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Instrument for Pre-Accession Assistance (IPA)

MULTI-ANNUAL INDICATIVE PLANNING DOCUMENT
(MIPD)

REPUBLIC OF SERBIA¹

2009-2011

¹ The Multiannual Indicative Planning Document 2009-2011 for Kosovo, under UN Security Council Resolution 1244/99, is presented in a separate document.

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Executive Summary

In line with the recommendations of the Enlargement Strategy, the key priorities in the 2008 European Partnership and the requirements of the signed Stabilisation and Association Agreement (SAA), and the findings of the Strategy Paper and the 2008 Progress Report for Serbia, the Instrument of Pre-Accession will, from 2009-2011, focus its support for Serbia in key areas considered crucial for the fulfilment of the Copenhagen criteria and the preparation of Serbia for EU membership. In addressing those key priority areas, due consideration has also been given to the major lessons learnt from the implementation and programming of the IPA, 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 *inter alia* to potential lack of political commitment and changing political priorities, limited absorption institutional capacity, low level of project readiness etc. The Commission will consider those risks in the programming of its assistance.

Taking also into account the overall situation in Serbia, it is considered that the key areas under the first and second criteria of Component I are not only the basis for the Stabilisation and Association Process (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 will be allocated under the first priority axis for the establishment 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 EC funds, in particular in view of Serbia's possible candidate status. At the same time, in the aftermath of the financial crisis and the downturn in the economic outlook, a considerable amount of funds will be still allocated to the second priority axis focussing mainly on promotion of economic growth and major development projects, as well as alleviating the social impacts of privatisation and enterprise restructuring. Furthermore, actions will be financed which target employment creation by strengthening VET and the 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.

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 including the digitalisation of broadcasting. Civil society development will be given special attention for the promotion of dialogue through capacity-building and exchange projects; preparation for the introduction of the Decentralised Implementation System (DIS) and management of EC funds; small grants will assist environment anti-discrimination, gender equality, social inclusion, reconciliation, health, business advocacy and consumer protection.

Socio-Economic criteria

Improvement of the socio-economic situation of the country and its population dealing with issues and sectors related to employment generation, reducing regional disparities, education,

social inclusion, health, business environment, SMEs, restructuring and competitiveness, fiscal and macro-economic matters, transport including inland waterway transport and flood prevention, as well as infrastructure, rural development, science, research, innovation and culture. Some activities which will prepare the country for future Structural Funds may be funded under this component. Special attention should be paid to alleviating the effects of the downturn in the economic outlook in Serbia.

Ability to assume the obligations of EU membership

Approximation to European Standards in sectors related to the introduction and implementation of the *acquis communautaire*, including the overall coordination of the European integration process. It will continue to strengthen Serbian administrative capacity to implement the SAA and to develop local ownership of the Instrument for Pre-Accession Assistance (IPA). Participation in Community Programmes is also covered under this section.

Component II – Cross-border cooperation

Under this component, the 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 2009-2011 will be rebalanced as follows:

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

Component	2009	2010	2011	2009-2011
Transition Assistance and Institution Building	182,551,643	186,206,679	189,956,810	558,715,132
Cross-border Co-operation	12,248,357	12,493,321	12,743,190	37,484,868
Total	194,800,000	198,700,000	202,700,000	596.200.000

Although components I and II have 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 the results of projects implemented and programmed under the IPA and 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 2008 Progress Report and evaluation reports. It is based on the findings of the 2008 Enlargement Strategy Paper and the European Partnership adopted in early 2008. ELARG has undertaken a "Retrospective evaluation of CARDS programmes in Serbia" in order to further the analysis of lessons learned from CARDS interventions - past and present - in a number of core sectors.

The transition from the implementation of pre-accession assistance by the European Agency for Reconstruction (EAR) to the Commission Delegation in Belgrade has been completed. The phasing out of the EAR was finalised on the 31 of December 2008. The Commission Delegation in Belgrade is "deconcentrated" and is the contracting authority for the IPA funds covered under this MIPD under centralised management (with the exception of Tempus and Nuclear programmes).

1.2 OVERVIEW OF PAST AND ON-GOING ASSISTANCE

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 IPA, CARDS, macro-financial support and humanitarian aid. Overall, for the period 1998-2006, the amount of EC financial assistance to Serbia represents more than €2 billion.

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, including promoting good governance and the strengthening of rule of law. 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 CARDS programme (the main EC financial instrument in Serbia 2000-2006) was 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 closed on 31 December 2008.

Serbia receives from 2007 pre-accession financial assistance under the **Instrument for Pre Accession Assistance** (IPA). IPA assistance is being implemented by the Commission Delegation in Belgrade, which has also taken over responsibility for ongoing CARDS assistance from the European Agency for Reconstruction. Decentralised management of aid is a medium-term objective for Serbia and still requires much preparatory work by the Serbian authorities.

The Serbian national allocation for **2007** and **2008** totals €360.9 million. The Serbian government actively participates in the preparation of the IPA programming. IPA provides

assistance to push forward the public administration reform, to strengthen the rule of law and good governance in the police and judiciary administrations, to enhance the national economic competitiveness. Furthermore, to approximate to European Standards in sectors related to the introduction and implementation of the *acquis*, to prepare in the medium-term the decentralisation of EC assistance management and to participate in Community Programmes.

Serbia participates in cross-border cooperation, where the priorities include infrastructure, flood prevention, environmental problems, cultural exchanges, research, job creation, security and crime prevention.

A number of **civil society** initiatives are being supported both under the national IPA programme and by thematic financing instruments such as the European Initiative for Democratisation and Human Rights.

Concerning participation in community programmes, in May 2007, Serbia was admitted to the EC **Seventh Research and Development Framework Programme**. The related memorandum of understanding was signed in July 2007. Serbia signed Memoranda of Understanding with the Community for the PROGRESS and Culture programmes in October 2007 and February 2008, respectively. The MoU for Serbia's participation in the Entrepreneurship and Innovation Programme of the CIP has been signed on 27 November 2008.

Serbia benefited from the regional CARDS programme and now from the IPA multi-beneficiary programme, which supports measures of common interest in the Western Balkans, such as infrastructure development, institution building, the implementation of the Central European Free Trade Agreement (CEFTA) and regional trade integration and cross-border cooperation. The budget for the regional CARDS programmes for the period 2002 to 2006 amounts to EUR 280 million with a further EUR 241.1 million for IPA since 2007. In addition, the regional programme supported areas of key importance for European integration, such as taxation and customs, statistics, public administration via the OECD Support for Improvement in Governance and Management (SIGMA) and horizontal support via the Technical Assistance Information Exchange Office (TAIEX). *Inter alia*, important achievements of the regional programme include cooperation between regional prosecutors and mutual legal assistance between the courts, improved police cooperation, integrated border management and cooperation on migration issues.

Additional details on the assistance allocated under the CARDS and IPA programmes are provided in Annex 2.

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

1.2.2 Overview of relevant IFI, multilateral and bilateral past and ongoing assistance

In order to increase effectiveness and efficiency in the delivery of assistance through donor coordination, the Commission and EU 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. Furthermore, the Commission organised a Donor Coordination Conference in October 2008 in Brussels.

EC funding support, as well as other donor activities, is closely coordinated through the Sector for Programming and Management of EC funds and Development Assistance² (henceforth DACU) 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 Government of Serbia is involved in the process of donor coordination by preparing a donor harmonisation framework. DACU is responsible for the overall Donors' co-ordination in the country. In this respect, the objective of this process is to improve consultations with donor community and harmonise donor working procedures, promote national priorities and to align in a complementary way international assistance with national priorities

The European Commission Delegation in Belgrade holds regular meetings with EU Member States representatives. There are frequent coordination meetings of EC Delegation 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. Close working relations are maintained with the IFIs (IMF, EIB, EBRD, World Bank, KfW). CARDS programmes have, over time, supported 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. In addition, EC Delegation promotes the sectoral co-ordination meetings between Donors (including non EU Donors) and line Ministries in order to address in a more efficient way issues relevant to each sector. These sectoral meetings are intended to be co-chaired by the line beneficiary Ministry and one of the main donors in the area.

Bilateral donors, such as Sweden, the Netherlands, UK, Italy, Germany, Austria, Greece, Norway and Switzerland 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 EC's traditional role of facilitating debt based capital investment.

1.2.3 Lessons learnt

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

Increasing ownership of national bodies responsible of the EC programming process

² Former Development Aid Coordination Unit (DACU)

This has translated into a greater involvement by the Sector for Programming and Management of EC Funds and Development Assistance, other sectors of Ministry of Finance, especially the Budget 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 across 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 and inter services 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 in carrying 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 EC 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 EC Funds and Development Assistance to the Ministry of Finance. This way by being also closer to the Serbian treasury this contributes in meeting the challenge of managing EC co-funding. Additional resources have been also allocated, based on a needs analysis as part of the National Programme for Integration. Nevertheless, planning and programming capacities of line ministries should continue to be improved and prepared for use of other IPA components. Continued good cooperation and consultation between the SEIO and Sector for Programming and Management of EC Funds and Development Assistance is also crucial.

EC assistance must not only reflect European Partnership priorities but also be interlocked with Serbia's institutional development and action plans, notably the National Program for Integration (adopted in October 2008), Needs Assessments for Development Assistance and the National Investment Plan but as well as the Serbian Public Administration Reform Action Plan, Action Plan for strengthening institutional capacities in the EU integration process, National Sustainable Development strategy, National Plan for Infrastructure Construction 2008-2012, 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.

In order to achieve better aid effectiveness, following the principles of the Paris Declaration, the alignment of IPA assistance with Serbia's own strategic planning should be further

improved, in particular helping Serbian government's planning, budgeting and performance management systems.

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 EC co-funding and help address territorial inequalities. Introduction of statistical regions equivalent to the NUTS classification should contribute to better identification and policy targeting of economic problems at local and regional 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.

Capacity building at local level in terms of implementation of legislation and project management, as well as technical equipment and networking of authorities in charge for implementation, enforcement and control of legislation.

Section 2

Pre-accession assistance strategy for the period 2009-2011

2.1 INTRODUCTION

This MIPD follows the recommendations of the **European Partnership**³ 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) adopted in the second half of 2008. This document is meant to guide Serbia's efforts to align its legislation and administration to be ready for membership in the EU. In particular, the NPI MIPD aims to address the recommendations and priorities of the European Partnership, the requirements of the Stabilisation and Association Agreement and 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 with Serbia was signed in April 2008. Recalling the relevant provisions of the SAA and the Interim Agreement, the Council stated that full cooperation with the International Criminal Tribunal for the former Yugoslavia (ICTY), including all possible efforts to arrest and transfer indictees, is an essential element of these Agreements. EU Ministers agreed to submit the SAA to their parliaments for ratification and the Community agreed to implement

³ 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.

the Interim Agreement as soon as the Council decides that Serbia is fully cooperating with the ICTY. The Serbian Parliament ratified the SAA on 9 September 2008. The Serbian Government took a decision in October 2008 to begin implementation of the Interim Agreement in the beginning of 2009 as a tangible sign of its commitment to advance rapidly towards European integration.

Furthermore, in its Communication on the Enlargement Strategy and Main Challenges 2008-2009, the Commission stated that it could be possible to grant candidate status to Serbia if the conditions are met and on the basis of a Commission opinion assessing the country's readiness. Candidate status would have a certain impact on the priorities and strategic choices in the IPA assistance. In particular, it would give Serbia access to Components III-V of the IPA programme.

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 Serbia with a road map for visa liberalisation. 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 2009-2011, 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 2009-2011. The dissemination and exchange of best practice in the targeted areas will be further enhanced. Particular attention will be paid to find synergies with the IPA crisis response package.

The Commission organised a Donor Coordination Conference in October 2008 where the Commission and Member States, together with the IFIs and non-EU countries, agreed to an active and affirmative approach concerning the need for enhanced donor coordination. It was agreed the consultation on the 2009-2011 MIPDs will be used as a key tool to determine areas of common interest and possibilities for sector coordination and division of labour. The results and plans for action stemming from such consultation will be reported at the next donor conference scheduled for April 2009 in Albania. The MIPD has been the subject of wide consultation during its preparation. The Serbian authorities were consulted as well as the Member States in Belgrade, other donors and international financing institutions. Serbian-based local and international civil society organisations were given a draft of this MIPD and an opportunity to comment on its content.

The Government established a DIS roadmap in January 2008 (up-dated in November 2008), while a respective Strategy for the preparation of DIS accreditation has been prepared in April 2008. All key stakeholders regarding DIS on the side of the Serbian administration have been appointed (CAO, NIPAC, NAO). Some progress has also been made in establishing the basis for the "DIS Operating Structures". In line with their up-dated roadmap, the Serbian authorities plan to start the activities under stage 1 "Gap assessment" in early 2009. Support in this is provided by SIGMA and other donors. IPA assistance will support the implementation of the DIS roadmap through projects in 2007 and 2008. It is foreseen that DIS could be granted in three years if conditions are met.

2.2 STRATEGIC OBJECTIVES AND CHOICES FOR IPA ASSISTANCE OVER THE PERIOD 2009-2011

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, Needs Assessment for Development Assistance, the Poverty Reduction Strategy, and other relevant National Plans to the extent that these correspond to the EU integration process.

IPA funding resources will be weighted over the programming period 2009-2011 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 its **ability to assume the obligations 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 2008 Progress Report. Projects under political criteria will mainly focus on the area of public administration and judicial reform as well as on the support to fight against corruption. In addition, 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) and its Secretariat are 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 (NIPAC Technical 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 2009-2011

Political criteria

The main objective of EC assistance under this axis is to further strengthen the institutional building and to increase absorption capacity of Serbian institutions, ensuring successful implementation of SAP and fulfilling the political criteria and notably the shortcomings set out in the 2008 Progress Report and the relevant European Partnership priorities. EC 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 EU requirements for membership under this axis.

Socio-Economic criteria

The main objective under this axis is to tackle unemployment and support job creation, while improving the competitiveness of the economy and labour productivity. Long-term unemployment requires particular attention. Special attention is needed to alleviate the effects

of the downturn in the economic outlook for the coming period. Special attention is also needed to alleviate the effects of the economic downturn for the coming period. The most recent forecasts, due to the impact of the international financial crisis, predict only a growth in 2009 around 1%. Employment generation estimates remain weak, with further worsening of the unemployment rates expected during the programming period largely due to privatisation.

EC support aims at raising productivity and generating employment by investing in education (at all levels, starting from early childhood as a basis for a life long education), science, research and innovation, as well as by supporting active labour market measures, corporate restructuring and vocational education reform. Support to the Serbia's 2009 National Employment Action Plan (envisaging the creation of some 150,000 jobs) including strengthening the capacity of the Ministry (the Sector for employment) and 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. Serbia has a lot of room to improve its competitiveness by increasing industrial restructuring, labour productivity and levels of entrepreneurship.

To develop its institutional framework to formulate, adopt and implement trade related legislation and other commitments, 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 EC 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 EC funds. With a view to eventual candidate status, this would also include the successful set up of the DIS framework to enable efficient management of EC funds. 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 2009-2011

Political criteria

Despite the positive progress in stabilising Serbian institutions and implementing obligations resulting from the new Constitution, there is still a need to strengthen the democratic institutions and the further implementation of public administration reform, the separation of powers (judiciary, executive, legislative). The functioning of the parliament in particular needs to be improved. The rule of law, human rights and respect for and protection of minorities and vulnerable groups and freedom of expression (including a free and pluralistic media) also have to be strengthened. This includes *inter alia* supporting actions to improve the functioning of the law enforcement agencies (prosecution, police, prisons). Moreover,

progress in key reform areas such as the reform of the judiciary, the fight against corruption, organised crime and money laundering will need to be stepped up. Serbia has adopted a new law on the anti-corruption agency, providing the legal basis for setting up this agency and transferring various competencies to it. Important efforts have to be made in order to implement the law and build an independent and effective agency. Capacity building at local self-government level needs to be strengthened. Furthermore, 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 for all IPA components.

The existence of a 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 *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 allocated to this sub-component.

Socio-Economic Criteria

In order to respond to the identified needs in 2008, the MIPD 2009-2011 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. In light of the international financial crisis, particular attention will have to be paid to alleviate the effects of the poorer economic outlook for Serbia in the coming years. 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, science, research and innovation, targeting of strategic investment based on Serbia competitive advantages, as well as regional and cross border cooperation.

IPA will focus on major development projects of national and regional importance that contribute to economic growth. IPA interventions will be guided by national strategic documents such as Needs Assessment, National Transport Strategy, Strategy of Regional Development, Danube Socio-Economic Strategy, the National Sustainable Development Strategy, Rural development plan, Innovation strategy, the National Strategy for Tourism development, as well as, where SME policies is concerned, the Strategy for the Development of Competitive and Innovative SMEs 2008-2013, the ten guidelines of the EU Charter for Small Enterprises and the Small Business Act. 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 entrepreneurship education in the framework of the Oslo Agenda could help address the gaps.

Ability to assume the obligations of membership

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 should be provided to assure independence and efficiency of regulatory bodies.

Support for 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 environment, agriculture and rural development, competition policy, consumer protection policy, market surveillance, enterprise and industrial policy, regional policy, justice, freedom and security, social policy and employment, financial management, product standards are prioritised.

In order to consolidate a stable financial sector in Serbia, support should be given to the alignment to the European policy in the field of financial services. Assistance should also be directed to building project pipelines for IPA funding 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, state aid, 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 EC 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).**

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 the areas of 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, culture and research, and market economy) at local level. The Serbia MIPD will finance the following activities programmed under the Multi-Beneficiary

MIPD 2009-2011: Nuclear Safety, Tempus. In addition, complementarity will be ensured between actions supported under the first and second priority axes of Component I and the Infrastructure Preparation Facility under the IPA Multi-beneficiary programme. Particular attention will be paid to find coherence and synergies with the actions foreseen under the Multi-beneficiary IPA crisis response package.

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

Through its Component II, IPA will support Cross Border Cooperation by proposing joint programmes at the borders with Hungary, Romania, Bulgaria, Croatia, Montenegro, Bosnia and Herzegovina as well as financing participation of Serbia in the ERDF (European Regional Development Fund) transnational programme "South-East Europe". 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 local and central authorities responsible for development 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 MULTI-ANNUAL PLANNING BY COMPONENT

The indicative budget allocation for the period 2009-2011 foresees EUR 558,71 million for Transition Assistance and Institution Building and EUR 37,48 million for Cross-Border Cooperation. The table below gives an overview over the yearly allocation.

Component	2009	2010	2011	2009-2011
Transition Assistance and Institution Building	182,551,643	186,206,679	189,956,810	558,715,132
Cross-border Co-operation	12,248,357	12,493,321	12,743,190	37,484,868
Total	194,800,000	198,700,000	202,700,000	596.200.000

2.3.1 Component I – Transition Assistance and Institution-Building

Based on the needs assessment as described earlier in this document, depending on project readiness and outcomes of ongoing programmes and in consideration of the management capacity of the European Commission Delegation and of the absorption capacity of proposed beneficiaries, the following objectives, choices and expected results have been identified.

They are based on Serbia's own development and action plans. Results and indicators will be further developed in the annual programmes.

2.3.1.1 Political Criteria

Objectives and choices

1. **Supporting the strengthening of the democratic institutions and the separation of powers** between the Parliament, judiciary and Government, also in line with the provisions of the Constitution. Completing and implementing reform of the legal framework on elections, ensuring transparency and accountability of political party financing. Ensure greater democratic oversight on security forces. Improved overall functioning of the Parliament, its role as legislator and its oversight function over the executive.
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. Continued strengthening of the Serbian statistical system in general and the Serbian Statistical Institute in particular, to enable the production of good quality official statistics.
3. **Strengthening the European integration structures** (including key line ministries and the parliaments), as well as corresponding structures/mechanisms for the verification of the compatibility of government policies and draft legislation with the *acquis* and standards and improve cooperation among them. And preparation for the future implementation of IPA in full, especially concerning institutions and ministries dealing with the **Decentralised Implementation System** with a view to improve cooperation among them.
4. **Progress in the reform of local self-government** as part of the decentralisation process. Support local and regional development policy which is consistent with the EU pre-accession strategy and the EU regional policy and a balanced territorial development by strengthening fiscal decentralisation, evidence based development planning and implementation capacities at central, regional and local level, more efficient spatial, cadastral, municipal planning, improving service delivery, local government asset management and introduction of statistical regions equivalent to the NUTS classification. 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.
5. 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.

6. **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.
7. **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 efficiency, better management structures and procedures, 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 as well as support to the operationalization of alternative sanctions and re-integration programmes. Enhance efforts to efficiently fight corruption at all levels, in particular by improving the legal framework, supporting the setting up of the anti-corruption agency and strengthening law enforcement bodies. 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 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.
8. **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. Creating conditions for inter-ethnic tolerance and multicultural coexistence, growth and sustainable development of all communities. Support transitional justice actions, i.e. regarding domestic war crimes trials, reparations,

restitution, etc. Supporting the Commissariat for Refugees, Minority National Councils, Ministry for Human and Minority Rights, the National Council on Child Rights and NGOs, in order to support vulnerable groups' rights. Promoting equal access to public services and 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. Promote awareness and tolerance vis-à-vis all national minorities (and their languages), both in the general curriculum at all stages of education and in the media. 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.

9. **Further support for civil society** in order to promote the creation of a genuine dialogue and partnership between the Serbian authorities and the civil society including social partners 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.
10. **Support the media's** efforts to develop a real independent, high quality public broadcasting service and a regulatory environment in line with European standards, contributing to the digitalisation of broadcasting. 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.
11. To support Serbian **youth** in its quest to demonstrate and achieve its possibilities with the aim of improving individuals' own lives and the future of the country as such. Support for the implementation of the National Youth Strategy and Action Plan and of the promotion of a dialogue between key actors in the domains of policy development, practice and youth research in order to improve policy making based on evidence. Support of the capacity-building of young people's civil society organisations and of an increased visibility of activities for young people.
12. Support to the protection of the cultural heritage in the context of the "Ljubljana Process"⁴

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

1. 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 and the executive, including more transparent financial management and adopting the

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http://www.coe.int/t/dg4/cultureheritage/Regional/SEE/IRPPSAH/IRPPSAH_LjubljanaProcess_en.asp

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, including police training improvement. 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. The lead role of Serbian European Integration Office as government institution that will coordinate the European agenda within Serbia's institutions reinforced. Development of the European Integration Office's and line ministries' capacities to screen legislation and policies for EU compatibility. 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.*

Establishment in all key line ministries of administrative structures necessary to effectively manage DIS and co-financing for all IPA components. Sources of verification: DIS accreditation.

4. Better functioning municipalities and more effective delivery of municipal services to citizens; adequate capacities for municipal budget planning, preparation and management developed and strategic capacities and human development units in municipalities strengthened; participation of all relevant stakeholders in local development ensured. Sources of verification (government documents, municipal documents, surveys).
5. Functioning regional development policy consistent with the EU pre-accession strategy and the EU regional policy. Statistical regions equivalent to the NUTS classification introduced. Structures, strategies and programmes to Regional and Human development in line with the requirements for implementing EU-pre-accession assistance are developed. Sources of verification: government documents, institutions created.
6. 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.
7. 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. The institutional capacity of the Serbian National Bank further strengthened in terms of supervision, liberalisation of capital movements, foreign reserves management, inter-banking transactions, financial

services and consumer protection. Sources of verification: national budget, official rules for budget implementation, national statistics etc.

8. 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, with special emphasis to children's rights in the relevant areas. 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.
9. 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.
10. 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.
11. Efficient legal framework for anti-corruption policy completed. Setting up of an independent and effective anti-corruption agency which is able to fulfil its tasks and contribute to a zero tolerance approach against all kinds of corruption.
12. 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.
13. Human and minority rights are promoted and protected and a climate of inter-ethnic tolerance and multicultural coexistence 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 rates for births/deaths, housing, schooling, (un)employment, access to healthcare, etc. 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 returnees (check) 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.

14. Development of a permanent dialogue between authorities and the civil society. 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.
15. To have an improved application of the framework for the regulation of media and the progressive alignment with the Audio Visual Media Services Directive and other EU instruments in the field of media, including the digitalisation of television. 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 relevant EU legislation.
16. Establishment and capacity-development of structures for policy-shaping, co-ordination and implementation of the National Youth Strategy and Action Plan, establishment of mechanisms for supervising, monitoring and evaluating strategy implementation, establishment and development of local youth community programmes as well as strengthening youth-oriented civil society organisations, best practices and information/communication activities by and for youth. Establishment of a structured dialogue between policy, practice and research in the field of youth.
17. Following the "Ljubljana Process" public and private funding for some of the "Consolidated Projects" among the Serbian monuments on the Priority Intervention List ensured and selected by national authorities because of the quality of the rehabilitation process carried out so far, their symbolic, historical and cultural value, and the economic potential of the projects.

2.3.1.2 Socio-Economic Criteria

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. There is a need to improve coordination within ministries and administration, in particular between education/employment and labour when it comes to designing and implementing policy strategies. Particular attention should be given to the parts of the population most affected by the economic downturn: 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 principle⁵) 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 2009-2011.
3. **Fostering social inclusion with the advancement of social welfare system reform** through implementation of the Social Welfare Development Strategy⁶ with view to 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 curricula 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 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.

⁶ Strategy paper adopted by the Government in December 2005.

5. **Enhancing the investment climate and support to small and medium sized enterprises** through the implementation of the Strategy for the Development of Competitive and Innovative SMEs 2008-2013⁷ a favourable legislative and policy framework, economic environment, access to services, capital and know-how, and support to competitiveness and innovation, 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. **Supporting regional competitiveness.** Support to underdeveloped regions to create basic preconditions for economic growth. Support to developed regions to foster knowledge-based economy and attract high added value investments. Assist institutions for regional development to implement local development policy.
7. Assistance to finalise the **privatisation of socially and state owned enterprises.**
8. Development of Serbia's capacity to manage its **macro-economic and strategic national economic planning and forecasting.**
9. **Develop the full potential and the competitiveness of Serbia's transport sector** for socio-economic development, in particular in the Corridor X (road and railways) and Corridor VII (Danube basin). In addition, special attention will be paid to floods prevention and natural and human actions induced catastrophes.
10. Improving **infrastructures** in order to promote business related activities and public services and to alleviate the economic downturn and to facilitate economic and cultural links within Europe. The areas of energy, transport, education, environment, health, tourism, information and communication technology, 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 and tourism 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.

⁷ Strategy paper adopted by the Government in October 2008.

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. Effective and efficient support targeted at vulnerable groups in place. Significant improvement of women's, young and elderly people's participation in employment. Reduced gaps between regions. Social partnership and social 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. Curricula of the Schools of Medicine to promote mutual recognition of health professional qualifications adopted. Partnership with the civil society strengthened. 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. Less developed regions improved their business climate, develop basic infrastructure and are able to attract more investments than before. To continue implementing the EU Charter for SMEs, reducing the administrative barriers to SMEs. The new medium term strategy for SMEs implemented through 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 the Danube crossed regions (incl. inland waterways), transport and waste 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, social, 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.

2.3.1.3 *Ability to assume obligations of membership*

Objectives and choices

1. **Developing Serbia's capacity** to benefit from the SAA/IA, CEFTA and its future WTO membership.
2. Supporting the development and implementation of sector strategies and policies compatible with EC **internal market** legislation and best practices in areas such as standardisation, accreditation, metrology, conformity assessment and market surveillance, consumer protection and general product safety; food safety, veterinary and phytosanitary policy consumer protection; public procurement; protection of intellectual property rights; data protection, market regulation, etc. Further improvement in the administrative capacity of the new standardisation institute and the legislative framework in the area of national standards.
3. Supporting the development and implementation of EU policy in the area of **financial services** in order to consolidate a stable financial market in Serbia;
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 sector 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 *acquis* in the area of agriculture and rural development; Support for increasing the economic growth by developing the agricultural and food processing sectors and increasing their competitiveness; Support for the national authorities to analyse priority areas, carry out agricultural census, improve statistics in the sector and establish land cadastre and farmers register as well as support for advisory and extension services and access to credit for farmers. Support development of a policy and regulatory framework for a viable land reform. Support for the alignment of national legislation, inspection, and laboratory systems with EU standards in the food safety, veterinary and phytosanitary field. Support for the alignment of the wine legislation, wine and vineyard management systems, and oenological laboratories with EU requirements.

- **Regional policy** and coordination of structural instruments development: Support identification, and creation and implementation of legislation and other relevant measures aligned with EU standards under chapter 22 of the *acquis*.
- **Environment:** Support to the approximation process; development and implementation of Environmental strategies and policies and related legislation; support for integration of environmental protection principles into sectoral policies, support for environmental authorities at all levels in terms of strategic planning approach in developing environmental strategies, programs and plans, project preparation, management, planning, permitting, inspecting, and monitoring; developing capacities for implementation of major environmental infrastructure projects; support to national and local infrastructure investments including environmental information systems, hazardous and solid waste treatment and/or disposal, regional land fields, water and sewage, air quality monitoring, nature protection, biological and landscape diversity, climate change, reducing environmental impacts from polluters. Support for participating in environmental networks including the European Environmental Agency. Capacity development in the area of providing earmarked funds for improving the state of environment (application of the "polluter pays" and "user pays" principle). Support to the cooperation on activities undertaken in the framework of the Community Civil Protection Mechanism.

Support for the relevant national, local authorities in alignment and enforcement of legislation in relation to protected areas.

- **Transport:** Support for transport authorities' efforts 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. Prepare for the implementation of the future Transport Community Treaty.

Support Serbia to fully **implement the European Common Aviation Area Agreement** and to actively participate in the ISIS (Implementation of Single European Sky in South East Europe) initiative with a view to adopt and implement the relevant single European sky *acquis*.

- **Energy:** Support for meeting 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 and environmental issues in energy
 - 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, tourism.
6. Enabling Serbia to participate in **Community programmes and Community Agencies**, including support to establish and/or enhance the necessary structures and financing of Serbia's participation in Community programmes and Community Agencies.
 7. Supporting further alignment with European standards in the area of **justice, freedom and security**, in particular as regards visas (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.
 8. **Human Resource Development (HRD):** Assistance to the national structures responsible for human resource development to gain the necessary capacity to define strategies, programmes and projects and to manage and monitor programming activities related to HRD. Support for institution and capacity building with the aim to prepare the sector to absorb pre-accession funds.

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

1. Start **implementation of SAA/IA**. Sources of verification: Progress Report, other national and EU reports.
2. 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.

3. Alignment of Serbian policies to the EU in the area of **financial services**. A coherent and independent system of financial supervision established together with an independent Supervisory Agency with sufficient administrative and enforcement capacity to regulate the financial market.
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. Sector Policies:
 - Capacity to define **agricultural and rural development** strategies strengthened, national rural development programme drafted in line with the requirements of pre-accession assistance and ready for implementation. The administrative structures responsible for implementation and management of rural development policies and programmes are established and ready to operate, including the Managing Authority and the IPARD Agency. Capacity to analyse priority areas, carry out agricultural census, farm register, land cadastre and price statistics as well as advisory and extension services is strengthened, increased access to credit for farmers.

Administrative capacities to prepare for gradual alignment with the "*acquis*" 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 between 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, and Serbian accession to the relevant international conventions. Measures taken to start implementing the Kyoto protocol.

- Cooperation and coordination within the **national statistical system** improved, an **agriculture census** conducted and an agriculture register created, the census of population and housing completed and the national accounts further developed according to ESA 95 (including improvement of the data sources)."
 - The **information society** will be further developed; the main focus will be on e-government and e-commerce, ICT in education and research, ICT security, cross sector and cross border interoperability, standardization, and electronic identity. Adoption of legislation will be advanced in line with European standards and practice
 - The **electronic communications** sector will be further developed. Liberalisation of the fixed telephony sector will be advanced via the adoption and implementation of the necessary legislative and regulatory framework for the entrance of new operators on the market, for the introduction of competition safeguards, and the network access and infrastructure development. The capacity of the responsible regulatory authority to fulfil its mandate as an independent regulatory body should be developed. Further adoption of legislation will be advanced in line with European standards.
 - **Other strategies**, sectoral policies and a regulatory framework compatible with European standards developed in line with the Serbian national strategies e.g. customs and taxation, social policy, nuclear safety, research, public internal control and external audit, tourism.
 - *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, which also includes addressing their

socio-economic situation. 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* is in place. 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.

8. The capacity of national structures responsible for **human resource development** strengthened, capable to define strategies, programmes and projects and to manage and monitor programming activities related to HRD.

2.3.1.4 Supporting programmes

Objectives and choices

Project Preparation Facility – Technical Assistance Facility: Support the Project Preparation Facility to improve the planning, programming, preparation and implementation of IPA projects and to support a smooth EU integration process.

Support Activities

EU Awareness: Support programmes to ensure that public, civil society and government actors remain supportive to the accession to the European Union by providing communication expertise and supporting the established European Communication Centres throughout the country.

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

Authorities are able to prepare good quality project proposals and tender documentation.

Public awareness campaigns targeted at the general public, the media and other multipliers are organised. Networking and coordination between EU Info Centres, NGOs and other stakeholders is improved and there is an increased utilisation of the Euro Info Centres.

2.3.1.5 Type of assistance to be provided

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 programmes⁸. 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.

All programmes under the transition assistance and institution building component shall be subject to interim and/or *ex post* evaluation. The Commission plans to review the donor coordination to identify best practices and lessons learned and will evaluate the design, the quality and achievements of interventions in Serbia.

The Commission plans a mid-term evaluation of the IPA Component I, an evaluation of the balancing of socio-economic development and integration needs, and an evaluation of the implementation of the IPA regulation in 2009 and 2010.

The Commission may undertake any actions it deems necessary to monitor the programmes concerned. The Commission has set up yearly IPA monitoring meeting for joint reviews of financial assistance activities involving the beneficiary country's representatives. Selected projects are subject to regular result-oriented monitoring.

2.3.1.6 Financial indications

The following table gives an overview of the overall indicative weighting that should be given to the axes outlined above.

Percentage range by Axis	
Political Criteria including Civil society 2-5%	30-45%
Economic Criteria	40-55%
Ability to assume the obligations of Membership	20-30%

⁸ Communication of the Commission "Preparing for the participation of Western Balkan countries in Community programmes and agencies" [COM (2003) 748 of 3.12.03]

2.3.2 Component II – Cross Border Co-operation

2.3.2.1 Current programmes under IPA Component II for Cross Border Cooperation

IPA Component II supports cross-border programmes between Serbia and the adjacent Member States (Hungary, Bulgaria, Romania), candidate and potential candidate according to the IPA eligibility rules (NUTS level 3 regions or equivalent areas) and finances the participation of Serbia in the ERDF (European Regional Development Fund) transnational programme "South-East Europe". 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 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 no longer geographically eligible for the successor programme to 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.).

2.3.2.2 Objectives and priorities

IPA CBC programme Serbia - Montenegro

The global objective is to bring together the people, communities and economies of the border area to jointly participate in the development of a cooperative area, using its human, natural and economic resources and advantages. This programme will have catalytic effects as it will build the capacities of local stakeholders, municipal, regional institutions and the civil society, and therefore their ability to participate in cross-border initiatives.

Specific objectives include: 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.

The programme's priorities comprises: Socio - economic cohesion through joint actions to improve physical, business, social and institutional infrastructure and capacity, as well as Technical assistance to support management and implementation of the programme.

IPA CBC programme Serbia - 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 addition, 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 Serbia - Bosnia and Herzegovina

The global objective of the programme is to bring together the people, communities and economies of the eligible area to jointly participate in the development of a cooperative area, using its human, natural, cultural and economic resources and advantages with the overall objective to stimulate the economies, to foster sustainable development and reduce the relative isolation of the eligible area by strengthening joint institutional networks and the capacities of human resources.

Specific objectives include: 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.

The priorities defined in the programme are: to support the social and economic cohesion through actions to improve physical, business, social and institutional infrastructure and capacity, as well as technical assistance to increase administrative capacity in the management and implementation of the programme.

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 2009-2011. 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), *socio-economic cohesion* (capacity building and cooperation between institutions and communities, Cross-Border socio and economic cohesion, assistance to project preparation) and *technical assistance* in the programme 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 including the priority for *Technical assistance*.

The main challenge in the area of CBC cooperation with Member States 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.

IPA Adriatic CBC programme

The phasing out participation of Serbia in the programme (*cf supra*) 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.

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.

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

IPA CBC programme Serbia - Montenegro

The 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 Serbia - 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 Serbia - Bosnia and Herzegovina

Existence of institutional co-operation between 10 Serbian and Bosnia and Herzegovina 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.

2.3.2.4 *Type of assistance to be provided*

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 the *ERDF South-East Europe trans-national programmes* will follow the implementing rules of that programme.

2.3.2.5 *Financial indications*

The following indicative amounts of IPA funds are earmarked for CBC with EU Member States, potential candidates and candidate countries:

CBC programmes		IPA funds 2008	IPA funds 2009	IPA funds 2010	IPA funds 2011
Serbia	Bulgaria	2.156	2.357	2.404	2.452
	Romania	2.694	2.945	3.004	3.064
	Hungary	2.275	2.487	2.537	2.587
	Adriatic	0.545	0.595	0.607	0.619
	Montenegro	0.500	0.500	0.500	0.500
	BiH	1.100	1.300	1.100	1.100
	Croatia	1.000	1.000	1.000	1.000
	ERDF-South-East Europe	1.189	1.064	1.342	1.420
SERBIA	TOTAL	11.459	12.248	12.493	12.743

(in 000 EUR, current prices)

Nb: The figures for years 2010–2011 for the CBC programmes with neighbouring candidate and potential candidate countries and for the participation in the ERDF SEE transnational programme are provisional. They will be finally established in the revision of the CBC programmes for the period 2010–2011

**ANNEX 1 - INDICATIVE ALLOCATIONS FOR MAIN AREAS OF INTERVENTION FOR THE PERIOD
2009-2011**

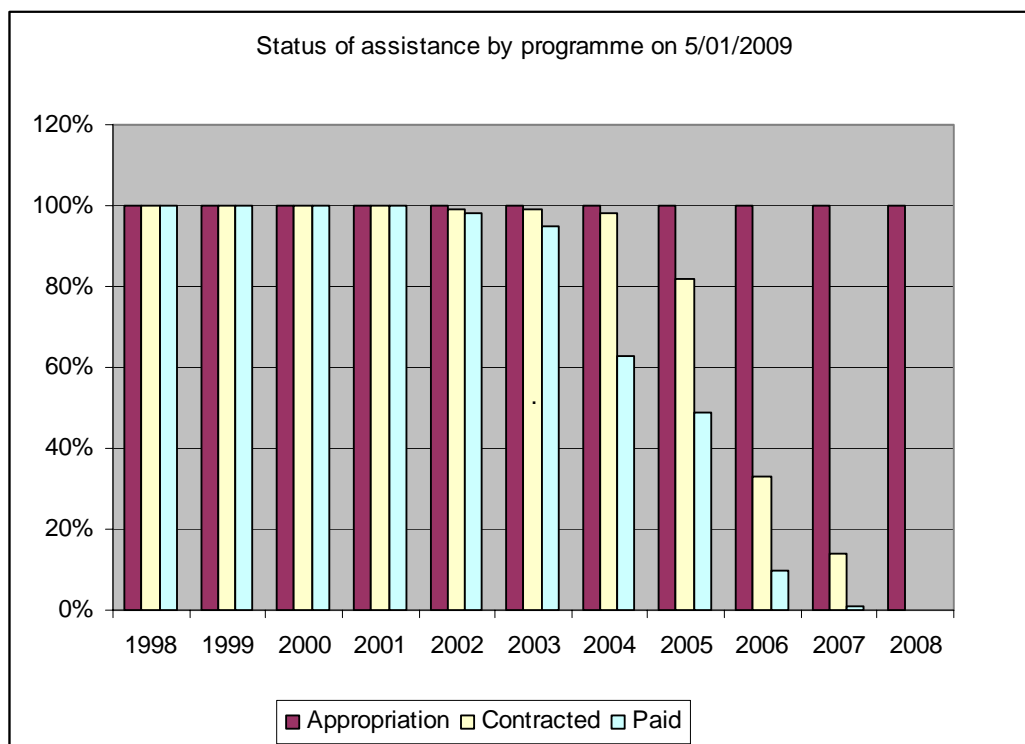
INDICATIVE ALLOCATIONS TO MAIN AREAS OF INTERVENTION FOR THE PERIOD 2009-2011	
Serbia	
Component I (Transition Assistance and Institution Building)	
Political Criteria including Civil society 2-5%	30-45%
Economic Criteria	40-55%
Ability to assume the obligations of Membership	20-30%
Component II (Cross-Border Co-operation)	
CBC with Bulgaria	19%
CBC with Hungary	20%
CBC with Romania	24%
CBC with BiH	10%
CBC with Croatia	8%
CBC with Montenegro	4%
CBC Adriatic	5%
ERDF SEE	10%

ANNEX 2 - OVERVIEW OF EC ASSISTANCE UNDER CARDS AND IPA

	(in 000 of EUR)	Cumulated assistance over the period 2001- 2006	IPA 2007	IPA 2008	TOTAL
Political Criteria	Public Administration Reform	148.600	6.000	6.000	160.600
	Justice and home affairs	78.870	16.500	7.000	102.370
	Local self government reform (IPA)	-	22.000	45.400	67.400
	Minority, human rights and refugees	29.858	11.500	14.500	55.858

	EU Integration	16.300	2.000	13.400	31.700
	Media	15.617	-	3.000	18.617
	Civil society	18.463	2.000	2.500	22.963
	Total	307.708	60.000	91.800	459.508
Economic criteria	Enterprise development, investment climate and privatisation	82.203	3.500	18.500	104.203
	Health	61.069	13.000	7.500	81.569
	Regional development, Cross Border Cooperation	78.780	29.204	11459	119.443
	VET and labour market	39.218	4.000	3.500	46.718
	Total	261.270	49.704	40.959	351.933
Ability to assume the obligations of membership	Transport	79.716	16.500	10.500	106.716
	Trade, Rural Economy, Agriculture and Water Management	52.440	9.500	8.800	70.740
	Integrated Border Management, Customs, Border Control	12.261	1.500	4.000	17.761
	Energy	246.454	18.000	-	264.454
	Reform of statistical system, conformity assessment, state aid control, DIS	1.800	2.000	5.150	8.950
	Environment	44.522	4.000	10.600	59.122
	IPA Programming facility	2.000	6.000	-	8.000
	Community programmes, Tempus, Erasmus Mundus	22.000	11.700	12.000	45.700
	Nuclear facility	-	5.460	4.000	9.460
	Tourism	-	1.000	-	1.000
	Total	461.193	75.660	55.050	591.903
	Other (GTAF, Support Measures Facility, Reserve)	14.477	2.830	3.091	20.398
	TOTAL ALLOCATIONS	1.044.648	188.194	190.900	1.423.742

ANNEX 3 - CONTRACTING AND DISBURSEMENT RATES UNDER ONGOING PROGRAMMES



ANNEX 4 - 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 under 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 child⁹, 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, multicultural coexistence 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.

⁹ 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

ANNEX 5 - 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 Community
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
ISIS	Implementation of Single European Sky in South East Europe
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