIF submission will be constantly open, whilst assessment of PIFs will be done periodically (say every 12 months) by SEIO and that these assessments are systematically reviewed and presented to by the relevant ministries in the Sector Working Group format. The main elements of this step are summarized in Table 2, below.

Table 2: Main Elements for Establishing a Common Database of Project Information

Scope	Key Actors	Inputs	Method	Outputs
Ensure that all potential infrastructure projects have the minimum, standardised, information needed for: (i) identifying institutional ownership & set-up; (ii) eligibility screening; (iii) assessing strategic relevance. Provide easy and user-friendly access to a comprehensive database of infrastructure project proponents, institutional policy owners and basic project	- SEIO/ISDACON for projects data base construction and management - Projects' proponents and Institutional owners for PIF completion and submission to SEIO	Infrastructure projects PIFs submitted by proponents/line Ministries	- Acquisition by SEIO of basic project information through a PIF to be completed by project promoters and/or public institutions responsible for the project. - Insertion of completed PIFs in a national sector – based data base of infrastructure projects hosted/managed by ISDACON	National consolidated sector-based infrastructure projects database, easily accessible for both the submission and consultation of PIFs

⁵⁷¹ SLAP assessment criteria are: (i) environmental; (ii) financial; (iii) socio-economic; (iv) technical; (v) institutional; (vi) maturity

⁵⁷² It should be noted that it is not proposed to either combine or merge the SLAP and ISDACON databases. The specified PIF data fields will be completed for all SLAP-sourced projects regardless of whether they have been previously assessed using the SLAP scoring criteria (as described above).



parameters.				
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V. Assessment of Strategic Relevance and Development



The information /data provided in PIFs will be used to assess the strategic relevance of potential projects defined as the extent to which an individual project will contribute towards achieving overall and sector policy objectives and / or meeting sector targets as given in the strategic framework. In the case of sectors where there is no adopted national strategy in place (e.g. the water sector) the analysis of PIF data will be used to assessing overall project impacts using the sector strategic relevance criteria outlined below.

Specific ‘*Strategic Relevance Criteria*’ (together with related questions) for scoring the estimated strategic relevance /impact of proposed projects have been developed. Strategic relevance criteria have been developed separately for each of the sectors and sub-sectors covered by this methodology. Strategic relevance criteria will follow the main aspects of project relevance for each of the sectors/subsectors (defined main areas for strategic relevance):

- Transport
 1. Demand/supply and origin/destination factors
 2. Relation with other transport corridor/routes
 3. Traffic safety and security of transport
 4. Economy growth potential (export/import), economy systems and sectors affected by the project

- Energy
 1. Sustainable Energy Development
 2. Enhanced competition
 3. Social impact
 4. Impact in terms of economy and employment

- Environment: water/wastewater
 1. Construction and upgrading of Wastewater treatment facilities and Extension of Wastewater Collection Systems
 2. Construction of water treatment facilities and water supply systems
 3. Upgrading of the adequate flood protection levels

- Environment: Municipal waste
 1. Integrated waste management
 2. Reduction of negative impact of hazardous waste on environment and human health
 3. Impact on local development
 4. Impact on environment and human population

- Business infrastructure (will be developed for Industrial zones, Technological parks, Tourism infrastructure and Business incubators)
 1. Export Market Demand and Private Sector Demand
 2. BRI Outputs and Financial Sustainability
 3. Project Partners and Employment Generation.



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NB: please have in mind that each of these criteria for all the sector/subsector will be assessed by the specific questions relevant for respective areas.

The assessment of the strategic relevance of the project is performed by SEIO and line ministries in the sector working group format.

Projects will be assessed within SEIO and the results will be communicated via regular Sector Working Group meetings (which include SEIO and line Ministries) and shortlisted by sector/sub-sector accordingly to their strategic relevance.

Institutional policy ownership and the institutional set up for project preparation (at the level of policy owner) will also be identified. In case the necessary structure for project preparation and monitoring does not exist, implementation of strategically important infrastructure projects will be postponed until the necessary mitigation measures can be undertaken to address the identified weaknesses (capacity building, training, TA etc.). A necessary precondition for moving to the next step is that the declared institutional set up should demonstrate sufficient capacities, for project preparation and monitoring of implementation. The main elements for assessing strategic relevance and developing a short list of projects are given in Table 3 below.

Shortlists per sector/sub-sector for projects funding will be published by SEIO/ISDACON and shortlisted projects will be the basis for the next step (Gap Assessment).

Table 3: Main Elements for Assessing Strategic Significance and Short-Listing Projects

Scope	Key actors	Inputs	Method	Outputs
1. Assess project Strategic Relevance according to sector Strategic Relevance Criteria agreed with line Ministries (and where possible, extracted from National Strategies) 2. Promote only Strategically relevant projects with all the main preconditions for its implementation	- SEIO - Sector Working Groups	Strategic Relevance Criteria agreed with line Ministries for each of the sector/sub-sector ISDACON data base of Strategic Infrastructure Project	Strategic relevance of each project will be assessed in relation to their compliance, consistency and coherence with the Strategic Relevance Criteria.	1. Strategic Relevance Assessments for potential projects 2. Short-List of strategically relevant Infrastructure Projects according to established Strategic Relevance Criteria.



VI. Gap Assessment



Gap assessment is the process of assessing the quality and completeness of the project documentation of relevant projects with preconditions relevant for implementation (short list projects) and is carried out in the following sequence:

Firstly, proponents of Shortlisted Projects are requested to provide further detailed information by means of specific 'Gap Assessment Questionnaires' (per sector and sub-sector) and providing SEIO with any existing project documentation. *Gap Assessment Questionnaires specific to each of the sectors /sub-sectors have been prepared.*

Secondly, the technical assessment process is coordinated by SEIO (TA supported and in close cooperation with experts from line Ministries, PUCs etc.) who will undertake detailed and complete Gap Analyses of all shortlisted projects by means of analysis of completed Gap assessment questionnaires and related technical documentation, including:

- Project Identification (objectives, investment type, options identifications);
- Technical maturity (Spatial Planning + technical documentation);
- Institutional readiness (Institutional framework and capacity);
- Financial/Economic maturity (expenditure coverage–affordability);
- Social/Environmental maturity (EIA, socio/environmental impacts).

Thirdly, the Gap Assessment Analysis is presented in a final 'Gap Assessment Reports' including outputs and recommendations for selected projects. On the basis of these Gap Assessment Reports, projects will be divided into 4 groups according to their degree of MATURITY and proposed as being:

- a) ready for initiating tendering procedure for works;
- b) ready for preparation of missing technical documentation;
- c) minor gap to be addressed before preparation of technical documentation;
- d) substantial gaps to be addressed before preparation.

The main elements of the Gap Assessment step are shown below in Table 4.

Table 4: Main Elements of Gap Assessment

Scope	Key actors	Inputs	Method	Outputs
Undertake Gap Assessment Analysis of shortlisted projects through specific questionnaires (per sector/sub-sector) and related project documentation. Prepare Gap Assessment Reports of shortlisted projects, including outputs and recommendations for the preparation phase Rank shortlisted projects according to their degree of MATURITY and propose them for a) ready for initiating tendering	<ul style="list-style-type: none"> - Technical Assessment coordinated by SEIO (TA supported) in close cooperation with line Ministries - Projects' proponents 	Project's Gap Assessment Questionnaire (to be completed by the project proponents Projects technical documentation	<ul style="list-style-type: none"> - Project Gap Assessment Questionnaires provided to all Project proponents that passed step 3 (Figure 1). The Gap Assessment Questionnaires will be different for each sector (transport, energy, environment and business infrastructure) and sub-sectors (e.g. water-wastewater, solid waste, etc.). - Project proponent fills up the Gap Assessment Questionnaire and provides requested information + project documentation. - The questionnaires will lead to the technical assessment of the project readiness and will include 	Project Gap Assessment Reports, including recommendations for further steps related to each of specific projects Final list of prioritized projects for preparation and implementation in four groups.



<p>procedure for work;</p> <p>b) ready for preparation of missing technical documentation;</p> <p>c) minor gap to be addressed before preparation of technical documentation;</p> <p>d) substantial gaps to be addressed before preparation</p>			<p>detailed assessment of project's technical documentation.</p> <p>- The projects will be prioritized for each sector/sub-sector. In addition, detailed inputs and recommendation for their preparation/ will be provided through the Gap Assessment Report.</p>	
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ANNEX 5 – METHODOLOGY FOR NAD PREPARATION

Timescale

The NAD for 2014-2017 (with projections towards 2020) was prepared between December 2012 and July 2013, under the leadership of SEIO's Sector for Planning, Programming, Monitoring and Reporting on EU funds and Development Assistance (known as 'DACU') which has responsibility within the government for coordinating and monitoring the use of international assistance in Serbia. The NAD preparation is based on the principles of the Sector Approach (SA), which is being promoted by the European Commission for the programming of IPA2, and introduced in Serbia for programming of all international development assistance.

The main forums for review, discussion and verification of the sector chapters are the eight Sector Working Groups (SWGs), each of which had four main roles:

- To ensure alignment of the **new Sector Approach throughout the NAD**, based on the methodology and timescales that go with it;
- To review the **text relevant to specific sector descriptions**, to identify any gaps, clarifications, or additional information required;
- To identify, discuss and agree **priorities for the sector** which emerged from the analysis of the sector and the strategic framework, and which would guide the choice of measures;
- To identify, discuss and agree **measures**, which followed from these priorities and which would be used after the Government's approval of the NAD to identify and select sector support programmes for funding by IPA2 or donors.

The SWGs have involved representatives of Line Ministries (LMs) and other bodies, and the assistance in work was provided by the consultants from PPF5 and SIDA-funded support project to SEIO. In addition to scheduled SWG meetings, to coincide with key milestones in the drafting process, some extra 'ad hoc' meetings were organised when particular issues needed to be clarified among members.

The full process of NAD preparation in 2013, from initiation by SEIO to Government approval, has involved 15 steps, which are set out in the table below.

Step	Time Period	Commentary
1. NAD inputs from SWG supported by SIDA	February 2013	
2. Checking the relevance of NAD 2011-2013 measures to be revised in the new document	February – March 2013	Draft completed and submitted to line ministries together with methodology for NAD drafting and used as the background for organising individual meetings and future SWGs.
3. Individual meetings with LMs	March - April 2013	These meetings were led by SEIO staff, supported by designated SIDA/PPF experts, in order to discuss the new sector approach to preparing the NAD and progress to date, the criteria used for identifying priorities and measures, and proposals for priorities and measures.
4. First round of SWG meetings	10/11/12 April 2013	The three SWGs for RoL, PAR, Civil Society, Media and Culture, met on 10 April, the three SWGs for Transport, Environment and Energy, ARD met on 11 April and two SWGs on HRSD and Competitiveness met on 12 April. The goal of the meeting was presentation of the NAD methodology and discussion about relevance of NAD 2011-2013 measures and their necessary revisions
5. Individual meetings with LMs	April – May 2013	Meetings with line ministries were organized where there were issues for discussion and as an opportunity to review the sector priorities and measures.
6. Drafting NAD Section B	May 2013	For each sector, this involved preparing a scope and



		background of the sector (chapter B1), strategic framework (chapter B2), EU agenda (chapter B3), Overall objectives (2014-2020) (chapter B4), Sector measures for implementation of priorities in the sector (chapter B5), Institutional framework for implementation of sector policies (chapter B6), Indicators for measuring progress (chapter B7) and Aid effectiveness, efficiency and sustainability (chapter B8) for tabling at the first round of SWG meetings. The preparation was based on review of relevant background documents, including studies, national strategies and plans, EU strategies, and programming documents of bilateral donors and IFIs, findings of the EC Progress Report 2012, IPA 2012 and 2013 Sector Fiches, Statistic Office data, Recognized international sources, Evaluation reports, Fiscal strategy, Economic Development plans and HRD Ops.
7. Second round of SWG meetings including representatives of donors	20/21/22 May 2013	The two SWGs for Civil Society, Media and Culture and Transport met on 20 May, the three SWGs on RoL, PAR and Competitiveness met on 21 May and three SWGs on ARD, Environment and Energy and HRSD met on 22 May. The goal of the meetings was to agree the sector sections B and to discuss any comments coming from the donors, CSOs and local self-government.
8. Deadline for written comments from donor community, CSOs and local self-government	27 May 2013	Following the SWG meetings, donor community, CSOs and local self-government were given until the 27 May to submit written comments to SEIO.
9. Revision of the NAD Section B	May – 7 June 2013	Sections B were adapted to the decisions of the SWGs. Comments from donors and CSOs were integrated into the Section B chapters, including any new or revised measures which are suggested by the findings.
10. Drafting of the NAD Sections A and B	May – June 2013	Drafting of Sections A and B involved preparing a scope and objectives of the document and intervention strategy (chapter A1), national economic and policy context (chapter A2), EU integration (chapter A3), Development Assistance, Results, Principles and Perspectives (chapter A4) and Sector Approach (chapter A5), the role of SEIO/NIPAC (chapter B1), sector coordination (chapter B2), sector Lead institution (chapter B3), implementation modalities (B4) and instruments for aid effectiveness (B5).
11. Further identification of Sector Indicators (NAD chapter B7)	17 May 2013	Indicators for priorities and measures were further improved, including fundamental and target values.
12. Consultations with line ministries, where required	June 2013	Meetings with specific line ministries were organized where there were outstanding issues regarding definition of indicators and setting up targets. Meetings were also used as an opportunity to review the sector chapters in light of changes arising from CSO and donor comments, and make any final changes before the NAD moves to the inter-ministerial procedure for approval.
13. Finalisation of NAD including annexes	June 2013	The NAD conclusions and annexes were also finalised and the document was completed.
14. Third round of SWG meetings.	July 2013	Purpose: presentation of the whole NAD document
14. Formatting and translation of NAD into Serbian	July 2013	All sections were edited and quality controlled into a common style and format, and translated into Serbian..
15. Inter-ministerial procedure to approve the full NAD		The final draft NAD was distributed to all Ministries for approval and Governmental adoption, so it can be used as the basis for



Template with Instructions for Preparation of Section B of the Document National Priorities for International Assistance (NAD) 2014-2017 with Projections until 2020

General instructions:

- Aim of these instructions is to guide the work of sector support teams and to standardise their inputs to the NAD 2014-2017.
- The NAD sectors are as follows:
 1. Justice
 2. Home Affairs
 3. Public administration reform
 4. Competitiveness
 5. Energy
 6. Environment and climate change
 7. Transport
 8. Human resources and social development
 9. Agriculture and Rural Development
- Cross-cutting themes for all sectors include Regional/ Local Development, Gender and Anti-discrimination issues. An explanation on how these cross-cutting issues have been taken into account should be provided in Section A1.
- The philosophy of the NAD is to focus on the existing functional elements of the sector approach rather than emphasising those elements which are not yet in place. In this way, the national priorities for international assistance are intended to address more sectorial structural adjustments rather than strengthening the responsible institutions.
- Timeframe 2014-2017 refers to the measures to be initiated/start implementation within this period. Inclusion of on-going activities should be avoided. 2020 refers to priorities and objectives.
- The agreed font for the NAD is Arial Narrow 10, and the total length of each sector description should be no more than 24 pages.

Template with Instructions Section B

Sections B1-B8 should be the same for all sectors.

Themes like CSO, Media and Culture should be presented each one separately and following the same sections above.

However, their description won't take into consideration the elements characterising sector approach such as: the quality of the sector policy and strategy, the presence of a lead institution and a coordination framework, the functioning of a framework for performance assessment and of a multiannual budget.

Instead, in section A5 it should be clearly highlighted that in supporting these sectors a project-based approach will be adopted.

B1: Scope and background of the sector

- ✓ *Maximum Text Length: 3 pages*
 - ✓ *Information Source: 2013 IPA Sector Fiches, Statistic Office, Recognized international sources, Evaluation reports, Fiscal strategy, Economic Development and HRD OPs*
- The text should define the scope of the sector in terms of the specific sub-sectors covered (as given in Annex 1) and there should be a brief overview of the most significant recent developments in the sector.
- This section should present a content sector analysis which will include the most recent statistics and should be similar to



section 1.1 of Operational Programmes for IPA components III and IV.

Given the breadth of most sectors and the page limit, the description should, as much as possible, be in bullet point form, include tables or graphs and focus on the headlines and highlights.

The aim is to paint a short, but clear and comprehensive, picture of the state-of-play in the sector which identifies the main problems /needs of the sector and enables the reader to understand why specific priorities and measures are being put forward under the NAD (i.e. there should be an obvious linkage to B4 & B5). This should use a mix of recent and current performance data, and information on relevant institutional and/or legal developments, depending on what is most appropriate for the sector.

B2: Strategic framework

- ✓ *Maximum Text Length: 2 pages*
- ✓ *Information Source: Sector /sub-sector strategies; relevant inter-sectorial strategies, 2013 IPA Sector Fiches*
- ✓ *EC Guidance Document 'Sector Approach in Pre-Accession' (page 27)*

This should briefly describe the main national priorities derived from the strategic framework specific to the sector and in a systematic way elaborate the connection between this chapter (B2) and chapters B4/B5 which are describing NAD priorities and measures.

National priorities should be presented in bullet points and each priority should have a brief explanation and should be at the same level as the NAD defined priorities.

This part should also take into consideration the strategies that are under preparation, and provide brief explanation on how the complementarity of these new strategies and NAD is being secured.

This chapter should also provide description of the priorities of the regional and transnational strategies as well as a short description of obligations (if any) under international agreements and conventions to which Serbia is a signatory and which are relevant for the sector.

Listing of the strategies and description of legal framework which regulates the sector should be presented in Annex 1. This includes the main laws, regulations, and other legal instruments that directly affect the activities of the sector and covers both primary and secondary legislation. The Section named "Current situation" from the NPAA should be used. There should also be (if applicable) a brief description of prevailing standards directly applicable to the sector.

B3: EU Agenda (explaining links with the NPAA)

- ✓ *Maximum Text Length: 1 page*
- ✓ *Information source: NPAA, EU policies/strategies (e.g. Danube strategy), PPF 2 and PPF 3 analysis of EU policies*

The aim of Chapter B3 is to briefly present development direction of a sector in line with EU 2014-2020 policies and Serbia's response in terms of legislation. This section should present development direction of one sector in line with the EU policies/strategies and NPAA priorities.

The specific chapters of the *acquis* which are addressed by the sector should be listed (see Annex 1).

Where more than two chapters are covered the main chapter(s) should be indicated.

For each sector a brief summary should be made of:

- (i) the direction of EU policies for period 2014-2020;
- (ii) Here directives' scope/coverage should be explained/presented and they should not be only listed;
- (iii) the NPAA measures planned for the period 2014-2016.

For each sector there should be explanation that each sub-group in charge of specific chapter and Sector Working Groups, both in line with their responsibilities, will ensure integration of NPAA requirements in programming process.

The aim of this chapter is not to present which measures from NPAA will be covered by specific fiches or projects, but to briefly present the EU 2014-2020 policies per each sector and Serbia's response in terms of legislation.

Explanatory Note for Chapters B4, B5 & B7 below.



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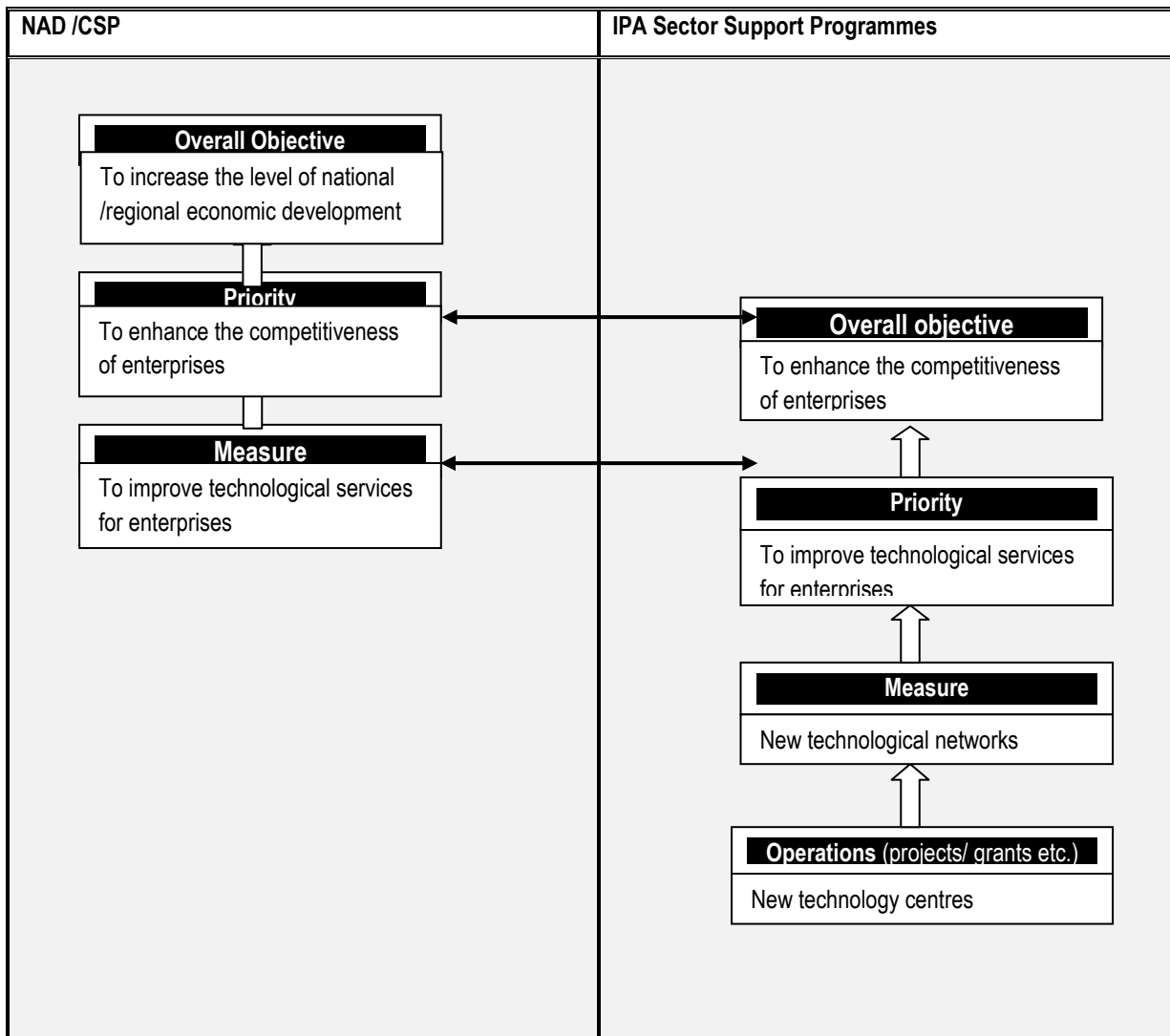
The NAD is pan-sectorial document which has a programme-based structure and follows the standard PCM intervention logic whereby overall objectives in each sector are addressed by priorities which in turn are implemented by means of measures, as shown in the left hand column of Figure 1 below. The NAD is intended to be the main national Reference Document for the preparation of the Country Strategy Paper (CSP) which will be the core EC strategic planning document for IPA programming over the period 2014-20.

It is important to understand the linkage between the intervention logic of the CSP/NAD and that of upcoming IPA Sector Support Programmes (SSPs).

Figure 1 below shows that NAD priorities are considered to be at the same level as SSP overall objectives whilst NAD measures are at the level of SSP priorities. In the example shown in Figure 1, the NAD priority 'To enhance the competitiveness of enterprises' becomes the overall objective of the associated IPA programme.

Generally, this linkage is an important consideration in the formulation of NAD priorities and measures since these should be of sufficient scope to allow for the future preparation of IPA SSPs.

Figure 1: Intervention Logic Linkage between NAD and IPA Programmes



B4: Overall objectives and priorities in the sector (2014-2020)

- ✓ *Maximum Text Length: 2 pages*
 - ✓ *Information source: Sector Strategies, 2013 IPA Sector Fiches*
- The overall objective(s) and the priorities should be derived from the overall objectives and specific objectives respectively contained in the sector strategies listed in Annex 1. Ideally there should only be one overall objective which is based on a



synthesis of the highest level objectives in the sector strategies.

However, this will depend on the breadth of the sector, for widely scoped sectors it may be necessary to have more than one overall objective.

Overall objectives should be SMART i.e. they should be:

S	Specific: address specific problems /needs identified in the sector analysis
M	Measurable: quantifiable in terms of sector reforms to be achieved (this is particularly important in relation to any quantitative sector targets set in the CSP)
A	Achievable within the time frame set and with the financial resources available
R	Relevant to national accession preparations and /or national socio-economic objectives.
T	Time-bound: set a time frame for sector reforms to be achieved

Objectives and priorities should be derived from a comprehensive sector analysis which is based on problem analyses and needs assessments.

Apart from the sector strategies themselves, a useful source of such analyses are those contained in the most recent (2013) IPA Sector Fiches (see Sector Fiche Section 2.2 'Sector Assessment-Policies and Challenges'), as well as Progress Reports, IFIs reports, sector evaluation reports etc.

Each overall objective should be presented in descriptive way in 2-3 sentences. Same applies for priorities.

The findings of these analyses can be summarized in a table which lists the main Strengths (S), Weaknesses (W), Opportunities (O) and Treats (T) relating to each sector.



B5: Sector measures for implementation of priorities in the sector

- ✓ *Maximum Text Length: 2.5 pages*
- ✓ *Information source: Sector Strategies, 2013 IPA Sector Fiches*
- ✓ *EC Guidance Document 'Sector Approach in Pre-Accession'*

Measures are programming mechanisms for concentrating actions so they achieve the identified priorities for each sector⁵⁷³ (each priority can have more than 1 measure). The principle behind identifying measures is that the aggregate effect of all the measures together should achieve the sectors' priorities, each measure building upon a defined baseline position as measured by appropriate indicators (see B7, below).

This part should consist of measure descriptions.

A measure description should highlight elements such as its relevance in the context of existing national strategies, its stage of preparedness in the period covered by the document, its complementarity between national funds, on the one side, and international (IPA, IFIs and bilateral) on the other and, wherever it is possible, an indicative information on the type of assistance needed to implement it. More specifically, a description of the way the measure is going to be implemented, the bodies directly receiving the outputs of the operation and the sphere of population towards the actions are addressed should be given.

Chapter B5 should also contain separate subchapter on *Regional, Cross Border and Transnational themes*. Regional priorities should be defined for MB IPA only. CBC Priorities should be defined for CBC programmes only. For CBC, a key action at the local level with cross-border impact (both soft and hard) should be elaborated/proposed. Transnational priorities should be defined for transnational strategies, i.e. Danube Strategy. Since Serbia will participate in two transnational programmes (Danube and SouthEast Gateway) transnational priorities should be described in a way to address what are Serbian priorities in each particular sector and thematic area by taking part in programmes where more than 4 countries participate, e.g. Danube Programme with 14 countries. In relation to Danube Strategy it should be explained how Serbia plans to implement Danube related priorities.

In brief measure is not a project/operation! In practice one measure should contain several potential operations (service(s), twinning, supplies, grants and works). These projects/operations will be identified during the programming process.

⁵⁷³ In the context of IPA programmes, measures will focus operations (projects, grants etc.) in successive programme years onto a common objective.



B6: Institutional framework for implementation of Sector Approach (including the role of lead institutions, sector working groups etc.)

- ✓ *Maximum text length: 2 pages*
- ✓ *Information source: Annex 1 and Annex 2 of this document,*
- ✓ *Appointment of the sectorial working groups for programming and monitoring of EU funds and Development Assistance,*
- ✓ *Decision on Establishing the Coordination Body for EU Accession Process,*
- ✓ *Decision on Establishing the Sector Working Groups*
- ✓ *SECO mechanism*
- ✓ *Sector Fiches 2012 and 2013*
- ✓ *Sector Strategies*

The text should present all institutions that are collectively involved in a sector.

It is important to avoid naming the specific Ministries; instead the text should be formulated in a way to indicate “*the Ministry in charge of*” or “*the Ministry responsible for*”.

After listing all institutions with clear link to the sector, a lead institution should be identified and its main roles, in terms of coordination, should be presented. Lead institution’s main responsibility (in charge for policy) should be provided. All other descriptions from the Law on the Ministries should be avoided. Also the main but general formulation of lead institution in relation to development assistance should be elaborated.

The role of Sector Working Group (SWG) should be presented in terms of overall coordination, programming, monitoring, reporting and donor coordination.

The role of SECO mechanisms should be presented and explanation on the involvement of donor community in the work of SWGs.

B7: Indicators for measuring progress

- ✓ *Maximum text length: 2 pages*
- ✓ *Information source: Sector Fiches 2013,*
- ✓ *NAD 2011-2013 indicators,*
- ✓ *Sector Strategies*

The complete set of indicators should be structured according to the hierarchy of objectives as follows:

- (i) Overall Objectives and Priorities of NAD Sectors are expressed in terms of impact indicators;
- (ii) Measures of the NAD Sector are expressed in terms of outcome indicators
- (iii) operations are expressed in terms of output indicators.

For preparation of NAD, indicators that should be identified are those related to the NAD Priorities and Measures, i.e. impact and outcome indicators, as shown on Figure 2 below.

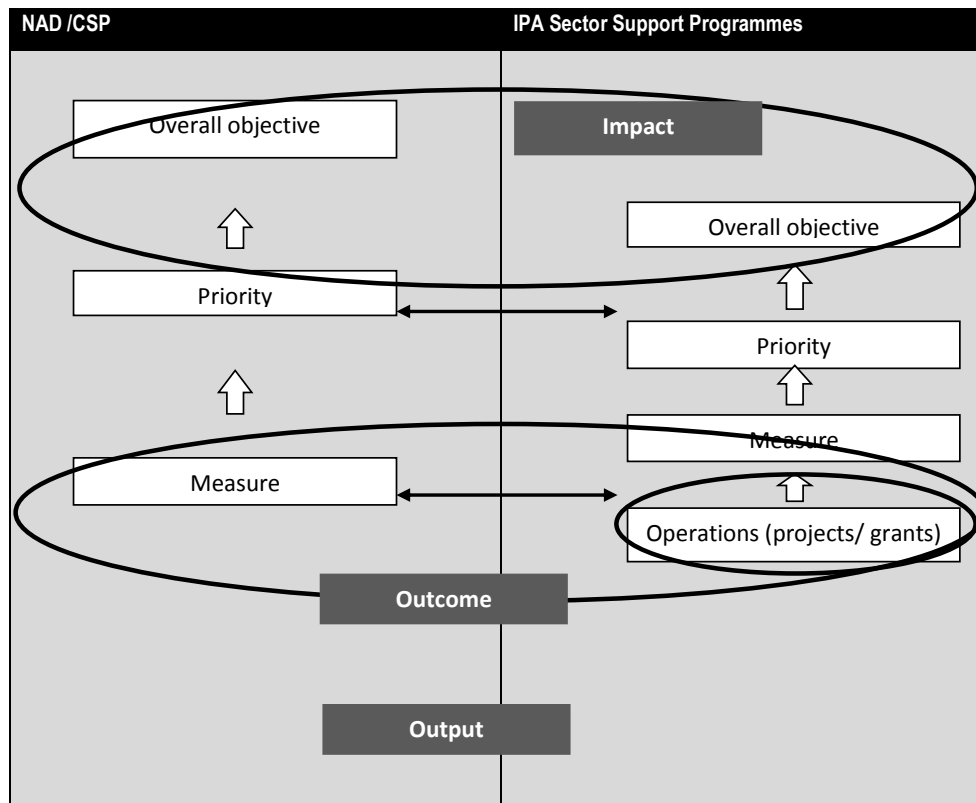
Outcome indicators at the level of NAD Measure are the initial benefits that will arise once the measure is implemented. They represent the immediate advantages for its direct beneficiaries. Outcome indicators provide information on changes which occur for direct beneficiaries, for example:

- Increased proportion of primary school leavers going on to secondary school (measurement unit - primary to secondary transition rates in %),
- Improvement in water quality (Changes in gross nutrient balance),
- Number of enterprises introducing hygiene, food safety, occupational safety standards (levels of improvement).



This gives a special importance to outcome indicators considering that impact indicators by their nature are often available only after a considerable time lag and they often need substantial methodological input in order to be valid.

Figure 2: Categories of Indicators According to Intervention Logic Levels



Impact indicators at the level of Priorities of the NAD consist of all the consequences that affect, in the short or medium term, direct beneficiaries following the end of their participation in an intervention, or people or organisations that are not direct beneficiaries.

For example:

- Increased agriculture production (measurement unit - growth in contribution of agriculture to GDP in %),
- Employment creation (division according to on-farm/off-farm jobs, gender and age category).

In an enlargement perspective, the impact indicators should relate to the Copenhagen criteria and to the measurable achievements to be reached in this respect.

For example:

- The closing of a given Negotiating Chapter,
- The adoption of certain EU standards,
- The alignment with some of the *acquis*
- A positive assessment given by the EC on the advancements towards accession.

Outcome and impact indicators should be presented with a clear definition, with a baseline values from 2012, a definition of the institutional responsibilities related to collection and submission of data on indicator to SEIO, sources of verification for each indicator and quantified targets per year till 2020. This should be done per each indicator listed in table below.

Identification of indicators should rely on sectorial strategies and indicators that have been developed for NAD 2011-2013. Already developed indicators should be analysed and redefined (if needed), taking into account the availability of information and their sources (statistics, information that are collected by institutions, etc.), comments on NAD indicators provided by the DEU, sector indicators used in the PEP (Pre-Accession Economic Program) and internationally accepted indicators measured by the relevant IO/IFIs. Work on finalisation of the indicators should be done in coordination of different available TA; sector teams should coordinate this and ensure that duplication of work is avoided and that available



resources are efficiently used.

Impact indicators should be presented in the following way:

PRIORITY 1:												
Indicator	Unit	Baseline (2012)	Target								Means of Verification	Institution in charge
			2013	2014	2015	2016	2017	2018	2019	2020		

Measure indicators should be presented in following way:

MEASURE 1.1:												
Indicator	Unit	Baseline (2012)	Target								Means of Verification	Institution in charge
			2013	2014	2015	2016	2017	2018	2019	2020		

B8: Aid effectiveness, efficiency and sustainability

- ✓ *Maximum text length: 1 page*
- ✓ *Information source: ISDACON, National and Sector Budgets, Governmental fiscal data*

As far as international donors are concerned, ISDACON is the primary source of information. A clear and concise report of the aid provided in the last six years (2007/2012) should be provided using available quantitative data. Regarding IPA, budget allocation per sector for period 2007-2013 should be provided.

Further, this chapter should explain the focus of IPA assistance in period 2007-2013, end provide an overview of the bilateral and multilateral assistance provided so far.

This chapter should also provide an outline of main findings and recommendations derived from evaluation reports, both SIDA horizontal evaluation and EUD sector evaluations.

National co-funding is more and more relevant in giving shape and consistency to the assistance and donors' contributions should be seen as the additional support to implement sector reforms.

In this light, it may be useful, when possible, to clarify the link between sector policy and budget and between sector budget and donors' assistance. To this extent it is crucial to verify whether the sector budget can be identified in the State budget.

Additionally, the stress should be put in calculating how (and how much) the various forms of assistance (grants or loans) have contributed in implementing sectorial polices.



ANNEX 6 – SECTOR LEAD INSTITUTIONS AND ACCESSION NEGOTIATION SUB GROUPS

NAD Sector	Lead Institution	Acquis		Working Group Chair ⁵⁷⁴
Justice	Ministry in charge of Justice	Chapter 23	Judiciary & fundamental rights	Ministry in charge of Justice
Home Affairs	Ministry of in charge of Interior	Chapter 24	Justice, freedom & security	Ministry of in charge of Interior
		Chapter 30	External relations	Ministry in charge of Foreign & Internal Trade
		Chapter 31	Foreign, security & defence policy	Ministry of Foreign Affairs
Public Administration Reform	Ministry in charge of Public Administration	Chapter 5	Public procurement	Ministry in charge of Finance
		Chapter 9	Financial services	National Bank of Serbia and Ministry in charge of Finance
		Chapter 10 Sub-chapter 10.2	Information society & media	Ministry in charge of Telecommunications
		Chapter 16	Taxation	Ministry of Finance
		Chapter 17	Economic & monetary policy	National Bank of Serbia and Ministry in charge of Finance
		Chapter 18	Statistics	Body in charge of statistics
		Chapter 22	Regional policy & the coordination of structural instruments	Body in charge of European integration
		Chapter 29	Customs union	Ministry in charge of Finance
		Chapter 32	Financial control	Ministry in charge of Finance
		Chapter 33	Financial & budgetary provisions	Ministry in charge of Finance
		Chapter 34	Institutions	Body in charge of European integration
Competitiveness	Ministry in charge of Economy	Chapter 1	Free movement of goods	Ministry in charge of Economy
		Chapter 3	Right of establishment & freedom to provide services	Ministry in charge of Labour, Employment
		Chapter 4	Free movement of capital	Ministry in charge of Finance
		Chapter 6	Company law	Ministry in charge of Economy
		Chapter 7	Intellectual property law	Body in charge of intellectual property
		Chapter 8	Competition policy	Ministry of Foreign & Internal Trade
		Chapter 10	Information society & media	Ministry in charge of Telecommunications
		Chapter 20	Enterprise & industrial policy	Ministry in charge of Economy
Chapter 22	Regional policy & the coordination of structural instruments	Body in charge of European integration		

⁵⁷⁴ As proposed by the Decision on Establishing the Coordination Body for the Republic of Serbia's EU Accession Process. The adoption of the decision is expected to take place in mid-September 2013



Project Preparation Facility, Serbia (PPF5)

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NAD Sector	Lead Institution	Acquis		Working Group Chair ⁵⁷⁴
		Chapter 25	Science & research	Ministry in charge of Science & Technological Development
		Chapter 28	Consumer & health protection	Ministry in charge of Foreign & Internal Trade
Energy	Ministry in charge of Energy	Chapter 15	Energy	Ministry in charge of Energy
		Chapter 21	Trans-European networks (TENS-E)	Ministry in charge of Transport
		Chapter 22	Regional policy & the coordination of structural instruments	Body in charge of European integration
Environment & Climate Change	Ministry in charge of Environment	Chapter 22	Regional policy & the coordination of structural instruments	Body in charge of European integration
		Chapter 27	Environment	Ministry in charge of Environment
Transport	Ministry in charge of Transport	Chapter 14	Transport policy	Ministry in charge of Transport
		Chapter 21	Trans-European networks (TENS-T)	Ministry in charge of Transport
Human Resource & Social Development	Ministry in charge of Labour, Ministry in charge of Employment, Ministry in charge of Social Policy	Chapter 2	Freedom of movement of workers	Ministry in charge of Labour, Employment
		Chapter 19	Social policy & employment	Ministry in charge of Social Policy
		Chapter 22	Regional policy & the coordination of structural instruments	Body in charge of European integration
		Chapter 26	Education & culture	Ministry in charge of Education
		Chapter 28	Consumer & health protection	Ministry in charge of Foreign & Internal Trade
Agriculture & Rural Development	Ministry in charge of Agriculture, Forestry & Water Management	Chapter 11	Agriculture & rural development	Ministry in charge of Agriculture and rural development
		Chapter 12	Food safety, veterinary & phytosanitary matters	Ministry in charge of Agriculture
		Chapter 13	Fisheries	Ministry in charge of Agriculture
<i>NAD Thematic Areas</i>				
Civil Society Organisations	Office in charge for Cooperation with Civil Society ¹	Chapter 23	Judiciary & fundamental rights	Ministry in charge of Justice
		Chapter 26	Education & culture	Ministry in charge of Education
Media & Culture	Ministry in charge of Culture & Information ¹	Chapter 10	Information society & media	Ministry in charge of Telecommunications
		Chapter 26	Education & culture	Ministry in charge of Education

¹Coordinating Institutions