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Draft

COMMISSION DECISION

of [...]

on a Multi-annual Indicative Planning Document (MIPD) 2008-2010 for Serbia

THE COMMISSION OF THE EUROPEAN COMMUNITIES,

Having regard to the Treaty establishing the European Community,

Having regard to Council Regulation (EC) No 1085/2006 of 17 July 2006 establishing an Instrument for Pre-Accession Assistance (IPA)¹, and in particular Article 14 (2) (a) thereof,

Whereas:

- (1) Regulation (EC) No 1085/2006 creates a coherent framework for Community assistance for candidate countries and potential candidate countries. Article 6 (1) of that Regulation requires that the assistance shall be provided on the basis of multi-annual indicative planning documents established by country in close consultation with the national authorities.
- (2) In accordance with Article 6 (3) of Regulation (EC) No 1085/2006 assistance for countries listed in Annex II to that Regulation shall be based on the European Partnerships and cover the priorities and overall strategy resulting from a regular analysis of the situation in the country and on which preparation for further integration into the European Union must concentrate.
- (3) Serbia is listed in Annex II to Regulation (EC) No 1085/2006.
- (4) The Council adopted on 18 February 2008 Decision 2008/213/EC², by which the European Partnership with Serbia was updated. The Multi-annual Indicative Planning Document 2008-2010 for Serbia should focus on the priorities laid down in this Partnership, by planning support to Serbia for its efforts to fulfil the Copenhagen political criteria, to improve the economic situation, to assume the obligations of possible EU membership and to engage in cross-border cooperation.
- (5) This Decision is in accordance with the opinion of the IPA Committee set up under Article 14 of Regulation (EC) No 1085/2006,

¹ OJ L 210, 31.7.2006, p.82

² Council Decision 2008/213/EC (OJ L80, 10.3.2008, p. 46)

HAS DECIDED AS FOLLOWS:

Sole article

The Multi-annual Indicative Planning Document (MIPD) for the years 2008-2010 for Serbia attached to the present Decision is hereby adopted.

Done at Brussels, [...]

For the Commission

[...]

Member of the Commission

Instrument for Pre-accession Assistance (IPA)

MULTI-ANNUAL INDICATIVE PLANNING DOCUMENT
FOR

THE REPUBLIC OF SERBIA³

2008-2010

³ The Multiannual Indicative Planning Document 2008-2010 for Kosovo as defined by the UN Security Council Resolution 1244 is presented in a separate document.

LIST OF ABBREVIATIONS

CAFAO	Customs and Fiscal Assistance Office
CARDS	Community Assistance for Reconstruction, Development and Stabilisation
CBC	Cross-border cooperation
CEFTA	Central European Free Trade Agreement
DIS	Decentralised Implementation System
DFID	Department for International Development
EAR	European Agency for Reconstruction
EBRD	European Bank for Reconstruction and Development
EC	European Commission
ECAA	European Common Aviation Area
EIB	European Investment Bank
EIDHR	European Initiative for Democracy and Human Rights
EU	European Union
GTZ	Deutsche Gesellschaft für technische Zusammenarbeit
IBM	Integrated Border Management
IFI	International Financial Institutions
ILO	International Labour Organisation
IMF	International Monetary Fund
IA	Interim Agreement
IOM	International Organisation of Migration
IPA	Instrument of Pre-accession Assistance
IPR	Intellectual Property Rights
JLS	Justice, Liberty and Security
KfW	Kreditanstalt für Wiederaufbau
MIFF	Multi-annual Indicative Financial Framework
MIPD	Multi-annual Indicative Planning Document

NGO	Non-Government Organisation
NIPAC	National IPA Coordinator
OSCE	Organisation for Security and Cooperation in Europe
PAR	Public Administration Reform
PHARE	Poland and Hungary: Aid for Restructuring of the Economies
SAA	Stabilisation and Association Agreement
SAP	Stabilisation and Association Process
SDC	Swiss Agency for Development and Cooperation
SEIO	Serbian European Integration Office
Sida	Swedish International Development Co-operation Agency
SME	Small and Medium-sized Enterprises
SPO	Senior Programming Officer
SEETO	South Eastern Europe Transport Observatory
TACTA	Technical Assistance for Customs and Tax Administration
TAIEX	Technical Assistance Information Exchange Office
TAM / BAS	Turn Around Management / Business Advisory Services Programmes (of EIB)
UNDP	United Nations Development Programme
UNHCR	United Nations High Commissioner for Refugees
UNICEF	United Nations Children's Fund
VET	Vocational Education and Training
USAID	United States Agency for International Development
WB	World Bank
WTO	World Trade Organisation

EXECUTIVE SUMMARY

In line with the recommendations of the Enlargement strategy, the revised key priorities in the 2007 European Partnership and the requirements of the SAA, the Instrument of Pre Accession 2008-2010 focuses its support to Serbia in the key areas, considered crucial for the fulfilment of the Copenhagen criteria and the preparation of Serbia for EU Accession. In addressing those key priority areas due consideration has also been given to the major lessons learnt from the implementation of the CARDS and Phare programmes as well as identifying key risks for the successful implementation of the respective actions at the level of the sectors of interventions, specifics of the final beneficiaries or respective institutional framework. Those risks are linked among others to potential lack of political commitment and changing political priorities, limited absorption institutional capacity, low level of project readiness etc.

Taking also into account the overall situation in Serbia it considered that the key areas under the first and second criteria of Component I are not only the basis for the SAp but also crucial for further developing and stabilising Serbia by strengthening the rule of law and the functioning of democratic institutions, developing the civil society, as well as transposing and implementing EU standards and policies in key areas. Moreover, adequate support under the third priority axis will be allocated for the set up of institutional structures and training of human resources for the establishment the DIS framework, which is vital for the further successful, effective and efficient management of EU funds. At the same time a considerable amount of funds will be still allocated to the second priority axis focussing mainly on promotion of economic growth as well as alleviating the social impacts of privatisation and enterprise restructuring. Furthermore, actions will be financed, targeting employment creation by strengthening VET and education sector in general to match the dynamic needs of the market by improving the link between schools/ universities supply and the qualifications demanded on the market.

The following areas will be covered under the two components:

Component I

- Political criteria

Democratic institutions, public administration reform, decentralisation and local government, budget and fiscal management, rule of law, reform of the judiciary, fight against corruption, reform of the police, human rights and protection of minorities, gender equality, anti-discrimination, and media. Civil society development will be given special attention for the promotion of dialogue through capacity-building and exchange projects; small grants will assist environment, anti-discrimination, gender equality, social inclusion, health, business advocacy, and consumer protection.

- Economic criteria

Improvement of the socio-economic situation of the country and its population dealing with issues and sectors related to employment generation, education, social inclusion, health, business environment, SMEs, restructuring and competitiveness, fiscal and macro-economic matters, inland waterway transport and flood prevention, as well as infrastructure and rural development. Some activities which will prepare the country for future structural funds may be funded under this component.

- Ability to assume the obligations of EU membership

Approximate to European Standards in sectors related to the introduction and implementation of the EU 'acquis, including the overall coordination of the European integration process. It will continue to strength Serbian administrative capacity to implement the SAA properly, to develop local ownership of the Instrument for Pre-Accession Assistance (IPA) and to prepare for the introduction of the Decentralised Implementation System (DIS) and management of EU funds. Participation to Community Programmes is also covered under this section.

Component II – Cross-border cooperation

Under this component priorities remain: cross-border infrastructure, flood prevention, economic co-operation, environment problems, administrative cooperation, cultural exchanges and people to people actions, activities in education, research, job creation, security and crime prevention, etc.

Taking all the above into account and the mentioned shift in priorities the reallocation of financial resources in the MIPD 2008-2010 will be rebalanced as follows:

Table 1: Serbia: Multi-Annual Indicative Financial Framework in million EUR (current prices)

** These figures are indicative and subject to modification*

Component	2008	2009	2010	2008-2010
<i>I. Transition assistance and Institution Building</i>	179.4	182.6	186.2	548.2
<i>II. Cross-Border Cooperation</i>	11.5	12.2	12.5	36.2
Total	190.9	194.8	198.7	584.4

Although components I and II have a separate allocations in the MIFF, complementarily and synergy between actions programmed under the two components shall be ensured.

See Annex I for indicative allocations per component

Section 1

Assessment of past and on going assistance

1.1 INTRODUCTION

The present MIPD builds on results of projects implemented under the CARDS national and regional programmes, as well as on the findings of international organisations and other donors. It takes into account the various assessments performed by the European Commission, in particular the 2007 Progress Report and evaluation reports. It is based on the Enlargement Strategy Paper adopted in 2007 and the European Partnership adopted in 2008.

1.2 OVERVIEW OF PAST AND ON-GOING EC ASSISTANCE (EU AND OTHER ASSISTANCE) INCLUDING LESSONS LEARNT

1.2.1 Overview of past and on-going EC assistance

The EC has been providing significant support to Serbia under a variety of instruments, including CARDS assistance, macro-financial support and humanitarian aid. In recent years, the emphasis has shifted away from reconstruction and is now more concentrated on institution-building, economic development and reform in line with the European Partnership recommendations.

In 2000 substantial assistance was given for electricity imports to the municipal heating systems, medicines were locally bought and distributed and subsidised vegetable oil and sugar were provided to consumers. In 2001 the EU assistance was more concentrated on medium and long-term investment in key sectors like energy, health, agriculture and rural development, and enterprise development. The Tempus programme provided support to the modernisation and the reform of the higher education system since 2001, in the areas of curriculum development, university management and structural reform

CARDS National Programmes, in line with the Multi Indicative Programme for 2002-2004, have supported the progress of Serbia in the area of economic development, promoting good governance and the strengthening of rule of law. In that period the EU supported rehabilitation of infrastructure; the small and medium-sized enterprise sector; encouraged an independent media and civil society; supported return and reintegration, as well as durable solutions for refugees and for internally displaced people; supported the reform of public finance, justice, local government, health, environmental protection and home affairs.

CARDS National Programmes, in line with the Multi Indicative Programme for 2005-2006, have been focused on key challenges such as developing long-term solutions to help the most vulnerable groups, creating a competitive economy that will attract domestic and foreign investors and establishing competition and consumer protection bodies. There was a continued focus on Public Administration Reform - from the judiciary and the media to local government and the health system - all in an effort to improve capacities of national authorities and to assist the country's integration into the EU.

Serbia also benefits from the regional CARDS programmes that support actions of common interest for the Western Balkan region. During the 2002-2004 period, Serbia was actively involved in regional actions such as the promotion of integrated border management; modern

customs and taxation procedures, democratic stabilisation; building the capacities of state institutions; asylum, migration and visa with a project that resulted in recommendations on building up strategies and administrative capacity at national levels, reinforcing regional infrastructure and environmental protection. In the period 2005-2006 the EU has supported regional priorities in areas of institution building, education, justice and home affairs, cross border cooperation, private sector development and infrastructure development.

Under CARDS cross border support activities, Serbia developed strong institutional capacities via participation in these programs, contributing to the recovery of border regions, regional reconciliation and stability.

The EU agreed at the 2003 Thessaloniki summit to open participation in Community programmes to the Western Balkan countries, following the model of previous enlargements. Therefore, a Framework Agreement between the Community and Serbia and Montenegro on participation in Community Programmes was signed in November 2004. The Community ratified the Agreement in May 2005, and Serbia in July 2005. Implementation of the programmes were delayed due to the lack of institutions and capacities

The CARDS programme (the main EC financial instrument in Serbia 2000-2006) is managed by the European Agency for Reconstruction (EAR - with the exception of Tempus programme and Customs and Taxation projects managed directly by the Commission).

The EAR has also assisted in programming IPA 2007, while the EC Delegation has taken over its implementation. The assistance under IPA 2007 focuses on actions under the three priority axis – Political Criteria, Socio-Economic Criteria and Ability to assume obligations of membership, which correspond to the broad IPA objectives of assisting Serbia to implement the necessary reforms needed to fulfil EU requirements, make progress in the Stabilisation and Association Process and to lay the foundations for fulfilling the Copenhagen criteria. The assistance under the first axis further strengthens the public sector at central and municipal levels, as well as building up administrative and institutional capacity in the judicial system and police. Special attention is also paid to fight against corruption and fraud, civil society development and protection of minorities, while support is provided for the creation of the Ombudsman office. The actions under the second axis focus on the areas of regional economic and social development, statistics, rebuilding of public infrastructure, health sector, increasing competitiveness of the private sector, as well as on supporting measures to improve vocational education and training.

The projects under the third axis reinforce the regulatory environment, while focusing on support to customs procedures, border control and aviation standards, office of intellectual property, implementation of Energy Community Treaty. Support is also provided for development of the environmental approximation strategy. In addition, the support provided to EU Rural Development policies links directly with Regional Development Support in using the Regional Development Agencies as multi-functional territorial development platforms addressing the needs of agricultural and urban/rural local economies. The Flood Mapping and West Morava River Basin projects, while addressing the demands of the EU Water Directive, will in the future safeguard high flood risk agricultural productive land and municipalities.

In addition to CARDS assistance, Serbia is also a priority country for the European Initiative for Democracy and Human Rights and benefits from the 7th Framework Programme for

Research and Development⁴ and the Youth in Action programme in the framework of the Western Balkan Window⁵.

Moreover, the assistance provided to the Serbian authorities to establish the DIS will have a crucial impact on the future successful implementation of EU assistance by increasing the institutional absorption capacity as well as the ownership of national bodies responsible for the programming and implementation of EU funds.

However during 2008 the Commission Delegation in Belgrade will gradually take over the implementation of the assistance, including the full programming of IPA 2008.

1.2.2 Relevant IFI, multilateral and bilateral assistance

In order to increase effectiveness and efficiency in the delivery of assistance through donor coordination, the Commission and the Member States shall ensure coordination of their respective assistance programmes. This coordination is extended also to the IFIs and other non EU–donors. At local level, a consultation mechanism during the different phases of the assistance cycle was established in 2007. It provides for an early consultation on the draft IPA planning (MIPDs) and programming documents with Member States embassies, local offices of IFIs and non–EU donors.

At central level, coordination meetings with IFIs as well as with EU and non–EU donors are organised on a regular basis. They focus primarily on strategic orientations and regional dimension of IPA planning and programming. Additionally, the coordination between the Commission and Member States takes place on a regular basis in the context of the IPA Committee.

The Government of Serbia is involved in the process of donor coordination by preparing a donor harmonisation framework. Government objective is to improve consultation process with donor community and harmonise donor working procedures, promote national priorities and to align international assistance with national priorities.

EU funding support, as well as other donor activities, is closely coordinated through the Sector for Programming and Management of EU funds and Development Assistance⁶ of the Ministry of Finance which was set up by the government as a focal point to increase strategic planning capacities and to improve donor coordination.

The European Agency for Reconstruction (EAR), which currently implements the CARDS assistance in Serbia, and the EC Delegation in Belgrade hold regular meetings with EU Member States representatives with the active participation of Sector for Programming and Management of EU Funds and Development Assistance. There are frequent coordination meetings with all major multilateral and bilateral donors in Serbia, i.e. USAID, World Bank, EBRD, OSCE, CoE, UNDP, UNHCR, UNICEF, DFID, Sida, Germany (GTZ, KfW), Italy, Norway, the Swiss SDC and others. The sectors include, public administration reform, support to local self government, EU integration, agriculture and rural development, environment, support to SME development and privatisation, reform of the social welfare system, civil society, support to refugees and IDPs, etc.

⁴ On the competitive basis as associated country.

⁵ As an applicant country.

⁶ Former Development Aid Coordination Unit (DACU)

Close working relations are maintained with the IFIs (EIB, EBRD, World Bank, KfW). The EAR has over time supported the IFI investments in Serbia by financing preparatory work before actual investments and funding Project Implementation Units. The majority of activities carried out with IFIs are in the following sectors: transport, energy, health, education, SME credit lines, and municipal investments.

Bilateral donors, such as Sweden, UK, Norway, Germany and the Netherlands are very active in donor co-ordination and pre-accession support. It is important to continue working closely with these actors under IPA particularly with regard to their institution building plans. In addition it will be necessary to examine the strategic relationships with IFIs in terms of the EU's traditional role of facilitating debt based capital investment.

Once the process of devolving tasks and functions to the EC Delegation in Belgrade is finished, the Commission through its Delegation will be in position to better ensure the coordination with all relevant stakeholders in the field.

1.2.3 Lessons learnt

Experience with previous CARDS and IPA assistance has shown that the future assistance under IPA needs to consider the following **main issues**:

Increasing ownership of national bodies responsible of the EU programming process

This has translated into a greater involvement by the Sector for Programming and Management of EU Funds and Development Assistance and SEIO (the Serbian European Integration Office) in the programming process. Increased ownership has to include that IPA programming takes account of sector strategies and that all reforms are approved in the Serbian budget. Preparation for the Decentralised Implementation System (DIS) has started and will continue.

Further development of administrative capacity, coordination between IPA programming and government overall long-term development strategy, including allocation of human and financial resources

Although Serbia has a good administrative capacity in a number of areas, it needs to be further developed throughout the entire administration. The administration should not underestimate the resources required in terms of people and finance to meet the challenges of EU integration. Further means should be identified to address the continued weak inter ministerial relations, coordination and communication which undermines implementation of both government and EU policy. While Serbia needs to ensure the effective implementation of the civil service reform, notably as regards salary/career reform, retention policy, and public administration accountability it has made further progress in setting the legal framework for the civil service.

The Programming of IPA must be sensitive to the Government's limitations to carry out long term strategic planning. There is a need to consolidate the overall strategy for Serbia's development to ensure clearer and stronger links between policy, long term strategic planning and resource allocation and establish mechanisms for the verification of EU compatibility of Government policies and draft laws.

In the past there has been a gap between national funding and EU funding to promote national development with the subsequent loss of valuable synergies. This has been also the result of

the limited national funding, which has been made available to implement important national strategies which were developed through EC funding. However, the issue has been adequately addressed by the move of Sector for Programming and Management of EU Funds and Development Assistance to the Ministry of Finance. This way by being also closer to the Serbian treasury contributes in meeting the challenge of managing EU co-funding. Additional resources have been also allocated, based on a needs analysis as part of the National Integration Plan. Nevertheless, planning and programming capacities of line ministries should continue to be improved and prepared for use of other IPA components. Continued good cooperation between the SEIO and Sector for Programming and Management of EU Funds and Development Assistance is also crucial.

The EC assistance must not only reflect European Partnership priorities but also be interlocked with Serbia's institutions development and action plans notably the National Plan for Integration (to be adopted in 2008) and the National Investment Plan but as well as the Serbia Public Administration Reform Action Plan, Action Plan for strengthening institutional capacities in the EU integration process, National Sustainable Development strategy, etc. The objective is to design assistance that complements Serbia's strategic plans and to design strategic plans in relation to assistance and EU approximation needs.

Support for legislation must be accompanied with a regulatory impact analysis as well as an implementation and financing strategy.

Increase in coordination between central and local government bodies and their absorption capacity

There is a need to reinforce central and local government linkages to better exploit EU co-funding and help address territorial inequalities. Introduction of statistical nomenclature of territories (NUTS classification) should contribute to better identification and policy targeting of economic problems at local and district levels.

The administration's absorption capacity must be taken into account when designing technical assistance programmes in order to allow maximum benefit of the assistance provided. In this context, targeted support for the improvement of human resources management and development in the Serbia's administration should be considered. It is important to develop internal evaluation mechanisms for institutional capacity assessment in the Serbian administration.

Section 2

Pre-accession assistance strategy for the period 2008-2010

2.1 INTRODUCTION

This MIPD follows the recommendations of the **European Partnership**⁷ and translates the needs and challenges that Serbia faces in the Stabilisation and Association process (SAp), as assessed in the Progress Report, into strategic priorities and objectives. Support should be focused on the implementation of the Serbian Government's National Programme for Integration (NPI) foreseen to be adopted in the second half of 2008. This document should guide Serbia's efforts to align its legalisation and administration in order to reach the final objective; to be ready for membership in the EU. In doing so, it will also respond to the recommendations and priorities of the European Partnership, answering to the requirements of the Stabilisation and Association Agreement and in the event that Serbia is granted candidate status during the period 2008-2010, also supports Serbia's efforts to meet identified benchmarks in the negotiation process. Furthermore, the Multi-annual Indicative Planning Document sets out the areas of intervention and how the priorities of the assistance to Serbia are translated into specific actions within the relevant IPA components.

The SAA agreement with Serbia was initialled in November 2007 and signed in April 2008. At the signing of the SAA the Council decided that the Interim Agreement will be implemented and the ratification procedures of the SAA will begin, as soon as the Council decides unanimously that the Republic of Serbia fully cooperates with ICTY.

The Commission has continued to monitor closely the progress made by Serbia, notably in the context of the Enhanced Permanent Dialogue (EPD). Several sectoral groups have been set up to deepen technical discussions. In addition, the Commission has presented a road map for visa liberalisation to Serbia. An additional increase in financing of scholarships for students from the Western Balkans in general and Serbia in particular, programmed under the Multi-Beneficiary MIPD 2008-2010, will further contribute to the improvement of the exchanges and relationships with the EU.

All interventions supported will be implemented in close coordination with the Multi-Beneficiary MIPD 2008-2010. The dissemination and exchange of best practice in the targeted areas will be further enhanced.

2.2 STRATEGIC OBJECTIVES AND CHOICES FOR IPA ASSISTANCE OVER THE PERIOD 2008-2010

IPA supports Serbia's efforts in the implementation of the National Programme for Integration but also other relevant horizontal, multi-sectorial strategies, such as the National Strategy for Economic Development, National Strategy of Regional Development, the Development Needs Assessment, the Poverty Reduction Strategy, and other relevant National Plans to the extent that these correspond to the EU integration process.

⁷ Council Decision (*Official Journal of the European Union*, L 80 of 19.03.2008). All references to the European Partnership in the MIPD refer to this document to the extent it applies to Serbia.

IPA funding resources will be weighted over the programming period 2008-2010 to reflect short, medium and long term funding priorities to meet the accession criteria. These priorities have been outlined in the requirements under three key areas, namely **Political Criteria**, **Socio-Economic Criteria** and **Ability to assume the obligation of membership** as well as in the requirement of Serbia's participation in **Cross-Border Cooperation**. This tailoring and timing of IPA support over the period is based on an assessment of the fast-changing environment of the political and economic situation of Serbia as well as on the findings of the 2007 Progress Report. Further increase of financial resources (up to 30%-40% of the total allocation) is envisaged to finance projects under the Political criteria. They will mainly focus on the area of public administration and judicial reform as well as on the support to fight against corruption. In addition, a particular attention will be paid to actions to support the development of civil society. In this respect there will be a new financial facility under IPA to promote the development of civil society and dialogue.

Donor coordination is of key importance in order to avoid any overlap between projects financed by different donors. Serbia's National IPA coordinator (NIPAC) is responsible for the coherence and complementarity of IPA assistance internally and with other donors. Sida/DFID Joint Programme for Support to Sector for Programming and Management of EU Funds and Development Assistance for improvement of coordination, planning, programming and implementation of development assistance has increased the effectiveness of foreign aid in facilitating the achievement of Government policy objectives as set out in Serbian strategic documents. Furthermore Norway has initially supported the plans for the introduction of DIS

2.2.1 Strategic Objectives for IPA assistance over the period 2008-2010

Political criteria

The main objective of EU assistance under this axis is to further strengthen the institutional building and the increase of the absorption capacity of Serbian institutions, ensuring successful implementation of SAP and fulfilling the political criteria. This also includes the successful set up of the DIS framework to enable efficient management of EU funds. The EU assistance aims to support the public administration reform and to strengthen the rule of law. The support to the public finance management and increasing transparency in that area is another important objective. In addition, the support to civil society, media and the respect of the rights of minorities and other vulnerable groups (including anti-discrimination measures) and of equality between women and men further contributes to the fulfilment of the EU requirements for membership under this axis.

Economic criteria

The main objective under this axis is to tackle unemployment and support the job creation, while improving the competitiveness of the economy and labour productivity. Long-term unemployment requires particular attention. Economic forecasts for the programming period predict sustained growth of over 7% GDP largely driven by domestic consumption and the completion of the privatisation process. As with 2007 employment generation estimates remain weak (further worsening of the unemployment rates expected in the programming period largely due to privatisation).

The EU support aims at raising productivity and generating employment by investing in education and human capital, as well as by supporting active labour market measures, corporate restructuring and vocational education reform. Support to the Serbia's 2006

National Employment Action Plan (the creation of some 150,000 jobs envisaged) including strengthening the capacity of the National Employment Services to design, implement and monitor active labour market programmes.

To expand employment, economic growth has to move away from domestic demand and be more externally driven (export oriented). Serbia's negative trade deficit is a major impediment to employment generation. The fundamental challenge is that Serbia is not competitive due to insufficient industrial restructuring, low labour productivity and low levels of entrepreneurship.

To develop its institutional framework to formulate, adopt and implement trade related legislation, as to respond to the obligations under the IA/SAA, CEFTA, future WTO membership or other bilateral Free Trade Agreements.

Ability to assume the obligations of EU membership

The Serbian Government's National Programme for Integration establishes the timetable and framework for the harmonisation of laws, either by adoption of new laws or amendment of the existing ones. Taking this into account the main objective of the EU assistance is to increase beneficiaries' ownership and support recipient institutions in Serbia to find their own way to fill the gaps towards European approximation and integration, with the aim of building a learning process in the recipient institutions and not just providing advice and guidelines on the 'acquis'. Government, as well, need to make careful work load analyses and provide stronger support to units dealing with EU integration issues, either *acquis* approximation or programming and implementing EU funds. In this context, IPA resources will be carefully targeted towards institutions that have the necessary resources to absorb support. The success of 'acquis' approximation in the agriculture and rural development and environment sectors under CARDS due to the commitment and 'buy-in' capacity of the relevant ministries are good examples.

2.2.2 Strategic Choices for IPA assistance over the period 2008-2010

Political criteria

Despite the good track record in the production of legislation, the positive progress in stabilising the Serbian institutions and adopting the new Constitution, there is still a need to strengthen the democratic institutions and the further implementation of public administration reform, the separation of power (judiciary, executive, legislative) and the media. The rule of law, human rights and respect for and protection of minorities and vulnerable groups also have to be strengthened. This implies among others supporting actions to improve the functioning of the Law Enforcement Agencies (prosecution, police, prisons). Moreover, progress in key reform areas such as local self-government and the judiciary, fight against corruption and organised crime will be stepped up. Furthermore, the IPA assistance to the development of the PIFC concept and its implementation at all level of the public bodies is a strategic choice, which will have a positive impact on the whole public sector by dramatically improving the way public funds are managed.

In addition, a strategic choice in increasing absorption capacity of Serbian institutions is the support to put in place a Decentralised Implementation System to manage EC funds in the future.

The existence of modern administration with good absorption capacity as well strengthening the rule of law and fight against corruption are considered to be major pre-conditions for successful implementation of the SAp, the adoption of the EU acquis and effective preparation for EU membership. Therefore, the crucial importance and scope of all the above mentioned tasks for the development of adequate administrative capacity explains the increase of resources the EU plans to allocate to this sub-component.

Economic Criteria

In order to respond to the identified needs in 2007, the MIPD 2008-2010 addresses priorities directed to institutional building where a capacity for change exists preferably in building good governance to accommodate a more vigorous approach to addressing economic reform and employment generation. IPA will also target new strategic areas, which demonstrate employment generation potential such as tourism and agricultural sector, economic links with the knowledge based and information technology society, targeting of strategic investment based on Serbia competitive advantages, as well as regional and cross border cooperation. The IPA interventions will be guided by national strategic documents such as Strategy of Regional Development, the Tourism development strategy, Danube Socio-Economic Strategy, rural development plan and Innovation strategy as well as, where SME policies is concerned the ten guidelines of the EU Charter for Small Enterprises. Economic restructuring and employment promotion measures need to be well positioned with continued public administration reform and targeted infrastructure provision during the IPA programming period.

Other issues have also to be considered during IPA programming such as low purchasing power, the weak institutional capacity in key policy areas. The education system does not adequately serve the competitive needs of the Serbian economy, and improvements in mainstreaming of entrepreneurship educating in the curriculum could help address the gaps. A major weakness facing Serbia is that government has not yet been able to create a policy environment or policy delivery capacity to fully exploit national and EU co-funding.

Ability to assume responsibility of membership

Together with the "political criteria", this third axis will be given priority. Particular attention will be paid to the development and implementation of strategies and policies in order to establish sectoral policies and a regulatory framework compatible with European standards. Important areas and institutions as State Aid and the Competition Protection authorities, protection of intellectual property rights and administrative capacity for their implementation and enforcement will be also supported.

Support to European approximation should be also well tied in during the programming period with the employment oriented economic support and building government support to facilitate socio-economic change. Key 'acquis' sectors such as competition policy, enterprise and industrial policy, justice, freedom and security, social policy and employment, financial management, product standards are prioritised.

Assistance should also be directed to building project pipelines for IPA funding in 2008 and 2009 but well linked with plans for future national investment programmes and IFI priorities. Acquis support actions should complement the policy priority to address the sources of unemployment and improve good governance in areas such as public procurement, judicial reform, competition, trade and metrology.

General aspects of the strategic choices made for IPA and major horizontal risks identified

Strategic choices have been also based on lessons learnt, namely considering absorption capacity of the administration, including project management capacity and project readiness. The coherence of choices with the action plan to European Partnership is checked, including legislation in place and availability of co-financing for investments. Furthermore, assessment of major risks is done at different levels like sectors of assistance's intervention, individual beneficiaries and other important stakeholders, etc. It is also based on feed-back on performance of previous programmes, financed by the EU and other donors. This risk analyses identifies all potential risk for the future implementation of the envisaged measures. Specifically for important areas (like Public Administrative Reform) it will analyse among others the level of political commitment for the reform, the real involvement of all potential stakeholders and civil society in the discussion about the shape of the reform. It will also assess the readiness of final beneficiaries to implement the reform, showing an adequate level of ownership of proposed measures and good absorption capacity to efficiently implement the projects. All these aspects will be carefully assessed throughout the development of annual assistance programmes and selection of individual projects. In this assessment exercise all potential sources of information will be used (ex. the Evaluation Report on Public Administration Reform, financed by DG Enlargement).

All IPA activities programmed for Serbia are closely coordinated with other EC sponsored cooperation activities and multi-beneficiary programmes. The continued aim is to further support Serbia in its reforms and implement regional strategies (e.g. in areas infrastructure, justice and home affairs, public administration reform, strengthening civil society's role in shaping policies and monitoring the effectiveness of government policies and programmes, education, youth and research, and market economy) at local level. Serbia MIPD will finance the following activities programmed under the Multi-Beneficiary MIPD 2008-2010: Nuclear Safety and Tempus and Erasmus Mundus. Assistance is foreseen for the support to Customs and Taxation administration, supplementing existing programmes in the area or allowing them to continue or ensuring follow-up to present actions. In addition, the complementarity will be ensured between supported actions under the second priority axis of Component I and the Infrastructure Preparation Facility under the IPA Multi-beneficiary programme.

Consistency and complementarity will also be sought with other EU initiatives and instruments, including the EIDHR, the Stability Instrument and Micro Financial Assistance.

Through its Component II, IPA will support Cross Border Cooperation by proposing joint programmes at the borders with Hungary, Romania, Bulgaria, Croatia, the former Yugoslav Republic of Macedonia, Montenegro, Bosnia and Herzegovina and participation in joint programmes under ERDF (European Regional Development Fund) transnational/interregional programmes wherever relevant. Serbia has already participated actively in EC-financed cross border cooperation with positive results.

Cross border co-operation is crucially important for stability, cooperation and economic development in Serbia's border regions. The aim of EC assistance will be to develop local capacity in relation to cross border co-operation in all of Serbia's border regions while also targeting specific local development projects. Development of cross-border cooperation is dependent on general capacity building activities of the authorities responsible for regional policy. Therefore, institution building activities under IPA components I and II have as an objective to generate additionality, complementarity, and catalytic effect between components, and to ensure that the successful cross-border skills base that has been built up at the national level is further developed. IPA is addressing the regional cooperation requirement under a different MIPD.

2.3 COMPONENT I – TRANSITION ASSISTANCE AND INSTITUTION BUILDING

For 2008-2010, the main areas of intervention for Component I are broadly grouped under the following sub-components:

Political Criteria

Socio-economic Criteria

Ability to assume obligations of membership

2.3.1 Political Criteria

2.3.1.1 Objectives and choices

1. **Supporting the strengthening of the democratic institutions and the separation of powers** between Parliament, Judiciary and Government, also in line with the provisions of the new Constitution. To complete the reform on the legal framework on elections, ensuring transparency and accountability of political party financing. Ensure greater democratic oversight on security forces.
2. **Improving the performance of Serbia's public administration at all levels** (governmental, parliamentary, para-governmental and regulatory bodies/structures) to foster democratic governance and public service to all people in Serbia. Making further sustained efforts to implement the **reform of the public administration**, including the civil service pay system, to ensure transparent recruitment, observing gender mainstreaming principles at all levels, professionalism and accountability specially of the senior civil service; in particular strengthen the European integration structures (including line ministries and the parliaments), and improve cooperation among them. Assist Serbia's efforts to combat corruption and to depoliticise its public administration. Improved central training structures for the civil service. To continue strengthening the Serbian statistical system in general and the Serbian Statistical Institute in particular to enable the production of official statistic of good quality.
3. **Advancing on the reform of local self-government** as part of the decentralisation process. Support regional development policy and balanced territorial development by strengthening fiscal decentralisation, development planning and implementation capacities at central, regional and local level, more efficient spatial, cadastral, municipal planning, improving service delivery and introduction of statistical nomenclature of territory. Strengthen inter-municipal cooperation through the Standing Conference and other Municipal Associations. Support municipal, inter-municipal and cross-border municipal projects and implementation of the Poverty Reduction Strategy at the local level.
4. Developing and implementing a government policy relating to the introduction of the concepts of **Public Internal Financial Control** (including managerial accountability and independent internal audit) as well as the drafting and adoption of relevant legislation to ensure transparency, efficiency, economy and effectiveness of public finances, including development of a modern public procurement framework and related legislation and institutions; further enhancing External audit through support to the Supreme Audit Institution.

5. **Improving budget and fiscal management**, enhancing control and collection capacity of the tax and customs administration, contribute to consolidating revenue collection for Serbia's consolidated budget, make tax policy coherent at central and local levels and improve the management of expenditures. Strengthening the capacity of the Serbian National Bank.
6. **Consolidating the rule of law** by strengthening the wider judicial system by adopting and implementing legislation on mandatory initial and continuous training through a Standardized System for Education and Training, supporting the implementation of the new Juvenile Justice Law and further development of restorative justice, independence of the judiciary, effective case management and improvement of case proceedings, development of legal aid system to citizens. Coordinating cooperation with the newly establish Strategy Implementation Commission regarding judiciary reforms. Rationalise the court system, modernise proceedings, introduce an effective court management system, and establish administrative and appellate courts. Support professional police service with improved internal control and greater standards of accountability. Eliminate undue political influence on the prosecution system, improve its efficiency, and strengthen the office of the prosecutor for war crimes. Create an IT network for prosecutors at all levels, ensure enforcement of the court decisions and further strengthen the capacity to undertake domestically legal proceedings against war crimes in full compliance with international obligations to the ICTY. Support the penitentiary reform and improvement of prisoners' conditions. Support the fight against organised crime, counterfeiting and piracy, fight against drugs, human trafficking money laundering and terrorism, including strengthening channels of mutual legal assistance between judiciaries in neighbouring states, the development of an effective system of witness protection, a zero tolerance policy against corruption and towards ethnically motivated acts against minorities and develop capacities for confiscation of illegally acquired property. Strengthen administrative capacity of Ombudsman's Office and implement relevant legislation. Support the law enforcement agencies reform in line with international standards taking into account security policy aspects.
7. **Fighting discrimination and promoting human and minority rights, including Roma**. Supporting IDP return and refugees return as well as reintegration through cross boundary/border initiatives, durable solutions (housing schemes, employment) legal assistance and income support with strong inter-ministerial support and facilitating integration and full participation in political, civil, economic, cultural and social life. To create conditions for inter-ethnic tolerance, growth and sustainable development of all communities. Support transitional justice actions, i.e. regarding domestic war crimes trials, reparations, restitution, etc. Supporting Commissariat for Refugees, Minority National Councils, Agency for Human and Minority Rights and NGO in order to support vulnerable groups' rights. Promoting participation of minorities in the institutions of society in particular in the judiciary and law enforcement bodies. Increasing general, society-wide culture of tolerance towards national minorities as a basis for coherent and meaningful inclusion policies. Take action of ill-treatment and strengthen the internal control services dealing with ill-treatment by law enforcement agents. Continue the de-institutionalisation, community-based services and aid to dependent persons including children. Support the implementation of the Serbian National Action Plan in that area.

8. **Further support to the civil society** in order to promote the creation of a genuine dialogue and partnership between the Serbian authorities and the Civil Society in the democratic stabilisation and the economic and social development of the country. Contributing to the consolidation of civil society through mainstreaming civil society issues in all programmes and supported also by other components of EC assistance. Promoting and strengthening civil society capacity in monitoring the effectiveness of government policies and programmes.
9. **Support the Media** to develop a real independent, high quality public broadcasting service and a regulatory environment in line with European standards. Enhancement of respect for the right of freedom of expression, while increasing the knowledge of EU matters and functioning of the EU institutions among media outlets.

2.3.1.2 *Expected results by the end of the covered period and measurable indicators*

1. A reinforced capacity for general government coordination, planning mechanisms, formulation and implementation of policy at all levels; Reform on legal framework on elections completed- new legislation in line with the constitutional requirements on voters' register, accountability of political party financing, including provisions on monitoring and sanctions. Tightened parliamentary control over security forces, including more transparent financial management and adopting the respective legislation on reform and democratic oversight of security forces adopted. Sources of verification: legislation in force, government documents and procedures for declaring of assets.
2. A general civil service reform strategy and more transparent procedures on recruitment, transfer, appraisal, promotion, conduct and dismissal of civil servants; improved quality and availability of basic public services to all communities; the further development of legal education and training. Adopt codes of conduct for civil servants, ensure protection of "whistle-blowers" and speed-up proper financial control. Improving the quality of statistics in line with EU standards. Sources of verification: government documents and internal rules.
3. Functioning regional development policy established and NUTS classification introduced. Sources of verification: government documents.
4. Relevant legislation for introduction of PIFC concept adopted. The PIFC concept developed and introduced for all chapters of the state budget and bodies implementing it. All relevant people in central and local bodies trained to fulfil their duties related to the PIFC system. Sources of verification: adopted legislation, official documents/ manuals and internal rules in the MoF and other institutions covered by PIFC.
5. Increased tax collection revenues, better control mechanisms introduced into the tax and customs administrations, improved consolidated budget transparency, harmonised and coherent tax policy at central and local level introduced, improving the management of expenditures. Sources of verification: national budget, official rules for budget implementation, national statistics etc.
6. It is expected to improve independence, transparency, accountability, and efficiency of judiciary; establish administrative capacities to combat human trafficking, drug trafficking, smuggling and money laundering, as well as to combat organized crime,

terrorism and corruption and confiscation of illegally acquired property, including children. The capabilities of the law enforcement agencies in these areas strengthened as well as internal control of the Serbian Police forces improved. The Unit for fight against terrorism strengthened, including improved cooperation and exchange of information among relevant services. Sources of verification: official reports and statistics, reports from international organisations.

7. A special unit within the Public Prosecutor's Office (PPO) to deal with corruption and corruption related economic crimes established. The anti-corruption plan fully implemented including provisions for an anti-corruption agency. Cooperation among responsible institutions improved, while effective measures in place to enforce and audit declarations of assets. The regulation on prevention of conflict of interest further clarified and enforced, in line with international standards, while also all relevant international conventions against corruption ratified. An IT System for prosecutors at all levels established. Sources of verification: government documents, track record of cases enforced by PPO.
8. Prison conditions further improved in line with Council of Europe standards, in terms of overall management, administrative structure and human rights based working practices. Sources of verification: reports of international organisations, EU monitoring reports.
9. Anti-discrimination legislation reinforced through adoption of an anti-discrimination law. It is expected to improve implementation of policies against social exclusion of vulnerable groups, improve relations between Serbian authorities and civil society actors and promote role of the media in the development of Serbian society. Established track record of judicial enforcement of anti-discrimination legislation. Sources of verification: legislation, government official documents, reports of civil society organisations.
10. Human and minority rights are promoted and a climate of inter-ethnic tolerance has been developed. All obligations arising out of membership of the Council of Europe fulfilled. Improved living conditions for minority communities and their non-discriminatory participation in society as measured by birth/death-, housing-, schooling-, (un) employment, access to healthcare, etc. rates. Sustainable community-based services established, satisfying the needs of the target groups, including services for elderly, children, disabled and mentally-ill people. New legislation on refugees adopted and national strategy on refugees further implemented. Migration Strategy in place, including all stakeholders (among them government and civil society). Sources of verification: national statistics, EU monitoring and evaluation reports, NGOs' reports etc.
11. A permanent dialogue between authorities and the civil society is developed. Civil Society Organisations (CSOs), Professional Associations and their partners improve their internal communication and improve their capacity to both to scrutinise and build viable partnerships with the Serbian authorities both on central and local level. Legislation on associations and legal status of NGOs adopted. Sources of verification: legislation, feed-back from CSO and government reports.
12. To have an improved application of the framework for the regulation of media and the progressive alignment with the Television without Frontiers Directive and other

EU instruments in the field of media. Improved knowledge among media outlets about functioning of the EU as well as benefits and responsibilities of EU membership. Sources of verification: information about the EU in the media, measures taken to comply with EU legislation.

2.3.2 Socio-economic Criteria

2.3.2.1 Objectives and choices

1. **Enhance access to employment and participation in the formal labour market** by developing and managing Active Labour Market Policies (ALMPs), as well as efficient labour market institutions, notably employment services (fostering also the importance of integrated employment and social services system), in order to identify labour market changes, new labour and skills needs, fight unemployment. Particular attention should be given to young people, women, elderly people, vulnerable groups (such as long term unemployed, redundant workers, persons with special needs, Roma, refugees and IDPs, etc.) and to areas most heavily affected by economic and social restructuring (i.e. by industrial and army restructuring). Introduce success factors of social partnership dialogue and improve functioning of central and local labour market institutions to meet employer demands. Assistance might also support the implementation of the 2005 – 2010 National Employment Strategy, as well as 2006 – 2008 National Employment Action Plan.
2. **Promoting and implementing the Reform of the Education System** to support the development of economy and to meet the demands of the Lisbon agenda. Fostering a better match between education and labour market needs (school to work and university to work principle⁸) by adapting education and training systems to new competencies' requirement and by enhancing the involvement of relevant stakeholders. The education system does not adequately serve the competitive needs of the Serbian economy and improvements in mainstreaming of entrepreneurship education in the curriculum could help address the gaps. Improving the quality of the education (including civic education and history teaching) and training systems in line with European standards and Serbia's social, economic and population needs, including mobility. Provide soft and hard support for education, higher education, and vocational education and training. Including marginalized groups (predominantly Roma) and children/ people with special needs into the regular education system. Support to pre-school and basic education, with a special focus on poor and excluded children, should be specifically addressed by the government as a pre-condition of other expected results such as employment, social inclusion and poverty reduction. Developing adult education and a lifelong learning strategy. Promote effective partnership among major actors-including business, social partners and education institutions at all levels. The MIPD for Serbia will finance the Tempus activities for the country programmed under the Multi-Beneficiary MIPD 2008-2010.
3. **Fostering social inclusion with the advancement of social welfare system reform** through implementation of the Social Welfare Development Strategy⁹ with view to

⁸ Too many students leave high school without the occupational and academic skills to succeed in the workplace or in postsecondary education. School-to-work transition initiatives should offer a promising approach to this issue and require major school restructuring.

⁹ Strategy paper adopted by the Government in December 2005.

reorganisation, decentralisation and rationalisation of quality social welfare services and enhancement of its ability to support social inclusion of all, especially disadvantaged groups and creation of the conditions for growth and sustainable development of all individuals, groups and communities.

4. **Improve regulatory and management capabilities of health financing institutions** and health care authorities, institutions and programmes; increase access and inclusion of vulnerable groups into health care system; support inter-ministerial fight against drug abuse, and HIV/AIDS. Improve preventive health services with an emphasis on screenings; outreach work in the communities and health promotion, adapt the curriculum of the Schools of Medicine to promote mutual recognition of health professional qualifications. Take into account the existing legislation for further revision and alignment with the EU-acquis (i.e. laws on health protection, disease prevention, promotion of physical and mental health, health insurance and various chambers). Ensure that current reforms will better cover population groups currently out of the system. The State budget allocated for the population not covered with health insurance needs to be increased to the realistic level in order to cover all needs.
5. **Enhancing the investment climate and support to small and medium sized enterprises** through a favourable legislative and policy framework, economic environment, access to services, capital and know-how, and support to competitiveness, including investment and import/export promotion. Support to job-creation potential in specific branches and activities related to tourism. Develop national institutional capacities for the implementation of anti-trust policy, a competitive Serbian business environment and industry capable of sustaining the competitive pressure of the European market. Develop Serbia's capacity to benefit from the knowledge based society. Further develop local/regional business support structures (clusters, incubators, business/technology parks, etc.) in order to promote business, research and innovation related activities and public services. Development and implementation of Serbia's industrial, innovation and FDI strategies and action plans. Promotion of FDI and export- oriented companies. Assist SME and Regional Economic Development Support institutions.
6. **Assistance to privatisation of socially and state owned enterprises**, in particular preparing restructuring / privatisation programmes.
7. Development of Serbia's capacity to manage its macro-economic and strategic national economic planning and forecasting.
8. **Develop the full potential and the competitiveness of Serbia's inland waterway transport sector** for socio-economic development, in particular in the Danube basin. In addition, special attention will be paid to floods prevention and natural and human actions induced catastrophes.
9. Improving infrastructures in order to promote business related activities and public services and to facilitate economic and cultural links within Europe. The areas of energy, transport, tourism, environment, health, information and communication technology, education, etc. have to be developed as cornerstones of future economic growth. Specific action instruments for flood prevention and management will be incorporated notably with regard to the regional dimension of the problem.

Assistance will be provided to strengthen the preparation, implementation and monitoring of strategies and programmes for agriculture and rural development in order to promote economically, socially and environmentally sustainable development of rural areas. In this regard support will also be provided for strengthening the organisation and ability of civil society partners to engage in the process of agricultural and rural development, as well as for the establishment of advisory and extension services for transfer of knowledge to farmers and the rural population.

2.3.2.2 *Expected results by the end of the covered period and measurable indicators*

1. Labour market reforms, the modernisation and further development of public employment services supported. Social partnership dialogue for employment improved. *Sources of verification: government reports and strategy papers, national statistics.*
2. Reform of education system to support the development of economy and society. Setting education policy and initiating some of the accompanying measures should be achieved, including curriculum development and adequate methodology. Cooperation between educational institutions and the local community, especially business improved. Improved access to pre-school and basic education. *Sources of verification: government reports, national statistics, standardized texts of student's educational attainments, ETF regular monitoring reports and country review.*
3. Increased access to quality and sustainable community based services. European Social Fund type actions on employment and economic development including vocational training, (e. g. grant schemes for fighting youth unemployment and unemployment of disadvantaged groups) addressing the specific needs of the target groups designed and prepared for piloting. A policy against the social exclusion of returnees, minorities and handicapped persons adopted and visible progress on its implementation. *Sources of verification: Project final reports, national statistics, government reports. ETF regular monitoring reports and country review.*
4. Administrative and operational capacities improved and improved quality and efficiency services which are providing in health care system, especially in conditions of limited human and financial resources. Preventive health services improved. Curriculum of the Schools of Medicine to promote mutual recognition of health professional qualifications adopted. Partnership with the civil society strengthen. Existing legislation (i.e. laws on health protection, disease prevention, promotion of physical and mental health, health insurance and various chambers) revised and progress towards alignment with the EU acquis. *Sources of verification: legislation, government official documents, data from studies on the health status and access to services by vulnerable groups, school curricula, health statistics.*
5. Investment climate and the business environment in general improved through the support to SME and regional economic development. Improved investment climate in respect to continuous increase direct investments and SME development. The EU Charter for SMEs implemented, reducing the administrative barriers to SMEs. A new medium term strategy for SMEs adopted together with an operational action plan. The capacity of the SME Council strengthened to coordinate the public-private and inter-ministerial cooperation to deliver SME policy. Support provided to actions

improving overall competitiveness- business incubators/ technology parks set up, actions implemented to stimulate green- and brown-field investments, industrial clusters as well as innovation. *Sources of verification: national statistics, official government documents, international surveys etc.*

6. Expertise provided in enterprise restructuring/ privatisation, while all conditions for growth and sustainable development of all communities improved by also addressing all social aspects of re-training of redundant workers. *Sources of verification: government reports and statistics on the cases.*
7. Know-how transferred in macroeconomic policy, strategic planning and forecasting. *Sources of verification: government strategic documents in the area.*
8. Enhanced investments in inland water infrastructures, taking into account environment and sustainable development aspects. *Sources of verification: project reports and government sectoral reports.*
9. Investments provided to rebuild physical transport, environment, business and energy infrastructure. Increased number of people engaged in the tourist, agricultural, food and forestry sectors and rural enterprises assisted to improve the competitiveness of the tourist, agricultural and forestry sectors, the environment and the countryside, the quality of life in rural areas and the diversification of the rural economy. *Sources of verification: government statistics/ reports, existing training programmes, EU project reports.*

2.3.3 Ability to assume obligations of membership

2.3.3.1 Objectives and choices

1. **Developing Serbia's capacity** to benefit from the SAA, CEFTA and its future WTO membership.
2. **Strengthening the European integration structures** (including line ministries and the parliaments), as well as corresponding structures/mechanisms for the verification of the compatibility of government policies and draft legislation with EU 'acquis' and standards), especially institutions dealing with **Decentralized Implementation System** and improve cooperation among them.
3. Supporting the development and implementation of sectoral strategies and policies compatible with EC internal market legislation and best practices in areas such as standardisation, accreditation, metrology, conformity assessment and market surveillance; food safety, veterinary and phytosanitary policy consumer protection; financial services; public procurement; protection of intellectual property rights; data protection, market regulation, etc. Further improve the administrative capacity of the new standardisation institute and the legislative framework in the area of national standards.
4. **Supporting State Aid and the Competition Protection authorities** to meet EU anti-trust and state-aid standards. Ensure the independence of the commission on competition.

5. Support the **development and implementation of strategies and policies** in order to establish sectoral policies and a regulatory framework compatible with European standards as follows:

Agriculture and Rural Development: Assistance to the national structures responsible for agriculture and rural development to obtain the necessary capacity to define strategies and programmes and to manage and monitor agriculture and rural development programming activities; Support for institution and capacity building with the aim to prepare the sector to absorb pre-accession funds; Support for the alignment of national legislation with EU acquis in the area of agriculture and rural development; Support for increasing the economic growth by developing the agricultural sector and increasing its competitiveness; Support for the national authorities to carry out rural census, improve statistics in the sector and establish land cadastre and farmers register; Support for the alignment of national legislation with EU standards in the food safety, veterinary and phytosanitary field

Environment: Support to the approximation and implementation of Environmental legislation and related strategies; support to environmental authorities at all levels in terms of project preparation, management, planning, permitting, inspecting, and monitoring; support to local infrastructure investments including environmental information systems, solid waste, regional land fields, water and sewage. Support for participating in Environmental networks including the European Environmental Agency.

Transport: Support transport authorities to meet requirements of the EU relevant 'acquis'; Implement commitments taken under the Memorandum of Understanding on Development of the South East Europe Core Regional Transport Network and the Addendum for a South East European Railway Transport Area, and support regional infrastructure investments (SEETO Multi-annual Plan 2008-2012), multi-modal transport network and transshipment facilities; facilitation of IFI investment through project preparation/implementation in the Core Regional transport Network.

Support Serbia to fully **implement the European Common Aviation Area Agreement** and to actively participate in the SEE-FABA (South Eastern Europe Functional Airspace Blocks Approach) initiative with a view to adopt and implement the relevant single European sky 'acquis'.

Energy: Support to meet the requirements of the Energy Community Treaty, relevant Community Directives and regional market obligations; compliance of legislation with the 'acquis'. Attention should be also paid to energy efficiency, renewable energy, radiation protection.

Supporting the **development and implementation of other strategies and policies** in order to establish sectoral policies and a regulatory framework compatible with European standards e.g. statistics, information society, electronic communications, customs and taxation, social policy, nuclear safety, research, public internal control and external audit, environment, transport.

6. Enabling Serbia to participate in **Community programmes**, including support to establish and/or enhance the necessary structures and financing of Serbia's participation in Community programmes.
7. Supporting further alignment with European standards in the area of **justice, freedom and security**, in particular visa (to ensure implementation of the EU-Serbia

visa facilitation agreement), border management, asylum and migration mechanisms, data protection, regional cooperation in the field of law enforcement and fight against organised crime and terrorism, fight against drugs, human trafficking and money laundering.

2.3.3.2 *Expected results by the end of the covered period and measurable indicators*

1. **Start implementation of SAA.** Sources of verification: Progress Report, other national and EU reports.
2. The lead role of **Serbian European Integration Office** as government institution that will **coordinate the European agenda within Serbia's** institutions maintained. Establishment of administrative structures necessary to effectively manage **DIS and co-financing**. The capacities to screen legislation and policies on EU compatibility of the European integration office and line ministries developed. Internal consultation and notification mechanisms for new technical regulations prior to adoption of measures with an impact on trade established. Sources of verification: internal rules, DIS accreditation.
3. A market surveillance structure established to coordinate among market surveillance bodies. Public Procurement legislation amended to ensure compatibility with EU PPD, independence of the procurement bodies, transparent procedures and non-discrimination and equal treatment of Serbian and EU suppliers. Adequate administrative capacity ensured to apply the new legislation. The administrative capacity of the institute for intellectual property rights in terms of implementation and enforcement further strengthened. Adequate administrative capacity of the standardisation institute established. Respective national strategies in the area of internal market developed and implemented. Sources of verification: legislation, strategy documents, internal rules and procedures, information on cases handled, EU reports.
4. **Independent State Aid authority** established together with a proper legal framework for state aid in line with the SAA requirements. The efficiency and independence of the Competition Commission strengthened by increasing administrative capacity and improving merger control procedures. Sources of verification: legislation, legislation, strategy documents, internal rules and procedures, information cases handled, EU reports.
5. Sectoral Policies:
 - Strengthened capacity to define agricultural and rural development strategies. Strengthened administrative capacities to prepare for gradual alignment with the acquis and for the management of pre-accession funds. Capacity to carry out rural census, farm register, land cadastre and price statistics strengthened. Capacity to identify animals and register their movements in compliance with EU rules. Programme for upgrading food processing establishments to meet EU requirements and establishment of a food safety control body prepared. Implementation of international and EU marketing standards initiated. The veterinary, phytosanitary, wine and sanitary laboratories, inspectorates and controls at external borders further upgraded.

- Environmental laws and by-laws approximated to EU legislation and implemented. National Environmental Protection and Sustainable Development Strategies, as well as plans and programmes to ensure implementation of legislation, adopted and implemented. Databases on specific environmental sectors set up. Reinforced administrative capacity of authorities at central, regional and local level in charge of planning, permits, inspection and monitoring, project management, implementation and enforcement of environmental legislation and standards. Improved coordination among those levels.
- The National Transport Strategy (road, rail, aviation and waterways) prepared and implemented; effective implementation and enforcement of transport legislation, particularly as regards safety aspects; intermodal transport improved; implementation of programmes funded by International Financial Institutions supported; the European Common Aviation Area Agreement fully implemented and adoption and implementation of the relevant single European sky ‘acquis’ in the framework of the SEE-FABA initiative.
- The National Action Plan on implementation of the Energy Community Treaty prepared; the Treaty provisions effectively implemented, ensuring compliance with the relevant EU Directives and requirements especially on internal gas and electricity market and on a cross border exchanges of energy with the aim to achieve a regional energy market. Further environmental audits to plants carried out to address the worst polluters. The energy law amended and measures taken to ensure the independence of the Energy Agency, including financial sustainability. Further made progress on the dismantling of the Vinca research reactor. An appropriate body for Nuclear Safety set up, while Serbia accedes to the relevant international conventions. Measures taken to start implementing the Kyoto protocol
- The law on statistics amended, while cooperation and coordination within the national statistical system improved. An agriculture census conducted, an agriculture register created, while national accounts further developed according to ESA 95 (including improvement of the data sources).
- The information society will be further developed, liberalisation of the telecom sector and the restructuring of the state owned telecom enterprises will be advanced. The capacity of the responsible telecommunication institutions to fulfil its mandate as an independent regulatory body developed.

Sources of verification: legislation, adopted strategy paper, existing rules and procedures.

6. Participation of Serbia in selected Community programmes. Benefit from being exposed to Community initiatives. Assistance focused on enhancing the structures necessary for efficient participation, including the signature of the relevant memoranda of understanding for the Community programmes in question. Sources of verification: EU reports.
7. Serbia’s asylum, migration and visa policies further in line with the EU ‘acquis’. The visa regime aligned with the acquis, while the EU-Serbia agreements on visa facilitation implemented. Support provided to the implementation of the roadmap for

visa liberalisation. Asylum legislation adopted and implemented, while a functioning centre for asylum-seekers and an operational body for asylum applications are established. EU-Serbia agreement on readmission implemented. A strategy for reintegration of returnees is adopted, including addressing the socio-economic conditions.

- The legal and institutional framework of the law enforcement agencies in the fight against money laundering, drugs organised crime, terrorism and corruption in line with the EU's acquis. New legislation on money laundering implemented. New legislation on prevention of money laundering and financial terrorism as well as respective national strategy adopted and implemented. The inter-agency cooperation and international cooperation to counter money laundering improved.
- The National Anti-corruption Strategy and the Strategy for Fighting Human Trafficking implemented. The strategies for fight against organized crime, terrorism and drug trafficking adopted/updated. The legislation allowing for extended confiscation of proceeds of crime and efficient executing of seizure and confiscation orders adopted. International conventions on fight against terrorism ratified. Legislation on terrorism brought in line with international conventions, and implemented.
- The complete legal and institutional framework for the protection of personal data in line with European standards in place. New legislation adopted and fully in line with Council of Europe's Data Protection Convention, while a supervisory authority with sufficient powers and means is put in place.
- The Integrated Border Management (IBM) strategy and its action plan implemented. The cross-border police cooperation improved based on best practices, while border police equipped with modern IT infrastructure. Requirements for delivery of high quality travel and identity documents implemented. Sources of verification: legislation, internal rules and procedures of institutions in place, strategies and official documents adopted, reports on cases handled.

2.3.4 Type of assistance to be provided

The assistance under Component I, Transition Assistance and Institution Building, may be provided in the form of twinning/twinning light support, technical assistance, project preparation facility, procurement of equipment, works, investments and grant schemes. Under certain conditions assistance in form of budgetary support could be provided. A financial contribution will be provided for the participation in the Community programmes¹⁰. However, the most appropriate and cost effective form of assistance under the different programmes/ Project Fiches will be decided on a case by case basis during annual programming, respecting the principle of best value for money.

¹⁰ Communication of the Commission "Preparing for the participation of Western Balkan countries in Community programmes and agencies" [COM (2003) 748 of 3.12.03]

2.3.5 Financial indications

See Executive Summary and Annexe 1.

2.4 COMPONENT II – CROSS BORDER CO-OPERATION

2.4.1 Current programmes under IPA Component II for Cross Border Cooperation

IPA Component II will support cross-border programmes between Serbia and the adjacent Member State (Hungary, Bulgaria, Romania), candidate (Croatia, FYROM) and potential candidate countries. According to the IPA eligibility rules (NUTS level III regions or equivalent areas).

In addition, building on the experience gained in the context of the CADSES programme, IPA Component II funds are available, as appropriate, to support the participation of Serbia in the relevant transnational programmes under the Structural Funds where Serbia is eligible (e.g. the "South –East Europe Space" programme, the successor of CADSES).

Since the independence of Montenegro, Serbia is not anymore geographically eligible to the successor of the 2004–06 Italy–Adriatic Neighbourhood Programme. However, building on the previous experience of the successful participation of Serbia and Montenegro in the Italy–Adriatic Neighbourhood Programme, a phasing-out participation of Serbia in the IPA Adriatic CBC programme is foreseen, which will be limited to joint projects in the field of institutional cooperation (between universities, research centres, etc.).

2.4.2 Objectives and priorities

IPA CBC programme with Montenegro

Strengthening the incentives for SME development in the border areas; development of tourism as a key sector of the border economy; promoting cross-border trade cooperation and accessibility to markets; (re-)establishing cross border links between business and trade support organisations to promote joint cooperative initiatives; maintaining the high quality of the border area environment as an economic resource by cooperating in joint protection and exploitation initiatives; Strengthening cross-border 'people-to-people' interaction to reinforce cultural and sporting links and to share in joint areas of common interest.

IPA CBC programme with Croatia

The main objective of the programme is to stimulate cross-border cooperation in order to diversify and improve the regional economy in a socially and environmentally sustainable way, whilst at the same time, improving good neighbourly relations across the border.

In additional, it aims to build the capacity of local, regional and national institutions to manage EU programmes and to prepare them to manage future cross-border programmes under the territorial cooperation objective 3 of the EU Structural Funds. The above objectives will be achieved by means of 2 priorities, namely Sustainable Socio-Economic Development (Economic Development, Environmental Protection, People-to-People) and Technical Assistance (Programme Administration and Implementation, Programme Information, Publicity and Evaluation). There is also a horizontal theme for Cross-Border Capacity Building.

IPA CBC programme with BiH

Improving the institutional frameworks for SME development in the eligible areas; Development of tourism as a key sector of the border economy; promoting cross border trade cooperation and accessibility to markets; (Re-) Establishing cross border synergies between business and trade support organisations to promote joint cooperative initiatives; Maintaining the high quality of the environment of the eligible area as an economic resource by cooperating in joint protection and exploitation initiatives; Strengthening cross-border people-to-people interaction to reinforce cultural and sporting links and to jointly participate in activities of common interest.

CBC programmes with Bulgaria, Hungary and Romania

The main areas of intervention for on-going programmes give already the first indication for the areas of intervention during 2008-2010. These include promoting *sustainable economic development* (environment, investment in business-related infrastructure,) *people to people actions* (information and cultural exchange, prevention of cross-border crimes, local education and training initiatives) and *socio-economic cohesion* (capacity building and cooperation between institutions and communities, Cross-Border socio and economic cohesion) between Serbia and **Bulgaria**. In the Cross-Border programme with **Romania** the priority axis are *economic and social development, environment and emergency preparedness, promoting "people to people" exchanges and technical assistance*. Key support measures include Business and Agricultural Support Cooperation, Cooperation between local public services, and tourism development. With **Hungary** *Infrastructure and Environment Protection and Economy, Education and Culture* are the main areas envisaged for intervention.

The main challenge in the area of CBC cooperation with MS is implementation of the mentioned programmes in shared management mode. This envisages building of new institutions for control namely the establishment of First level control, as well as complex systems for evaluation and monitoring. For intervention and capacity building in this area applications to IPA I component will be made.

Structural Funds transnational programme South-East Europe

The ERDF South-East Europe programme aims at establishing and developing transnational cooperation in the areas of innovation, accessibility, urban development and the environment.

IPA Adriatic CBC programme

The phasing out participation of Serbia in the programme should mainly concern universities, research institutes, hospitals, some line Ministries and cultural institutions, museums, theatres, etc. to participate in projects developed under specific priorities and measures.

2.4.3 Expected results by the end of the covered period and measurable indicators

IPA CBC programme with Montenegro

Existence of institutional co-operation between 10 Montenegro and Serbian public services to jointly address common challenges identified in cross-border cooperation projects. People-to-people actions increase each year of the cross-border programme's implementation period,

demonstrating widening and deepening in the nature, frequency and scale of economic, social and cultural co-operation.

IPA CBC programme with Croatia

Improved skills of people who successfully completed vocational training; number of new products launched, or promotional events realized; increased level of business innovation through R&D transfer via university /research institute-SME partnerships.

Number of cross-border emergency teams created; Reduction in physical and ecological damage arising from emergency incidents; decrease in number of cross border pollution episodes; Increased planning and management capacity in relation to emergency situations; Increased awareness of cross-border environmental issues; Decrease in waste and wastewater; Increase in surface and number of protected areas; Improved quality of protection on protected areas.

Improved access to community-based social services by vulnerable groups/ local populations; Decrease in number of ethnic based incidents; Increase in the success rate of court cases related to marginalized groups.

IPA CBC programme with BiH

Existence of institutional co-operation between 10 Serbian and BiH public services to jointly address common challenges identified in cross-border cooperation operations. People-to-people actions increase in each year of the cross-border programme's implementation period, demonstrating widening and deepening in the nature, frequency and scale of economic, social and cultural co-operation.

CBC programmes with Bulgaria, Hungary and Romania

Improved cross-border business-related infrastructure with direct impact on cross-border trade, economic activities, tourism etc. up-graded cross-border transport infrastructure with an effect of facilitating cross-border crossing, establishment of joint database for pollution prevention and pollution prevention plans, set up of cross-border monitoring system for natural safeguard, joint projects implemented in the area of environmental friendly agriculture. Establishment of joint local services centres (fire and police, water management, disaster response). Increased number of cross-border events and exchanges between the communities from both sides of the border, media broadcasts on cross-border related issues, as well as of studies and researches on border culture heritage, environmental education programmes, etc.

2.4.4 Type of assistance to be provided

CBC programmes:

The identification of suitable joint projects to be financed should primarily take place through competitive joint call for proposals agreed between participating countries.

Pre-identification of projects with a genuine cross-border value by the CBC Joint Monitoring Committee is also possible.

The participation of Serbia in *ERDF trans-national programmes* will follow the implementing rules of those programmes.

2.4.5 Financial indications

The following indicative amounts of IPA funds are earmarked for CBC with MSs, potential candidate and candidate countries:

CBC programmes		IPA funds 2008	IPA funds 2009	IPA funds 2010
Serbia	Bulgaria	2,156	2,357	2,404
	Romania	2,694	2,945	3,004
	Hungary	2,275	2,487	2,537
	Adriatic	0,545	0,595	0,607
	Montenegro	0,500	0,500	0,500
	BiH	1,100	1,300	1,100
	Croatia	1,000	1,000	1,000
	FYROM	-	-	0,500
	ERDF-South-East Europe	3,789	3,864	3,942
SERBIA	TOTAL	14,059	15,048	15,594

(million EUR, current prices)

Nb: 2010 figures are indicative and subject to negotiation

ANNEX I

Indicative allocations in percentages

INDICATIVE ALLOCATIONS TO MAIN AREAS OF INTERVENTION FOR THE PERIOD 2008-2010	
Component I (Transition Assistance and Institution Building)	
Political Criteria Including Civil society 2-5%	27-45 %
Socio-economic Criteria	40-55 %
European Standards	25-35%

Component II (Cross-Border Co-operation)						
	CBC	2008	2009	2010	2008-2010	overall %
SERBIA	Bulgaria	2,156	2,357	2,404	6,917	15%
	Romania	2,694	2,945	3,004	8,643	19%
	Hungary	2,275	2,487	2,537	7,299	16%
	Adriatic	0,545	0,595	0,607	1,747	4%
	<i>Montenegro</i>	<i>0,500</i>	<i>0,500</i>	<i>0,500</i>	1,500	3%
	<i>BiH</i>	<i>1,100</i>	<i>1,300</i>	<i>1,100</i>	3,500	8%
	<i>Croatia</i>	<i>1,000</i>	<i>1,000</i>	<i>1,000</i>	3,000	7%
	<i>FYROM</i>	-	-	<i>0,500</i>	0,500	1%
	ERDF-South-East Europe	3,789	3,864	3,942	11,595	26%
	TOTAL	14,059	15,048	15,594	44,701	100%

ANNEX II

Overview of EU assistance as of December 4, 2007

		Cumulated EU assistance over the period 2004-2006 ¹¹ (in 1,000 EUR)	IPA 2007 (in 1,000 EUR)	TOTAL (in 1,000 EUR)
Political Criteria	Public Administration Reform	34.600	6.000	40.600
	Justice and home affairs	37.870	16.500	54.370
	Minority and human rights and refugee return	29.858	11.500	41.358
	EU Integration	16.300	2.000	18.300
	Media	7.617	-	7.617
	Civil society	10.463	2.000	12.463
	Total	136.708	38.000	174.708
Economic criteria	Enterprise development, investment climate and privatisation	36.203	3.500	39.703
	Health	29.069	13.000	42.069
	Local/municipal and regional development	65.523	43.000	108.523
	VET and labour market	20.218	4.000	24.218
	Total	151.013	63.500	214.513
European standards	Transport	32.716	16.500	49.216
	Trade, Rural Economy, Agriculture and Water Management	21.440	9.500	30.940
	Integrated Border Management, Customs, Border Control	12.261	1.500	13.761
	Energy	96.454	18.000	114.454
	Reform of statistical system	1.800	2.000	3.800
	Environment	35.022	4.000	39.022
	IPA Programming facility	2.000	6.000	8.000
	Community programmes	-	2.000	2.000
	Tourism	-	1.000	1.000
	Total	201.693	60.500	262.193
	Other (GTAF, Reserve)	14.477	2.830	17.307
	CBC programmes	13.257	8.204	21.461
	TOTAL ALLOCATIONS	517.148	173.034	690.182
		TOTAL all sectors		
	Programming year 2003	216.385		
	Programming year 2002	168.005		
	Programming year 2001	193.610		
	Programming year 2000	181.984		

¹¹ In EAR files figures for years 1998-2003 are given as total sum of assistance (for all sectors) per year

TOTAL CARDS 2000-2006

1.277.132

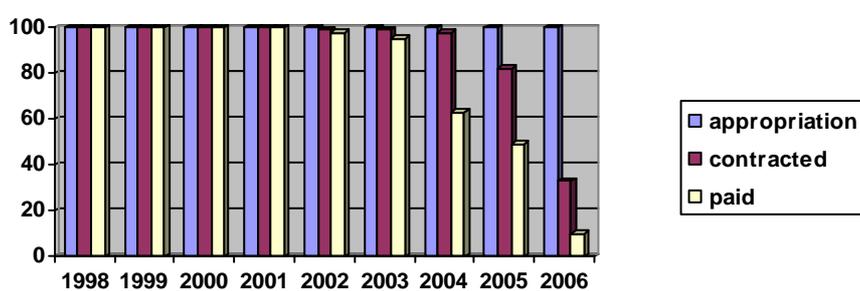
GRAND TOTAL CARDS 2000-2006 + IPA 2007

1,450,166

ANNEX III

Contracting and disbursement rates under ongoing programmes as of December 4, 2007

	1998	1999	2000	2001	2002	2003	2004	2005	2006
Appropriation	100	100	100	100	100	100	100	100	100
Contracted	100	100	100	100	99	99	98	82	33
Paid	100	100	100	100	98	95	63	49	10



ANNEX IV

Cross Cutting Issues

The major cross cutting issues to be reflected as horizontal objectives in all activities programmed under IPA in Serbia are:

- **Civil society** plays a major role in transition societies. Ensuring those groups' concerns are taken into account in the European development agenda and enhancing their policy dialogue with the administration and Serbia's institutions will be aspects mainstreamed within the assistance programmes. The justified balance will be kept between Western Balkans' regional activities for civil society and specific activities in Serbia along the IPA programmes.
- **Environmental considerations** will be duly reflected in all IPA financed activities in addition to specific actions dedicated to environment in coherence with the European Principles for Environment, in particular as concerns environmental impact assessments. This is particularly relevant where there is a potentially high environmental impact, such as co financing of investments, new legislation, etc.
- **Equal opportunities, equality between women and men and non-discrimination** will be respected as regarding gender as well as minorities and disadvantaged people, at the programming and implementation stage, particularly in relation to socio-economic support programmes.
- **Minority and vulnerable groups' concerns** (including the rights of the child¹², disabled persons and elderly people) **and social inclusion** will be reflected when relevant in the activities programmed under IPA, in particular when it concerns public services, legislative matters and socio-economic development, and also to foster social tolerance and conditions to reconciliation.
- **Good governance** will be fostered through introduction of monitoring, evaluation and control mechanisms, and through awareness campaigns involving wider public as a way to contribute to the **fight against corruption** and to enhance civic responsibility.

¹² Communication from the Commission: Towards an EU Strategy on the Rights of the Child [COM(2006)367 of 4.7.2006] and Serbian National Plan of Action for Children.