



The European Union's IPA Program for Western Balkans and Turkey

IPA - interim evaluation and meta-evaluation of IPA assistance

Country Report Serbia



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IPA - interim evaluation and meta-evaluation of IPA assistance

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Table of contents

List of Abbreviations	5
Summary	7
1 Scope of work	11
1.1 Introduction	11
1.2 Summary methodology	11
1.3 Sectors and projects included in the sample	12
1.4 Sources of information	14
2 Sector analysis	15
2.1 Public Administration Reform/Public Finance Management	15
2.2 Environment	19
3 IPA Programme performance	21
3.1 Introduction	21
3.2 Effectiveness	21
3.2.1 Effectiveness in Public Financial Management	21
3.2.2 Effectiveness in the environment sector	24
3.2.3 Conclusions on effectiveness	29
3.3 Efficiency	30
3.3.1 Efficiency in Public Financial Management	30
3.3.2 Efficiency in the environmental sector	34
3.3.3 Conclusions on Efficiency	36
3.4 Sustainability	37
3.4.1 Sustainability in Public Financial Management	38
3.4.2 Sustainability in the Environment sector	41
3.4.3 Conclusions on sustainability	45
4 Impact analysis of IPA assistance	47
4.1 Introduction	47
4.2 Does IPA assistance address priority issues?	47
4.3 Impact in Public Finance Management	49
4.3.1 IPA contribution to Financial Control	50
4.3.2 IPA contribution to Revenue Administration and Financial Supervision	50
4.3.3 IPA contribution to Public Administration Reform	51
4.3.4 IPA contribution to Statistics	52
4.4 Impact in the Environment Sector	53
4.4.1 IPA contribution to energy and air pollution sub-sector	53
4.4.2 IPA contribution to the waste and chemicals sub-sector	54
4.4.3 IPA contribution to the water sub-sector	55
4.4.4 IPA contribution to horizontal issues and nature sub- sector	55
4.4.5 ROM scores	56
4.5 Additional impact	57
4.5.1 Additional impact in Public Finance Management	57
4.5.2 Additional impact in Environment Sector	57

4.5.3	Conclusions on impact	58
5	Key conclusions and recommendations	59
5.1	Thematic and programme level conclusions and recommendations	59
5.2	Associated recommendations for each conclusion	59
	Annexes	65
	Annex 1 Summary scope of sub sectors	67
	Annex 2 List of documents used	69
	Annex 3 List of interviews	71
	Annex 4 Sectoral Analysis	73
	Annex 5 Objectives of the projects in the sample	137
	Annex 6 The evaluation methodology	143
	Annex 7 Debriefing note	155

List of Abbreviations

Table 0.1 List of abbreviations

Abbreviation and full name	
AERS	Serbian Energy Regulatory Agency
CoE	Council of Europe
CPIE	Country Programme Interim Evaluation
CSO	Civil Society Organisations
DBB	Direct Budget Beneficiaries
EAR	European Agency for Reconstruction
EAS	Environmental Approximation Strategy
EC	European Commission
EP	European Partnership
EPO	European Patents Office
EU	European Union
EUD	European Union Delegation
EUR	Euro
HCWM	Healthcare waste management
HFC	Healthcare Facility
HMSS	Hydro Meteorological Service of Serbia
HRMS	Human Resources Management Service
ICMS	Integrated Chemical Management System
IP	Intellectual Property
IPA	Instrument for Pre Accession
IPO	Intellectual Property Office
IPPC	Integrated Pollution Prevention and Control
LSG	Local Self Government
MAFWM	Ministry of Agriculture Forestry and Water Management
MBP	Multi-Beneficiary Programme
MEDEP	Ministry of Energy, Development and Environmental Protection
MEMSP	Ministry of Environment, Mining and Spatial Planning
MHRPALSG	Ministry of Human Rights, Public Administration and Local Self Government
MIPD	Multi Annual Indicative Programming Documents
MJPA	Ministry of Justice and Public Administration
MoF	Ministry of Finance
MoFE	Ministry of Finance and Economy
MRDLSG	Ministry of Regional Development and Local Self Government
NBS	National Bank of Serbia
NCTS	New Computerised Transit System
PAR	Public Administration Reform
PIFC	Public Internal Financial Control
PFM	Public Finance Management
PHI	Public Health Institute
PPO	Public Procurement Office
PUC	Public Utility Company
ROM	Results Orientated Monitoring
SAA	Stabilisation and Association Agreement
SCA	Serbian Customs Administration

Abbreviation and full name	
SCheMA	Serbian Chemicals Agency
SCTM	Standing Conference of Towns and Municipalities
SEIO	Serbian European Integration Office
SEPA	Serbian Environmental Protection Agency
SIGMA	Support for Improvement in Governance and Management
SORS	Statistical Office of the Republic of Serbia
STA	Serbian Tax Administration
TA	Technical Assistance
ToR	Terms of Reference
TPP	Thermal Power Plant
TSO	Transmission System Operator
UNODC	United Nations Office of Drugs and Crime

Summary

The Country Programme Interim Evaluation of Component I IPA assistance for Serbia was undertaken within the scope of the project *Interim and Meta Evaluation of IPA Assistance* that completed a series of evaluations in the Western Balkans. The study was prepared during the period September 2012 to March 2013 and consisted of a review of the sectors of Public Administration Reform / Public Finance Management and Environment based on an evaluation of assistance principally from the financing years 2007-09. The evaluation methodology focused on the identification of sectoral change and the attribution of the IPA to the change observed. The sample consists of 26 projects with a total EU financial contribution of 34.90 MEUR, representing 25% of the value of the entire eligible portfolio and 30% of the total number of eligible projects.

The evaluation report is structured around the assessment criteria of effectiveness, efficiency, sustainability and impact. Recommendations have been developed to improve the performance of both current and future assistance, although a number of key findings in the report had already been addressed by programme managers. The draft report was distributed to all stakeholders for comments and the revised content discussed at a debriefing meeting in May 2013.

Summary findings

Whilst planned outputs are in most instances delivered, the extent to which these are **effectively** turned into results is not as good as it should have been. Complex project design, lack or change of clear policy direction, changes in experts, limited absorption capacity, unwillingness to make sensitive information available and a complicated institutional environment contributed to lower than expected delivery of results. One investment project failed completely because of an unwillingness of local people to support it and others may not achieve the planned results if ongoing financing issues are not resolved. These more systemic issues are unlikely to be resolved in the near term and this is expected to limit the extent to which outputs are taken up by beneficiaries, especially at the local level.

Assistance is designed in the context of various strategic and action plans prepared by or for beneficiaries, however institutional ownership and in particular leadership of the public administration in understanding and adopting new concepts has not always been ideal. Decentralisation of fund management should improve ownership but ongoing management support from the Commission Services will be needed into the medium term.

Implementation has in general been **efficient**. The use of twinning for technical *acquis* related tasks and TA for more horizontal institution building and investment preparation has been appropriate to the needs and capacities of beneficiaries. Contracting European peer institutions as service providers has been very cost efficient. Close contract management ensures that outputs are delivered within the available budgets. Assistance was subject to appropriate tender procedures but the replacement of a large proportion of experts has negatively affected efficiency by both delays for replacing experts and wasted resources.

The scale of funding, especially of institution building, has generally been sufficient but the extensive use of contract extensions suggests that timelines are unrealistic when faced with the realities of implementation – including largely unavoidable factors such as the national elections.

When outputs are delivered at the end of the assistance there is no time to absorb and embed these in the beneficiaries or assess their functionality. The ongoing nature of support in most areas

mitigates against this to some extent but the lack of formal capacity assessments is a contributory factor to implementation performance. There were *ad hoc* but not systematic administrative capacity assessments to scale projects to the absorption capacity of beneficiaries and it has proved in a number of cases to be too much for beneficiaries to effectively absorb.

As the assistance was primarily institution building, it has mostly been financed solely by the EC. There has been co-financing for investment elements and this has taken non-traditional forms in some instances. Provision of co-financing by local authorities has been a problem.

Post-election institutional re-organisations represent some threat to the **sustainability** of assistance but this is not likely to be substantial as most individuals should remain in post. The lack of a merit based recruitment and career progression in the public administration is a systemic threat to sustainability but appears difficult to address in practice despite changes in legislation. Institutional capacity building connected to specific implementation of the *acquis* has a better chance of being sustained than more horizontal support that lacks the *acquis* imperative.

The financial crisis has affected the budgets of the state administration as well as other beneficiaries of IPA assistance. Most assistance under review was conceived prior to this period and the project design therefore did not always take into consideration the likely reduction in financial capacities of stakeholders. Therefore whilst capacities of beneficiaries to sustain effects in the short term may be in place, maintaining current staffing levels or undertaking additional investment is likely to be challenging. Operational budgets for infrastructure investments remain a serious problem. Most institutions have been required to either freeze or reduce headcounts and the reduction in operational budgets will clearly compromise the capacity of some organization to implement the results of IPA assistance. The current dearth of private sector opportunities is, however, likely to limit voluntary staff turnover.

The multi annual perspective of much of the assistance under review is contributing to the sustainability overall as it takes a significant time to embed new concepts in institutions. Where the IPA focuses on delivering human resource development or new systems and tools before the establishment of institutional structures, embedding the effects and therefore ensuring sustainability is less clear.

IPA has made a visible **impact** to institution building in those areas of the SAA underpinned by technical elements of the *acquis*, such as tax, customs, IPR, chemicals and waste, energy and air pollution. It has made less of a contribution in more horizontal aspects that are not driven by the *acquis* or which need changes in institutional culture – such as PAR at both central and local level. Implementation difficulties and problems with absorption capacity will reduce impact from some elements of the assistance but the multi annual character of the IPA provides the potential for subsequent projects to compensate for this. Some of these problems, for example in the water sector, appear more sustained.

There are no elements of the programmes under review that do not target policy objectives of the programming documents and the broader objectives of the IPA although support to the National Bank has to some extent been a response to the financial crisis.

Acceptance and use of outputs in institution building in many cases takes some considerable time and emphasises the need for continuous support. Especially in technical areas, the provision of assistance over a number of financing years has been a characteristic of the assistance and this has contributed to the achievement of impact. There have been instances – particularly in the Public Administration Reform / Public Finance Management sector - where impact has not been

achieved - where there are unresolved issues related to institutional capacity, lack of supportive legislation, insufficient political support or national level engagement, and unclear policy and ownership.

Key recommendations

- The Serbia authorities should provide as part of the programming process a formal assessment of absorption capacity to justify the scale of assistance proposed. Where necessary, conditionalities should be established at either programming or contracting stages;
- Institutional structures, including laws, should clearly be in place before investment in either human resources development or systems and tools. This may require sustained advisory support at senior levels prior to any subsequent assistance that will deliver investment in people or equipment;
- For future assistance to horizontal areas particularly those not driven by the acquis, there should be a clear lead institution, preferably with a clear national champion in the form of an individual or an individual position (such as Minister of Justice and Public Administration for Public Administration Reform) who can clearly exhibit support for the changes proposed to be supported by European Union funds;
- The Human Resource Management Service – or equivalent successor organisation – should be systematically included in all institution building projects as one of the knowledge management partners;
- Where European technical peer organisations have the capacity and experience, they should be targeted as either service providers or otherwise formally associated with the assistance;
- Clearer longer term financial conditionalities should be included in the project fiche and agreed with all parties at the design stage before the decision on funding is taken;
- The Joint Monitoring Committee should monitor investment projects for more than one year after their completion;
- Institutional responsibilities in the water sector need to be assessed and necessary amendments to the legislation introduced;
- As support to the public utilities sector will continue in the future it is important to ensure proper political and institutional leadership to drive the reforms. There should be clear evidence of progress towards this as a conditionality of future assistance to the sector.

1 Scope of work

1.1 Introduction

The overall objective of the Interim Evaluation and Meta evaluation of the European Commission's (EC) Instrument for Pre-Accession (IPA) Component I is to improve the performance of European Union (EU) financial assistance. Three specific objectives underlie this overall objective. The first is to provide a judgement on the performance of EU pre-accession assistance under the IPA component I in Albania, Bosnia and Herzegovina, Montenegro, Serbia and Kosovo¹ through the preparation of five Country Programme interim Evaluations (CPiE) as well as an additional evaluation report on IPA multi-beneficiary programmes (MBP). This report covers the findings of the Serbia CPiE.

The CPiE for Serbia was the third country evaluation carried out under this project and began with a scoping mission in July 2012. This was followed by a formal kick off meeting in September and a field work phase lasting until the end of October. A short term technical expert was recruited to assist in the assessment of the air quality elements of the evaluation. Training was provided on practical aspects of preparing for and carrying out an evaluation. More details on the approach to this country study are entailed in the Country Inception Report.²

1.2 Summary methodology

The evaluation methodology consists of an exploration of how the selected sectors have developed since the programming of the associated IPA assistance as well as an in depth performance assessment of projects from 2007-2009 to attribute the impact of IPA to observed changes. See also Annex 6 for a more elaborate description of the methodology.

The following eight evaluation questions will be answered by the evaluation:

- To what extent are interventions financed under IPA efficient in terms of value for money when delivering outputs and immediate results?
- To what extent are interventions financed under IPA effective in delivering outputs and immediate results?
- Are the outputs and immediate results delivered by IPA translated into the desired/expected impacts?
- Are there any additional impacts (both positive and negative)?
- Are the identified impacts sustainable?
- Are there any elements which could hamper the impact and/or sustainability of the assistance?
- Are there any potential actions which would improve the efficiency and effectiveness of on-going assistance?
- Are there actions which would improve the prospects for impact and sustainability of the on-going assistance?

The emphasis of the evaluation will be on demonstrating impact at programme level *within a sector* over time. Country evaluations will therefore follow two approaches: (i) from a sectoral perspective; and (ii) from an IPA project and programme perspective.

¹ The designation is without prejudice to positions on status and is in line with UNSCR 1244 and the ICJ Opinion on the Kosovo Declaration of Independence.

² Country Inception Report Serbia, September 2012. Unpublished internal report for DG ELARG.

The approach has the following sequence:

- Sectoral impact: analyse how the sector developed by comparing the objectives and baseline at the moment of programming with current sectoral status;
- Programme impact: analyse the contribution of IPA to observed sectoral change using actual or defined indicators in programme documents;
- Combine these analyses to answer the evaluation questions;
- Draw conclusions and recommendations at the programme level.

The underlying report is structured around these steps.

Judgement criteria have been developed which are discussed in more detail in Annex 4. At the impact level, indicators measure changes in three broad categories:

- Institutional structures (e.g. in Ministries, Government Agencies etc., including new bodies);
- Human Resources; and
- Systems and Tools (e.g. legislation, but also relevant IT – hard and software).

The evaluation will therefore not just focus on the status of legislation and adoption of the *acquis*, but also on the embedding of this in appropriate structures and implementing capacity, i.e. human resources.

1.3 Sectors and projects included in the sample

This CPIE covers the assessment criteria of effectiveness, efficiency and sustainability but primarily focuses on the contribution of the IPA from programming years 2007-2009 to observed sectoral change in the sample areas of **Public Administration Reform/Public Finance Management (PAR/PFM)** and **Environment**. This sampling has been used to reduce the overall scale of the study to a manageable size. The overall sample was defined by allocating all of the assistance for all of the countries in the study to the sectors used in the 2011 IPA programming exercise. Two sectors were then selected for each of the countries subject to the evaluation, covering for each country those sectors that are most representative of the scope of assistance typically funded by the EC. In Serbia, the sectors initially selected covered Transport and Environment but this was revised after consultation with national stakeholders to cover areas of the programme that were more relevant to the administrative reform elements of Component I and more difficult to evaluate. The PAR sector was selected - subsequently subdivided into PAR and PFM.

The total IPA contribution to the projects in the sample is EUR 34.90 million, 25% of the value of the entire *eligible* portfolio³. The 26 projects in the sample represent 30% of the total number of eligible projects.

Annex 5 sets out the objectives of the projects in the sample.

Institutional background to the programme

The CPIE covers projects primarily from the financing years 2007-2009 which have the greatest chance of being substantially complete and therefore enabling the objective assessment of impact. The EC's assistance to the Republic of Serbia is implemented through centralised management with operational responsibility and contract management within the European Union Delegation (EUD). Progress for the transferral of management to the national authorities is well advanced with an accreditation audit expected in November 2012 and the IPA 2013 programme indicatively

³ The sectors of Justice and Home Affairs and Civil Society have not been included in the overall population as they have been covered by other thematic evaluations undertaken during 2012.

expected to be implemented under decentralised management. Currently, the national authorities are involved in the programming of assistance but have only a limited role in both management and co-ordination.

Two institutional factors need to be taken into consideration by the evaluation. Firstly at the time of the programming of the early part of the IPA, the design and implementation of the EC's assistance programme to Serbia was undertaken by the European Agency for Reconstruction (EAR). This institution, created to implement EC post conflict assistance in Kosovo (and later expanded to both Serbia and the former Yugoslav Republic of Macedonia), had a different mandate and culture to the subsequent Delegation that was established in Belgrade during 2007. Secondly, in the middle of March 2012 the government announced national elections (as well as those at provincial and local level) to be undertaken in May. The effect on the ongoing assistance has been substantial, both in the effective withdrawal of many national institutions in the pre-election period and the comprehensive reorganisation of the ministries after the change of government. This reorganisation process was ongoing at the time that the evaluation research was undertaken in Autumn 2012.

Status of implementation of PAR/PFM projects

Table 1.1 Overview of the IPA PAR/PFM projects included in the sample

Area	IPA Year	IPA m€	Project title	Status
Financial Control	2007	2.00	Public Procurement	Ongoing
	2007	2.00	Intellectual Property Rights	Completed
	2008	2.00	Support to PIFC Phase 3	Ongoing
Revenue Administration and Financial Supervision	2007	1.00	Tax Administration	Completed
	2007	1.50	Customs Administration	Completed
	2008	4.40	Customs Enforcement	Ongoing / Completed
	2008	2.50	National Bank	Ongoing
	2010	2.00	Treasury Administration	Ongoing
Public Administration Reform	2007	8.00	Municipal Support	Ongoing
	2010	6.50	Public Administration Reform	Ongoing
	2007	1.00	Ombudsman	Completed
Statistics	2007	2.00	Statistics	Completed
Subtotal		34.90		

Source: information from EUD & NIPAC.

Projects in the sector have been grouped into four sub sectors according to their broad objectives within the framework of PFM or PAR, with the sub sectors of Financial Control and Revenue Administration and Financial Supervision covering principally PFM but with some additional scope. PAR covers support to central and local government, although in the case of the latter this includes only a small proportion of the overall EU effort.

Half of the projects in the sector have Results Orientated Monitoring (ROM) reports available and the scores given in these are provided within the evaluation report. Detailed descriptions of the scope of the individual sub sectors are included in annex 1.

Environment

Status of implementation of Environment projects

Table 1.2 Overview of the IPA environment projects included in the evaluation

Area	IPA Year	IPA m€	Project title	Status
Energy and air pollution	2007	12.00	Emissions Reductions at Nikola Tesla	completed
	2007	6.00	Regional Energy Strategy	ongoing
	2007	1.00	Air quality management system	completed
	2008	11.00	Environmental protection at EPS	ongoing
Waste and chemicals	2008	1.50	Hazardous Waste	ongoing
	2008	1.50	Chemicals management	ongoing
	2008	6.00	Treatment of healthcare waste	ongoing
	2009	3.00	Hazardous Waste	suspended
Water	2008	2.00	Study of flood prone areas in Serbia	ongoing
	2008	3.00	Sewage and Wastewater strategic master plan	completed
	2008	45.40	Municipal infrastructure Support programme	ongoing
Horizontal issues and nature protection	2007	2.00	Develop Environmental Approximation Strategy	completed
	2007	1.00	Protection of Natural Areas (NATURA 2000)	completed
	2008	1.60	Serbian EPA & EIONET	completed
Subtotal		97.00		

Source: information from EUD & NIPAC.

Most assistance has been completed or is in its final stages. Further detail on the project objectives can be found in annex5 and the scope of the sub sectors in annex 1. 11 of the 14 projects have been covered by the ROM system.

1.4 Sources of information

The following sources of information have been used for the programme assessment, complemented by a range of interviews with key stakeholders:

- Project fiches
- MIPD
- Project reports
- National Programme
- Monitoring reports

For the sectoral analysis the following documents have been used:

- Partnership Agreement
- Multi-Annual Indicative Financial Framework
- SIGMA Annual reports
- Enlargement strategy and Main Challenges
- Progress reports from the EC
- Strategies, studies and sectoral action plans

See annex 2 for a complete list of documents referred to in the evaluation.

2 Sector analysis

Elaboration of the sectoral objectives and baseline.

The sectoral assessment of impact is based around an evaluation matrix (fully elaborated in annex 4 and summarised within the text below) covering the constituent elements of each sector that are detailed below. The matrix establishes the baseline for the evaluation - the situation at the time when programming for IPA 2007-09 was initiated in Serbia in 2005-2006 as well as the objectives for the sub sectors at that time as defined by the European Partnership (EP), as well as the Stabilisation and Association Agreement (SAA) and the Multi Annual Indicative Programming Documents (MIPDs). The third column of the matrix consists of indicators of expected progress by 2010 or 2011 taken from the medium term objectives of the 2005-2006 EP and elaborated from other information in programming documents.

For the purpose of identifying and assessing sectoral change, information was derived by reviewing the most recent Progress Reports, Sector Strategies, Sector Studies, Discussion papers, ROM reports, project reports and other project documentation and was complemented by interviews with key sectoral stakeholders. To complement the specific indicators given in the sector matrices, achieved progress, both as the result of the IPA and other actors⁴ was analysed in the context of factors contributing to impact in administration reform: Institutional Structures; Human Resources and Systems and Tools⁵.

2.1 Public Administration Reform/Public Finance Management

For the purposes of the summary, the sector is consolidated into two – PFM and PAR. Two strategic documents underpin the external assessment of these sectors – the PEFA assessment undertaken by consultants but under the auspices of a World Bank led donor group in 2007 and 2010 and the annual OECD SIGMA review of progress in PAR. These documents provide a useful summary of the key issues facing the sector.

Key points from 2010 PEFA Assessment

In comparison with the 2007 assessment, by 2010 well over 50% of the indicators and 50% of the dimensions had an improvement in scoring, although in some of these cases this was due to small managerial or administrative improvements. The highlights of the improvement were the creation of the Single Treasury Account and the introduction of the FMIS which improved overall scores in Cash Management, Accounting Recording and Reporting. The biggest improvement in overall scoring was in quality and timeliness of in-year budget reports and quality and timeliness of annual financial statements. The global financial crisis reduced revenue and increased borrowing to fund expenditure. Problems remained in the suspension of the new Budget System Law, planning and budget ceilings of the Medium Term Expenditure Framework (MTEF) and the time available for the statutory authorities to scrutinise the reports of the Supreme Audit Institution (SAI). The use of government procedures by donors continues to be insignificant and scores in this area remain low.

⁴ Including contributions from other donors and the national budget.

⁵ For a fuller description of this methodology, please see the Inception Report.

Key points from OECD SIGMA Report 2012

The Constitution is aligned for the most part with European standards of parliamentary democracy, with some important exceptions. Power is concentrated in the hands of the executive, law is easily circumvented and legislation is generally of poor quality. However, some steps have been taken to strengthen the ability of Parliament to control the executive and reinforce independent institutions. Policy co-ordination is weak, exacerbated by distribution of institutional and administrative power amongst coalition members.

The civil service is not merit based, decision making is concentrated in the hands of politicians and respect of legality and quality before the law in administrative decision making and actions needs to be improved. There are too many new public bodies. Public procurement needs to be legally and institutionally reformed and the implementation of already adopted laws needs to be improved. It remains a major source of corruption. There is a comprehensive budget system law but analytical capacity and conceptual understanding of public expenditure management are still weak. Managerial capabilities and accountability remain low but the SAI is starting to work effectively. Despite establishing an administrative court, the Law on Administrative Disputes needs to be reviewed. Administrative procures are in the process of revision. Government capacity for reforms is limited and this is exacerbated by low managerial capacities, little analysis of legislative impacts, lack of a national consensus on the direction of reforms and reliance on external pressure to stimulate change. Some pressure for change comes from the business and NGO communities.

Institutional changes due to the 2012 elections

The Ministry of Human Rights, Public Administration and Local Self Government (MHRPALS), one of the two beneficiary Ministries in this sector, has been reconstituted in the Ministry of Justice and Public Administration (MJPA) and the Ministry of Regional Development and Local Self Government (MRDLSG). The second beneficiary Ministry, the Ministry of Finance (MoF) has been restructured to become the Ministry of Finance and Economy (MoFE). The end beneficiaries currently remain unaltered but for some this is likely to change in the near future (for example the Public Procurement Office (PPO) is expected to be merged with the MoFE).

Public Finance Management

In 2007, there was no strategy for the development of PIFC at the level of all government institutions; some progress could be reported in the area of external audit and Law was adopted on a Supreme Audit Institution which provided the basis for its establishment – although it was not yet operational.

By 2012, a formal framework for PIFC at central government level is largely in place however the system is still at a relatively early stage of implementation. Implementing legislation on internal audit and FMC was further aligned with international standards in December 2011, enabling better definition of managerial accountability and separation of the roles of a manager and an accountant. Significant progress has been made with training and the establishment of internal audit units within a large number of government institutions. There has been good progress in introducing risk management, risk control and practical auditing work on the spot in line ministries. The concept of individual manager responsibility for financial management and value for money of government spending remains to be comprehensively embedded. The law now provides a legal basis for decentralised internal audit and financial management control arrangements throughout the public sector. However, the Law does not provide for full financial and operational independence in line with the standards of the International Organisation of Supreme Audit Institutions (INTOSAI). The SAI has been established and is reporting to Parliament.

In 2007, the **Public Procurement** Law from 2002 needed updating and no progress had been made in addressing the gaps in the legal framework including the definition of contracting entities. Discrimination and inconsistencies in the procedures for public procurement existed and all three institutions involved needed strengthening.

By 2012, The **PPO** and Review Commission had received considerable external assistance to strengthen their administrative and enforcement capacity but both have been marked by capacity issues and a highly politicised institutional structure that has hampered collaboration. However, both institutions are expected to be subsumed into the Ministry of Finance and Economy and this should improve the current issues of poor coordination. It is unclear how this will affect persistent issues of understaffing in these core units, but there has been a substantial training effort in public procurement for officers in budget users. The new PP Law drafted by one of the political parties in the new coalition rather than external assistance is expected to be adopted by the end of 2012 and is almost completely harmonised with the existing EU directives. Public confidence in the system is low indicated by the declining involvement of the private sector in government tenders.

In 2007, there had been progress in the IPO legislative framework but co-ordination and division of competencies between agencies and capacity of trade and market inspectorates and law enforcement needed strengthening. Piracy and counterfeiting remained widespread.

By 2012, the **IPO** has set up an in-house education and information centre and become the leading promoter of reforms and education in this area. Using IPO staff members as service providers from an early stage has helped to build capacity and sustainability. The legislative framework on IPR, including on industrial design and trademarks, is now largely aligned with the *acquis*. The National Strategy for Intellectual Property Rights 2011-2015, was adopted in June 2011 and is being implemented and capacity has been strengthened. However, no solution has been found so far related to the issue of IPO's long-term financial sustainability and in the broader context of IPR substantial improvements are still necessary. For example, further training in intellectual property law is needed for specialist prosecutors, judges and court panels handling IPR cases.

In 2007, the **Tax** legislation was not in line with the *acquis* and collection and enforcement were weak. Alignment of business taxation with the Code of Conduct is still not covered by gap analysis. Good progress had been made with **customs** tariff law and customs law with good alignment with the *acquis* but this was compromised by a weak institutional setup and administrative capacity. A new Customs Tariff Law was adopted which enables the government to fully harmonise the customs tariff nomenclature with the EU Combined Nomenclature and the Harmonised System classification. However, further alignment is required, notably in areas such as transit and security.

By 2012, the **STA** has created administrative structures and resources for the implementation of the *acquis* and clear plans for their future institutional development. There has also been progress in audit as well as in post-clearance controls and the establishment of an upgraded risk analysis system to address issues of improving revenue collection. A new structure, operational plan and enhancements to the current business model are currently being implemented, including the modernization of the Large Taxpayer Office, creation of a contact centre, improving employee skills and training of trainers through an established network of four regional training centres. Approximation of legislation to the *acquis* in direct and indirect taxation needs further work.

The **SCA** now has the administrative structures and adequate resources to implement and enforce the customs legislation. A set of legal acts were adopted in order to allow voluntary implementation of the Interim Agreement with the EU, the customs tariff was amended as well as a new Customs Law but not yet the Law on the Customs Service. Good progress was also achieved in the area of

the Customs Union with the adoption of new laws and sustained efforts to enhance its administrative capacity, particularly in the audit and post clearance sector. Administrative capacity has been further strengthened and border control enhanced through training complemented by significant investment in scanners and other information systems. As with the STA, the SCA has a comprehensive in house training programme for new and existing staff members.

In 2007, new legislation in the **Banking** sector had improved the risk management process, a new securitisation law was being drafted and Basel II conditions needed to be introduced. The insurance sector needed supervision.

By 2012, Basel II was fully implemented (since end 2011) and this should bring greater stability to the banking sector through enhanced capital adequacy, better supervision and a risk based approach to management by the NBS. The Basel III requirements have not yet been implemented and alignment with the latest *acquis* on deposit guarantees remains to be achieved. The amendments to the Law on the National Bank, adopted in August 2012, will result in the establishment of a Parliamentary appointed Authority for the Supervision of Financial Institutions (which include banks, insurance companies and voluntary pension funds). It also gives the assembly the responsibility for appointing its senior management, seriously challenging the independence of the NBS.

Public Administration Reform

In 2007, the new Civil Servant Law had already been adopted and a Human Resource Management Service (HRMS) established, although staffing was not yet complete. Regulatory and independent bodies were not sufficiently developed to ensure oversight and enforcement of legal obligations. A new law on local government financing allows for greater fiscal decentralisation to begin.

By 2012, further progress has been made to the legislative framework, strengthening the legal status and the effectiveness of local government employees. However, the lack of political consensus to introduce changes in the basic local self-government laws continues. The PAR Council continues to address only administrative and technical issues and does not actively steer the implementation of the PAR Strategy, which is itself in the process of being rewritten. Efforts to reform the broader approach to human resources within the public administration, both through the introduction of a more merit based recruitment and promotion process and a more demand driven approach to training and personal development have yet to gain much traction. Historical systems of subjective three monthly performance reviews that have been criticized for being easily manipulated by management remain popular. E-government remains in its very early stages, lacking a lead institution and a clear policy agenda as well as more technical issues such as clear management of registers and cooperation between different institutions. In July 2011, the Government adopted the 2011-2013 Strategy on Professional Development of Civil Servants with the aim of creating a new system of professional development through the establishment of a central institution in charge of training, although this has not yet come into existence. How this new institution will interact with the HRMS remains unclear. The Ombudsman has been restructured and strengthened operationally, legislatively and financially resulting in an increase in the number of complaints. It also established good cooperation with state bodies, media and associations of citizens engaged in the protection of human rights.

In 2007 there was some progress in different sector **statistics** and some improvement in statistical infrastructure, legal basis and management capacity, but still gaps in *acquis* relation statistical sectors and the business register did not function. Compliance with EU standards was limited. A master plan had been adopted for the period 2008-09 but there had not been an agricultural census in 30 years.

By 2012, the agriculture census has been developed and coordination with the other bodies within the administration will contribute to the gradual expansion of surveys and other data collection. The Law on statistics, adopted in 2009, has considerably accelerated the development of the statistical system that is broadly aligned with international standards. Training has been extensive but the sufficiency of funding to cover the increasing number of activities remains a problem.

2.2 Environment

Institutional changes due to the 2012 elections

The Ministry of Energy, Development and Environmental Protection (MEDEP) was created from the former Ministry of Environment, Mining and Spatial Planning (MEMSP) along with the new Ministry of Natural Resources, Mining and Spatial Planning. A range of other ministries have some involvement in the implementation of the environmental policies. A number of agencies, with various degrees of independence, are also involved in the implementation and enforcement of the legislation.

Air and energy

In 2007, progress had been made towards ratification of Kyoto. IPPC plans had started but pollution from lignite power stations remained a serious problem and emissions regulations and monitoring were not harmonised with the *acquis*. Institutions in energy were weak. The electricity sector had been unbundled but not the gas and whilst regulators had been established more support was needed for market management.

The majority of relevant EC legislation for **air quality** was transposed in the period from June 2010 to April 2012. There is visible progress in professional capacity for operating in a new environment such as the open market as well as improved internal cooperation and coordination between stakeholders. The air quality monitoring system was upgraded leading to real time information on quality for the first time, however the Serbian Environmental Protection Agency (SEPA) lacks the funds for practical implementation. Pilot Air Quality Plans exist in four cities. The Public Health Institutes (PHIs) also have satisfactory monitoring equipment although monitoring is carried out manually. Validated emissions data from all categories of sources of air pollution and for all the pollutants are still not available in a timely manner. Air quality modelling is planned to be available by the end of 2012.

Legislation to implement the Law on Ionising Radiation Protection and Nuclear Safety was passed in 2009 however the planned framework law on the rational use of energy remains at draft stage. Furthermore, even though the new **Energy** Law, adopted in July 2011, represents a substantial step towards full transposition of key provisions of the EU *acquis* on electricity and gas, the implementation of adopted legislation in the energy sub-sector is progressing slowly. The data collection system is in the process of being established without an integrated MIS at Ministry level. The infrastructure of the Electric Power Industry of Serbia is antiquated and measures for emissions control do not fully comply with current legislation, although improvements have been achieved with recent investments. The lack of an inventory of greenhouse gas emissions precludes establishment of an emission trading system.

Water

In 2007 some progress had been achieved in water supply infrastructures but less in management and approximation of the *acquis*. Flood protection mechanisms were antiquated, the Morava river basin is heavily polluted and sewage systems are in poor condition. Institutional structures are weak, especially at the local level

By 2012 institutional collaboration and capacity had improved making the planning process better, although at a practical level the limited capacities of the Public Utility Companies (PUCs) continues to impact on the operation, maintenance and investment of infrastructure. Flood identification software has been developed which will form the basis for planning investments but these have not started to happen in a substantial manner. The introduction of the new Water Law in 2010, which achieves partial transposition of many elements of the *acquis*, makes provision for a large body of secondary legislation to be in place by the end of 2012. However, a significant part of the water sector legislation remains to be aligned with the *acquis*.

Waste

In 2007, strategic planning at local and national levels was at its infancy, there was no hazardous waste legislation or specialised disposal site and European standards remained to be applied to solid waste. Although a National Waste Management Strategy was in place since 2005, most landfills did not follow good practice.

A waste management strategy for 2010-2019 was adopted in 2009 and four national plans for specific wastes are currently being developed. Legislation and management of chemicals has strengthened. And Environmental Approximation Strategy was adopted at the end of 2011. Hazardous waste legislation is largely harmonised with the *acquis* and there has been much progress with healthcare waste where some form of healthcare waste management (HCWM) is in place in most facilities and medical waste collection systems are established. The collection, transportation, treatment and disposal systems for pharmaceutical and chemical waste from the healthcare system are limited. No hazardous waste treatment facility yet exists and none of the hazardous waste storage facilities are compliant with national emission standards for air and water. A system of data collection, registration and reporting on waste is operational as part of the national register of pollution sources but the participation of waste generators needs to be improved. There is no comprehensive database of chemicals on the market in Serbia. However, an integrated chemicals registry has been established and a computer based Integrated Chemical Management System (ICMS) established, as well as equipment for the control of chemical management legislation enforcement and manuals.

Nature protection

In 2007, the national environmental protection strategy had been approved and was awaiting adoption.

By 2012 there is still a lack of existing data on distribution of habitat types and species groups. IT Guidelines for NATURA 2000 data management were developed, to develop the data management system necessary for implementing the EU Nature directives, however due to the lack of data only partial identification of NATURA 2000 sites has been achieved.

3 IPA Programme performance

3.1 Introduction

This chapter contains an analysis of the IPA assistance, on the basis of the projects sampled. Three evaluation criteria will be covered: effectiveness, efficiency and sustainability. Although this sequence deviates slightly from that of the evaluation questions as posed in the ToR, it logically feeds into the impact of the IPA assistance in the following chapter: Effectiveness and sustainability are prerequisites for impact.

3.2 Effectiveness

EQ2 To what extent are interventions financed under IPA effective in delivering outputs and immediate results?

Effectiveness looks at the extent to which the outputs and objectives of the assistance have been successfully achieved, or are likely to be achieved or if there were better ways of delivering outputs and objectives.

3.2.1 Effectiveness in Public Financial Management

IPA assistance to PAR/PFM has typically delivered a very wide range of outputs including:

- **strengthening of institutions** through the development of primary or secondary legislation (2007 *Public Procurement*, 2007 *Customs*) or introducing new processes and procedures (2007 *Intellectual Property Rights*, 2008 *Support to PIFC*, 2007 *Tax Administration*, 2010 *Public Administration Reform*, 2007 *Ombudsman*);
- **development of human resources** by training and the creation of training methodologies and tools (all projects);
- **systems and tools** including the preparation of web based information portals (2007 *Ombudsman*, 2007 *Intellectual Property Rights* and 2007 *Public Procurement*), strategic planning tools (2007 *Municipal Support*) and establishment of an information centre (2007 *IPO*). Planned substantial investment in scanning equipment to Customs was funded by the national authorities and the IPA funds used to procure complementary equipment.

Once contracted, most assistance can be expected to deliver planned outputs however this is not always a smooth process and has implications for both efficiency and effectiveness. Project design frequently includes a number of interdependent elements where the effective completion of one component is dependent on the satisfactory conclusion of earlier work within the same project - for example training or organisational manuals based upon legislative or policy development studies. If these earlier components are not completed in a timely fashion, or are completed but do not receive formal endorsement, the remaining outputs must be based on the assumption that the proposals will be accepted. This has not always been the case (2007 *Public Procurement*, 2010 *PAR*) and some elements of this ongoing assistance (primarily training) will not be delivered as planned. Beneficiaries usually note that they are included in the project design process and this can be expected to enhance the relevance of the assistance.

Management of the IPA is currently centralised and devolved to the EUD. Therefore, despite the moves towards decentralisation, task managers remain very closely involved in both the design and

supervision of assistance. This is especially true in fields which have complex beneficiary structures (local self government) or politically disparate beneficiaries (public procurement) or where there are underperforming contractors (PIFC). The substantial restructuring of the primary ministries in the sector suggests that this level of management involvement will need to be maintained at least into the near term.

Under the sub-sector *Financial Control*, 2007 *public procurement* has faced a number of difficulties in delivering outputs including a highly politicised institutional structure that constrained collaboration between the PPO, the Review Commission and the Ministry of Finance, limited staffing capacity of the PPO exacerbated by the presence of other donors in the sector and a lack of satisfaction from the PPO on the quality of the outputs produced. Legislation was produced and adopted by Government but will not be put to Parliament as it has been superseded by legislation developed by one of the victorious political parties in the May 2012 elections. The positive effects have been an increase in the number of trained procurement officers in budget users and the reinforced training capacity within the PPO to replicate this – although other elements of the IPA as well as other donors have made important contributions here. 2007 *IPO* was effective in disseminating information on trademarks and patents and maintaining interest in registration services despite the economic downturn, through its new information centre as well as information campaigns online and throughout the country. It remains unclear whether the delayed 2008 *PIFC* will be able to deliver all of its planned outputs even with the expected time extension. Whilst training can be expected to continue the process of introducing PIFC in line ministries and direct budget beneficiaries (DBBs), the low appreciation of PFM concepts by senior management continues to be criticised by observers such as SIGMA. The planned initial high level conference to promote financial accountability at senior levels would have done much to set 'the tone at the top' – however with the departure of the original team leader this has yet to occur and its omission will reduce the effectiveness of the assistance overall.

Projects under *Revenue Administration and Financial Supervision* are expected to be effective. 2008 *National Bank* is on course to substantially exceed its objectives due to the ECB providing a high level of co-financing and under charging for missions. The assistance addresses 69 gaps identified through an initial needs assessment and builds on earlier assistance from both the EU and other donors. Key outputs thus far have been new legislation on payment and settlement systems and production of strategies and action plans as well as strengthening analytical capacity and statistics generation. Control capacity has been strengthened through training provided to the *Customs Administration* by UNODC that continued earlier CAFAO⁶ support and enabled the SCA to take part in subsequent broader training in Integrated Border Management. Legislative and institution building preparatory work for the New Computerised Transit System (NCTS), including risk analysis, management and post clearance control has formed the basis for further institution building under IPA 2011 that will implement both systems. Both elements have been effective. IT capacity, although supported by the IPA, was highlighted during the evaluation as an issue of concern but is considered adequate by the beneficiary. The *STA* training capacity has been comprehensively overhauled and re-equipped with a wide range of training systems and tools, although with the current recruitment freeze it is difficult to judge effectiveness. An annual training plan is in place within the context of an overall five year development strategy for the STA. Work on VAT and excise legislation for both the SCA and the STA builds on earlier assistance and is proceeding as planned with preliminary outputs becoming available, but the somewhat disconnected implementation (Twinners located in isolated privately rented office; no contact points nominated from the beneficiaries for training management; and lack of a communication platform between them) questions ownership. The practical nature of training in fraud detection and the high number of targeted trainees (400, or 10% of the combined staff of the two institutions) suggests that

⁶ CAFAO – Customs and Financial Assistance Office.

the assistance should be effective in strengthening national capacity for fraud investigations. Support to the Treasury Administration faces a series of challenges to the achievement of the planned results including substantial changes in the expert team, limited resources for the scope of work, frequent relocation of the expert team within the MoF premises, restructuring of the beneficiary after the contract started, limited capacity in the beneficiaries, a number of competing donors and a lack of clarity on the state of the FMIS at the start of the project. Whilst the replacement of contractor staff and time extensions will improve the likelihood of the outputs being delivered, the absorption capacity of the beneficiary remains a substantial challenge to the achievement of planned results.

Outputs in *Public Administration Reform* have largely been delivered, or can be expected to be delivered, despite significant early delays in most projects. Support to local government is complex, consisting of a wide range of interventions integrated with other IPA assistance⁷ in a crowded donor environment with no formal co-ordination structures and with only limited capacity in both beneficiary institutions and counterpart central government. Collaboration between the two elements of this assistance was very limited despite the similarities of some aspects of their work and cooperation with other donors in the sector was also not as good as it could have been⁸. The EUD plays an important role in driving project management and coordination. The three components of 2010 *PAR* all faced extensive staff changes and associated delays. This, coupled with the unexpected need to rewrite the *PAR* Strategy means that much of the planned training in the policy component will not be delivered as intended. Support to both human resource development and e-government comes at the beginning of this process and whilst some useful tools will be created, the extent to which they will be used by the beneficiaries remains unclear. The role of the HRMS is in doubt with the proposed new training institution and the reform of the Ministry covering public administration. E-government lacks a lead institution and a clear policy agenda as well as more technical issues such as clear management of registers and cooperation between different institutions. 2007 *Ombudsman* did not manage to include the regional ombudsman of Voivodina as originally planned nor did it successfully procure the document management system envisaged⁹ but other aspects of the twinning were delivered. Work processes at the Ombudsman have been revised as a result of the assistance which has increased efficiency and effectiveness of their work – they are able to address a greater number of complaints with their existing resources.

2007 *Statistics* project was one of a series of interventions provided by the IPA through both national and Multi Beneficiary Programmes. As such it is part of an incremental effort to revise the quality of the national accounts in line with the *acquis* and the Interim Agreement that will continue under planned 2011 and 2012 programmes. This assistance has been effective in preparing for the agricultural census with the use of a range of new and old member state experts providing a blend of experience as this exercise has not been undertaken in Serbia for 50 years. The preference of TA over twinning also enabled the financing of pilot surveys through reimbursable budget lines. It was also effective in preparing for the comprehensive replacement of SORS's information system to be funded under future assistance. The Limited Peer Review by Eurostat in 2011 noted, amongst others, the effectiveness of efforts to increase data availability to the public.

Effectiveness is also influenced by the timing of the delivery of outputs. Beneficiaries who usually require some time to understand and adopt project results. Where outputs are delivered late in the project, which is usually the case, there remains little time to co-opt beneficiary management to

⁷ Specifically in this instance, the programme Exchange 3 that also provides support to municipalities in strategic planning, finance, co-ordination, training and grant finance.

⁸ For example IPA contractors were refused permission to include beneficiaries of a similar USAID project in their training.

⁹ This is expected to be funded from other donor funds during 2013.

them. This situation is exacerbated where senior management are either not directly involved in project implementation (especially true of larger beneficiaries such as SCA and STA) or where project results have to be translated into the local language. The acceptance of project outputs is also influenced by their specific relevance – a number of beneficiaries expressed the opinion that expert advisors provided good case studies of how legislation had been implemented in their own countries but were less clear on customising these experiences to the Serbian context.

Table 3.1 below shows the scores for effectiveness from the ROM reports. The evaluation, being undertaken at a somewhat later stage of projects implementation, shares the opinion of these reports. Although with time extensions and staff replacements there is every expectation that outputs will be delivered, the extent to which they will be embedded in beneficiaries and the planned results achieved remains questionable in a sizeable proportion of the sector.

Table 3.1 ROM report scores for effectiveness

IPA Year	Project title	ROM score(s)
Financial Control		
2007	Public procurement	C
2007	Intellectual Property Rights	B
2008	Support to PIFC	C
Revenue Administration and Financial Supervision		
2008	Customs enforcement	B (Co-ordination)
2008	National Bank of Serbia	A
2010	Treasury administration	D
Public Administration Reform		
2007	Municipal Support	B (GIZ) B (CoE)
2010	Public Administration Reform	C (e-government)
		C (PARIS)
		C (HRM)

Conclusions

A large range of outputs has been delivered in the PAR/PFM sector, however interdependence between project components, inefficient inter-institutional collaboration and limited staff capacity has in some cases reduced effectiveness. There have also been cases where the beneficiaries were not satisfied with the outputs provided by contractors, due in part to insufficient appreciation of the local context. The inclusion of beneficiaries in the planning process strengthened the relevance of outputs but their delivery at the end of the assistance may threaten effective uptake by beneficiaries.

Effectiveness in the sector faced a number of constraints: low appreciation of new concepts by senior management, inefficient transfer of know-how and experience due to lack of day-to-day collaboration with technical advisors and a lack of a clear lead institution and policy agenda. The restructuring of some institutions after the start of assistance due to the changes introduced by the new government also posed a constraint to effective implementation. Nevertheless, there were good examples of effective implementation where the assistance built on previous projects and where good cooperation with service providers was established.

3.2.2 Effectiveness in the environment sector

In the area of environment, the majority of the evaluated projects delivered or are expected to deliver their planned outputs, with contractors in most cases providing high quality services.

Outputs have been produced and results achieved in administrative capacity building:

- **establishment and strengthening of institutions and structures:** including transposition of legislation (especially in the area of *air pollution, waste and nature protection*); in the area of *energy* -Serbian Transmission System Operator (TSO), Serbian Energy Regulatory Agency (AERS) and Srbijagas, in the area of *air pollution and horizontal issues*- SEPA, in the area of *chemicals* – Serbian Chemicals Agency (SCheMA);
- **development of human capacities:** through training and study visits in *all sub-sectors*, including on-the job training and development of curricula for university programmes and courses in the area of *chemicals and healthcare waste*;
- **provision of systems and tools:** delivery of equipment and establishment of IT systems (for *air pollution* reduction from big combustion plants, establishment of a national integrated *environmental information system* EIONET-RS, *healthcare waste management*), construction of *waste and water supply and waste water* facilities, development of manuals, development of strategies addressing *horizontal environment protection* and master plans and mapping in *water*.

There are some projects that were less effective in delivering outputs - Srbijagas management did not reveal data that they considered confidential and thus the forecast and business plans were based on statistical data and assumptions and have no real value apart from the learning experience from the exercise. The overambitious design of 2007 *NATURA 2000* as well as the insufficient institutional readiness and data availability meant that there was not as much progress in habitat designation of *NATURA 2000* sites as expected¹⁰. The construction of a national hazardous waste management facility has been postponed and may not happen due to opposition from local communities. An earlier CARDS 2003 project failed for the same reason, illustrating the challenges of overcoming such intransigent issues.

In terms of achievement of **immediate results** the effectiveness varies from sub-sector to sub-sector and to some extent within the sub-sectors.

Indicators	Current situation/Achievements
Energy and air	
Energy • Implemented actions set out in the Electricity and Gas road maps in line with the agreed timetable; • Functioning Energy Community Regulatory Board; • Functionally unbundled entities for transmission, distribution and storage with both management and accounting separation; • Trading at the wholesale level. Air • Proper monitoring of air quality and information quality (QA/QC) is established; • Operational and efficient air monitoring system is in place and staff trained in using air quality monitoring equipment; • Compliance with Directive 2001/80/EC concerning dust emissions for this type of power plant; • Pollution reduction of ambient air in the area of	Energy • Improved power system planning and assets management; • Improved relations with clients (electricity); • Improved capacity of the Regulator for price regulation in electricity, gas and oil sectors; • Increased capacity for electricity market monitoring; • Progress with gas market opening (the transmission code on gas has been submitted in September 2012 to AERS for evaluation); • Improved capacity to deal with legal issues and security of supply; • Gas sector is not yet unbundled. Air • Air quality monitoring system is in place including automatic monitoring; Problems with maintenance

¹⁰ The assistance did however contribute to the completed transposition of the Birds and Habitats directives into the Serbian Law of Nature Protection, development of two pilot management plans for protected areas and guidance, information and training on the designation process as well as on implementation of the management plans.

Indicators	Current situation/Achievements
Obrenovac.	and inter-institutional cooperation; Dust emissions from Nicola Tesla Power plant reduced and meet the emission limit values established by the Directive 2001/80/EC.
Waste and Chemicals	
- National Plans for specific hazardous waste streams prepared and adopted; - System for implementation of regulations on hazardous waste management developed; - Institutional capacity strengthened; - The constriction of hazardous waste facility commenced; - Uniform procedures for safe infectious healthcare waste management in 25 districts in place; - Inter-municipal cooperation on regional infrastructure services; - Enhanced capacities and capabilities of municipal and PUC staff for preparing infrastructure projects; - Priority Works Contracts successfully implemented and supervised.	- National plans for hazardous waste streams prepared; - Legislation fine-tuned and by-laws adopted; - Cooperation with EU bodies in the area of chemicals strengthened; - Vehicles and autoclaves for treatment of healthcare waste supplied and installed; - Institutional capacity increased and procedures unified; - Chemical legislation is in compliance with REACH; - No hazardous waste treatment facility yet; - Inter-municipal cooperation difficult and fragile; - Sremska Mitrovica/Sabac regional solid waste management project on-going; - Infrastructure expected to be constructed although with a delay.
Water	
- Identification of the areas that are most vulnerable by floods; - Support management and reduction of risk to people, property and environment; - Master plan for waste water and canalisation prepared, priorities for implementation determined; - Inter-municipal cooperation on regional infrastructure services; - Enhanced capacities and capabilities of municipal and PUC staff for preparing infrastructure projects; - Priority Works Contracts successfully implemented and supervised.	- Flood risk mapping done for part of Serbia; - Master plan for Morava River Basin prepared and investment priorities identified; - Tender documents for construction of Waste Water Treatment Plant in Raska prepared; - Inter-municipal cooperation difficult and fragile; - Three works contracts for waste water treatment with total IPA contribution of about 21 MEUR are under implementation as well as one regional water supply project; - Infrastructure expected to be constructed although with a delay.
Horizontal Issues and Nature	
- EAS approximation of the EU acquis is prepared; - Adequate inter-ministerial consultation mechanism for development, implementation and regular updating of the EAS has been developed and is operational; - Natura 2000 Network of protected areas is established; - System of management of protected areas is implemented; - Establish a fully functional EIONET.	- Serbian Environmental Approximation Strategy adopted by the Government at the end of 2011; - Consultation mechanism is fragile and suffers from lack of capacity and unclear institutional arrangements; - EIONET-RS – established; - Little progress with the designation of NATURA 2000 sites – only guidance and training on the designation process; - Pilot plans for management of two potential NATURA sites - Obedska Bara nature reserve and National Park Tara were produced.

In the area of *energy*, results are not always immediately evident and their achievement will depend on future actions and investments that may not be available. Thus the TSO needs to use project outputs to improve the IT system and develop the GIS database. Relations with clients were improved through establishment of the single point of contact but the website of the TSO will also need improvement. The strengthening of the Energy Regulatory Agency and unbundling of the gas market will depend on future support to provide the necessary institution building and systems and tools.

The effectiveness of *air quality* monitoring is reduced by the limited funds to ensure proper maintenance and operation of the equipment. The pollution reduction measures at Nikola Tesla Thermo Power Plant (TTP) and the monitoring equipment installed both there and at Kolubara TTP are expected to improve pollution monitoring and to contribute to reduce pollution to the levels established in the EU Large Combustion Plants Directive.

IPA contributed to the good progress with aligning and enforcing the legislation in the area of *waste and chemicals*. Cooperation with EU bodies in the area of chemicals was strengthened and a help desk to support industry has been operational since the beginning of 2011. The prioritisation of the "hot spots" was limited to those municipalities that provided data, which reduced effectiveness overall.

Although all the planned equipment for establishing *healthcare waste* management was supplied and made operational, the treatment of healthcare waste remains sub optimal. The scale and distribution of equipment could have been better, with the use of larger autoclaves rather than several small units in some locations. Some sites have not enough equipment and other too much for their needs. No shredders have been delivered under IPA, and those delivered under CARDS cannot process metal waste (for example needles). In addition, there are no financial provisions for the maintenance of the equipment.

The IPA support in the area of *water* delivered the planned outputs; however the achievement of the desired results will require further support and substantial investment especially in the area of waste water. The flood risk mapping currently covers only part of the Serbian territory and needs to be expanded as well as applied in flood management practice. In general the effectiveness of all measures in the *water* sector is negatively affected by the complicated institutional arrangements. Although the new Water Law (2010) transposed the majority of the WFD requirements, water management in Serbia involves many institutions and units at central, provincial and local level. Clear responsibilities and cooperation mechanisms do not always exist – for example, a river basin is managed by two Public Water Management Enterprises. The Water Directorate at the MAFWM is responsible for policy making, control functions and also operational functions that, along with insufficient staff numbers, prevent it from focusing on policy and regulation issues.

The infrastructure projects funded by 2008 *Municipal Infrastructure Support Programme (MISP)* are expected to deliver, although with a delay, the planned waste, water supply and wastewater treatment facilities. However, conclusion of agreements between municipalities for operation of the facilities is difficult, time consuming and fragile in terms of sustainability. The strategy for reforms of the PUC been under preparation since 2007, supported by a range of donors including the MISP project, but is yet to be adopted. The issue, as in other countries, is sensitive and involves technical as well as social and political considerations.

The achievement of the results of the institution strengthening and capacity building activities of all projects is less certain despite the delivery of outputs due to:

- unclear and inefficient distribution of institutional responsibilities particularly in the area of *water and nature protection*;
- understaffed units during the implementation of the projects in the case of *nature protection* and lack of economists in the MEDEP to work on the financial plans for implementation of the Environment Approximation Strategy (EAS);
- limited capacity of municipalities benefiting from training and toolkits for infrastructure project development; and
- structural reorganisation of the administration following the elections in May 2012 threatens the loss of institutional knowledge.

The ability of Civil Society Organisations (CSO) to participate in decision making and management is limited as the Government Office for Cooperation with the civil society established in April 2010 is not fully operational. Currently the ministries are consulting CSOs through Sectoral Working Groups and Sectoral CSOs.

A specific positive example of how CSO collaboration has improved the effectiveness of the IPA is the cooperation with the Standing Conference of Towns and Municipalities (SCTM)¹¹ for implementation of infrastructure projects. The technical team of SCTM manages the SLAP database – an EU funded tool where municipalities can upload infrastructure project proposals. IPA assistance as well as by other donors support a training centre and the SLAP unit which aims at developing in-house capacity for future support to the municipalities in the preparation of infrastructure projects. The SLAP was also used to upload the questionnaire on hazardous waste in order to support identification of “hot spots” under the hazardous waste project.

A majority of the ROM scores indicate level “B” (good) for effectiveness. The “C” (problems) scores were given to the waste and water infrastructure construction due to the delayed construction and problems with operation of the facilities and in the case of EAS project – due to the delayed implementation, disagreements on the draft strategy and the lack of an economist in the MEDEP to contribute and to be trained in development of financial analyses and plans. At a later stage the disagreements were largely resolved and the EAS was adopted by the government in November 2011.

Table 3.2 ROM scores on effectiveness

IPA Year	Project	ROM score(s)*
Energy and air pollution		
2007	Supporting the Implementation of the Energy Community Treaty	B-B-B
2007	Air quality management system	B-A
Waste and chemicals		
2008	Hazardous Waste	B-B
2008	Chemicals management	B-B
2008	Treatment of healthcare waste	B
2009	Hazardous Waste	B
Water		
2007	Study of flood prone areas in Serbia	B
2007	Sewage and Wastewater strategic master plan	B
2008	Municipal Infrastructure Support Programme	C
Horizontal issues and nature protection		

¹¹ This is an association of towns and municipalities in Serbia founded in 1953. The organisation is supporting local self-government and aims to defend the interests of local authorities and provide services to strengthen their capacity. <http://www.skgo.org/>.

IPA Year	Project	ROM score(s)*
2007	Develop Environmental Approximation Strategy	B-C
2007	Protection of Natural Areas (NATURA 2000)	B-B

Conclusions

In the area of environment, the majority of the evaluated projects delivered or are expected to deliver their planned outputs, with contractors in most cases providing high quality services. This was in some cases hampered by insufficient openness and support by beneficiaries, overambitious design, or the inability to effectively include local stakeholders.

The scale of investment and reform needed in the sector means that results from the assistance are however not immediately evident and depend on other factors including future investments and funds for maintenance and operation. Some constraints during implementation, in planning of the assistance and in the existing legislative framework in the area of water also reduced or threaten effectiveness. The effectiveness in capacity building and training is uncertain due to the unclear and inefficient distribution of responsibilities between institutions, administrative restructuring following Parliamentary elections and understaffed units.

There were positive examples of inclusion of civil society in planning and implementation which enhanced effectiveness.

3.2.3 Conclusions on effectiveness

Summarising, with reference to the judgement criteria from the evaluation methodology (*in italics*):

- Judgement criteria: The assistance was effective with the planned outputs delivered, at the appropriate quality level.*

Whilst planned outputs are in most instances delivered, the extent to which these are effectively turned into results is not as good as it should have been, especially in the PFM/PAR sector. Complex project design, lack or change of clear policy direction, changes in experts, limited absorption capacity, unwillingness to make sensitive information available and a complicated institutional environment contributed to lower than expected delivery of results. One investment project failed completely because of an unwillingness of local people to support it and others may not achieve the planned results if ongoing financing issues are not resolved;
- Judgement criteria: Procedures for programming and supervision are pro-active and promote quality and effectiveness.*

The EUD currently has responsibility for the management of the IPA and proved important in driving the delivery of outputs, including the efficient administration of replacing experts. It will need to continue this during the forthcoming period when management responsibility is transferred to the national authorities. In the medium term, increasing national ownership of assistance, including the co-ordination of donors, should improve effectiveness;
- Judgement criteria: Generally, outputs were relevant for the beneficiary organisations.*

Assistance is designed in the context of various strategic and action plans prepared by or for beneficiaries, however institutional ownership and in particular leadership of the public administration in understanding and adopting new concepts has not always been ideal. Practical relevance for the Serbian situation of some outputs was questioned by beneficiaries. International benchmarking in PFM and PAR helps to improve relevance. Despite difficulties in implementation and the presence of other donors, the assistance has largely remained relevant with some notable exceptions such as decentralisation;
- Judgement criteria: Generally, outputs have been taken up/used by the beneficiary organisations.*

Longer term management mechanisms for infrastructure investment display a worrying lack of clarity which may limit the extent to which they are taken up by beneficiaries, especially those at the local level. The inclusion in many projects of outputs in the form of manuals, guides and training materials before the associated policy objectives are fully embedded and politically accepted by beneficiaries raises the risk that they may not be functionally used in the future. Ongoing budgetary challenges faced by all aspects of the public administration bring generic concerns over the ability of beneficiaries to take up outputs as planned.

3.3 Efficiency

EQ 1 To what extent are interventions financed under IPA efficient in terms of value for money when delivering outputs and immediate results?

Assessing efficiency relates to the timeliness of the delivery of the outputs and their cost, i.e. it addresses whether outputs were delivered on time and at a reasonable and expected cost. In the context of this evaluation, efficiency focuses on the achievement of cost effectiveness for both outputs and objectives. To assess this, the following factors need to be determined:

- whether the assistance has been, or is likely to be, delivered within the originally planned budget and time-frame; and
- whether the planning process took adequate consideration of other ways of delivering outputs or objectives and whether assistance could have been delivered in a more cost effective manner to achieve the same outputs or objectives.

3.3.1 Efficiency in Public Financial Management

The majority of the assistance under review is either in its final stages or completed. All of the ongoing projects have received, or are likely to receive, budget neutral extensions due to delays caused by the elections, changes in key staff or to make use of resources saved during implementation.

A significant proportion of key experts have been replaced¹² in the early stages of the assistance as they (or their outputs) were not considered acceptable by the beneficiaries. The EUD has been receptive to these requests and has been expeditious in the administration of the process. This improves efficiency as it prevents further waste of resources and (hopefully) resolves serious management issues. Whilst delays can be compensated with budget neutral extensions to ensure outputs are delivered, implementation is likely to be rushed and there may be insufficient time to embed results in beneficiaries. Although the replacement of clearly incompetent experts is a positive factor for efficiency overall, the extent to which it occurs in Serbia indicates that there is something more fundamentally wrong with the procurement process as a whole¹³. The most common explanation for the lack of satisfaction with experts (including in projects where experts were not replaced) was the inability to rapidly understand and integrate the local situation and beneficiary needs and capacity to produce relevant outputs. This is as much a capacity issue on the part of beneficiaries as it is a competency issue of contractors.

A number of **implementation modalities** have been used, all of which are appropriate to the objectives targeted. Three contracts followed a negotiated procedure with international

¹² Including 2010 *Treasury Administration*, 2007 *Municipal Support (GIZ element)* and two contracts within 2010 *Public Administration Reform*. 2008 *Support to PIFC* also replaced key experts but not on competency grounds.

¹³ There have been a number of cases where former experts, unavailable for participation in tenders due to other commitments, were subsequently brought in to replace existing experts.

organisations (ECB, EPO and CoE) which was appropriate given the specialised nature of the services that they offer. Efficiency has been enhanced by all three making varying financial contributions, which in the case of the ECB was very substantial¹⁴. All the other contracts in the sector were concluded following the appropriate tender procedures. Assistance is provided principally through TA and twinning and is appropriate to the objectives targeted – twinning is mostly used for technical institutions (Customs, Tax, Public Procurement, Ombudsman) with a substantial requirement for *acquis* transposition and practice whilst TA has been used in areas that required either more horizontal support (PAR, PIFC, local government). Support to Statistics is provided exclusively by member state statistical institutes and therefore either twinning or TA are appropriate modalities – the advantage of TA is that a reimbursables component can be included to fund pilot surveys, as in the case of 2007 *Statistics*.

The completion of projects by a specific point in time is generally not important - only the census components of 2007 *Statistics* needed to deliver outputs by a specific deadline to enable the census to proceed. Although there are a number of sequential projects (2007 *Support to PIFC*, 2007/08 *Customs*, 2010 *Treasury Administration*) which build on the results of earlier assistance, there are no multi-annual projects that require earlier assistance to be completed before they can begin. Subsequent assistance is programmed once projects are either ongoing or completed (IPR, Ombudsman, Statistics, Municipal Support). The introduction of a more sectoral approach will create a clearer structure for sequentially planned assistance and will require more timely implementation. The elections in the summer of 2012 coupled with delays caused by changing experts meant that all of the ongoing projects will be subject to no-cost extensions to be able to complete the delivery of outputs.

As noted above the timely delivery of outputs within individual projects to allow sufficient time for them to be embedded in beneficiary institutions is important¹⁵ and is an area of weakness. Slow start of a number of projects has meant that a substantial proportion of outputs will only be delivered in the latter stages of the assistance (2007 *Municipal Support*, 2010 *PAR*, and 2008 *PIFC*) and this may threaten absorption. No-cost extensions and the provision of subsequent assistance will militate against this. In other cases outputs have been delivered with sufficient time for beneficiaries to accept and integrate outputs (2007 *Tax Administration*, 2008 *National Bank*, 2008 *Customs*).

Donor co-ordination is stronger during the planning stages where the national authorities through the SEIO are taking a greater role in donor co-ordination. The EUD, currently formally responsible for programming, co-ordinates with Member States at all stages of the programming process and with all donors through both formal and ad hoc meetings. It is a crowded donor environment, particularly in more popular sectors such as local self government. Given the long programming preparation phase and uncertainty of funding until approval of the annual programme, beneficiaries typically seek assistance from a range of donors and there appears to be no clear division of responsibilities among donors in different sectors. The introduction of the sector wide approach and the increasing involvement of the national authorities in programme management has the potential to improve donor co-ordination.

There has been no evidence of **overlap** between different donors in the sectors under review despite the historical somewhat haphazard donor co-ordination. Both the EUD and contractors have been effective in communicating with other donors, although evidence of real collaboration is

¹⁴ Substantial unspent resources will be recycled into a series of additional inputs on financial stability, financial accounting and information systems management.

¹⁵ A process involving the outputs to be translated, explained to senior management, agreed, implemented, reviewed and if necessary revised before being distributed more widely within the institution and further afield as necessary.

harder to come by. Practical attempts to work together, for example in local self government with USAID, have failed due to both administrative and political reasons on both sides. Furthermore, without strong nationally led sectoral co-ordination to develop an assistance strategy, allocate donors and – most importantly – maintain institutional knowledge, some duplication is probably unavoidable.

Some contractors noted lengthy or very detailed inspection of items of expenses and comparisons of outputs with time charged which has caused some delays. For projects with tight schedules of training or large amounts of short term missions it is important to balance ongoing financial monitoring with ex post financial audits to ensure that timely approval of assignments is ensured.

As most assistance is in the form of institution building there has been very little requirement for co-financing from the national authorities in this sector. 2007 *Tax Administration* included a 1 MEUR contribution from the national authorities but this was agreed in a Memorandum of Understanding with the EUD to consist of their ongoing operational costs and not specified as a specific separate allocation. It is unclear whether these funds have been correctly accounted for in accordance with the project MoU, but verification is expected to be provided by the beneficiary as the project has finished. Customs were expected to provide 4 MEUR for enforcement equipment under 2008 *Customs Enforcement*. In the end the SCA took a 30 million USD loan from China and bought significantly more scanning equipment than originally planned under the IPA. In addition, around 1 MEUR of national co-financing was spent on other enforcement equipment for the Customs Administration for officers in the field.

There are no formal **capacity assessments** of beneficiaries to scale assistance in the process of project design although the programming process includes capacity verification. Some of the smaller or newer institutions (Public Procurement, Ombudsman, CHU, Treasury & Debt Administrations, HRMS) have found effectively supporting and absorbing the scale of institution building under IPA challenging. Institutional changes in beneficiaries have affected efficiency only in 2010 *Treasury Administration* as the beneficiary split into Treasury and Debt Administrations at the start of the assistance and this caused some delays.

There have been some issues with the availability of sufficient office space with a number of advisors located in both rented premises and in offices located in other buildings than that of the beneficiary (2007 *Statistics*, 2008 *Customs Enforcement*, 2010 PAR, 2010 *Treasury Administration*). Whilst this has not had a negative effect on the delivery of specific outputs, it does have an impact on less tangible aspects of the assistance including beneficiary ownership and the provision of less formal advisory support. In other respects the provision of **appropriate resources** (such as IT infrastructure) has not been a problem. More concerning is the availability of sufficient numbers of competent counterpart staff to both support implementation and to benefit from training.

Communication and collaboration between IPA projects could be strengthened. Examples include limited communication between the two contractors under 2007 *Municipal Support* and operational overlap between the national and MBP contractors for public procurement. The Twinning experts under 2007 *Public Procurement* were also unaware that the EC was financing support to PIFC, an associated element to their field. Establishment of IA and FMC is being supported at both national and local levels through different ongoing projects, but collaboration is limited at the operational level. All training materials produced by IPA assistance to the public administration could and should be co-ordinated with the HRMS which is also the beneficiary of substantial IPA support. There have also been examples of good co-operation – the e-government contractor wrote the relevant chapter in the draft PAR Strategy prepared by the PARiS contractor, both funded under 2010 *Public Administration Reform*. The introduction of the sectoral monitoring under the

Decentralised Management System for IPA 2013 onwards should strengthen information dissemination.

Elections held in the summer of 2012 caused substantial disruption to implementation of ongoing IPA assistance. This was unavoidable although the EUD was cognisant to the risk and attempted to contract the 2010 PAR components early so that results would be achieved before the anticipated date of the elections. The effort failed as the elections were called a year earlier and thus took place at the key period of implementation.

Table 3.3 below includes the ROM scores for efficiency. Projects marked less than 'good' (B) have been affected by substantial staffing changes. Three projects have been rated B for efficiency and C for effectiveness reflecting concerns that whilst outputs should be delivered (with various timing and staffing changes), the ability of beneficiaries to turn these outputs into results remained at risk. The timing of the ROM reports has to some extent affected scoring with GIZ implementation of 2007 *Municipal Support* scoring very highly after making up for substantial early delays and 2010 *Treasury Administration* being rated down for delays that at the time of monitoring had not yet been effectively addressed, but which have since been improved. Overall, the scores reflect the opinion of this evaluation.

Table 3.3 ROM report scores for efficiency

IPA Year	Project title	ROM score(s)
Financial Control		
2007	Public procurement	B
2007	Intellectual Property Rights	B
2008	Support to PIFC	C
Revenue Administration and Financial Supervision		
2008	Customs enforcement	B (Co-ordination)
2008	National Bank of Serbia	A
2010	Treasury administration	D
Public Administration Reform		
2007	Municipal Support	A (GIZ) B (CoE)
2010	Public Administration Reform	C (e-government)
		B (PARIS)
		B (HRM)

Conclusions

Most projects received no-cost time extensions to compensate for delays caused mainly by the elections held in 2012, by replacement of key experts or to enable the use of the resources saved during implementation.

Replacement of key experts has been common across the sector, but was handled efficiently. It led to delays but ensured better effectiveness and quality of outputs. The scale of the replacement of experts, however, suggests that there are more fundamental problems with the design of tender documents. The implementation modalities have been appropriate including the use of negotiated procedures for recruiting European peer organisations. No overlaps with other donors have been observed, however, coordination could be improved. The move towards more sector based approach could help achieve this as well as provide a clearer structure for sequentially planned assistance.

Some delays in approval of expenditures were problematic for projects with a tight implementation schedules. Availability of office space and sufficient numbers of competent staff to collaborate with the assistance was not always ensured. Nevertheless overall implementation was smooth, taking into consideration the disruption caused by the parliamentary elections in mid 2012. Assistance could have been better scaled to the beneficiary capacities, especially for newly established structures and institutions. There were some good examples of communication and collaboration between projects but also examples where this was not achieved as well as it could have been.

3.3.2 Efficiency in the environmental sector

The support in environment sector uses twinning, technical assistance, supply of equipment and works as well as combinations of contracts for more complicated assistance. The type of contract meets the needs of beneficiaries, with the exception of the 2007 NATURA 2000 where the beneficiary was insufficiently staffed and mature to absorb twinning¹⁶. In the other cases, such as the Chemicals Agency which has experienced substantial growth and stability with very low staff turnover, twinning has been appropriate.

Some of the efficiency problems stem from **design deficiencies and lack of necessary co-financing**¹⁷. For example organisation of the trainings under the twinning projects lacked funds for the travelling and accommodation of the participants. 2007 *Flood prone areas* was delayed because the project fiche provided for use of data that was not suitable. Some bylaws for 2009 *hazardous waste* were developed without the contribution of the twinning project due to its delayed start and inaccurate planning. Similar timing problems meant that the technical assistance could not supervise the installation of *healthcare waste* equipment as this was supplied before the technical assistance was contracted.

Most of the projects started reasonably on time with the exception of Srbijagas where the first tender failed. Extensions have been common, mostly due to the inability to complete the activities within the planned time for *horizontal issues and nature protection*, *air quality* twinning and infrastructure construction in the area of *water and waste*. The change of the Government in mid 2012 and the follow-on institutional restructuring slowed activities of the twinning contracts, which also contributed to the delays. Other reasons for delays were:

- **Inability to provide necessary data** in the area of *nature protection* (NATURA 2000) and *sewerage and waste water* master plan for Morava;
- **Failure in sub-tender procedures** – the first tender for supply of equipment under Serbian EPA&EIONET failed followed by a delay in the supply of the equipment;
- **Need to deal with delays in other linked projects** - *air twinning* was extended because of the late delivery of monitoring equipment from a CARDS project;
- **Insufficient quality of the delivered outputs** - the project to AERS was especially problematic as the engineering contractors could not address legal issues appropriately.

Although sometimes suffering from reduced staff, most beneficiaries took an active part in the technical implementation through involvement in **working groups**. There was a **good cooperation** ensuring that the needs of beneficiaries were addressed and a high level of ownership was achieved in the area of *energy, chemicals and healthcare waste*.

¹⁶ Insufficient staff numbers in the MEMSP dealing with nature protection and particularly with NATURA 2000 was noted in the two ROM reports (2010, 2011) as well as during interviews.

¹⁷ The beneficiaries failed to include the envisaged co-financing in their budgets. Co-financing was additionally compromised by the closure of Ekofund in 2012, which had previously covered this type of expenses in some specific cases.

In general, the projects included key stakeholders including the environmental, trade and health inspectorates and industry (represented by the Chamber of Commerce) as well as medical institutes and educational organisations – universities and schools. However, the involvement of some institutions as well as civil society could have been better, leading for example to delays and extensive comments on the strategy for EAS. The IPA assistance in general contributed to the **improvement of the coordination** between the institutions and establishment of practices to involve CSOs in the implementation of the projects. This, although with variable success, is expected to enhance future involvement of these organisations in environment protection policy development and activities. Donor coordination is implemented by the Serbian European Integration Office (SEIO) which develops planning documents¹⁸ to coordinate donors' assistance and manages a database with all donors' projects including EU assistance. In general there is no overlapping of activities and the assistance is complementary. There was good cooperation with other projects and donors including examples of changing timing and activities to correspond with progress in other assistance as well as cross border collaboration on projects covering both Serbia and Kosovo.

In *nature protection*, *air quality* monitoring and *horizontal issues* the **insufficient capacity** of the beneficiaries led to problems with implementation. There were too few counterpart staff for 2007NATURA 2000 which also suffered from the unclear role of some data providing institutions and insufficient involvement of the beneficiary for 2007 Air quality management until staff were transferred from the f Hydro Meteorological Service of Serbia (HMSS)¹⁹ to SEPA. The lack of economists to make financial analysis for 2007EAS led to delays in implementation and undermined the capacity building and sustainability in this area.

The capacity of the municipalities to prepare and manage projects depends on their size, but was in general weak. There was however at least one person designated to manage and input data in the SLAP database, who acts as a contact person for infrastructure projects. The identification of the hazardous "hot spots" proved very challenging as the municipalities were reluctant to be involved and had no capacity to provide data.

In the area of *water and waste* infrastructure projects, cooperation between national, regional and local bodies to facilitate operation of the facilities constructed is low due to the **lack of leadership** and relies on the consultant drafting local level cooperation agreements. However, at central level the Strategy for Restructuring of the Local Public Utility Companies and the necessary reforms and legislation are yet to be adopted. The governmental restructuring after the 2012 elections further blurred the leadership and slowed this process.

Implementation of the investments to reduce *air pollution* from TPPs improved following lessons learned from earlier assistance. In terms of money and **financial management** the projects delivered results within the originally planned budgets, despite the extended periods of implementation with the exception of the projects in the area of *air* where additional funds were ensured either by the beneficiary or the twinning partner. The lack of experience with IPA funding led to underestimation of costs for 2007 *Emissions reduction at Nikola Tesla* by 30-50%.

Co-financing for infrastructure projects by the municipalities is in general problematic as promised funds are not provided.

The ROM scores on efficiency are similar to the scores on effectiveness with majority of the ratings being good and for two projects – MISP and EAS indicating problems. In contrast to effectiveness,

¹⁸ Needs of the Republic of Serbia for International Assistance

¹⁹ The HMSS air monitoring staff has recently been transferred to SEPA

the second monitoring reports for several projects provide very good ratings due to the good cooperation between the parties after the start-up staff and cooperation problems were overcome.

Table 3.4 ROM scores on efficiency

IPA Year	Project	ROM score(s)*
Energy and air pollution		
2007	Supporting the Implementation of the Energy Community Treaty	B-B-B
2007	Air quality management system	B-A
Waste and chemicals		
2008	Hazardous Waste	B-A
2008	Chemicals management	B-A
2008	Treatment of healthcare waste	B
2009	Hazardous Waste	B
Water		
2007	Study of flood prone areas in Serbia	A
2007	Sewage and Wastewater strategic master plan	B
2008	Municipal Infrastructure Support Programme	C
Horizontal issues and nature protection		
2007	Develop Environmental Approximation Strategy	B-C
2007	Protection of Natural Areas (NATURA 2000)	B-B

Conclusions

The various types of assistance used in the environment sector was appropriate to the objectives and needs. In one project the beneficiary lacked sufficient capacity to make use of the twinning. Assistance was started efficiently but experienced delays during implementation due to an inability to provide data, failures in sub-contracting or to improve the quality of the outputs. No cost time extensions were used effectively to address these issues.

There was efficient involvement of the beneficiaries in project implementation, although in some instances efficiency was hampered by a lack of capacity and involvement of some stakeholders and civil society was suboptimal and needs improvement.

Assistance is in general complementary to other assistance with good cooperation between the projects and with other donors. Provision of co-financing at the municipalities level is problematic but not at the national level.

3.3.3 Conclusions on Efficiency

Summarising, with reference to the judgement criteria from the evaluation methodology (*in italics*):

- *Judgement criteria: The assistance has delivered the planned outputs and achieved project objectives in the most cost effective manner. Normally, appropriate service providers or twinning partners have been selected.*

The use of twinning for technical acquis related tasks and TA for more horizontal institution building and investment preparation has been appropriate to the needs and capacities of beneficiaries. The use of European peer organisations as service providers has been very cost efficient. Close contract management ensures that outputs are delivered within the available budgets. Apart from direct agreements with European peer organisations, all other assistance was subject to appropriate tender procedures. The replacement of a large proportion of experts has negatively affected efficiency in both delays for replacing experts and wasted resources;

- *Judgement criteria: Budget and timelines for the majority of interventions were realistic.*
The scale of funding, especially of institution building, has generally been sufficient but the extensive use of contract extensions suggests that timelines are unrealistic when faced with the realities of implementation – including largely unavoidable factors such as the national elections. The lack of formal capacity assessments is a contributory factor to implementation performance;
- *Judgement criteria: Planned outputs were normally delivered within the foreseen timespan.*
There have been delays to the start of much of the assistance as well as additional delays accumulated during implementation. When outputs are delivered at the end of the assistance there is no time to absorb and embed these in the beneficiaries or assess their functionality. The ongoing nature of support in most areas militates against this to some extent;
- *Judgement criteria: Procedures for programming and supervision are transparent and promote efficiency.*
The EUD and NIPAC maintain project identification and co-ordination procedures that support collaboration between donors, although most of the formal co-ordination fora no longer effectively function. Supervision is currently done by the EUD. With the introduction of decentralised management, the national authorities will take on ownership of this process. This is likely to lead to a reduction in time efficiency in the short term until management capacity is brought up to speed. The ROM process provides some additional oversight that will become increasingly important with the implementation of DIS;
- *Judgement criteria: IPA interventions normally do not result in excessive administrative burden for the beneficiary organisations.*
There are ad hoc but not systematic administrative capacity assessments to scale projects to the absorption capacity of beneficiaries and it has proved in a number of cases to be too much for beneficiaries to effectively absorb. Whilst in many cases IPA projects represent a substantial burden for beneficiaries they are often one of the most significant forms of investment financing for them, especially in the current fiscally challenging environment. Concern has been noted at the number of advisors located away from the beneficiary management for administrative reasons;
- *Judgement criteria: Generally a good mix of financial sources (incl. non-EU sources like IFIs etc.) was applied.*
As the assistance was primarily institution building, it has mostly been financed solely by the EC. There has been co-financing for investment elements and this has taken non-traditional forms in some instances. Provision of co-financing by local authorities has been a problem.

3.4 Sustainability

EQ5 Are the identified impacts sustainable?

EQ6 Are there any elements which could hamper the impact and/or sustainability of the assistance?

Given the programme level of this evaluation, the identification of issues which hamper the achievement of impact and sustainability will concentrate on common rather than on project specific issues.

Legislative requirements, international agreements or strategies adopted that support the objectives of the IPA assistance

National planning for the implementation of PFM is underpinned by the PEFA assessment that creates the methodological framework around which individual components of the sector can be developed. Most elements of the IPA assistance to the sector clearly fit into this analytical structure and this will help to ensure the sustainability of their outputs. The most recent PEFA assessment is from 2010 before the assistance under review started. However 2007 *Public procurement*, 2008 *PIFC Phase III*, 2007 *Tax Administration*, parts of 2008 *Customs Enforcement* and particularly 2010 *Treasury Administration* all contributed to strengthening the budget cycle in the context of the PEFA performance framework.

Equally, the SIGMA assessment forms a framework around which assistance can be targeted to address weaknesses in technical areas (such as public procurement) but also in more horizontal concepts of PAR. In this respect, 2010 assistance to policy formulation and the development of a merit based recruitment and promotion policy for the civil service fits into this broader monitoring structure. The more recent use of annual SIGMA reports as a contribution to the annual Progress Report of the EC further strengthens it as a tool to promote the sustainability of IPA assistance in the sector.

There is in general a good legislative structure in the PAR/PFM sector that will contribute to sustainability by establishing a solid legal basis for the development of the sub sectors. Some areas where the IPA targeted legislative development, such as public procurement and local self-government, have been influenced by changing political opinions since assistance was designed and this will slow the process of change. Strategic planning has also been vulnerable to both changing political priorities and the level of understanding of the scale of reform, particularly in public administration reform at both central and local government levels.

Although legislation under *Financial Control* developed with support of the IPA was not adopted by the government for *public procurement*, alternative legislation developed by one of the national political parties appears likely to be implemented as part of the negotiation process in the establishment of the new government administration. This has been informally reviewed by the IPA funded advisors and is considered of good quality. Legislation and strategies for the strengthening of both *IPR* and *PIFC* are in place although new rules for the IPO threaten its operational capacity – and thus the sustainability of IPA assistance - by limiting its opportunities to generate income needed to finance its outreach, information and consulting activities²⁰. Formal inter institutional collaboration with other bodies (judiciary, customs, police) are in place and will be further strengthened under future IPA assistance on enforcement of IPR. Including IPO staff as service providers for the majority of the contract significantly strengthens both effectiveness and sustainability as they gain practical experience under the guidance of the external advisors.

The NCTS at customs can be expected to be sustained as it is an important part of trade both before and after accession. Strategic plans are being implemented for both tax and customs authorities as well as sub strategies for elements such as IT and HRD. Secondary legislation developed by the NBS is required to meet its international obligations and therefore will be sustained.

Recent development of legislation for civil servants underpins assistance to both central and local *public administration reform*. However, the 2004 PAR Strategy upon which most of the support for

²⁰ The state budget covers only the salaries of the staff and none of the actions needed to promote the services of the IPO

the sector is based was considered too vague by the contractors under 2010 *PAR* and is in the process of being rewritten. A draft decentralisation strategy has been prepared by IPA assistance but there is currently no political enthusiasm to take this forward. The IPA has generated a number of tools to support this process if and when the national political agenda moves again in this direction.

Results from previous assistance or planned future assistance:

The IPA assistance under review is in all cases part of a series of interventions into the sub-sectors concerned, either building on earlier projects or forming the basis for subsequent assistance. Both PFM and PAR require sustained support to both introduce technical solutions and also to stimulate 'change at the top' and a reorientation of the institutional and cultural mind set. The PEFA assessment underpinning PFM and the SIGMA reports doing the same for PAR provide important foundations around which the introduction of a more sectoral based approach should be built. This would provide the longer term perspective on those areas the Commission should focus upon and those which should be left to others.

The PFM sector in particular builds on the successes of earlier assistance that made a substantial contribution to the PEFA assessment (along with the efforts of other donors and the state) –most significantly through the creation of the Single Treasury Account and the introduction of the FMIS, that has been further developed under 2010 *Treasury Administration*.

Sufficiency of capacity and efficient institutional arrangements

The EUD in its centralized management remains the main driver of the assistance under review but with moves towards the introduction of the DIS for IPA 2013 onwards a much enhanced management capacity from the national authorities will be required. The NIPAC and line ministries are taking an increasing involvement in both programming and monitoring but in the line ministries especially these efforts are in their early stages. The change of government in summer 2012 led to substantial changes in the main beneficiary institutions as outlined in 1.3 above. In addition to the restructuring of both principle ministries in the sector, changes in structure or rules are expected or have occurred in a number of other beneficiaries including the institutions involved in public procurement, the IPO, the STA and the HRMS. Potential remains for other institutions – such as SCA – to also be affected. Whilst these institutional changes will not stop the delivery of outputs by contractors, it raises significant concerns on whether they will be effectively absorbed or sustained by beneficiaries.

Ownership of the assistance

Institutional capacity building relies on good ownership both on an operational level to ensure effective collaboration between advisors and the beneficiary institution and also on a higher political level to facilitate the adoption of change. All assistance needs a (series of) 'champions' or a senior political figures within the organisation who understand, introduce and lead the process of change. Ownership, especially at the operational level, tends to be good in those areas of institution building linked to the technical implementation of the *acquis*. Beneficiaries know that they have to comply with EU legislation in the future and have a clear mandate to lead the process of change. In horizontal areas such as public administration reform that are not underpinned by technical *acquis*, it is less evident that there is a clear understanding and acceptance of the role and responsibilities of the institutions.

Sustainability is likely to be particularly strong in those areas where support has been implemented by European peer organisations (EPO, ECB & CoE) as the beneficiaries are members of these institutions and have established a clear long term relationship. In the case of the EPO there is some concern that this organization will not be willing to undertake external assistance missions in

the future as is planned under IPA 2012. This will not affect the sustainability of the assistance under this evaluation.

Sufficiency of financial resources

The Serbian government has faced severe fiscal difficulties since the global financial crisis of 2008 leading to the establishment of a precautionary Stand By Arrangement with the IMF. This agreement required a series of actions to reduce government expenditure including reduction in outlays of capital, goods and services and strengthening public sector payment discipline. Reductions in salaries have not discouraged recruitment due to the dearth of opportunities in the private sector – the Treasury Administration recently had 200 applicants for four posts. These financial constraints have not yet had an impact on the IPA assistance under review, in part because there is very little co-financing formally required.

The following table contains the ROM scores for sustainability. Whilst broadly in line with the opinion of the evaluation, some elements of PAR may be more optimistically assessed in the ROM reports than in this evaluation. This might also hint at a certain inconsistency in the ROM reports: where one would expect some correlation between effectiveness and sustainability, ROM scores sustainability consequently higher than its core effectiveness, most notably in the case of Treasury Administration (B vs D).

Table 3.5 ROM scores for sustainability in Public Finance Management

IPA Year	Project title	ROM score(s)
Financial Control		
2007	Public procurement	C
2007	Intellectual Property Rights	B
2008	Support to PIFC	B
Revenue Administration and Financial Supervision		
2008	Customs enforcement	B (Co-ordination)
2008	National Bank of Serbia	A
2010	Treasury administration	B
Public Administration Reform		
2007	Municipal Support	B (CoE) B (GIZ)
2010	Public Administration Reform	B (e-government)
		B (PARIS)
		C (HRM)

Conclusions

In general there is support to sustain legislative reform in the sector. However, some areas are vulnerable to change in political opinions and the low level of understanding of the scale of the reforms both by central and local government levels. This is exacerbated where these changes are not underpinned by the acquis. The achievements in tax and customs are sustainable as these are closely linked to the acquis and form part of trade policy.

In all cases the assistance forms part of a series of interventions either building on earlier projects or forming the basis for subsequent assistance. To ensure sustainability, capacity needs improvement especially in line ministries and institutional reshuffling after the elections in mid 2012 might affect sustainability of the assistance in some instances.

Ownership of the assistance by the beneficiaries is strong in the technical acquis related areas but in general and especially in the more horizontal areas, such as public administration reform, needs

better leadership to drive the process of change. The limited scale of co-financing does not represent a threat to sustainability and more limited private sector pull has restricted staff turnover.

3.4.2 Sustainability in the Environment sector

Legislative requirements, international agreements or strategies adopted that support the objectives of the IPA assistance

There is a good regulatory, legislative and strategic base in the areas of *energy, air pollution, and waste and chemicals*.

Serbia is signatory of the Energy Community Treaty of 2005 and although not an EU member has to comply with regional *energy* market integration and harmonization requirements and with relevant EU directives and competition rules. Serbian TSO is a member of the European Network of Transmission System Operators in Electricity ENTSO-E. A new Energy Law was adopted in 2011 and the Energy strategy of 2005 is expected to be amended to take into account the Europe 2020 goals, especially in the area of environment and renewable energy. Sustainability in the case of the assistance to unbundling of the gas sector is in general also ensured by the general policy line as stipulated in the new Energy Law (2011).

The *air quality* legislation is harmonised with EU environmental *acquis*. All activities initiated by the air quality monitoring assistance are legally binding obligations for corresponding institutions in Serbia and in this way the results should be sustained. The assistance for reduction of air pollution emissions from big combustion plants is based on planning and a strategic vision published by Elektroprivreda Srbije (EPS) in 2011.

There is strategic and legislative base to further build on the IPA contribution in the area of *waste and chemicals*. Waste legislation is largely harmonized with the *acquis* and there is a Waste Management Strategy of 2009 covering the period 2009-2019. The procedure for “hot spots” prioritisation is expected to become part of a rulebook.

The new *Water Law*, adopted in 2010, is transposing most of the requirements of the Water Framework Directive but some provisions will need amendment in order to provide better institutional arrangements. A new Strategy for Water Management for Serbia is under preparation²¹ and it is likely that the Morava master plan developed with support from IPA will be taken into account and incorporated in the Strategy.

Sustainability of the EAS is to a certain extent ensured through its adoption by the Government at the end of 2011. The implementation of the strategy will depend on the further political support for Serbia's accession to the EU as well as on provision of funds, especially for the substantial investment measures in water and waste and establishment of efficient institutional structures.

Results from previous assistance or planned future assistance:

The EU has provided continuous support in almost all areas related to the environment in Serbia and this contributes to sustainability by subsequent assistance building on the results of earlier work. The assistance is particularly sustainable in the area of *energy, water, waste and water and waste infrastructure*. Future assistance is planned in the area of *energy, water and waste infrastructure and nature protection and SEPA*.

²¹ Expected to be adopted in 2013.

The second attempt to establish a hazardous waste management facility is likely to fail and no sustainability of the technical assistance provided can be ensured if a new location of the facility is not agreed soon.

Serbia has experience in *flood management* as a significant part of the country is potentially threatened by floods. Flood protection plans have been developed as part of Serbia's participation in the International Commission for the Protection of the Danube River (ICPDR). Past and planned support in this area, also by other donors, ensures that measures in flood management will be implemented therefore a good sustainability of the IPA assistance can be expected. There are plans for follow on IPA assistance under 2013 to extend the flood risk mapping to other watercourses and flood prone areas in Serbia.

The technical and tender documentation for the construction of WWTP in Raska is planned to be used to construct the plant with funding from IPA 2013. 2008 *MISP* is part of a series of IPA/CARDS²² projects for provision of support to municipalities for infrastructure development (in the area of environment – waste and water) that will continue under 2010 IPA and 2011 assistance (KfW and IPA). There is also planned future assistance to build on the support received in the area of *nature* through GIS mapping of NATURA 2000 sites under IPA 2012 and further improvement of the EIONET-RS system in the same year.

Sufficiency of administrative capacity and efficient institutional arrangements

In the area of *air and energy* the institutional arrangements are supportive to sustainability but although capacity is stable and increasing a more efficient deployment of human resources will be necessary in the future. In the area of air quality and air monitoring there are institutional and organizational mechanisms established for the implementation of the reforms. There are problems with the lack of cooperation of some data providers which are expected to be resolved with time.

The institutional reforms in the area of *electricity* are under way and create stable structures. In the area of energy regulation the AERS is growing in staff and capacity and is sufficiently technically and financially secured.

Currently there are some institutional problems in the area of *chemicals* due to the closure of the Serbian Chemical Agency and its transfer to the Ministry. This raises concerns that some of the staff will leave due to the lower Ministry salaries, although this may be limited in the short term by the poor alternative job prospects in the economy.

Sustainability of the infrastructure projects (*waste, water supply and waste water treatment*) is threatened by the cooperation problems between the municipalities, including a lack of support at local level with issues related to construction of access roads to the facilities²³. A potential threat to sustainability in the *water sector* is the complicated institutional management structure which involves many players and lacks an efficient and clear distribution of responsibilities. In the same theme, there is insufficient capacity with the MEDEP as well as unclear responsibilities between the institutions including the role of the new Ministry of Natural Resources²⁴, the MAFWM and the Institute for Nature Conservation and institutions in Voivodina which undermines sustainability in the area of *nature protection*. Generally, staff numbers in the area of *nature protection* and *water management* are insufficient.

²² CARDS 2003, 2004, 2005, 2006, IPA 2008 and 2010 and 2011 as part of the Municipal Environmental Grant-Loan Investment programme managed by KfW.

²³ The access road to the landfill in Pirot (CARDS 2006 project) is yet to be constructed.

²⁴ NATURA 2000 will be within the responsibilities of the Ministry of Energy, Development and Environment Protection. However, the management of the protected areas will be transferred to the Ministry of Natural Resources.

The sustainability of the trainings, studies and recommendations for institutional strengthening is threatened by the administrative restructuring after the parliamentary elections held in May 2012 and the high staff turnover in some institutions.

Ownership of the assistance:

Project ownership very much depends on the clear institutional framework and sufficient capacity of the beneficiaries. The ownership was strong in the cases of EAS, SEAPA&EIONET and the Chemicals projects which will enhance their sustainability. The unclear responsibilities and insufficient capacity in water, waste and water infrastructure and particularly in nature protection provides for a weak ownership on the results from IPA assistance in these areas and thus for poor sustainability.

Sufficiency of financial resources:

Securing financial resources to invest or maintain the facilities the area of *energy and air pollution, water and waste* is problematic. It has been estimated that approximately EUR 400,000 per year is needed for maintenance of the equipment of the *air quality monitoring system*. Although the air monitoring network will be automated its operational costs exceed the available SEPA resources.

The Environmental Fund that financed environmental projects is expected to be either transformed or closed. The project beneficiaries expressed their concern that the lack of external funding could compromise operations. For example, EPS noted that without funding they are able only to keep current operations and would cut their investment programme. The same applies for SEPA which used the Environmental Funds to support its operation.

There are other donors interested in funding projects in the area of *energy and air pollution*, including the Governments of Japan and Norway as well as KfW and EBRD. However, securing funds for air pollution reduction from the big combustion plants is a challenge because of the significant amount of money required. The rough estimation is that about 600 MEUR are needed to be invested in environmental protection of TTPs, a sum clearly beyond the capacities of donors.

The *air quality* monitoring plans of the municipalities according to the legislation are expected to be funded by the municipal financial sources.

There are indications that Srbijagas cannot provide the estimated 0.5 MEUR to supply the IT platform equipment for which a tender dossier was developed under IPA assistance. The business and the investment plans that were intended to support a loan application to EBRD for supply of market operations equipment may not be useful as they were prepared with inaccurate data. This will undermine sustainability of the IPA assistance and will delay the reforms aimed at unbundling of the *gas market*.

The current level of *water and waste* tariffs does not cover the proper operation and maintenance of the water and waste facilities built with support from MISP. There are also no funds secured for the implementation of the Morava Sewerage and wastewater Master Plan. It is expected that these and other funding issues in the water sector will be addressed by the new Water Strategy.

Similarly, sustainability of the *healthcare waste* assistance is threatened by lack of funds for maintenance and operation of the equipment delivered to healthcare facilities, which prevents some of them from being used. A study on the autoclaves and shredders supplied under CARDS shows that of the inspected 14 locations with 24 autoclaves, at seven of the locations the autoclaves seem not in operation or not used in full capacity. The sustainability of the 2008 *SEPA&EIONET* is

undermined by the inability of all beneficiary institutions and data providers to ensure proper IT support and maintenance of the equipment received due to lack of staff and funds.

The ROM scores on sustainability mirror the scores on effectiveness with the exception of Chemicals project, where sustainability was rated as “A”(very good). The score was given prior to the closure of the Chemicals Agency. Due to the threat of staff loss from the former Chemicals Agency currently the sustainability of the assistance in the area of chemicals is weaker.

Table 3.6 ROM scores on sustainability

IPA Year	Project	ROM score(s)*
Energy and air pollution		
2007	Supporting the Implementation of the Energy Community Treaty	B-B-B
2007	Air quality management system	B-B
Waste and chemicals		
2008	Hazardous Waste	B-B
2008	Chemicals management	B-A
2008	Treatment of healthcare waste	B
2009	Hazardous Waste	B
Water		
2007	Study of flood prone areas in Serbia	B
2007	Sewage and Wastewater strategic master plan	B
2008	Municipal Infrastructure Support Programme	C
Horizontal issues and nature protection		
2007	Develop Environmental Approximation Strategy	B-C
2007	Protection of Natural Areas (NATURA 2000)	B-B

Conclusions

There regulatory, legislative and strategic base in the areas of *energy, air pollution, and waste and chemicals* supports sustainability of the associated IPA assistance. Some provisions in the Water Law will need amendment in order to provide for more efficient institutional arrangements and thus enhance sustainability. The assistance in the environment sector is consistent with national goals and other donors and provided in series of consecutive, both of which enhance sustainability.

The institutional arrangements and capacity in the sector are variable. At the central level, institutional arrangements in the area of energy and air are stable although more efficient deployment of human resources here as well as in the water sector will be necessary in the future. The Ministry of Energy, Development and Environment Protection has insufficient capacity as well as unclear responsibilities between the institutions in the sector and this undermines sustainability in the area of *nature protection*. At a local level, sustainability of infrastructure projects is threatened by the weak cooperation between municipalities.

The unclear responsibilities and insufficient capacity in water, waste and water infrastructure at municipal level and particularly in nature protection provides for a weak ownership of the results from IPA assistance and thus for poor sustainability. In the other areas of the environment sector, ownership was good.

The availability of financial resources for future investments and maintenance and operation of the established systems and infrastructure built with IPA assistance is an important factor for sustainability and there are a number of cases where its provision is problematic.

3.4.3 Conclusions on sustainability

Summarising, with respect to the judgement criteria (*in italics*):

- *Long term institutional capacity building impacts will be sustained as they are a pre-requisite for membership of the European Union.*

Post election institutional re-organisations represent some threat to the sustainability of assistance but this is not likely to be substantial as most individuals should remain in post. The lack of a merit based recruitment and career progression in the public administration is a systemic weakness for sustainability. Institutional capacity building connected to specific implementation of the *acquis* has a better chance of being sustained than more horizontal support that lacks the *acquis* imperative;

- *Beneficiary budget is sufficient to sustain the effects.*

The financial crisis has hit Serbia particularly hard and this has affected the budgets of the state administration as well as other beneficiaries of IPA assistance. Most assistance under review was conceived prior to this period and the project design therefore did not always take into consideration the likely reduction in financial capacities of stakeholders. Therefore whilst capacities of beneficiaries to sustain effects in the short term, may be in place maintaining current staffing levels or undertaking additional investment is likely to be challenging. Operational budgets for infrastructure investments remain a serious problem;

- *Beneficiary organisations are able to retain human resources necessary to implement the results of the IPA interventions.*

Most institutions have been required to either freeze or reduce headcounts, the new government has promised to cut up to 100 state agencies (which typically were not constrained by civil service salary constraints and were thus able to attract more qualified staff) and the reduction in operational budgets will clearly compromise the capacity of some organization to implement the results of IPA assistance. The current dearth of private sector opportunities is likely to limit voluntary staff turnover;

- *IPA enabled effects are logically embedded in beneficiary (new) structures.*

The multi annual perspective of much of the assistance under review is contributing to the sustainability overall as it takes a significant time to embed new concepts in institutions. Where the IPA focuses on delivering human resource development or new systems and tools before the establishment of institutional structures, embedding the effects and therefore ensuring sustainability is less clear.

4 Impact analysis of IPA assistance

4.1 Introduction

EQ3 Are the outputs and immediate results delivered by the IPA translated into the desired/expected impacts, namely in terms of achieving the strategic objectives/priorities linked to the accession preparation? Are/can impacts be sufficiently identified/quantified?

In this chapter the focus is on the generic contribution of the suite of IPA-funded projects studied on the changes in the sector identified. In line with the evaluation methodology (see annex 4) the impact of the IPA on each sub sector has been considered in the context of *institutional structures*, *human resource development* and *systems and tools*. The tables in annex 3 provide complementary information on the contribution of the IPA to the strategic sectoral objectives determined in programming documents, followed by a detailed description of sectoral change observed.

4.2 Does IPA assistance address priority issues?

The assessment of relevance has not been included in this evaluation report because it was covered in the interim evaluation exercise of 2011. However, in order to have impact, interventions must address the targeted policy priorities and thus the table below provides a comparison between the 2006 and 2007 EP priorities (when the assistance was designed) and the overall objectives of the projects.

Under PAR/PFM, all projects are closely linked to the EP and it is clear that the sector has been planned to specifically address these key priorities. The design of the IPA very closely correlates to the details of the objectives. Support to the National Bank has to some extent been a reaction to the financial crisis and so is slightly more obtusely connected to the EP objectives from 2007.

Similarly for Environment, the overall objectives of the IPA assistance correlates with the priorities established in the 2007 EP. There are elements, such as 2007 *NATURA 2000*, that do not address a specific priority but can be expected to target more general objectives of *acquis* harmonisation.

Table 4.1 Overview of the European Partnership priorities and the objectives of the projects

2007 EP short and long term priorities:	Overall objective of the project
Public Finance Management	
Financial Control	
Implement a consistent and effective public procurement regime, ensure the independence of the public procurement bodies, ensure transparent procedures regardless of the value of the contract concerned, and non-discrimination between Serbian and EU suppliers and strengthen enforcement capacity.	2007 Public procurement -Contribute to the development and strengthening of a stable, transparent and competitive public procurement system in the Republic of Serbia in accordance with EU standards.
Continue to strengthen protection of intellectual property rights (IPR) and strengthen administrative capacity for the implementation and enforcement of IPRs.	2007 Intellectual Property Rights - assist in meeting the requirements of the Stabilisation and Association process in the field of intellectual property.

2007 EP short and long term priorities:	Overall objective of the project
Public Finance Management	
Develop and implement the principles of decentralised managerial accountability and a functionally independent internal audit system following internationally accepted standards and EU best practice. Continue reforms of PFM in order to strengthen control, transparency, accountability and efficiency.	2008 Support to PIFC Phase 3 - improve the efficiency, effectiveness and transparency in the allocation and expenditure of public funds. Contribute to the process of public administration reform through de-centralisation of financial management and control.
Revenue Administration and Financial Supervision	
Continue approximation of tax legislation to the <i>acquis</i>, implement tax legislation, in particular on revenue collection and control in order to reduce tax fraud and increase enforcement capacity.	2007 Tax Administration - Contribute to the establishment of the client oriented an efficient Tax Administration, while maintaining and increasing the level of tax collection.
Improve transparency and the exchange of information with EU Member States in order to facilitate enforcement of measures preventing avoidance or evasion of taxes.	2007 Customs Administration - Implement the Common Transit Procedure by building the capacity of the Serbian Customs Administration.
Ensure continued approximation of customs and taxation as well as other fiscal legislation to the <i>acquis</i>, strengthen administrative capacity and fight corruption, cross-border crime and fiscal evasion. Complete the alignment of customs legislation necessary for the SAA, strengthen the capacity of the customs administration to fight corruption, cross border crime and fiscal evasion and strengthen enforcement capacity, especially in the areas of risk analysis and post-clearance control.	2008 Customs Enforcement - contribute to establish open, but secure borders through efficient border control and management systems, based on EU best experience and practices.
Improve bankruptcy procedures to speed up exit of unviable enterprises and to foster structural change; Further strengthen financial supervision to help ensure stability of the financial sector.	2008 National Bank - contribute to sustainable macroeconomic and financial system stability by supporting the NBS in fulfilling its mandate and align with best practice.
Continue reforms of public finance management in order to strengthen control, transparency, accountability and efficiency.	2010 Treasury Administration - improve the efficiency, effectiveness and transparency in the expenditure of public funds.
Public Administration Reform	
Continue full implementation of civil service and public administration laws, implement measures to develop human resources in the civil service, strengthen the policy-making and coordination capacity of the public administration at government and local levels, establish a centralised payroll system, implement the constitutional provisions relating to decentralisation and ensure the resources for local governments.	2007 Municipal Support - to contribute to improved governance and economic development in Serbia through support to all aspects of the decentralisation of responsibilities and competences from central to local level. 2010 Public Administration Reform - To improve the public administration system in the Republic of Serbia in accordance with the requirements of the EU integration process.
Establish a fully functioning ombudsman's office in line with legislative requirements and ensure proper follow-up to the recommendations made by the ombudsman.	2007 Ombudsman -Creating the environment for further democratization of society, promotion of the principles of the rule of law, human rights and good governance through more efficient control of the legality in the work of public administrative bodies.

2007 EP short and long term priorities: Public Finance Management	Overall objective of the project
Statistics	
Further develop the quality management system; put in place agricultural statistics and further develop all sectoral statistical areas.	2007 Statistics - Approximating of Serbian Statistical System to the European Statistical System requirements.
Environment	
Energy and Air pollution	
Adopt and start implementing strategies on air pollution, waste management and nature protection.	2007 Air Quality Management System, 2008 Hazardous Waste, 2008 Chemicals Management, 2007 Protection of Natural Areas – strengthening the institutional framework for effective implementation of legislation.
Start implementing the Kyoto Protocol.	2007 Emissions Reduction at Nikola Tesla, 2008 Environmental protection at EPS, – investment to reduce air pollution at major thermal power plants.
Waste and Chemicals	
Further develop and start to implement waste management plans and finalise construction of a facility for treatment and safe disposal of hazardous waste.	2009 Hazardous waste, 2008 treatment of healthcare waste - implementation of environmental and healthcare strategies that will ensure compatibility with EC legislation and best practices in sanitary standards.
Water	
Strengthen the administrative capacity of bodies in charge of planning, permits, inspection and monitoring, and also project management, strengthen capacity at local level and ensure coordination between central and local levels.	2007 Environmental Approximation Strategy – providing a basis for approximating Serbian environmental legislation with the EU <i>acquis</i> .
Adopt and implement the national environmental protection strategy and a strategy for sustainable development and the water strategy.	2008 Sewage and Wastewater Strategic Master Plan, 2007 Protection of Natural Areas – institution building and planning for environmental and water protection.
Horizontal and Nature Protection	
Implement the adopted legislation, notably on environmental impact assessment.	2008 Serbian EPA & EIONET –Increasing SEPA capacity and others to carry out monitoring and reporting.
Accelerate approximation of legislation and standards to the <i>acquis</i> .	2007 Environmental Approximation Strategy – providing a basis for approximating Serbian environmental legislation with the EU <i>acquis</i> .

4.3 Impact in Public Finance Management

EQ3 Are the outputs and immediate results delivered by the IPA translated into the desired/expected impacts, namely in terms of achieving the strategic objectives/priorities linked to the accession preparation? Are/can impacts be sufficiently identified/quantified?

IPA assistance to PAR/PFM comprises both specific technical support in targeted areas as well as more horizontal reform of the public administration in general, through the development of concepts such as merit based recruitment to the civil service or public finance management. In general, the approach of IPA assistance has been multi-faceted, with single projects consisting of different but connected components covering reform **institutional structures**, strengthening **human resources** and instigation of new **systems and tools**. This consequential nature of project design, especially

for the more horizontal projects, has had negative consequences for the achievement of impact where the slow pace of agreeing reform to institutional structures has meant training or systems and tools has to either be develop on the expectation that draft policy developments would be approved or were substantially delayed.

The support to PFM builds upon progress already made throughout the sector, as detailed by the PEFA assessment. Although none of the projects under review had started when the last PEFA assessment was undertaken, the scores provide a basis for the performance of the sector as a whole. The irregular nature of the assessment makes this mechanism less useful than the SIGMA reports as a programme monitoring tool. Key elements of both reports are summarised in annex 4.

4.3.1 *IPA contribution to Financial Control*

IPA contribution to observed changes in both budget execution and budget oversight components of the budget cycle, through support to public procurement and PIFC, will be lower than expected, although budget oversight generally has improved with the increased capacity of the SAI. The only other substantial donors in the sector were the UNDP and the Norwegian government for support to the SAI, with some work in public procurement. Difficulties in establishing *institutional structures*, both in functional inter-institutional collaboration and in the transposition of legislation reduced the impact of *human resource development* as training was substantially based on the legislation that was not adopted. However, the merger of the public procurement institutions into the Ministry of Finance and Economy may resolve the collaboration issues and it is to be expected that most of the trained staff will be retained within the sector. Although the PEFA assessment scored public procurement positively due to the increase in proportion of contracts under open competition, there is no evidence yet that there has been any impact on public confidence in government procurement. The average number of bidders has declined from seven to three over the past ten years even though the financial crisis has made companies even more reliant on state buying. Although impact of *human resource development* and *systems and tools* developed for the IPO is currently good, changes in the *institutional structures* – specifically the methods of funding future outreach and promotion activities – is likely to ultimately reduce this significantly. Whilst internal audit capacity has been strengthened through development of *institutional structures* including legislation, strategic planning and establishment of appropriate bodies (the CHU and IA units in budget users covering 70% of expenditure) and extensive *human resource development* through multiple phases of IPA and CARDS support, the culture of individual manager responsibility for public expenditure will take some time to embed and requires greater leadership from management. Progress has been made in external audit with the development of the SAI, as recorded by the PEFA Assessment of 2010, and this will be further supported by IPA 2011 assistance in the context of strengthening the SAI generally and specifically developing the Audit Authority in preparation for the introduction of decentralised management of EU funds. This latter element also addresses a key element of poor performance in the PEFA Assessment (Donor Practices).

4.3.2 *IPA contribution to Revenue Administration and Financial Supervision*

IPA, being the principle technical support to the sub sector, has made a strong contribution to the achievement of sectoral objectives in Revenue Administration and Financial Supervision, which have all made good progress in combination with support from other key donors and the resources of beneficiaries. Strengthening revenue generation structures in both tax and customs should yield positive impact in the medium term. In the STA, sustainably building the capacities for further professional training of staff builds on earlier work establishing call centres to make paying taxes easier, targeting Large Taxpayers and amending legislation. The PEFA assessment improved

scores in this area due to an increase in information systems and these have continued to be developed under the IPA. Bringing the STA and SCA together to address VAT fraud should also generate impact in the medium term as new inspection and audit methods are put into use that require the collaboration of both institutions. Well established *institutional structures* in the sub sector have provided a strong foundation which contributed to the achievement of positive impact of IPA assistance for tax, customs and the National Bank. Providing advisory support to the SCA for the establishment of the NCTS including a significant communication element prior to investment support under later programmes should allow for senior management to understand the national commitments required for successful implementation. This is a good example of establishing the culture of change at senior levels prior to more comprehensive implementation. The foundations have been laid for the introduction of new customs controls that will reduce trade costs and times. The IPA is likely to have made a contribution to the steady increase in customs revenue since 2007. Support to the *institutional structures* of the NBS has made a substantial contribution to its ability to discharge its role as supervisor of the banking, insurance and pension sectors – although this could be undermined by the recent loss of independence. Basel II requirements are fully implemented. In all three institutions, the existence of a *human resource management* structure has enabled training to be easily embedded into ongoing management systems. In the STA, this impact is as yet difficult to quantify as it will only be visible once trained individuals filter through into the operational structures. Technical training to staff of the NBS is likely to have a strong impact as it is supported by senior management, integrated into the training processes of the institution and the use of outputs is overseen by the ECB. The SCA also has a training centre to replicate training as necessary. Assistance to SCA in establishing *systems and tools* to strengthen border control can be expected to have a positive impact as it is based on earlier training from UNODC and has benefitted from substantial additional state funding provided via loan finance. Assistance to the Treasury Administration builds on the earlier introduction of the FMIS which was scored highly by the PEFA assessment but has proved challenging to manage with limited institutional resources. Both the IT and econometric modelling sides of the assistance are extremely complicated and it remains unclear whether the beneficiary will be able to use the results delivered effectively. The planned integration of the 2000 Indirect Budget Beneficiaries into the FMIS, for example, will require a substantial training and management effort from the MoF. The FMIS is the cornerstone to the PFM, providing information for financial planning, budget execution and reporting and by extension improving debt and liquidity management practices. There is expected to be a further substantial project under IPA 2013.

4.3.3 *IPA contribution to Public Administration Reform*

Only limited impact can be expected from the more horizontal elements of Public Administration Reform, although in more technical areas well targeted IPA assistance has the potential to have a strong positive impact. Whilst the delivery of outputs has been affected by elections and project oriented issues (including numerous expert changes), low expected impact is due to the difficulties of introducing new horizontal concepts that lack an *acquis* imperative without broad political consensus and a powerful national champion. The PAR Strategy was in draft form and the key ministry for public administration was merged with the Ministry of Justice. It is therefore unclear whether there will be sufficient political support for further administrative reform, although the financial constraints on the state budget may prove a powerful incentive. There is little real progress on establishing merit based recruitment and replacing historical staff management mechanisms with modern demand led approaches. There is a lack of clarity on the future role of the HRMS, the target of substantial assistance. E-Government remains in its infancy although the IPA assistance has provided a useful operational and legislative basis.

Similarly in the area of local self-government, the creation of *institutional structures* through the development of legislation and the decentralization strategy has been funded by the IPA in parallel with the creation of *systems and tools* in the form of manuals and guides for municipalities as well as extensive *human resource development*. Although an extensive body of draft legislation has been developed and some adopted, decentralisation is politically sensitive and momentum for further reform has slowed. The Decentralisation Strategy has not been prepared as planned. Local government are only obliged to produce waste management strategies and the extent to which other strategies and action plans will be actually used by municipalities remains unclear at this stage. The LSDS appears to have sufficient credibility to become formalized as a national planning standard. The launch of municipal bonds first in Novi Sad and with a second round of lower tier municipalities is one of the successes in the sector. It is noted that there are only 20-30 municipalities with the size and capacity to be able to attract investors the overall impact to the country is likely to be limited. Capacity issues will also affect efforts to introduce programme budgeting on municipalities which is legislatively bound to come into force by 2015. IPA has made useful contributions to other aspects of municipal financing, such as supporting property transfer to the LSG units. Comprehensive *human resource development*, both centrally to the SCTM and in municipalities throughout the country structured around the National Training Strategy, will be limited by generally low capacity within municipality administrations and budgetary constraints. With 168 municipalities, IPA assistance has had to target those with most capacity. Whilst this should maximize the chances of achieving impact, it means the weakest are missed out. It suggests that the *institutional structures* in the sector should have been reviewed before the delivery of both *human resource development* and *systems and tools*.

IPA assistance to the Ombudsman has had a substantial impact, primarily due to strengthening of its *institutional structures* by revising the approach to case management and establishing links with other Ombudsman institutions in the EU. The Ombudsman was re-elected with cross party support after the elections in 2012, the number of complaints registered has increased by 40% in 2011 and 35 amendments to legislation were proposed. The Ombudsman's report was discussed for the first time in Parliament and new legislation was adopted in 2012 that strengthens its financial and operational autonomy.

4.3.4 IPA contribution to Statistics

Solid progress has been made towards sectoral objectives, with the IPA being a key contributor at both national and MBP levels. The Light Peer Review undertaken by Eurostat in 2011 noted good institutional progress of SORS and included a series of medium term measures targeting the strengthening of the institutional structure of the institution as well as improving the quality of statistics and efficiency of data collection. SORS was reformed in 2010 after 2007 *Statistics* started with the IPA assistance targeted towards *systems and tools*—substantially the development of new types of statistics, including the Household and Agricultural census. Likely impact has been positive with the agricultural census underway, enhanced communication of statistical results and the ICT system reviewed to enable subsequent IPA funds to procure a new information system to replace an outdated mainframe. Funds have been programmed to support outputs of this assistance (census and new IT system) and ensure that planned impact is achieved. Improving the National Accounts is an incremental process and is not expected to be completed in the near term. SORS annual reporting to and supervision by Eurostat will ensure that this is achieved within the scope of the accession agenda. The EU is the main donor to statistics along with Sweden. In addition, national funds provide a significant contribution to covering operational costs.

Table 4.2 contains the ROM report scores for impact, which broadly reflect the opinion of the evaluation, although with some caveats. Impact in 2007 *Municipal Support* is considered by the

evaluation to be a little lower given the declining enthusiasm for decentralisation. For some projects such as 2010 *Treasury*, the ROM scores are not consistent, graded low for effectiveness and impact but positive for sustainability. Given that the ROM reviews performance when projects are ongoing, assessments of impact tend to be more optimistic than this evaluation which has more information available. This provides some explanation for projects being rated C for effectiveness yet B for impact – there is an implied assumption that issues affecting the delivery of results will be resolved.

Table 4.2 ROM scores for impact in Public Finance Management

IPA Year	Project title	ROM score(s)
Financial Control		
2007	Public procurement	B
2007	Intellectual Property Rights	B
2008	Support to PIFC	B
Revenue Administration and Financial Supervision		
2008	Customs enforcement	B (Co-ordination)
2008	National Bank of Serbia	A
2010	Treasury administration	C
Public Administration Reform		
2007	Municipal Support	B (GIZ) B (CoE)
2010	Public Administration Reform	C (e-government)
		B (PARIS)
		C (HRM)

Conclusions

Positive impact has been mostly achieved in those areas of the assistance that are underpinned by the *acquis* and this is principally in the public finance management and statistics elements of the sector. Good progress has been made towards longer term objectives in financial management and control, banking, customs, statistics the ombudsman and intellectual property.

However, impact has been more challenging to achieve in those areas not driven by the *acquis* or where there is a weaker comprehension or agreement on the overall policy environment. This specifically affects the restructuring of civil servant recruitment and management systems within public administration reform. Impact of human resource development has been negatively affected by the difficulties in establishing institutional structures as training was substantially based on the legislation that was not adopted. Within local government reform, impact will be limited by generally low capacity within local administrations and budgetary constraints. The weakest municipalities did not receive assistance. Although an extensive body of draft legislation has been developed and some adopted, decentralisation is politically sensitive and momentum for further reform has slowed.

4.4 Impact in the Environment Sector

4.4.1 IPA contribution to energy and air pollution sub-sector

IPA assistance was targeted to *human resource development* and development of *systems and tools* as much of the legislative agenda is driven by the Serbia's obligations to the Energy Community Treaty, therefore no particular legislative support was planned -although some guidance was provided as part of the institution strengthening assistance.

The impact on human resources in energy sector is evident after a series of consecutive IPA projects (some of which were preceded by CARDS support) which ensured accumulation of knowledge. An important factor for success has been the simultaneous support to the key players – the energy regulator, the electricity and gas operators and the ministry as a central policy development insinuation.

The Energy Development Strategy of 2005 is currently being revised to incorporate energy efficiency and renewable energy development issues raised in Europe 2020, which together with the outstanding reforms and unbundling of energy and gas markets will be priorities of the sector for the future. Climate change, energy efficiency and renewable energy were not priorities so far and were not supported by IPA 2007-2009 assistance. IPA 2010 provides start up assistance in this area²⁵. Without addressing the weak institutional capacity in climate change and renewable energy, there will be no impact of the IPA support in *systems and tools*.

In the area of air pollution, IPA assistance addressed generic issues of *institutional structures* – transposition of legislation and more specific investment in *systems and tools* - air quality monitoring equipment to address local pollution problems and pollution from big combustion plants. Preliminary air quality assessment was done and the first air quality management plans for Belgrade, Bor and Novi Sad were elaborated. IPA also supported *human resource development* through provision of training. With the change of the legislation and practices the Serbian institutions internally made some institutional restructuring including the transfer of air quality monitoring responsibilities and staff from the HMSS to SEPA. This supported the achievement of impact. Other institutional issues, however, such as the inability of data providers to properly maintain the equipment and report to SEPA, reduce the impact and need to be addressed.

The IPA assistance was well complemented by other donor's assistance which supported the overall but limited impact of the assistance in the sector.

4.4.2 IPA contribution to the waste and chemicals sub-sector

The IPA impact on waste and chemicals is strong as the assistance tackled almost all gaps identified and all institutions in the sector were involved, which allowed for complementarity of the measures. Support was provided in all three areas – *institution structures*, *human resource development* and *development of systems and tools*.

The impact in the three areas varied from project to project and from area to area depending on the institutional capacity, the quality of the planning, the existing operational and financial provisions and willingness to address systemic weaknesses.

Good institutional capacity at central level with the MEDEP and with the Chemical Agency led to positive impact on enforcement of measures and improvement of inter-institutional cooperation, including with EU institutions and with the business. The recent closure of the Chemical Agency and the transfer of its staff to the MEDEP, however, may negatively affect the impact achieved so far if the capacity built is not sustained.

In the case of the healthcare waste the impact could not be fully achieved due to inappropriate planning and the lack of a solution to financing the operation of the healthcare treatment facilities supplied.

²⁵ Support for preparation of implementation plan and public awareness campaign for Kyoto Protocol and for studies and promotion of renewable energy and sustainable development.

Political and institutional cooperation and the lack of a leading institution to take ownership as well as capacity issues at local level threaten the achievement of impact in the area of hazardous waste if the national hazardous waste treatment facility is not constructed. Objections have been received from local authorities in areas identified as potential locations and this is likely to stop progress. Although the landfills will be constructed, there are difficulties reaching institutional agreements between the beneficiary municipalities to enable smooth operation of the facilities and the provision of co-financing for construction of auxiliary and supporting infrastructure.

The main challenge now in the area of waste and chemicals is the efficient enforcement of the legislation. The impact of the investment in *systems and tools* will be sustained and increased if further efforts are made for strengthening of *institutional structures*, especially at local level, for improvement of inter-institutional cooperation, introduction of the necessary provisions for ensuring sufficient financial resources for operation of the facilities, backed by strong policy enforcement leadership at central level.

4.4.3 IPA contribution to the water sub-sector

IPA contribution to the water sector was concentrated in flood management and reduction of pollution from point sources. The impact is evident mainly in the improvement of *systems and tools* through investment in infrastructure; however this has been limited by incomplete transposition of legislation in the area and some inefficient provisions of the current Water Law. Serbia has strong regions which is an additional obstacle to basin level management. Institutional arrangements and capacity are also sub-optimal. These have not been particularly addressed by IPA assistance. There has been a previous CARDS project on the *institutional structures* including transposition of legislation, however it was not very successful as the Serbian institutions were not able to absorb the twinning assistance.

The planned impact from the reduction of point source pollution is threatened by the inability to ensure required financing for the operation of the WWTP through the water tariffs. This is linked to political, social and economic issues which are planned to be addressed through the yet to be implemented reform in the PUC sector.

The problems with inefficient legislative provisions and gaps, coupled with insufficient institutional capacity and the lack of PUC reform pose the main threat to realisation of the planned impact from the support to *systems and tools* in the area of water.

4.4.4 IPA contribution to horizontal issues and nature sub- sector

IPA support was targeted primarily to *systems and tools* and where relevant touched upon *institutional structures*. Funding for horizontal issues was complementary to the support in the other sectors and also complementary to the other donors' support. There was active involvement of other donors on number of horizontal and nature protection issues. Particularly noticeable is UNDP support in nature protection. IPA addressed approximation of environmental legislation²⁶ and strengthening the monitoring and reporting obligations of SEPA²⁷. Other important horizontal issues including the involvement of civil society in environment planning and implementation as well as transposition of key directives related to access to environmental information have not been supported either by IPA nor other donors.

²⁶ Development of the Serbian Environmental Approximation Strategy, which was adopted by the Government at the end of 2011.

²⁷ Establishment of environmental information system EIONET-RS.

The impact is less visible as it is scattered among several sub-sectors and problems in any one may affect the overall impact. Frequent changes in the institutional arrangements affect sustainability and capacity building and therefore the impact as well. The IPA contribution to the nature protection was minimal due to insufficient capacity to absorb the assistance. There is very limited institutional capacity at national level and unclear ownership of nature protection policy development and implementation. Until these issues have been resolved any support *in systems and tools* will have limited impact.

4.4.5 ROM scores

The ROM scores on impact are in general positive. The average potential impact of the sector was assessed as “good”. Especially positive was the assessment in the area of chemicals and air quality management where the last monitoring reports indicate very good prospects for achievement of the planned impact. The “C” rating reflects the problems with the implementation and impact of support to the gas sector and infrastructure construction. Although the Environmental approximation strategy has been approved by the Government and provides a good basis for decision making, its implementation will require political and financial engagement that has been absent in other areas of the sector. The evaluation notes a range of factors – including institutional collaboration, co-financing, legislation transposition and capacity – that would suggest a lower scoring than that given by the ROM reports.

Table 4.3 ROM scores on impact

IPA Year	Project	ROM score(s)*
Energy and air pollution		
2007	Supporting the Implementation of the Energy Community Treaty	B-B-C
2007	Air quality management system	B-A
Waste and chemicals		
2008	Hazardous Waste	B-B
2008	Chemicals management	B-A
2008	Treatment of healthcare waste	B
2009	Hazardous Waste	B
Water		
2007	Study of flood prone areas in Serbia	B
2007	Sewage and Wastewater strategic master plan	B
2008	Municipal Infrastructure Support Programme	C
Horizontal issues and nature protection		
2007	Develop Environmental Approximation Strategy	B-C
2007	Protection of Natural Areas (NATURA 2000)	B-B

*) A= 'very good'; B= 'good'; C= 'problems'; D= 'serious deficiencies'.

Conclusions:

Positive impacts in the environment sector include legislation harmonisation in the air sector and more broadly through the adoption of the Environmental Approximation Strategy. Measures in the area of chemicals are being enforced and inter-institutional cooperation with EU institutions and the business improved. There is improved monitoring of air pollution including real-time monitoring and SEPA enhanced its monitoring and reporting capacity through the establishment of environmental information system EIONET-RS.

There are a series of specific threats to the achievement of impact, including inappropriate planning and the lack of a solution to financing the operation of the healthcare treatment facilities supplied. Opposition from local residents to the construction of hazardous waste facilities have not been successfully addressed. The impact in water sector has been limited by incomplete transposition of legislation and some inefficient provisions of the current Water Law. The planned impact from the reduction of point source pollution is threatened by the inability to ensure required financing for the operation of the WWTP through the water tariffs. Effective development of the NATURA 2000 network requires stronger institutional capacity at national level and clearer ownership of nature protection policy development.

4.5 Additional impact

EQ4 Are there any additional impacts (both positive and negative)?

An alternative definition of impact is 'the total of all effects: direct and indirect, expected and unexpected, positive and negative'. In this section the existence of unexpected, positive or negative impacts caused by the IPA interventions is investigated.

4.5.1 Additional impact in Public Finance Management

Support to the NBS will have a broader impact than originally planned as the budget savings have led to a substantial increase in the scope of the assistance with additional modules being developed.

Additionally, the comprehensive involvement of 21 other member central banks has created an important network of collaboration between the NBS and its peers that can be expected to be sustained.

4.5.2 Additional impact in Environment Sector

A **positive unplanned** impact of the IPA assistance in the Environment sector can be noticed in the following:

- **Strengthening the cooperation between institutions.** The implementation of the projects involved the need to ensure participation of the interested stakeholders. This led to establishment of personal connections and inter-institutional cooperation links that led to improvement of cooperation between the institutions;
- **Better involvement of CSO in the planning and implementation.** This process was initiated by the SEIO through establishment of a Government Office for Cooperation with CSO in April 2010. The implementation of some of the IPA projects, especially Environmental Approximation Strategy required strong involvement of CSO and therefore IPA had a positive contribution to establishment of a culture of consulting environmental measures with NGOs active in this area;
- **Realisation of some institutional inefficiency.** Implementation of some projects helped the managing ministries and units to realise some weaknesses in the institutional and organisational arrangements as for example insufficient capacity of the nature sector in the MEDEP and unsettled relations and responsibilities of data providers of air quality monitoring;
- **The capacity of the beneficiaries to implement projects was strengthened.** This applied for both – the national administration and the municipalities. IPA also contributed to strengthening the capacity of the SCTM, as the organisation although not a beneficiary, had important role for implementation of some of the IPA supported projects.

No **negative** impacts from IPA assistance were perceived.

4.5.3 Conclusions on impact

Summarising, with respect to the judgement criteria from the evaluation methodology (*in italics*):

- *Judgement criteria: The assistance provided under the IPA is making, or can be expected to make, a visible contribution to the institution building objectives of the SAA.*

IPA has made a visible contribution to institution building in those areas of the SAA underpinned by technical elements of the *acquis*, such as tax, customs, IPR, chemicals and waste, energy and air pollution. It has had less impact in more horizontal aspects that are not driven by the *acquis* which need changes in institutional culture – such as PAR at both central and local level. Implementation difficulties and problems with absorption capacity will reduce impact from some elements of the assistance but the multi annual character of the IPA provides the potential for subsequent projects to compensate for this. Some of these problems, for example in the water sector, appear more sustained;

- *Judgement criteria: All interventions fit logically into the wider objectives of IPA.*

There are no elements of the programmes under review that do not target policy objectives of the programming documents and the broader objectives of the IPA although support to the National Bank has to some extent been a response to the financial crisis;

- *Judgement criteria: Generally, outputs have been taken up by the beneficiary organisations.*

Acceptance and use of outputs in institution building in many cases takes some considerable time and emphasises the need for continuous support. Especially in technical areas, the provision of assistance over a longer period of time has been a characteristic of the IPA and this has contributed to the achievement of impact. There have been instances – particularly in the PFM/PAR sector - where impact has not been achieved - where there are unresolved issues related to institutional capacity, lack of supportive legislation, insufficient political support or national level engagement, and unclear policy and ownership.

5 Key conclusions and recommendations

5.1 Thematic and programme level conclusions and recommendations

In evaluating IPA assistance to Serbia, especially at the impact level, it is important to consider the context in which this assistance was conceived in 2005-2006 and the political reality under which it was implemented in 2009-2011.

Although outputs are in most cases delivered due to good contract management and the ongoing relevance of the assistance, effectiveness is often less than expected. The reasons for this are generally project specific but systemic findings are that *acquis* driven technical projects are more successful than those of a horizontal nature and the sufficiency of operational financing of investments has not been well considered during the planning and implementation stages.

Implementation is efficient with the use of procurement solutions that promote cost effectiveness. There have been delays to many projects but these have been resolved expeditiously and no cost extensions provided to ensure outputs are delivered. The lack of formal capacity assessments to scale the volume and timescale of assistance to the absorption capacity of beneficiaries is an underlying concern.

The ongoing support to individual sub sectors by the EC over a long period of time contributes to sustaining results. Regular oversight by peer groups at both the project and the sectoral level is another important factor. Institutional structures supported by the IPA are threatened to some extent by the comprehensive restructuring of beneficiary ministries in both sectors under review. The lack of a merit based recruitment and career management policy is a generic risk to the sustainability of public administration reform. Sustaining investment projects is threatened by difficulties with local level collaboration, complicated institutional structures and sufficiency of funding for operational costs.

Impact has been good in technical areas driven by the *acquis* and less good in more horizontal areas, especially in the PFM/PAR sector. Although there is not yet a sectoral approach *per se*, the PEFA assessment and SIGMA reports provide useful oversight of impact at the sectoral level. Administrative capacity is a limiting factor to impact in energy, water and nature protection but better in waste. The multi annual nature of all of the assistance under review contributes to the achievement of impact but absorption capacity remains an issue for some of the newer or smaller beneficiaries.

5.2 Associated recommendations for each conclusion

The conclusions and recommendations outlined below have been discussed with the key stakeholders and revised as appropriate from the draft report. A number of key programme design issues identified by the evaluation have already been addressed by the Commission Services in more recent programmes and are therefore not included here.

Table 5.1 Recommendations table

N	Conclusion	Recommendation	Action	By	Indicative Deadline
1	IPA projects are often too ambitious and have too wide a scope. Individual projects are frequently structured to include the development of institutional structures followed by associated human resource development and/or the creation of systems and tools. Any delays to implementation or to the acceptance of policy reforms mean that training or investment occur either in parallel to the completion of institutional structures or before these structures have been effectively embedded.	In the immediate term, there needs to be a much more rigorous assessment at the planning stage of what can realistically be expected for an individual project to achieve, especially in politically contentious areas or those not driven by technical acquis.	Multi-objective projects have been reduced in more recent programming and the use of sectoral fiches has also helped to define the schedule of change. This should be complemented by a more rigorous ex ante review of project fiches to ensure the planned objectives are achievable in the political climate at the time of implementation.	SEIO/EUD	Next programming round.
2	There are no formal capacity assessments in the project development stage to scale assistance to the absorption capacity of beneficiaries. Some of the smaller or newer institutions have found effectively supporting and absorbing the scale of institution building under the IPA challenging. There has been a workload analysis in the MoF as part of DIS.	SEIO should provide as part of the programming process a formal assessment of absorption capacity to justify the scale of assistance proposed. Where necessary, conditionalities should be established at either programming or contracting stages.	SEIO to introduce a procedure for assessment of the absorption capacity of the beneficiaries against the planned support under IPA. The NAO should ensure that conditionalities are met prior to contracting.	SEIO/NF/NAO	Next programming round.
3	Replacing experts is common and whilst this should improve project effectiveness the extent of the issue suggests that there are more fundamental problems with the design of tender documents. This issue will to some extent be addressed by the introduction of Global Price Contracts.	Serbian institutions and the EUD need to improve the definition of competencies and experience in tender documents so that the right experts are identified during the tender process.	Prepare guidelines to the beneficiaries on how to improve the definition of the experts' profiles in the tender documents.	EUD	Ongoing.
4	A number of beneficiaries noted that twinning partners did not always tailor advice to the Serbian	Greater consideration needs to be placed on the selection of twinning partners to ensure that they	During the twinning selection and preparation procedure ensure that the twinning partners are	Beneficiaries and EUD	Continuously

N	Conclusion	Recommendation	Action	By	Indicative Deadline
	institutional structures and national perspectives. This is likely to also be caused by a lack of appreciation within beneficiaries of the partnership concept in twinning contracts.	have knowledge transfer skills and experience in motivating their counterparts. Beneficiaries need to have a clear understanding of how to interact with twinning partners to generate the agreed outputs and results.	aware and prepared to deliver assistance tailored to the needs of the beneficiaries. Prior to the start of twinning, ensure beneficiary staff and management understand the roles and responsibilities of the twinning partner.		
5	A number of projects have overlaps with support from the MBP of the IPA and, despite improvements more recently, this has not always been easy to co-ordinate due to the different programming schedules.	The MBP Unit in Brussels, the NIPAC and the EUD need to have clearer communication to ensure that practical implementation of the MBP in the national context does not overlap.	EC Services, EUD and SEIO to discuss how communication between them could be improved in order to ensure complementarity between IPA national and MBP.	EC Services, EUD and SEIO	30 September 2013
6	Assistance to nature protection, water management and waste and water infrastructure has suffered from unclear responsibilities of the institutions both at sector level and for implementation of projects. This contributed to delays and poor ownership, sustainability and impact.	The institutional arrangements in the subsectors and roles of the institutions in the implementation of IPA assistance should be defined based on the Environmental Approximation Strategy (adopted by the Government at the end of 2011).	The MEDEP to lead a Joint Environment Task Force with all relevant ministries and local self government to fine-tune the institutional responsibilities and strengthen capacities in the environment sub-sectors.	MEDEP/all ministries/LSG	20 December 2013
7	A number of projects containing more horizontal reform and in particular those that are not driven by the acquis have struggled to gain and sustain momentum for change, in particular the creation of a culture of 'change at the top' (eg. 2010 PAR, 2008 Support to PIFC).	For this kind of assistance in the future there should be a clear lead institution, preferably with a clear national champion in the form of an individual or an individual position (such as Minister of Justice and Public Administration for PAR) who can clearly exhibit support for the changes proposed to be supported by EU funds.	As conditionality in the project fiches providing for horizontal type of assistance should be included that there is a clear institutional and individual ownership before the projects start.	Beneficiaries, EUD	Continuously
8		Institutional structures, including laws, should clearly be in place before investment in either human resources development or systems and	Introduce SWAP/multi-annual programming in the case of complex assistance that requires targeting for all components – establishment of	Beneficiaries, EUD	Continuously

N	Conclusion	Recommendation	Action	By	Indicative Deadline
		tools. This may require sustained advisory support at senior levels prior to any subsequent assistance that will deliver investment in people or equipment, as occurred in support to SCA in establishing the NCTS.	institutional structures (including legislation), human resources development and systems and tools.		
9	The HRMS is the institutional centre and repository of human resources development (until the establishment of the planned National Training Institute) and is a beneficiary of IPA assistance yet they are not included in the training components of other IPA projects.	The HRMS – or equivalent successor organisation – should be systematically included in all IPA institution building projects as one of the knowledge management partners.	Include HRMS (or equivalent successor organisation) as a project stakeholder in projects for institution building that provide for training activities.	Beneficiaries, EUD	Continuously
10	New rules for the financing of the IPO have the potential to seriously curtail its outreach activities and thus compromise the impact and sustainability of IPA assistance.	Future planned assistance to the sector should be made conditional on a satisfactory solution being found to the longer term financing of both the activities as well as the staffing of the institution.	Ensure that the IPO has the financial and human resource capacity to absorb and sustain the future assistance before granting new IPA contracts to them.	EUD	When a project application where IPO is beneficiary is submitted.
11	International technical organisations (not donor agencies), especially those with a European focus, have been highly successful at implementing the IPA due in part to their longer term relationships with the beneficiary institutions that will continue after the assistance has ended.	Where these technical organisations have the capacity and experience they should be targeted as either service providers or otherwise formally associated with the assistance.	During future planning, where appropriate, consider how and when the relevant international organisations could be involved in the project implementation in order to increase efficiency and bring additional benefits.	Beneficiaries, EUD	Next programming round
12	The lack of co-financing by beneficiaries (municipalities, healthcare providers and	Clearer longer term financial conditionalities should be included in the project fiche and	In the project fiches include an assessment of the volume of financial resources needed to	EUD	Continuously

N	Conclusion	Recommendation	Action	By	Indicative Deadline
	government) for the infrastructure projects as well as financial resources for maintenance and/or operation of some equipment delivered, casts a shadow over the prospects for sustainability and impact of some IPA projects. There are limited mechanisms to provide longer term oversight to infrastructure investment support.	agreed with all parties at the design stage before the decision on funding is taken. The JMC should monitor investment projects for more than one year after their completion	maintain and operate the equipment delivered or infrastructure constructed with IPA support.		
13	Institutional arrangements in the area of water need fine-tuning to ensure efficient implementation and full compliance with the acquis. In some cases clear responsibilities and cooperation mechanisms between institutions are lacking – specifically with river basin management and the inclusion of both operational and policy responsibilities within the Ministry of Agriculture, Forestry and Water Management.	Institutional responsibilities in the water sector need to be assessed and necessary amendments to the legislation introduced.	Assess the deficiencies in the current water legislation related to institutional responsibilities and propose actions to address them.	Water Directorate at the Ministry of Agriculture Forestry and Water Management	30 September 2013
14	The long discussed reforms in the public utilities sector are yet to be agreed upon. While it is recognised that this is a difficult issue with political and social considerations, the lack of reform in the area threatens the proper operation of the waste and water treatment facilities supported under IPA.	In view of the fact that this support will continue in the future it is important to ensure proper political and institutional leadership to drive the reforms, and there should be clear evidence of progress towards this as a conditionality of future assistance to the sector.	Give a mandate to an institution/individual to take leadership of this process. Include in the project fiches for waste and waters municipal infrastructure development a conditionality that the reform in public utilities sector has started.	Serbian Government EUD	September 2013 Next programming round

Annexes

Annex 1 Summary scope of sub sectors

PAR/PFM

Scope of sub sectors

Financial Control contains projects orientated to strengthening control mechanisms in public finance. There is a single project to the *Public Procurement Office* (PPO) under 2007, although further assistance is planned under IPA 2013. 2008 *Support to Public Internal Financial Control (PIFC)* is the third phase of assistance to strengthen public financial control and audit. IPA 2007 also finances support for mechanisms to inform and enforce *Intellectual Property Rights (IPR)*.

Revenue Administration and Financial Supervision covers five projects with a number of subsidiary elements. It includes further strengthening of training capacity to the *Tax Administration*, a joint twinning with Customs on indirect taxation, strengthening enforcement capacities of *Customs Administration* and introducing new transit and customs control procedures. Both beneficiaries are part of the Ministry of Finance. Assistance to the *Treasury Administration* under IPA 2010 is designed to assist in budget planning and management reform in the light of the financial crisis of 2008. The final project, to the *National Bank*, consists of a contribution agreement with the European Central Bank to improve the management systems, legislation preparation and supervision capacity.

Public Administration Reform contains two very large multi component horizontal reform projects as well as further strengthening of the recently established *Ombudsman's Office*. 2007 *Municipality Support* is designed to provide advisory support in decentralised planning to municipalities plus a large grant fund to enable implementation. The evaluation will cover only the technical assistance elements of this programme, including a contribution agreement to the Council of Europe (CoE) to develop and promote legislation in local self government. The second project is a multi component PAR planning tool that will support the establishment of a merit based recruitment and career progression, development of e-government and policy tools for the reform of public administration generally.

Statistics includes a single project covering a range of actions to improve statistics methodologies, prepare for the agricultural census, develop the IT capacities of the national statistics agency and elaborate dissemination of statistics results.

Environment

Energy and air pollution includes two large investments at the thermal power plan (TPP) Nikola Tesla under IPA 2007 and 2008 as part of a series of projects to reduce air pollution and two institution building contracts – 2007 *Regional Energy Strategy* supported implementation of the Energy Community Treaty and prepared investment projects and 2007 *Air quality management* focused on legislation harmonisation and implementation.

Waste and chemicals contains four projects covering chemicals, hazardous waste and healthcare waste developing the legislative base, building management capacity and developing physical infrastructure.

Water consists of two projects for planning in the areas of floods and sewage and wastewater from IPA 2007 plus a very large investment programme that has been continued in a series of projects outside of this evaluation.

The sector of **horizontal issues and nature protection** covers two projects to develop the general approximation strategy and reporting capacities of the government and a twinning project to design and implement the NATURA 2000 sites of environmental importance.

Annex 2 List of documents used

Table A.2.1 List of documents used, obtained or found per project

Sector	Project	PF	TOR	IR	P R	F R	M R	Other
PAR/PFM	2007 Public Procurement	X			X		X	
	2007 Intellectual Property Rights	X		X	X	X	X	IPO Annual Report
	2008 Support to PIFC Phase 3	X		X	X			PIFC Strategy
	2007 Tax Administration	X		X	X	X	X	Training documents
	2007 Customs Administration	X		X	X	X		
	2008 Customs Enforcement	X		X	X		X	
	2008 National Bank	X	X		X		X	
	2010 Treasury Administration	X		X	X		X	
	2007 Municipal Support	X			X		X	
	2010 Public Administration Reform	X			X		X	
	2007 Ombudsman	X		X	X	X		
	2007 Statistics	X				X		
ENV	2007 Emissions Reductions at Nikola Tesla:	X				X		
	2007 Implementation of the Regional Energy Strategy	X	X	X	X	X	X	
	2007 Air quality management system	X	X		X	X	X	
	2008 Environmental protection at EPS				X			Protocols for provisional acceptances Project Status Meetings
	2009 Hazardous waste	X			X		X	
	2008 Chemicals management	X	X		X		X	
	2008 Treatment of healthcare waste	X	X	X	X		X	
	2008 Hazardous Waste	X	X		X	X	X	
	2007 Study of flood prone areas in Serbia	X	X		X		X	
	2007 Sewage and Wastewater strategic master plan	X				X	X	
	2008 Municipal Infrastructure Support Programme	X	X	X	X		X	
	2007 Develop Environmental Approximation Strategy:	X			X	X	X	
	2007 Protection of Natural Areas (NATURA 2000)	X			X	X	X	
	2008 Serbian EPA & EIONET		X			X		

PF= Project Fiche, PSF = Project Summary Fiche, IR = Inception Report, PR = Progress Report, FR = Final Report, MR = Monitoring Report, ToR = Terms of Reference, MoU = Memorandum of Understanding.

Other references used

General Information:

Environment

- Horizontal issues and Nature;
- National Environmental Approximation Strategy (2011);
- National Strategy for Sustainable Development (2007);
- Strategy on Biodiversity of Republic of Serbia for the period 2011-2018;
- Law on Environment Protection (2009);
- Law on Nature Conservation (2010).

Air and Energy

- National Strategy on the Inclusion of Republic of Serbia into Clean Development Mechanism of the Kyoto Protocol for the Waste Management Sectors, Agriculture and Forestry;
- Energy Sector Development Strategy of the Republic of Serbia by 2015 (2005);
- Action Programme for Implementation of the Energy Sector Development Strategy in the period 2007-2012;
- The First Energy Efficiency Plan of the Republic of Serbia for the Period from 2010 to 2012 (2010);
- Energy Law (2011);
- Law on Air Protection (2009);
- Electricity and Gas Road map Serbia (2006);
- Road map of Serbia – Energy efficiency (2011);
- AERS Annual report, 2011;
- Assessment of the Serbian Air Quality Legislation;
- Preliminary assessment of Air Quality in Serbia;
- Air quality modelling of SO₂ in Belgrade territory;
- Guidelines for Ambient Air Monitoring Network;
- Methodology for the assessment of Air Quality in the Republic of Serbia;
- Recommendations on improvement of air quality protection in Serbia;
- Recommendations for drafting Ambient Air Protection Strategy of the RS;
- Air Quality Plans-guidance;
- Final Air Quality Legislation Assessment;
- Final report - Recommendations to Regulation on Emission Limit Values;
- Guidelines of AQ monitoring;
- National Air Quality Monitoring Network Evaluation.

Waste and chemicals

- Waste Management Strategy 2010-2019 (2009);
- Waste Management Law (2009, amended 2010).

Water

- Water Law (2010).

Annex 3 List of interviews

Table A.3.1 List of interviews

Name	Position	Institution
Mikael Holm	RTA	Denmark
Klaus Richter	Team Leader	GIZ
Gerard Ennis	Team Leader	Ministry of Finance and Economy
Luciano Calaciura	RTA	Italian Customs
Slobodan Dujić	Team Leader	Human Dynamics
Anita Meszaros	Project Director	AAM
Maja Stojanovic	Programme assistant	CoE
Ksenija Radosavljevic	Project manager	CoE
Borislav Knežević	Senior Adviser	Public Procurement Office
Branka Bilen Katić	Assistant Director	Intellectual Property Office
Jelena Spasić	Assistant Minister	Ministry of Regional Development and Local Self Government
Aleksander Marinković	Expert	Standing Conference of Towns and Municipalities
Rada Grubacic	Expert	Ombudsman's Office
Jelena Budimir	Head of Projects Management Unit	State office of Republican Statistics
Dragana Jankovic		Human Resources Management Service
Dušan Brajković	Expert	Ministry of Justice and Public Administration
Goran Simunović	Head of Section, CFCU	Ministry of Finance and Economy
Vladan Petrović	Project Manager – Operations	EU Delegation to Serbia
George Papagiannis	Project Manager – Operations	EU Delegation to Serbia
Kostas Soupilas	Project Manager – Operations	EU Delegation to Serbia
Vera Morandini	Project Manager – Operations	EU Delegation to Serbia
Rainer Freund	Programme Manager Environment	EU Delegation to Serbia
Stefano Conte	Project Manager – Operations	EU Delegation to Serbia
Danka Bogetić	Project Manager – Operations	EU Delegation to Serbia
Gligo Vuković	Project Manager – Operations	EU Delegation to Serbia
Sanja Knezević	Expert	Serbian European Integration Office
Dragan Mrkalj	Expert	Serbian European Integration Office
Ana Ilic	Assistant Director	Serbian European Integration Office
Milena Radomirovic	Expert	Serbian European Integration Office
Miloš Golubović	Expert	Serbian European Integration Office
Alexandra Zujć	Head of Section four International Cooperation and EU Integration	Serbian Chemicals Agency
Helmut Witzani	RTA	Assistance in the implementation of a Chemical Management System in Serbia
Verica Jovanović	National Coordinator	Technical Assistance for the Treatment of Healthcare Waste in Serbia
Jan Gerrit Tesink	RTA	Technical Assistance for the Treatment of

Name	Position	Institution
		Healthcare Waste in Serbia
Vladimir Janković	Electricity Market Directorate	EMS - Elektormreža Srbije
Nikola Radovanović	Lead Layer	Energy Agency of the Republic of Serbia
Dejan Lekić	Assistant Director	Environmental Protection Agency
Vladica Božić	Advisor	Ministry of the Energy, Development and Environmental Protection
Biljana Jezdić	Projects Management Department	Ministry of Energy Development and Environment Protection
Miroslav Tadić	Head of Department for European Integration and International Cooperation	Ministry of Energy Development and Environment Protection
Jelena Ducić	Nature protection	Ministry of Energy Development and Environment Protection
Zoran Tesić	Head of waste management department	Ministry of Energy Development and Environment Protection
Radmila Šerović	Head of Unit for Communal and Specific Waste Streams	Ministry of Energy Development and Environment Protection
Luka Starčević	Project Coordinator– Strengthening Institutional Capacity in Hazardous Waste Management	Ministry of Energy Development and Environment Protection
Olivera Antić	Water Directorate	Ministry of Agriculture, Forestry and Water Management
Dragana Milovanović	Water Directorate	Ministry of Agriculture, Forestry and Water Management
Dimitar Zakula	Water Directorate	Ministry of Agriculture, Forestry and Water Management
Milos Mancić	Chief Engineer for Information systems	Srbijavode
Mihajlo Ristić	Database administrator	Srbijavode
Dragana Vasić	Deputy team leader	Eptisa, Royal Haskoning, VNG - MISP
Jean Claude Ah Man	Programming and project preparation	Eptisa, Royal Haskoning, VNG - MISP
Milan Petkovic	Manager for system improvement	TPP Nikola Tesla Ltd.
Zoran Stojanovic	TPPNT B Executive manager	TPP Nikola Tesla Ltd.
Djordji Biljanovski	Deputy director	TPP Nikola Tesla Ltd.
Vlajic Milos	Head of maintenance department	TPP Nikola Tesla Ltd.
Zvezdan Karac	Project manager	TPP Nikola Tesla Ltd.
Miroslav Spasojevic	Advisor Environmental protection	Electro power Serbia
Mihajlo Gavric	Director Environmental protection	Electro power Serbia
Dejan Rebric	Project Manager -Operations	EU Delegation to Serbia
Dejan Trifunovic	Assistant minister	MEDEP
Natalija Lukovic		MEDEP
Milena Djakonovic		MEDEP
Sladjana Vukmirica		MEDEP
Sonja Ruzin	RTA BC Counterpart, IPA 2007 AQ twinning project	MEDEP
Tihomir Popovic	Head of Department for Air Quality Monitoring	SEPA

Annex 4 Sectoral Analysis

Introduction to Sector Analysis

The purpose of the sector assessments is to create a picture of how specific sub sectors have developed since IPA assistance was programmed and from this attribute the influence of the IPA to observed changes. This part of the research forms the basis for the attribution analysis included in the 'Impact' section of the main report. The sectoral assessment is based around an evaluation matrix covering the constituent elements of the sample sectors of environment and public financial management. For the former these elements are air and energy, waste, water and horizontal issues and nature protection and for the latter – financial control, Revenue Administration and Financial Supervision, public administration reform and statistics.

The objectives for the sectors were defined from the European Partnership (EP) and the MIPDs at the time of programming the IPA 2007-09 in 2005-06 and the baseline - the situation at the time of programming - was defined from the associated Progress Reports (PRs). The third column of the matrix consists of indicators of progress expected in the medium term – ie by 2010 or 2011 - taken from the medium term objectives of the 2005/06 EP and elaborated from other information in programming documents. The fourth column contains the current state of these objectives as determined during the evaluation with the extent to which the IPA broadly contributed included in the final three columns.

For the purpose of identifying and assessing sectoral change, information on the current state of each of sectors and sub sectors was derived by reviewing the most recent Progress Reports, Sector Strategies, Sector Studies, Discussion papers and other sources and was complemented by interviews with key sectoral stakeholders. Disregarding externalities for a moment, any sectoral change can be defined within one or a combination of three categories: Institutional Structures, Human Resources or Systems and Tools. These features of administrative reform need to be visualized along a time line of sectoral policy development, with investment provided at appropriate times to effect the achievement of impact. For example, there is little point in investing in Information and Communications Technology (ICT) until the institutional structures have been established; the development of Human Resources must be a constant process. Sectoral change has been divided into these contributory components in an attempt to improve the attribution of the impacts of external assistance. The definition of how the IPA has contributed to these different elements of impact enable further analysis on whether assistance has been appropriately structured to address the needs of beneficiaries. This forms the basis for the analysis of IPA impact in the main report.

Institutional Structures considers the changes to the structures of the institutions in the sector (state and Non Government Organisations (NGOs)) driven by the introduction of new policy. It can be disaggregated into a number of sub components, including organizational reform (such as restructuring or decentralization) and the legal framework (scope of responsibilities between ministries, introduction of commercial service delivery, creation of regulatory agencies).

Human Resources covers the changed behaviour and working methods of the individuals working within institutional structures and can consist of staffing (adequacy of numbers, limiting turnover), resources (existence of Human Resource (HR) policies and career paths, risk of brain drain) and competencies (completeness of required competencies, effectiveness of training).

Systems and Tools consists of the delivery of those elements of technical or managerial infrastructure needed by institutional structures and human resources to effect change. It includes Information and communication technology, infrastructural investment, management information systems or monitoring systems.

Table A.4.1 Analysis of the Environment sector

006/2007 EP Objectives (actual)				Baseline in 2007 (defined from Progress Report 2006)	Indicators of progress by 2010/11 (defined from EP Objectives)	Achievement of Progress	Contribution of the IPA		
							None	Some	High
Air and energy									
Ratify and start implementation of the Kyoto protocol		Progress has been made towards ratification but not yet towards its implementation.	Kyoto protocol is ratified and implementation has started.	Designated National Authority (DNA) was established and became operational in 2008after ratification of Kyoto Protocol in 2007. The National Strategy for incorporation of the Republic of Serbia into Clean Development Mechanism under the Kyoto Protocol for waste management, agriculture and forestry sectors, was adopted in 2010.		X			
Adopt and start implementing the strategy on air pollution		IPPC plans started.	Strategy on air pollution developed and implementation started.	Air Protection Strategy & implementation methodology drafted but needs to be updated based on other strategies currently under revision.					X
		Pollution from lignite power stations remains a serious problem.	Pollution from Nikola Tesla should be substantially reduced.	21MEUR was provided for reconstruction of electrostatic precipitators (EPS) in order to reduce the dust emissions from unit A6, unit B2 and Unit B1 at Nikola Tesla Power Plant.			X		X
		Existing emission regulations are not harmonised with the EU, there is insufficient monitoring and enforcement and institutional structures conflict.	Emission rates reduced and harmonised with EU standards especially from lignite power stations.	Emission regulation is in line with EU standards and monitoring of emissions is increased. Emission rates are however still not completely in line with EU standards. Limit values and target values, according to EU and national legislation, for all regulated pollutants were applied in the national air quality assessment in zones and agglomerations.					X
		No progress in the area of air quality.	Automatic air quality monitoring has started.	System for assessment and management of Air quality established; zones and agglomeration identified; categories of Air Quality Air quality monitoring was further enhanced with the commissioning of a national calibration laboratory for air monitors and an analytical laboratory for air pollutants at SEPA.					X
			Institutional responsibilities for air quality monitoring clarified.	Air Staff from HMSS are transferred to SEAPA which increased SEAPA capacity in air monitoring and provided for a better institutional arrangement.			X		

006/2007 EP Objectives (actual)	Baseline in 2007 (defined from Progress Report 2006)	Indicators of progress by 2010/11 (defined from EP Objectives)	Achievement of Progress	Contribution of the IPA		
				None	Some	High
Adopt and implement a long-term strategy for an environmentally sustainable energy policy	The Ministry of Energy and Mining is weak and the Energy Agency needs financing.	Adopted strategy for environmentally sustainable energy policy and implementation started.	The Energy Sector Development Strategy by 2015, (developed in 2005) is currently being revised, to reflect Europe 2020 goals, particularly in the area of environmental protection and renewable energy.	X		
		Medium term financing of the EA has been obtained.	IPA support the establishment of the agency but its ongoing costs are funded through licence fees and other income earned in carrying out its activities, which also acts t preserve the independence of the Agency.		X	
	The electricity sector has been unbundled according to the ECT but the gas sector remains consolidated.	Gas sector de-monopolised, evidenced by competition.	Gas sector is not de-monopolised. IPA assistance supported the unbundling of Srbijagas.		X	
	Regulators have been established but need ongoing support for national & regional market management.	New entrants to the deregulated energy market.	Only for some segments of the market (i.e. capacity allocations and wholesale trading transactions).		X	
		Energy Treaty actions and deadlines are met.	Most of the deadlines are met in line with the Energy Community requirements. Some crucial actions are still missing (i.e. unbundling of distribution and supply in the electricity sector).			X
	Waste					
Adopt and start implementing the strategy on waste management	Strategic plans on waste management, both at national and at local level, are still being developed.	Strategy on waste management developed and implementation started.	A waste management strategy is adopted in 2009 for the period 2010-2019.	X		
			Four national plans for specific hazardous waste streams are currently being developed.			X
	European standards remain to be applied in the field of solid waste.	The chemical industry is supervised according to REACH regulations.	REACH is in place at least the bigger enterprises. Chemicals management is strengthened. Legislation is in full compliance with REACH and its implementation has started.			X
		Financing plans developed for investments required to meet European standards in the field of solid waste.	Environmental Approximation Strategy (EAS) adopted by the Government at the end of 2011.			X

006/2007 EP Objectives (actual)	Baseline in 2007 (defined from Progress Report 2006)	Indicators of progress by 2010/11 (defined from EP Objectives)	Achievement of Progress	Contribution of the IPA		
				None	Some	High
Finalise construction of a facility for the treatment and safe disposal of hazardous waste	No legislation on hazardous waste.	Hazardous waste legislation is drafted and expected to be in force by 2009 (with secondary legislation).	Hazardous waste, including secondary legislation largely harmonised with EU legislation and adopted. Implementing legislation on environmentally sound disposal of waste containing persistent organic pollutants was adopted in 2011.			X
	National Waste Management Strategy is in place since 2005.	National waste management strategy updated by 2010.	The new waste management strategy covers the period 2010-2019, with some limited advisory support from IPA.		X	
	Most landfills do not bury waste daily according to good landfill practice and do not segregate medical from municipal waste. Many landfills have uncontrolled access and many often burn uncontrollably.	Potential pathogen pathway closed with heat treatment of medical waste prior to disposal.	Heat treatment equipment in place, operators trained, medical waste collection system established. Not all medical waste is treated because of financial constraints. Sustainable funding mechanism for medical waste treatment not yet established.			X
	There is no general nor specialised hazardous waste disposal and treatment facility in Serbia.	The location and design of the facility are finalised and the project is ready for financing.	No hazardous waste treatment facility established so far but an IPA project to address this is currently underway.			(X)

006/2007 EP Objectives (actual)	Baseline in 2007 (defined from Progress Report 2006)	Indicators of progress by 2010/11 (defined from EP Objectives)	Achievement of Progress	Contribution of the IPA		
				None	Some	High
Water						
Continue implementing the water strategy	Some progress achieved in water supply infrastructures. Limited progress has been achieved in water management and legal approximation in the water sector.	Water legislation and strategy are in place and implemented on schedule.	The Strategy for water Management is under preparation (expected in 2013) and New Water Law was introduced in 2010. Approximately half of the secondary legislation to the new law was adopted. There has been no contribution from the IPA but there was substantial support from CARDS.	X		
	The country is prone to flooding and protection mechanisms are antiquated.	A targeted investment programme to improve flood protection is in operation.	Flood risk mapping was introduced and pilot flood management plans are prepared.			X
	Morava river basin is heavily polluted and sewerage systems nationwide are in poor condition.	A bankable project for IFI investment in sewerage has been designed.	KfW loan is taken for Rehabilitation of water supply, waste water treatment and waste management for which IPA provided co-finance. Municipal SLAP database contains data for potential infrastructure projects.		X	
		Strategic analysis of Morava river basin pollution completed.	Morava Sewerage and waste water master plan is developed.			X
	European standards remain to be applied in the field of water.	Financing plans developed as regards investments required to meet European standards.	Strategy in Water developed as part of EAS with financial plans for investments needed to meet the EU standards.			X
	The absence of regional structures makes the planning process and	Other regions have started to develop their own sewerage master plans.	There is one person in each municipality responsible for SLAP database and infrastructure projects.		X	

006/2007 EP Objectives (actual)	Baseline in 2007 (defined from Progress Report 2006)	Indicators of progress by 2010/11 (defined from EP Objectives)	Achievement of Progress	Contribution of the IPA		
				None	Some	High
	implementation of water legislation difficult.					
	The water administration within the Ministry for Agriculture, Forests and Water is seriously understaffed and coordination between this Ministry and the Ministry for Environment is not adequate.	Institutional Administration of the water sector reformed.	There are no substantial changes in the water management institutional structure. There is still a need for better distribution of responsibilities and improved coordination.	X		
		Coordination between the Ministry of Environment and the Ministry for Agriculture, Forests and Water is improved.	Monthly management meetings and Task force meetings for each of the works projects improved cooperation, however the quality of cooperation is still variable.		X	
	The administrative capacity for implementation and enforcement of water legislation remains unsatisfactory.	Administrative capacity enhanced and is considered satisfactory by the Progress Report.	Progress report on Serbia for 2012 states that the capacity of the Ministry of Agriculture's Water Directorate needs to be substantially enhanced.	X		
Horizontal issues and nature protection						
Continue implementing and enforcing legislation approximated to EU legislation.	Limited progress has been made in water management, noise, chemicals & GMOs legislation.	An overall framework for approximation in the sector is in place.	Environmental approximation strategy, adopted in 2011, provided overall framework for approximation in all environmental sectors. Specific approximation strategy for GMO and Chemicals sector; for Noise sector and for Water management have been developed within EA – providing the framework for further approximation in these sectors. Institutional capacities are strengthened and legislation adopted.			X
		Legislation at least partially harmonizing the <i>acquis</i> has been adopted in these sectors.	Law on Water (2010) partially transposed WFD. Further harmonization with EU <i>acquis</i> related to the water protection continued through by-laws adopted in 2010, 2011 and 2022. Directive related to the protection of noise fully transposed in 2012.			X

006/2007 EP Objectives (actual)	Baseline in 2007 (defined from Progress Report 2006)	Indicators of progress by 2010/11 (defined from EP Objectives)	Achievement of Progress	Contribution of the IPA		
				None	Some	High
			In Chemicals sector, adoption of numerous legislative acts which provided full compliance with EU legislation and implementation of EU REACH. Approximation strategy for chemicals and GMO developed.			
Ensure a viable financial framework for the implementation of a mid to long-term environmental protection policy.	The Fund for Environmental Protection is active in the co-financing of projects, especially in the field of waste management, sanitation and air quality monitoring (became operational in 2005).	Budget for environmental investments raised to at least 1% of GDP.	EAS and Sectorial strategies provided cost assessment for full implementation of EU environmental <i>acquis</i> and projections of investments that will be required for each sector. However, the new Government (2012), the Environmental Fund no longer exists. A new institutional set up for financing the implementation of environmental <i>acquis</i> is yet to be defined.		X	
Adopt and start implementing the strategy for nature protection.	The national environmental protection strategy (NEPS) was approved and is awaiting adoption.	Strategy for nature protection developed and implementation started.	Strategy for nature protection was developed. Action plan for implementation of the Strategy is not developed yet.	X		
		Institutional responsibilities are reallocated to the most appropriate institutions.	As part of government restructuring in 2012, the management of protected areas will be transferred to a new Ministry of Natural Resources, while NATURA 2000 will stay in the Ministry of Energy, Development and Environment Protection.	X		
		NATURA 2000 sites identified.	NATURA 2000 sites are not yet identified, but a preliminary list of SPA areas is prepared. EMERALD network exists (areas of special conservation interest) as a basis for development of NATURA 2000.		x	
		Data is being sent to EIONET.	Serbia covers about 74% of the reporting requirements to EEA.		X	
Continue implementing the national environment protection strategy	Law on Nature Protection has been adopted but significant weaknesses in	NEPS funded and implemented on schedule.	Law on nature protection has been harmonized with EU legislation and adopted and secondary legislation improved. IPA supported amendment of the Nature Protection Act and drafting of bylaws on		X	x

006/2007 EP Objectives (actual)	Baseline in 2007 (defined from Progress Report 2006)	Indicators of progress by 2010/11 (defined from EP Objectives)	Achievement of Progress	Contribution of the IPA		
				None	Some	High
	secondary legislation, implementing structures and capacity.		Appropriate Assessment and on the Ecological Network.			
	European standards remain to be applied in the field of water and solid waste.	Financing plans developed as regards investments required to meet European standards, in the field of water and solid waste.	Developed sectoral strategies for waste and water as well as DSIP for Waste Water Treatment Directive and Landfill Directive which contain financial plans for implementation.			x
Rehabilitation of some of the polluted "hot spots".	Polluted hot-spots.	Pollution at existing hot-spots remediated.	Support provided for identification and prioritisation of hazardous waste "hot-spots".			X
Continue strengthening administrative capacity of environmental institutions and bodies national and local level.	The Ministry of Environment was established.	Administrative capacity needs assessments completed.	EAS and Sectorial strategies provided assessment of administrative costs for full implementation of environmental <i>acquis</i> . These documents set the recommendations for further organisation of Subgroup 27 (environment) and specific sectoral working groups for harmonisation and implementation of environmental <i>acquis</i> . Detailed administrative capacity strategy for environment remains to be developed.			X
Support participation in Environmental networks including the European Environmental Agency.	The Environmental Protection Agency (EPA) is engaged in data collection and cooperation with the European Environment Agency.	EPA is sending all necessary data to the EEA.	SEPA covers about 74% of the reporting requirements to the EEA.			X
	The environmental directorate is improving capacity but the water administration is weak.	Water administration is reinforced to adequate levels.	Progress report on Serbia for 2012 states that the capacity of the Ministry of Agriculture's Water Directorate needs to be substantially enhanced.	X		

006/2007 EP Objectives (actual)	Baseline in 2007 (defined from Progress Report 2006)	Indicators of progress by 2010/11 (defined from EP Objectives)	Achievement of Progress	Contribution of the IPA		
				None	Some	High
Promote civil society involvement on environmental issues by encouraging public consultation and participation.	Public participation in decision making is foreseen in certain provisions of legislation on environmental impact assessment, strategic environmental assessment and integrated pollution prevention and control.	Increased public consultation and participation on environmental issues, year on year, according to monitoring NGOs.	The Directive on Access to Environmental Information is still not entirely transposed.	X		

Environment sector analysis

Structure of the environment sector

The principle institution responsible for environmental protection is the Ministry of Energy, Development and Environmental Protection (MEDEP) which was created in 2012 from the former Ministry of Environment, Mining and Spatial Planning (MEMSP) together with the new Ministry of Natural Resources, Mining and Spatial Planning (MNRMS), with a range of other ministries having some involvement in the implementation of the environmental policies. A number of agencies, with various degrees of independence, are also involved in the implementation and enforcement of the legislation²⁸.

The main governmental institutions responsible for the energy sub-sector are the Energy Efficiency Agency (EEA) and Energy Regulatory Agency of the Republic of Serbia (AERS). There are also five regional energy efficiency centres (REEC) and the Serbian Industrial Energy Efficiency Network established at the faculties of mechanical engineering of Belgrade, Niš, Novi Sad, Kragujevac and Kraljevo for the purpose of supporting the implementation of energy efficiency policy.²⁹ The institutions involved in implementing the Energy Community Treaty are the Energy Regulatory Agency (AERS), the Transmission System Operator (TSO), the Market Operator Elektromreža Srbije (EMS) and Srbijagas. Annual financing of the AERS has been ensured so far in a manner that preserves the independence of the Agency, after its establishment with the support of the IPA.

Within the air and climate change sub-sector, the main responsible institution is the section for Air Protection within the Protection of Natural Resources Sector of MEMSP. As for climate change, the responsibility lies within the Section for Climate Change in the Sector for European Integration International Cooperation and Project Management, also within MEMSP. The Republic Hydro-meteorological Service of Serbia (RHSS) and Serbian Environmental Protection Agency (SEPA) have also been involved in air quality monitoring.

In the sub-sector of waste management, waste collection and management is provided by the public utility companies (PUCs) which provide waste management services in municipalities. The Serbian Chemical Agency (SHemA) was responsible for all executive tasks for the Law on Chemicals and the Law on Biocidal Products except inspections, however this institution has been merged with the new MEDEP. The Ministry of Health and healthcare facilities undertake healthcare waste management while in the MEDEP a Department for Waste Management is responsible for issuing permits for healthcare waste management.

In the water sub-sector, the Water Directorate in the Ministry of Agriculture, Forestry and Water Management (MAFWM) is responsible at the national level. However, responsibility for protection and management of water resources is shared with the Ministry of Economy and Regional Development, the Ministry of Health and the Ministry of Interior and the Ministry of Infrastructure and Energy.³⁰

Apart from the MEMSP, the main institution responsible for the nature protection sub-sector is the Institute for Nature Conservation of Serbia (INCS). Within the MEMSP the Department for Nature Protection in the Sector for Protection

²⁸ Environmental Inspectorate, Environmental Protection Agency, Republic Hydro-Metrological Service, Chemicals Agency, Fund for Environmental Protection, Institute for Nature Conservation, Serbian Waters, Vojvodina Waters, Beograd Waters, National Environmental Fund, Local Self-Governments, Standing Conference on Towns and Municipalities, National Council on Towns and Municipalities, National Council for Sustainable Development, Public Health Institutes, National Parks, Serbia Forests and Vojvodina Forests.

²⁹ Since 2005, the operation of the transmission system and the electricity market has been under the responsibility of the public enterprise EMS (Elektromreža Srbije). Srbijagas is the major transmission system operator in the gas market of Serbia. The Serbian Agency for Ionising Radiation Protection and Nuclear Safety (SRPNA) operates as a separate body.

³⁰ Public water companies (Srbijavode, VodeVojvodine and Beograd vode) manage water on the regional level.

of Natural Resources is responsible for nature protection. The Ministry of Agriculture, Forestry and Water Management as well as the local self-governments also have responsibilities in the implementation of nature conservation policies, as does the new MNRMSP.

Air and Energy

Progress and developments in institutional structures

Institutional developments

Since 2005, the operation of the transmission system and the electricity market has been under the responsibility of the public enterprise EMS. The unbundling of distribution and supply functions in the publicly owned generation, distribution and supply electricity company Elektroprivreda Srbija (EPS) has not yet been achieved. In the gas market, Srbijagas is the major transmission system operator controlling 100% of the wholesale market, although a number of licenses for trade on the free natural gas market have been issued. However an increased role of Gazprom is expected and the Serbian government presented a detailed and ambitious gasification plan which will be financed through the National Investment Plan (NIP).

Amendments to the Law on Energy envisage the establishment of the Fund for Energy Efficiency as an independent legal entity, however this institution was also identified in the package of agency cuts prepared by the new government in mid-2012.

The Serbian Agency for Ionising Radiation Protection and Nuclear Safety (SRPNA) was established as a separate body in 2009 and started functioning in mid-2010. The Agency implements the international conventions which Serbia has signed. However, the transfer of inspection functions from a variety of ministries to the Agency, in line with best regulatory practices, has not yet been achieved.

The Republic Hydro-meteorological Service of Serbia (RHSS) and the Serbian Environmental Protection Agency (SEPA) have been involved in air quality monitoring with the specialist staff recently being transferred from the RHSS to the SEPA. Vojvodina has established its own network of seven air quality monitoring stations. Likewise, local government units are responsible for monitoring air quality at the local level and this has usually been performed by the Public Health Institutes (PHI), while the City of Belgrade performs air quality monitoring within the territory of the City. A key constraint of the sub-sector is the number of institutions involved.

The progress in the sub-sector comprises the developed institutional capacity at all levels (central, regional/local), particularly related to improved capacity for planning and inter-institutional cooperation. Responsible national institutions have established cooperation with the EC institutions and their mutual cooperation in implementing certain activities has improved. However, the institutional arrangements necessary for an emission trading system have still not been developed.

Legislation

In 2009, the Government adopted secondary legislation in the energy sector. A price support scheme (feed-in tariff) for electricity production from renewable sources of energy was established. The Agency for Protection from Ionising Radiation Protection and Nuclear Safety (SRPNA) has issued legislation to implement the Law on Ionising Radiation Protection and Nuclear Safety in 2009 however a framework law on the rational use of energy remains in draft form.

The Energy Community Treaty was ratified in 2006 by the European Union and six contracting parties from South-Eastern Europe, including Serbia. Its stipulations have become binding for Serbia which means a full application of

the environment acquis by 2017 in the energy sector. Most of the intermediate deadlines have been met however some crucial actions are still missing (i.e. unbundling of distribution and supply in the electricity sector).

The new Energy Law, adopted in July 2011, represents a substantial step towards full transposition of key provisions of the EU *acquis* on electricity and gas. It foresees a new market model, and the unbundling of distribution and supply functions for gas and electricity. However, the new Law is currently still only partly in line with the Renewable Energy Sources Directive. Overall, the implementation of adopted legislation in the energy sub-sector is progressing slowly.

Serbia ratified the United Nations Framework Convention on Climate Changes in 2001 and gained the status of a non-annex country. Serbia's First (Initial) National Communication under the United Nations Framework Convention on Climate Change was submitted to the Secretariat of the Convention in 2010, and preparation of the Second National Communication is ongoing. The Kyoto Protocol was ratified in 2007. The Law on Air Protection (2009) and the Decree on the Manner of Work, Criteria and Timelines for Assessing and Approving Potential Projects of Clean Development Mechanisms by the Designated National Authority for the Implementation of the Kyoto Protocol provide the legal framework that offers the opportunity for Serbia to turn emission units that are tradable to EU's Emission Trading Scheme. The Energy Agency has also adopted a series of secondary legislation in meeting the requirements stemming from the Energy Community Treaty.

A key Directive under which Serbia has to develop its policy in relation to emissions to air, the National Emission Ceiling Directive (2001/81/EC), has not been transposed so far. Even though the Law on Air Protection (2009) contains provisions to transpose the National Emissions Ceilings Directive, further by-laws are still required. Serbia has also ratified the Convention on the Long-Range Trans-boundary Air Pollution (CLRTAP) and its Protocol on the long-term Financing of the Cooperative Programme (EMEP). The ratification of other CLRTAP Protocols is planned. The Convention on Nuclear Safety and the Joint Convention on the Safety of Spent Fuel Management and the Safety of Radioactive Waste Management have still not been ratified.

A considerable part of the Serbian air quality related legislation, adopted during the period from June 2010 to April 2012 has been supported by IPA. The majority of relevant EC legislation has been transposed, with the exception of the most recent EU directive - Directive 2010/75/EU on industrial emissions (integrated pollution and prevention control). Additionally, the transposition of Directives related to the quality of fuels has only started and is planned to be finished by the end of 2012. Some gaps also remain related to measurement requirements for NO₂.

As to industrial pollution and risk management, alignment with both the Directive on integrated pollution prevention and control (IPPC) and the Directive on control of major accident hazards (Seveso II) has been largely completed and implementation has started. The most recent update of the EU legislation on IPPC will have to be taken into account to ensure full compliance with the EU *acquis* in the field of industrial emissions. Each of the approximately 180 IPPC installations needs to hold a valid permit by 2015. The first applications are now being received and processed. The first IPPC integrated licence was issued to the Titan cement plant in July 2011.

Strategies

The Energy Sector Development Strategy was adopted in 2005. An implementing plan of the Strategy was adopted in 2007 and has been updated in 2010. The newly adopted Energy Law foresees the development of a new energy strategy for a period of at least fifteen years. However, the National Renewable Energy Action Plan (NREAP) and the national strategy for nuclear waste management have not been developed yet and the national programme for spent fuel has not been adopted so far.

The first annual programme for financing energy efficiency projects in the public sector was adopted in March 2012, with a budget of € 13 million.

The Draft of the Air Protection Strategy has been developed with substantial support of IPA assistance, but has not yet been finalized by the MEMSP.

Development of human resources

There is visible progress in strengthened professional capacity in the sub-sector, including increased competences of existing AERS staff in matters of price regulation, market functioning and market monitoring. Administrative capacity in the area of renewable energy needs to be strengthened. The Serbian Agency for Ionising Radiation Protection and Nuclear Safety has an insufficient number of staff.

SRBIJAGAS, the state-owned public enterprise, employs 1,100 employees. The focus on systematic training supported by IPA (on-the-job training, workshops, study visits) and the knowledge provided to institutions responsible for energy sector and air protection policy increased their competences for operating in an open market, as well as improving their better internal cooperation and coordination of their activities. However, the institutions responsible for implementing obligations under the Energy Community Treaty are still in need of capacity strengthening, and the number of technical and IT staff in environmental institutions is insufficient.

A more positive example of improved human resources is the recent transfer of staff from the RHSS to the SEPA, where understaffing was a major problem. The Public Health Institutes and the City of Belgrade also have adequate staff and budgets for monitoring of air quality, confirming that human resources in the sub-sector of air quality have been improved, to a large extent as the result of training through IPA assistance.

Establishment of systems and tools

The data collection system in the energy sector of Serbia is in the process of being established. The energy balances adopted by the Serbian government on a yearly basis are only partly harmonized with the Eurostat methodology, the main reason being the impossibility to collect data at an appropriate level of complexity and accuracy.

Due to the absence of a MIS in MNRMSIP it is impossible to optimize the internal work of Ministry staff or to coordinate activities effectively with the range of institutional and civil actors dealing with energy production, consumption and renewables.

The infrastructure of the Electric Power Industry of Serbia is antiquated and measures for emissions control do not fully comply with current legislation. The intensive investments in upgrading thermal power plants in the period 2001–2008 resulted in operational improvements, as well as the achievement in 2008 of the best indicators of power plant operation since 1992. The Public Enterprise Electric Power Industry of Serbia began with the introduction of ISO 14001 standards (EMS), indicating a tendency towards modernization and restructuring of its generating capacities in line with obligations and responsibilities in the area of environmental protection under EU directives. However, the average age of thermal power plants in Serbia is still 29 years, far behind electrical power systems of most EU member states.

A current constraint related to climate change is the inventory for greenhouse gas emissions for the sectors within the Emissions Trading Directive, which is inadequate for the establishment of an emission trading system.

The air quality monitoring system, along with the commissioning of a national calibration laboratory, was upgraded as a direct result of IPA assistance leading to real time information on air quality for the first time. Air quality monitoring was further enhanced for air monitors and an analytical laboratory for air pollutants at SEPA. A Quality Manual for Calibration, Standard Operation Procedures for automatic monitoring stations, application of Primary and Certified Reference Materials, application and calculation of uncertainties with examples and practices and other necessary procedures for Quality Control/Quality Assurance (QC/QA) for air quality monitoring was also developed. Therefore, SEPA staff of the Calibration laboratory are now able to carry out all necessary procedures to assure QC/QA of air quality monitoring. Pilot Air Quality Plans in cities of Belgrade, Novi Sad and Bor have been developed. Even though SEPA has the modern monitoring equipment most suited to implementing the required EU directives, it lacks the necessary budget for practical implementation.

The PHIs also have satisfactory monitoring equipment, however monitoring is carried out manually which is less appropriate for achieving full compliance with the acquis. Validated emissions data from all categories of sources of air pollution and for all the pollutants are still not available in a timely manner. Another issue for air quality management and assessment is the development of air quality modelling as a tool for verification of the effectiveness of proposed measures to improve air quality and to assess air quality plans. Air quality modelling is planned to be available by the end of 2012.

Other donor assistance to the sub-sector

During 2011, EU 105.91 million of international assistance was disbursed in the sector of environment and energy (including water supply, waste sanitation, mining and mineral resources) in Serbia, however, the needs of the significantly exceed this amount. The funding was mainly related to strengthening the capacities of line institutions, harmonization of legislation and standards in line with the EU acquis, ensuring constant energy supply etc. The most significant development partners in 2011, according to the amount of disbursed funds are: the EU, Germany (KfW bank, GIZ), the World Bank, Sweden, the EBRD, and the EIB.

The **Government of the Kingdom of Norway** has approved a EUR 121,080 donation to the former Ministry of Energy for the purpose of the realization the project “National Strategy for incorporation of the Republic of Serbia into Clean Development Mechanism under the Kyoto Protocol for waste management, agriculture and forestry sectors” which was adopted in 2010. An **EBRD** loan of €150 million was provided to Southeast European countries, including Serbia, to upgrade and expand gas transmission, distribution and storage infrastructure. This loan supported Srbijagas undertake a range of institutional reforms promoting market liberalisation. The **Netherlands Government**, within its Biomass Action plan financed the “G2G Project”, co-financed by the Serbian Ministry of Energy that focused on the production and use of biomass within the context of implementation of the acquis on renewable energy. The government of the Netherlands also financed the Development of Renewable Energy Framework in Serbia in the period of two years with the purpose of supporting the government of Serbia with issues related to Directive 2009/28/EC. The **Government of Japan** financed with a budget of EUR 1.7 million the “Capacity Development Project on Nationally Appropriate Mitigation Actions (NAMAs)” in the period November 2010 – February 2013.

Finally, support to the establishment of DNA was provided by **UNDP**, while subsequent capacity building activities have been supported by the **Italian Ministry of Environment, Land and Sea**.

Waste and Chemicals

Progress and developments in the Institutional structures

Institutions

The new MEDEP is the key institution in the waste sub-sector³¹, replacing the MEMSP, responsible for policy making, legislation and control (permits). It is assisted by the Serbian Environmental Protection Agency, which is responsible for enforcement and data collection/reporting. The autonomous province of Vojvodina has responsibility for administration and control on its own territory. Practical implementation of waste collection and management is vested with the Local Self Government units.

The Serbian Chemical Agency (SHemA) was established in November 2009 and became operational in March 2010. Until its recent merger into the MEDEP it was responsible for all executive tasks concerning the Law on Chemicals and the Law on Biocidal Products, with the exception of inspections. The chemical industry is partly supervised according to REACH regulations (mostly large enterprises) and this is expected to continue under the new institutional arrangements. Cooperation by the state with stakeholders in the field of chemical management (international actors, national institutions, trade, environment and sanitary inspections, NGOs) has improved and a memorandum of cooperation with crucial consumer associations and relevant NGOs has been signed. Cooperation amongst different market inspectorate services progressed, with the creation of a joint body for the surveillance of chemicals, comprising representatives of the Market, Sanitary and Environmental Protection Inspectorates as well as the Chemicals Agency.

The Ministry of Health and health care facilities are competent authorities for health care waste management while in the MEDEP a Department for Waste Management is given the task for issuing permits. The National Institute for Public Health (IPH) collects data on infectious waste generation and treatment from the Central Treatment Points (CTPs) and Local Treatment Points (LTPs).

Despite the more recent changes, as the result of support provided through IPA the institutional framework in the area of healthcare waste management system has been largely formalized. IPA assistance has also directly contributed to the establishment of better cooperation between relevant institutions in the field of the health care waste management system. This has gradually resulted in the approval of more than two hundred HCW management plans submitted by the health care facilities. Nevertheless, coordination could be further improved. Furthermore, the linkages between industry and the state institutions are particularly weak and the industry needs more guidance. Although much has been achieved, responsibilities for health care waste management have still not been well defined.

Institutional conditions arrangements in the waste sub-sector are not satisfactory. The current arrangement whereby the Ministry acts as both a policy body and an implementing entity does not provide for appropriate separation of functions. The situation at the local level is of even greater concern. The Public Utility Companies (PUCs), which provide waste management services in municipalities, are small and not able to achieve economies of scale. They also face considerable financial difficulties. Furthermore, cooperation between municipalities in the field of waste management is not well established.

The funding of healthcare waste management is covered by the Health Insurance Fund supplemented by the healthcare facilities' own resources. However, funding is not sufficient and not all medical waste is treated. The lack

³¹ With the exception of waste from extractive and nuclear industries.

of financial sustainability is particularly related to the treatment of infectious waste in the human healthcare sector. IPA assistance helped in developing cooperation with the Health Insurance Fund (HIF) with the aim of addressing this issue of financial sustainability.

Legislation

The waste legislation transposed a large portion of the acquis. It establishes targets for the reduction of biodegradable waste to landfill. However, there remain numerous areas where further legislative action is required (e.g. end-of-waste status, bio-waste, mining waste, sewage sludge). National hazardous waste legislation has been largely harmonised with EU legislation and adopted and the Waste Management Law as well as the Packaging and the Packaging Waste Laws were adopted in 2009. The Law on Waste Management is also supplemented by a series of Decrees covering, among others, Special Wastes, Transboundary Shipments, Land filling and Thermal Treatment. 20 Rulebooks set out detailed procedures for both the administration and the practical application of the Law and a regulation on establishing the plan for the reduction of packaging waste for the period from 2010 until 2014 has also been adopted.

Progress is also seen in the practical implementation of legislation. The collection rate of house hold waste has increased from 60% to 72%. However, disparities between urban and rural areas are still significant. Separate collection of recyclable materials is at an early stage, while implementation of the packaging waste legislation is proceeding. However, there is some resistance from collection operators and insufficient monitoring from inspectors.

The legal and policy framework covering health care waste management has recently been amended and updated. In 2010 the by-law on Healthcare Waste Management was passed. The current legal and policy framework provides some direction to health care waste generators but contradictions still exist and full harmonisations with EU Directives has not been achieved. IPA assistance resulted in proposals for the revision of the provisions on healthcare waste management in the Law on waste management as well as with the draft revision of the by-law on healthcare waste management. The draft bylaw for veterinary healthcare waste management has also been completed. However, the Serbian Parliament has not yet adopted the proposed changes to the healthcare waste legislation.

IPA assistance to healthcare waste management also contributed to the establishment of good cooperation with the Ministry of Education which resulted in the change of the bylaw on the curriculum of secondary school for nurses by which healthcare waste management has been given a mandatory place in the curriculum.

A number of by-laws have also been adopted in the areas of management of the specific waste streams and the treatment operations which are basically harmonized with EU legislation. IPA assistance directly contributed to the finalisation of these bylaws. Support from IPA resulted also in the preparation and adoption of National Plans for specific hazardous waste streams in line with the Waste Management Strategy and Hazardous Management Waste Plan, and it is expected that far results achieved thus far will contribute to the improvement of the implementation system of regulations on hazardous waste management.

Good progress is seen in the area of chemicals. The Law amending the Law on Chemicals and the Law amending the Law on Biocidal Products were adopted in December 2011. The downstream legislation with regard to the Registration, Evaluation, Authorisation and Restriction of Chemicals (REACH), the Classification, Labelling and Packaging of Chemical Products (CLP) and the Biocidal Products Directive (BPD) has been updated to follow the changes in the EU legislation.

Strategies

Four national plans for specific hazardous waste streams are currently being developed. The main policy instrument on the national level, is the National Waste Management Strategy, updated in May 2010 for the period until 2019. A detailed Financing Plan establishing the costs of the proposed actions has also been developed. The elaboration of the Strategy was supported by IPA assistance.

IPA assistance also contributed to the development of more than 200 healthcare waste management plans in 2012, created and approved by the Ministry of Health.

IPA assistance resulted in the Education Strategy on Chemical Safety and the Action Plan for further activities related to the Integrated Chemicals Management System. However, neither of these strategies has till today been officially adopted.

Development of human resources

Exchange of know-how and share of EU best practices provided through IPA assistance allowed Serbia to join the Chemicals Legislation European Enforcement Network (CLEEN) in 2010 (the only non-EU MS except Switzerland and Norway). However, staffing is inadequate in the sub-sector. On the national level, only one official in the MEDEP is responsible for healthcare waste management. Extensive capacity building was provided by IPA, to among others, the staff of the now closed Chemical Agency who have also benefited from cooperation with international actors and various organised training events.

Training has been provided for the veterinary sector and other healthcare facilities in injection safety. IPA support is expected to improve work safety of staff employed in healthcare facilities, decrease exposure to infectious pharmaceutical and chemical waste as well as to raise overall knowledge transfer on healthcare. Further, the IPA assistance raised the capacity of sanitary and environment inspectors. Operators of heat treatment equipment within the healthcare waste management system have been trained for its use.

IPA also contributed to building institutional capacity for cooperation and implementation of regulations and strategic plans and documents on hazardous waste management in the country. Through a series of training seminars, national and local authorities as well as hazardous waste generators and managers have been informed of EU best practices within hazardous waste management. Staff of the ministry's Waste Management Department, other governmental organisations as well as relevant stakeholders such as the Chamber of Commerce and Standing Conference of Towns and Municipalities have participated in the development of all project outputs, thereby significantly increasing their capacity within hazardous waste management. Overall, general knowledge on hazardous waste management and practical knowledge on steps that are needed to introduce systems for hazardous waste management have been improved in the related institutions.

Establishment of systems and tools

There are improvements underway with respect to the management of municipal waste, with visible progress towards EU standard sanitary landfills. However, the sub-sector is still hampered by the lack of basic infrastructure for the treatment and disposal of hazardous waste. Furthermore, none of the hazardous waste storage facilities are compliant with Serbia's emission standards for air and water.

IPA assistance enabled the procurement of hardware and software equipment necessary for the establishment of a computer based Integrated Chemical Management System (ICMS) as well as equipment for the control of chemical management legislation enforcement.

Two manuals have been prepared in the field of chemical management, the Manual on Classification, Labelling and Packaging and the Manual on Substance Identification. The Manual on REACH is to be finalized in 2012. A Guidebook on chemical management for high school chemistry teachers was also provided and five hazardous waste management manuals to be used by authorities, generators and operators are also being developed.

There is a lack of reliable data on hazardous waste. Even though (SEPA) has a mandate to collect and process environmental data and to produce relevant reports, no formal mechanism for exchange of information between the responsible institutions exists. A system of data collection, registration and reporting on waste is operational as part of the national register of pollution sources. However, the participation of waste generators in providing relevant data needs to be improved. There is no comprehensive database of chemicals on the market in Serbia. However, an integrated chemicals registry has been established.

Healthcare waste management (HCWM) in healthcare facilities (HCFs) is being developed. In most HCFs some form of HCWM is in place through the use of heat treatment equipment coupled with medical waste collection systems. Even though there are treatment facilities for sterilisation of medical waste, they are not distributed in the most appropriate way and some are not properly operated and maintained. Furthermore, the delivered shredders cannot process metal waste and reliable data on the generation of pharmaceutical and chemical waste by the healthcare sector is not available. Data on waste generation in the veterinary sector is also non-existent. Overall, the systems for the collection, transportation, treatment and disposal systems for pharmaceutical and chemical waste from the healthcare system are limited.

The lack of basic infrastructure means the absence of both facilities for hazardous waste treatment and disposal (destruction or incineration), as well as proper storage for hazardous waste. There is also limited reliable data on the volumes of hazardous waste generated by industry, although this is being addressed by the SEPA. A further intransigent issue is that the construction of a national hazardous waste management facility has been postponed and may not happen due to the opposition of the local communities to locating of the facility in their territory.

Other donor assistance to the subsector

SIDA, Sweden financed with 1.5 million EUR the project: Chemical Risk Management in Serbia, phase 2 to establish an operational integrated register of chemicals; technical guidelines for the implementation of relevant legislation and economic measures and instruments for management of chemicals. SIDA also provided additional support to the financing of Regional Waste Management Scheme Duboko. The project resulted with the establishment of an EU standard waste management system.

The **Kingdom of Norway**, with a budget of 331.275 EUR developed a Hazardous Waste Treatment Facility in the period February 2010 - April 2011 to support the preparatory phase for a subsequent construction project. Norway is also providing assistance that will develop the "social infrastructure" which will underpin hazardous waste management by raising awareness and increasing knowledge of relevant stakeholders.

The **Netherlands** financed with 50.000 EUR the design and construction of the waste transfer station Koceljjeva.

Assistance in healthcare waste management system has previously been provided by the **World Bank**. However, some projects have also been co-financed with **national funding** (e.g. the City of Belgrade, the City of Novi Sad, Ministry of Health).

Related to chemical management, the following projects have been implemented and funded from other sources other than EU funds:

- The SAICM (Strategic Approach to International Chemical Management, a UN initiative) project (August-February 2009) resulting with a “National chemicals management profile” and a capacity assessment for the sound management of chemicals and national SAICM implementation;
- The Global Environment Fund (GEF) project for the “Development of a National Plan for Implementation of the Stockholm Convention on Persistent Organic Pollutants” (POPs) was completed in April 2009. The government adopted the plan in December 2009;
- The project with Keml, funded by SIDA (October 2008-December 2010) provided assistance through training, resulting also with the preparation of legislation, recommendations for the Chemical Agency's structure, identification of software and hardware needs, recommendations for data collection and management etc.

Water

Progress and developments in the institutional structure of the sector

Institutions

Institutional provisions in all the aspects of water management in Serbia are complex and include a number of institutions at both the central as well as the local level. The Water Directorate of the Ministry of Agriculture, Forestry and Water Management (MAFWM), is competent for issues related to water management on the national level. However, responsibility for protection and management of water resources is shared with the former Ministry of Economy and Regional Development (now Ministry of Regional Development and Local Self Government), the Ministry of Health and the Ministry of Interior and the Ministry of Infrastructure and Energy. Public water companies (Srbijavode, Vode Vojvodine and Beograd vode) manage water within a region, however, these large public water companies are generally not involved in water supply and sanitation services.

Institutions involved in regular and emergency flood defence activities are: MAFWE – Directorate for Water (DFW), PWMC "Srbija vode" (in charge for Central Serbia, south of the Sava river), "Vode Vojvodine" (in charge of the Vojvodina province) and "Beograd Vode" (17 municipalities within the territory of the Belgrade city), local water management companies, and Hydro-meteorological Service (HMS). The Civil Defence, the Army, and municipal human resources are also involved in flood mitigation activities in emergency cases.

Water services are provided by the Public Utility Companies (PUCs), established on the municipal level. Many PUCs do not achieve cost recovery for the water services they provide, partly as the result of the relatively low tariffs they charge and partly due to lower than optimal scales of operation and non-specialized operational practices with a lower degree of efficiency. Public utilities are supposed to be mandated by their founders, i.e. the towns and municipalities, but in most cases the Republic of Serbia owns the assets of the public utilities.

The greatest institutional constraint in the sector is the capacity of the PUCs. Only in the cities are there PUCs specialized for providing only water services. Most also have other responsibilities (waste management, street cleaning etc.) and are of a relatively small size. Therefore, their capacities are too small to carry out the operation, maintenance and development planning which is required in the water sector, and are unlikely to achieve economies of scale needed to achieve efficiency.

The new Water Law clearly defines the responsibilities of the relevant institutions. However, some overlaps in institutional responsibilities do exist, particularly in respect to the control of wastewater discharges. Coordination and cooperation between the institutions is moderately good and is continuously improving.

Inter-municipal cooperation has also been increasing. However, in some cases it is still limited to paper agreements. A less than satisfactory level of cooperation is visible among municipalities with different political leadership, resulting in only limited progress in the reform of the PUCs. Improvement in inter-municipal cooperation requires the establishment or strengthening of joint companies for the management and operation of regional projects, and the development of a contractual relationship between these new entities and the municipalities themselves. Improvements of the SLAP (System of Long Listed Advanced Projects) information system have enabled closer cooperation with the central government institutions contributing to streamlining a more specific sector approach.

The SCTM (Standing Conference of Towns and Municipalities) has also significantly improved the quality and increased the scope of its work in recent years, including its activities geared towards promoting sustainable development, and greatly enhanced its influence in the overall social and political environment in Serbia, as well as internationally.

Apart from the physical improvements in the water sub-sector as the result of infrastructural investments, the main achievements are seen in the raised awareness of both the national as well as the local level on the importance of good planning and programming and, above all, on the importance of close horizontal and vertical cooperation with the aim of avoiding problems and delays in the implementation of the projects at later stage.

Legislation

The current legislation in the field of the water sub-sector is not fully harmonized with the acquis, but steps are currently being taken to rectify this. The introduction of the new Water Law in 2010 achieved partial transposition of many elements of the acquis and makes provision for a large body of secondary legislation to be in place by the end of 2012. Even though implementing legislation on emission limit values of pollutants in water and deadlines for its accomplishment have been adopted, EU legislation on the protection of groundwater against pollution and deterioration, groundwater monitoring, the Nitrates Directive and Urban Waste Water Treatment Directive still needs to be fully introduced into the Serbian law. Overall a significant part of the water sector legislation remains to be aligned.

Some items of the secondary legislation have already been completed, and the remaining items are in the process of preparation. The secondary legislation will however not complete the transposition process and the new Water Law also remains to be revised. Whilst it is clear in the Law who is in charge of drawing up the basin management plans, the appropriate arrangements to implement them are lacking. Moreover, there are a number of aspects of the new Law pertaining to legal certainty that remain to be addressed.

The Law on Public Utility Services is largely in line with the tariff principles of the Water Framework Directive. However, cost-covering tariffs for water remain to be introduced in the Water Law and the development of the groundwater monitoring network needs to be progressed.

The levels of practical implementation in the water sector are highly variable. Serbia has already contributed to the practical implementation of the Water Framework Directive as an active participant in the International Commission on the Protection of the Danube River. Further contributions will be achieved through the water management plans, the first "preliminary" iterations of which are scheduled by the Water Law for 2012. However, Serbia is currently still failing to achieve compliance with the main pollution control requirements specified in the Urban Waste Water Treatment Directive (UWWTD), the IPPC (now IED) Directive and the Nitrates Directive. This non-compliance resulted in the failure to achieve the environmental objectives of the Water Framework Directive. However, Serbia did

align its legislation with the acquis on emission limit values (ELVs) for water pollutants and the Danube River Basin Management Plan has been completed in line with the Water Framework Directive.

Reasonable compliance is achieved with the Drinking Water Directive in many areas, but a serious problem arises in the autonomous province of Vojvodina with arsenic contamination. Similarly, the existing system of flood risk management achieves reasonable compliance with the aims of the Flood Risks Directive, even though the main compliance remains to be fully achieved.

The MISP (Municipal Infrastructure Support Programme) also contributed to progress through consultations in the process of preparation of various legal acts. The models of inter-municipal agreements and Regional PUCs have also been introduced in order to facilitate the preparation and implementation of the inter-municipal projects.

Strategies

The National Implementation Plan for the Stockholm Convention on Persistent Organic Pollutants was adopted in 2009 and IPA assistance resulted in the development of the Approximation Strategy for the Water Sector. The Water Management Master Plan of the Republic of Serbia is under development, the National Environmental Strategy and the Global Wastewater Study have also been prepared covering wastewater collection & treatment in the country. IPA assistance to the sub-sector resulted in the adoption of the Strategic Master plan of investment to develop sewerage and wastewater treatment. Specific data on wastewater generation in Serbia is however still not available due to the lack of wastewater flow measurements, and the only indicator is a high level of water consumption which inevitably leads to higher levels of wastewater. Water pollution is a problem present in several parts of the country including the Morava River Basin, where, due to the low flow rates of the rivers, the discharged loads have significant impact on the water quality.³²

The Municipal Infrastructure Support Programme (MISP) has to a major extent contributed to the preparation of the Strategy for Transformation of Public Utility Companies. The Strategy was planned to be adopted by the end of 2010, however, reshuffling of the ministerial responsibilities and agencies has caused prolonged delays in the finalization of the Strategy so it has still not been submitted to the Government for approval. This has also caused delays in the formulation of an Action Plan for its implementation.

A further strategic document, the Standing Conference of Towns and Municipalities (SCTM) Strategic Plan for the period 2011-2013 provides a general framework for the operations of the SCTM as an institution that brings together, represents and supports towns and municipalities in Serbia in achieving their common goal – to improve their functioning and thereby contribute to a higher quality of in local communities.

Development of human resources

There are significant human capacity shortfalls in central institutions responsible for water management.³³ Furthermore, the roles of the ministries sharing responsibilities in the water sector have not been clearly defined and overlaps are common.

³² According to the recent ICPDR Roof Report, due to the decline of industrial production the situation has improved but the West Morava is still considered as a Heavily Modified Water Body (HMWB) under the Water Framework Directive.

³³ The Water Directorate has only 25 staff while the Water unit within the MEMSP consists of only 4 staff (Approximation Strategy for the Water Sector; 2012: 28).

Municipalities as well as Public Utility Companies (PUCs) are considered as very weak with respect to preparation and implementation of municipal infrastructure projects in the field of environment. This also relates to the recently adopted as well as upcoming environmental legislation which is still hardly known at the municipal level.

Capacity is gradually being raised however, with IPA assistance contributing, for example, to the transfer of the modelling and flood mapping technologies, through both used software tools as well as appropriate training of staff.

The Standing Conference of Towns and Municipalities (SCTM) is a key partner for municipalities' capacity building. Its activities relate to the SLAP information system and to training. With respect to training, communication has been established between the municipalities and the Training Centre of the SCTM.³⁴ On the whole, under IPA assistance considerable progress has been achieved in further development of human resources.³⁵

Establishment of systems and tools

The present state of flood protection in Serbia is still inadequate, with floods endangering a considerable part of the country. Furthermore, a significant flood risk is present even where flood protection systems have been developed. A long-lasting practice of low investments into the regular maintenance led to a significant decrease of the structural reliability, which lowered the designed degree of protection. GIS software was developed in 2012 to simplify the way of identifying flood hazards. Additionally, 844 flood hazard maps were developed. IPA assistance was thus valuable in contributing to the upgrading of databases for flooded areas in the country.

There is a strong capacity in water management planning on both the central and local level. This continues to be developed through, among others, the introduction of the Water Information System, based on utilizing Geographical Information Systems, Decision Support Systems and relational databases.

Maintenance however appears to be a problem, since much of the water supply and wastewater infrastructure has not been well maintained and there is a substantial maintenance backlog. Only 10% of discharged wastewater is being treated, while sewage collection ranges from 70% in urban areas to less than 10% in rural parts of the country. Furthermore, the country's three largest cities have no wastewater treatment plants.³⁶

Concerning the UWWTD, the widespread non-compliance is the result of a missing collection system and inadequate treatment of collected wastewater and the needs for further development of the groundwater monitoring are pressing.

Weaknesses in communication between institutions which are data providers and institutions which are data users result in low data quality, data unavailability and increases costs of data acquisition and management. Through IPA assistance the System of Long Listed Advanced Projects (SLAP) was developed, which comprises the database of the infrastructure projects in the area of economy, environment and social infrastructure. This database provides the relevant information on the readiness of the project for further investment both in project documentation and in works. In 2012, this system has been upgraded by adding three new categories when registering projects in the database. Additionally, direct support has been provided to at least 35 municipalities in updating the environment projects to suit the data requirements of the upgraded SLAP IT system.³⁷

³⁴ The Training Centre has all the necessary training facilities, a large number of training modules and a database of about 40 training experts that can be contracted. The Centre organizes annual training needs assessments and a large number of training. SCTM also organizes SLAP Coordinators' workshops at least twice a year and SLAP coordinators have been assigned in almost 140 municipalities/cities.

³⁵ Within the Municipal Infrastructure Support Programme more than 700 staff have been trained and, altogether, 40 formal trainings were implemented on municipal infrastructure related projects. Almost all municipalities in Serbia have undergone at least one training.

³⁶ European Commission Analytical Report on Serbia, 2011:117.

³⁷ The SLAP team also provided assistance to SCTM in preparing the Project Preparation Manual for municipalities.

IPA assistance also contributed to progress in the construction of wastewater treatment plants, wastewater collection and treatment. However, the level of provided services still remains low.

Other donors assistance to the sub-sector

The **World Bank** Irrigation and Drainage Rehabilitation Project deals with urgent rehabilitations and repairs on flood protection on the Danube and Sava Rivers. A cost benefit analysis has been produced in the preparatory phase, confirming high benefits from investment in flood protection.

The **Swedish** EPA and the Serbian Directorate for Water are jointly engaged in flood risk management of the Tamnava River Basin.

The on-going work under the **International Commission for the Protection of the Danube River** (ICPDR), aims at developing Flood Action Plans for all Danube sub-basins and the on-going activities under the International Sava River Basin Commission (ISRBC), aim to create operational management and flood prevention for the river.

Finally, SCTM is supported by a large number of international donors, including the EU, GIZ, Germany, Swedish SIDA and UNDP. **KfW** is providing loan finance for infrastructure.

Horizontal Issues and Nature Protection

Progress and developments in the institutional structures

Institutions

The Serbian Environmental Protection Agency (SEPA) was founded in 2004 with the main role of establishing, developing and maintaining the environmental information system as well as creating and managing an integrated cadastre of polluters. It is part of the MEDEP. The SEPA has continuous and good cooperation with the European Environment Agency (EEA) through EIONET-the European Environment Information and Observation Network. The Control and Surveillance Sector in the MEDEP started to apply the minimum criteria for environmental inspections in early 2007. However, a more effective enforcement system is required as well as stringent cooperation between the various inspectorates.

The main problems include: the lack of clear responsibility for ensuring implementation of the Acquis, lack of regular feedback mechanism concerning implementation of the Acquis by all institutions as well as the inadequate evaluation of effectiveness of implementation. On the whole, formal coordination, information and joint-decision making mechanisms between the governmental bodies for effective implementation of the EU acquis are weak. Environmental monitoring is ensured by the central government, autonomous province and municipal authorities, with overlaps and gaps. Further efforts are also needed with the aim of developing stronger cooperation between the government institutions and civil society in environmental decision-making.

The main institution in charge of the sector of nature protection is the MEDEP, with the Institute for Nature Conservation of Serbia (INCS) being its main advisory body and the repository of most of the relevant data. The Department in the MEDEP responsible for nature protection is the Department for Nature Protection in the Sector for Protection of Natural Resources. The role of the MEMSP is mainly related to implementation, along with other bodies such as MAFWE and the local self-governments. Serbia is a party to the CITES convention. There are several designated scientific authorities, but in practice, only the INCS and the Provincial Institute for Nature Protection are

consulted on a regular basis. There is also a lack of capacity (rescue centres for seized animals, MEDEP staff to process applications, availability and training for enforcement officers).

IPA assistance contributed to the strengthening of institutional capacity on all levels as well as to cooperation between institutions responsible for planning, control and monitoring nature protection and biodiversity. In spite of achieved progress, institutional responsibilities between responsible authorities in the segment of nature protection are still not clearly defined.

Legislation

The initiation of environmental policy development in Serbia was strongly driven by the country's decision to apply for EU membership.³⁸ A crucial step was the development of a detailed National Programme for EU Integration (NPI), adopted by the Serbian Parliament in 2008, in which, inter alia, all chapters of environmental acquis are covered in detail. The NPI was updated in December 2009. It was however explicitly noted in the NPI that "... no cost assessment for approximation with the acquis in the field of the environment has been made in the Republic of Serbia" and it was recognised that this deficiency needed to be addressed. Also in 2009, the Ministry of Environment and Spatial Planning adopted over a dozen proposals for new and amended environmental laws, creating a solid basis for the drafting of secondary legislation as well as for the further development of the implementation and enforcement structures.

Good progress has been achieved in the transposition of the environmental acquis with major environmental laws being passed during the course of 2009.³⁹ Currently, the Serbian environmental legislation counts over 100 laws and regulations. The legislative, executive and judicial powers for these laws and regulations are mostly practiced through the legally prescribed scope of competences of the republic's authorities. Certain competences are delegated by law to the autonomous province Vojvodina and to the local self-government.

The focus of efforts on transposition has now moved towards secondary legislation where it is clear that much work remains to be completed. Even though it can be assessed that good progress has been achieved in the area of the environment, it can also be observed that there is a lack of public consultation and that the quality of laws should be improved. Monitoring of the implementation of legislation is also lacking. A number of crucial environmental laws adopted in 2009 had to be amended in 2010 and notwithstanding, some legal gaps still remain. However, when compared to the situation when programming was starting in the country, the progress in harmonization of national legislation in these areas is nevertheless significant.

For example, the Law on Water (2010) partially transposed the Water Framework Directive. Further harmonization with EU acquis related to the water protection continued through by-laws adopted in 2010, 2011 and 2012. The Directive related to the protection of noise (2002/49) has been fully transposed in 2012, and the timetable for its implementation has been set. Significant progress has also been achieved in the Chemicals sector, with the adoption of numerous legislative acts which enabled full compliance with EU chemical management sector. (Transposition work on the industrial pollution sector remains to be updated to address the Industrial Emissions Directive of

³⁸ In 2004, the Serbian National Parliament adopted the Resolution on EU Accession in which the formal obligation to harmonize the legal framework with the EU acquis was mentioned for the first time. Following this, in 2004 the Law on Environmental Protection was approved.

³⁹ Environmental laws adopted by the Serbian Parliament in 2009 include the following Amendment to the Law on Environmental Protection; Amendment to the Law on Environmental Impact Assessment; Law on Noise Protection; Law on Waste Management; Law on Packaging and Packaging Wastes; Law on Chemical Management; Law on Biocidal Products; Law on Prohibition of development, production, storage and use of chemical weapons and their destruction; Law on Air Protection; Law on Nature Protection; Law on Protection and Sustainable Use of Fish Fund; Law on Ionizing radiation protection and nuclear safety; Law on Non-ionizing radiation protection; Law on ratification of the Aarhus Convention; Law on Ratification of the Rotterdam Convention; Law on Ratification of Stockholm Convention; and the Law on Ratification of the Kyoto Protocol.

December 2010). Although all these efforts are undeniable, they have occasionally led to over-regulation, mostly through the establishment of procedures that are more elaborate than required by the *acquis*.

As the direct result of IPA assistance, further progress was made with regard to horizontal legislation, based on the adoption of the National Environmental Approximation Strategy by the Serbian Government in October 2011.

While overall transposition of the environmental *acquis* has progressed well, the legislative challenge remains significant. While the EIA Directive and SEA Directive have been transposed and the Laws on EIA and SEA are in place and are being implemented, directives such as Infrastructure for Spatial Information in the European Community (INSPIRE), the Environmental Liability Directive and Public Participation and Access to Justice Directive require substantial further work. Overall, the process of harmonization is hampered by the slow implementation of the transposed directives (e.g. Environmental Impact Assessment Directive).

The Wild Birds Directive is fully transposed as well as the Habitats Directive. The Rulebook on trans boundary movement and trade in protected species is harmonized both with the CITES Convention and the Endangered Species Regulation. However, there is a lack of overall conceptual coherence and clarity in the Law on Nature Protection. Namely, it still does not put NATURA 2000 at the centre of the framework of the nature protection nor is it fully compliant with the Directive on Access to Environmental Information. The Leg hold Trap Regulation has also not been implemented so far, while the transposition of the Zoo Directive has only started. The legal framework for protection of sites also lacks conceptual coherence. Furthermore, there are contradictions between the Environmental Protection Law, the Law on Nature Protection and the Law on Forests.

Some positive achievements can be seen based on Serbia having adopted the law on wild game and hunting in March 2010, aligning it further with the *acquis* and international obligations under the Bonn Convention on Conservation of Migratory Species of Wild Animals. Also, the new law on forests was adopted, providing a framework for protecting forests against atmospheric pollution and fire. Finally, the IPA made substantial input to the amendment of the Nature Protection Act, which contributed to the drafts of the bylaw on Appropriate Assessment and on the Ecological Network.

Strategies

The Serbian Environmental Protection Law ⁴⁰ provided the basis for the development of two strategic environmental planning documents: Sustainable Development Strategy and the National Programme for Environmental Protection.

The 2008 Sustainable Development Strategy (SDS), which covers a ten year period, brings together the challenges of socio-economic development and environmental protection so that the needs of current generations can be provided for without compromising provisions for the welfare of future generations. In addition to these broadly based and cross-cutting strategies, important sectoral strategies as well as documents related to specific aspects of environmental protection have been prepared.

The National Programme for Environmental Protection (NPEP) was approved by the Government in March 2010 for the period until 2019 on the basis of the NPI and in line with Article 64 of the Law on Environmental Protection. It is based on a cross-cutting approach that encourages integration of environmental protection into sectoral policies and provides the framework for the adoption of action plans with the aim of addressing specific environmental issues.

⁴⁰ OG RS Nr. 135/04, 36/09.

Development of the NPEP has been supported by donor assistance and is harmonized with the EU's 6th Environment Action Programme.

The National Environmental Approximation Strategy (NEAS) was adopted by the Serbian Government in October 2011, establishing the framework for a range of required transposition and implementation arrangements. The NEAS provides a framework for future work, and two further levels of planning instruments are being developed.⁴¹

Adoption of the National Environmental Approximation Strategy by the Government was the direct result of IPA assistance, which was supportive to the process of establishing direct contacts with the former MEMSP helping thus in the obtaining of the commitment to secure the acceptance of the NEAS from the part of the Government. Moreover, an overall financing strategy was developed, including a timeframe for its implementation. The Action plan for the implementation of the Strategy is yet to be developed as well as detailed administrative capacity strategies for sector of environment.

The Strategy for the Implementation of the Aarhus Convention was also adopted in December 2011. However, the Republic of Serbia has not ratified so far the first and the second amendments of the ESPOO Convention on EIA in a trans-boundary context. Pursuant to the United Nations Convention on Biological Diversity, the Government adopted a biodiversity strategy for the period from 2011 until 2018. Under IPA, the Action Plan for the Establishment of the Natura 2000 Network in the Republic of Serbia (2011-2020) was prepared. The National Strategy for Sustainable Use of Natural Resources and Goods was also adopted in May 2012.

Development of human resources

As a consequence of budget restrictions, the new government in 2012 promised to close as many as 100 agencies and restructure a number of state level institutions. Economic and financial planning capacity is however insufficiently developed within MEDEP and other ministries responsible for certain environmental issues. Additional staff with a strong economic background is required to ensure economic and financial analysis and planning capacities. The low level of human resource policies and their implementation, including the lack of an appropriate staff training strategy, as well as the current organizational structures of the PUCs, undermines the functioning of the public administration. Supported by IPA technical assistance a number of capacity building activities were held at which legal, institutional and economic arrangements were discussed for the application of the environmental acquis. Along with the relevant public sector institutions (central, provincial, local), representatives from the businesses and civil society organizations (CSOs) were also involved in the consultation process. Since activities targeted intra- and inter-ministerial cooperation, as well as involvement of all the other interested stakeholders, they might serve as a good foundation in ensuring better stakeholder involvement in the process of implementation and enforcement of the acquis.

Knowledge of the SEPA staff and EIONET-RS data providers has also been increased through training modules on specific EIONET issues on relevant environmental themes (air quality, water quality, air and water monitoring, water emissions, soil, biodiversity, waste) in monitoring data collection and data management. Efforts to streamline the system of environmental monitoring have just started, with the progressive transfer of environmental monitoring tasks to SEPA, thus significantly increasing its capacity in terms of staff from 29 to 88 employees and monitoring functions

⁴¹ They are the following: strategies for individual environmental sectors (horizontal, air quality and climate change, industrial pollution and noise, nature protection, chemicals and GMOs, water and waste) and Directive-Specific Implementation Plans (DSIPs) for the following directives: Urban Waste Water Directive, Industrial Emissions Directive, Landfill Directive, National Emission Ceilings Directive, Emissions Trading Directive and Noise Framework Directive. DSIPs for other relevant Directives remain to be prepared.

of both air and water quality. However, the fragmentation of responsibility for implementation of the EU's environmental acquis remains a challenge.

IPA assistance has contributed to raising of capacity of civil servants working in the field of nature protection. Their knowledge has been improved in the area of further harmonization of the existing legislation with the EU Nature Directives, management and best practice of NATURA 2000 as well as in IT tools used in managing NATURA 2000 sites. The administrative capacity in relation to protected areas is however still insufficient.

Establishment of systems and tools

SEPA suffers from irregularities in exchanging data since the EIONET providers are not using electronic databases for data management but are mostly relying on manual procedures and outdated software. There are also no automated logical or semantic data verification procedures.

IPA assistance contributed to the preparation of the Guide for Environmental Law Approximation and Stakeholder Consultation which aims to improve stakeholder involvement on a regular basis after the completion of the project.

There is a lack of existing data on distribution of habitat types and species groups in the nature protection sector. Through IPA assistance the IT Guidelines for NATURA 2000 data management were developed, with the aim of enabling the development of the data management system necessary for implementing the EU Nature directives. Two pilot management plans, in line with the EU requirements, were produced for two potential NATURA 2000 sites (Obedska Bara and the National Park Tara). This process revealed issues of data shortage. Due to lack of data and impossibility to compile all existing data from various institutions, the identification of NATURA 2000 sites could be done only partially. This was also the reason why Special Protection Areas (SPAs) Lists have been only partially prepared. Environmental management tasks at the municipal level are underfunded and require substantial strengthening to justify and sustain decentralization.

Three protected areas (Gutavica, Paljevine, Bukovicka Banja Park) were established in December 2011. Furthermore, the first import and export certificates under the Convention on International Trade in Endangered Species (CITES) were issued and licensing of zoos commenced in line with the provisions of the EU Zoos Directive.

Other donor assistance to the sub-sector

Protected areas in Serbia have previously been supported by international financial institutions.

Among the main foreign donors in the sub-sector are **GEF/UNDP** and the **Council of Europe** (Development of the National biodiversity Strategy and action plan, Development of EMERALD networking the republic of Serbia) while the former MEMSP, Directorate for Environmental Protection has previously financed projects such as Inventory of wetlands and other wet habitats in Serbia, Ex situ protection of biodiversity of aquatic ecosystems in Serbia, harmonization of national nomenclature of classification of habitats with international standards (EUNIS system of classification) etc.

UNDP financed with the budget of USD 231,717 the Vlasina Lake Ecotourism Promotion and Environment Protection in the period August 2011 – August 2014 with the purpose of improving mechanisms to protect the environment, by ensuring sustainable management of natural resources and mitigating/ adapting to the impacts of global climate change on social, economic and ecologic systems.

The **Swedish International Development Cooperation Agency (SIDA)** has initially co-financed environmental projects in Serbia with the aim to significantly increase cooperation on environmentally related issues. SIDA financed with EUR 2,556,113 the Environmental Infrastructure support project in the period January 2011 – July 2013 with the overall goal of improving the standard of environmental protection in Serbia and furthering the country's progress towards European integration. The project resulted in the completion of the national strategy for sustainable use of natural resources and goods in the Republic of Serbia. Swedish support to the sector, among other projects, included the following: development of a National Strategy for Sustainable Development; Capacity building project for the Ministry of Environmental Protection; measures to reduce agricultural runoff into the Danube; investments for regional sanitary landfills in Serbiagas well as development of local environmental action plans for several municipalities. More recent support from SIDA in the environmental sector continues in the areas of waste management, water and sewage purification and strengthening of cooperation among environmental stakeholders on all levels (national, local, NGOs).

Conclusions

In the current *institutional structure* of the Serbian environmental sector, the existing intra-and inter-ministerial coordination and cooperation is not satisfactory, with the designation of the MEDEP and the MAFWE as both policy body and operational entity presenting considerable difficulties for both Ministries. This situation has its legal and implementation consequences, particularly in the areas of IPPC, nature protection, competences of authorities and environmental investments. IPA assistance has however directly contributed to the establishment of better cooperation between relevant institutions in the field of the health care waste management system.

Raised planning and programming capacity at both national and local level is, along with physical improvements of infrastructure, the main achievement in the water sector. However, the low capacity of the PUCs remains a constraint, since their capacities are too small to carry out the operation, maintenance and development planning which is required.

The Agency for Protection from Ionising Radiation Protection and Nuclear Safety (SRPNA) has issued legislation to implement the Law on Ionising Radiation Protection and Nuclear Safety in 2009, which confirms good progress in this field. Even though new energy related laws were drafted and some adopted, the implementation of new legislation in the energy sub-sector is progressing slowly.

The majority of relevant air quality and waste *acquis* has been transposed with progress also seen in the practical implementation of the legislation for the latter. Water legislation is not fully harmonized with the *acquis*, but steps are currently being taken to rectify this. Progress in harmonization of national legislation in the environmental sector is significant, even though public consultation was lacking in the process. Furthermore, even though the achievements are undeniable, they have occasionally led to over-regulation, mostly through the establishment of procedures that are more elaborate than required by the *acquis*. The focus of efforts on transposition has now moved towards secondary legislation.

The main policy instrument on the national level is the National Waste Management Strategy to 2019. IPA assistance resulted in the Education Strategy on Chemical Safety and the Action Plan for further activities related to the Integrated Chemicals Management System. However, neither of these strategies has yet been officially adopted. IPA assistance resulted also in National Plans for specific hazardous waste streams in line with the Waste Management Strategy and Hazardous Management Waste Plan, and it is expected that the results achieved so far will contribute to improving the implementation system of regulations on hazardous waste management. In the water sub-sector IPA contributed to the development of the Approximation Strategy for the Water Sector and the Strategic Master plan of

investment to develop sewerage and wastewater treatment. The Water Management Master Plan of the Republic of Serbia (in final preparation), the National Environmental Strategy and the Global Wastewater Study have also been developed.

There is visible progress in strengthened professional capacity for *human resources* in the air and energy sub-sector, resulting in a significant increase in their competences for operating in a new environment such as the open market as well as improved internal cooperation and coordination. Overall, general knowledge on hazardous waste management and practical knowledge on steps that are needed to introduce systems for hazardous waste management have been improved. Likewise, considerable progress in HR development was achieved in the water as well as the nature protection sub-sectors, where IPA assistance contributed to the raising the capacity of civil servants engaged in harmonization of the existing legislation with the EU Nature Directives, management and best practice of NATURA 2000. Economic and financial planning capacity is however still insufficiently developed within MEDEP and other ministries responsible for certain environmental issues. Furthermore, on lower levels, municipalities, as well as Public Utility Companies (PUCs) are considered as very weak in the preparation and implementation of municipal infrastructure projects in the field of environment.

Sector Analysis of the PAR sector

Table A.4.2 Evaluation matrix for the sector: Public Administration Reform (Public Finance and Financial Management)

2006/2007 EP Objectives (actual)	Baseline in 2007	Indicators of progress by 2010/11	Achievement of Progress	Contribution of the IPA		
				None	Some	High
Financial Control						
Implement a consistent and effective <u>public procurement</u> regime, ensure the independence of the public procurement bodies, ensure transparent procedures, regardless of the value of the contract concerned, and non-discrimination and strengthen enforcement capacity.	Law from 2002 needs updating. No progress has been made in addressing the gaps in the legal framework, including the definition of contracting entities.	Legislation of public procurement mostly aligned with the <i>Acquis</i> and basic institutions founded.	The existing PP Law is significantly aligned with the <i>acquis</i> . A draft law developed with IPA assistance was not agreed but not proposed to Parliament. A new law proposed by one of the political parties will be instead endorsed as part of the coalition negotiations following summer 2012 elections.	X		
	Discrimination and inconsistencies in the procedures of public procurement still not eliminated.	Transparent information available to the public (all tenders on websites and official publications in a timely manner).	The information on tenders is available on the PP web-portal. According to the existing PPL the small-value contract are not (obligatorily) published on the web-portal.		X	
	All three institutions involved in public procurement need strengthening.	Capacity of PP institutions strengthened to implement SAA requirements.	The capacity of PP institutions has been strengthened however plans to merge the PPA and the Review Commission into the MoF may threaten this.		X	
Continue to strengthen protection of <u>intellectual property rights</u> (IPR) and strengthen administrative capacity for the granting of patents and sustainable implementation and	Legislative improvements have been achieved with the adoption of the Law on Implementation of Regulations governing protection of intellectual property rights.	Evidence of legislative enforcement of intellectual property rights.	- The legislative activities were focused on further harmonization of the IPR Laws, ratification Laws, and relevant bylaws; - The amendment of the Law on enforcement is scheduled for end 2012; - The New Law on patents, apart from enabling further harmonization with the EU legislation, introduced some new instruments with the aim of improving the patent granting procedure.	X		
	Co-ordination between all agencies is not	Evidence of undertaken collaborative	The cooperation on the operational level was established between the Market inspectorate and the Customs office;		X	

2006/2007 EP Objectives (actual)	Baseline in 2007	Indicators of progress by 2010/11	Achievement of Progress	Contribution of the IPA		
				None	Some	High
enforcement of IPRs.	adequate.	enforcement actions.	In the framework of the implementation of the National IPR Strategy the IPO is currently coordinating preparatory activities regarding the establishment of a cooperation body for IPR enforcement.			
	The expertise and capacity of trade and market inspectorates, as well as law enforcement agencies to deal with IPR infringements remains to be reinforced.	Sustainable implementation and enforcement of IPRs.	- The IPO submitted a proposal to reorganise the court network the Ministry of Justice in July 2011; - In coordination with the Judicial Academy, the information centre has started delivering training for judiciary and the IPR enforcement agencies; (IPO is providing the enforcement institution with the relevant training, aiming to strengthen their capacities in IPR and in coordination on IPR enforcement).		X	
	Piracy and counterfeiting remain widespread and implementation and enforcement mechanisms require strengthening.	Increased number of convictions.	- The Law on optical disks was adopted and is implemented, empowering the market inspection to be more efficient in combating piracy; - The number of convictions has increased (the number of confiscated pirated goods of Market inspectorate in 2011 is 20350 and in first 6 months of 2012: 49315); - Progress visible in raised capacity and awareness as result of IPO's continuous training for enforcement agencies and other initiatives (round table on piracy, WIPO seminar on counterfeit and piracy, lectures for general public, press clippings, etc.); - A special unit within STA was established in 2010. STA is in charge of piracy regarding software and databases. During 2011 STA launched three registers (in collaboration with IPR holders) aiming to facilitating its work and checks.		X	
	There is no clear division of competencies and co-operation between enforcement bodies essential for an effective	More clear division of competencies and co-operation between customs, police, right holders, market and tax	The aim of (currently ongoing) amending of the Law on special powers for the purpose of efficient protection of IPR is to improve the division of competences and to improve coordination and cooperation between enforcement agencies.	X		

2006/2007 EP Objectives (actual)	Baseline in 2007	Indicators of progress by 2010/11	Achievement of Progress	Contribution of the IPA		
				None	Some	High
	protection of IPRs.	inspectors, public prosecutors and the IPR office established.				
Adopt and implement a <u>public internal financial control policy</u> . Develop procedures and administrative capacity to ensure effective protection of the EU's financial interests.	Non-existent Strategy for establishing and developing a comprehensive public internal financial control (PIFC) system at the level of all government institutions.	Public internal financial control (PIFC) strategy adopted.	Adopted in 2009, supported by CARDS.	(X)		
		PIFC has been adopted by all government institutions.	Government institutions have adopted PIFC. Over 80% budget users have internal auditors or internal audit units.			X
	Some progress can be reported in the area of external audit and Law was adopted on a Supreme Audit Institution which provides for the legal basis to set up the national audit authority.	Improvement in external audit, especially through enacting legal provisions.	External audit is now a feature of the PFM system in Serbia. Scrutiny of the budget is included in the Budget System Law, although with limited time available for scrutiny.	X		
	The national audit authority is not yet operational.	A Supreme Audit institution is operational with administrative capacity raised.	Supreme Audit institution is still in institution building phase but is operational and has audited the 2008 national accounts. It currently completes an extensive programme of external audits.	X		

2006/2007 EP Objectives (actual)	Baseline in 2007	Indicators of progress by 2010/11	Achievement of Progress	Contribution of the IPA		
				None	Some	High
Revenue Administration and Financial Supervision						
Ensure continued approximation of Serbian <u>customs and taxation legislation</u> to the <i>acquis</i> , and further increase the administrative capacity to implement customs legislation, and to fight against corruption, cross-border crime and fiscal evasion.	Tax legislation is not in line with the <i>acquis</i> , collection and enforcement, particularly with VAT is weak.	Harmonisation with the <i>acquis</i> is substantially completed.	Amendments to the law on company profits tax and the law on income tax, in line with the EU <i>acquis</i> are adopted. Amendments to the Law on Tax Procedures and Tax Administration are also adopted as well as implementing legislation by which the Large Taxpayer Centre will cover a larger number of tax payers.		X	
		Collection and enforcement capacities of the tax administration are strengthened evidenced by enhanced tax collection year on year.	- Administrative capacity of STA improved as a result of training. A Contact Centre (supported by CARDS) as an integrated and centralised information point for taxpayers. Some new organisational units, such as groups for strategy and coordination, for risk management and for internal audit, were established; - A single taxpayers' register was completed, as the basis for the future new information system.		X	
	Good progress made in customs tariff law and customs law with a good alignment of the <i>acquis</i> . However, a weak institutional setup and administrative capacity resulted to restricted progress in the customs segment.	Administrative capacity of the customs agency is sufficient to ensure effective implementation of customs control as determined by EU officials.	Administrative capacity is improved for effective enforcement of the customs legislation. New laws were adopted and sustained efforts were made to enhance administrative capacity, particularly in the audit and post clearance sector. Overall, preparations in the area of the Customs Union are proceeding well, according to plans.			X
		Control of the customs resulted in lower corruption and increased customs revenues.	- Internal checks by the customs administration and the police have resulted in a sizeable number of cases being investigated and penalties imposed. Integral procedures have been applied for customs officials, with initial progress in the fight against corruption; - Customs Revenues have been increasing steadily since 2007, with a decrease in 2009 (result of global crisis), continued with increases in 2010 and 2011.		X	
	A new Customs Tariff Law was adopted which	Alignment achieved in areas of transit and	The decree on customs tariff nomenclature "was amended in November 2011 with the aim of aligning it with the 2012 EU Combined Nomenclature.		X	

2006/2007 EP Objectives (actual)	Baseline in 2007	Indicators of progress by 2010/11	Achievement of Progress	Contribution of the IPA		
				None	Some	High
	enables the government to fully harmonise the customs tariff nomenclature with the EU Combined Nomenclature and the Harmonised System classification. However, further alignment is required, notably in areas such as transit and security.	security with EU Combined Nomenclature and Harmonised System classification.	Harmonisation with EU Combined Nomenclature is performed every year. In the Law on Customs Tariff harmonisation with EU Combined Nomenclature is set as a national legal provision.			
Commit to the principles of the Code of Conduct for <u>business taxation</u> and ensure that new tax measures comply with these principles.	Alignment of business taxation with the Code of Conduct still not covered by gap analysis.	Gap analysis for the EU Code of Conduct on business taxation is completed and has led to substantial harmonization of tax rules.	- The enforcement capacity of STA and tax collection has improved, although further progress is required; - Follow-up actions are needed to ensure that its tax legislation complies with the Code of Conduct for business taxation.		X	
The National Bank should sustain macroeconomic stability, maintain a prudent <u>monetary policy</u> stance, monitor credit expansion, restructure the insurance sector and liberalise short term capital movements	New legislation in 2006 & 2007 improved the risk management process.	Risk management meets EU standards.	A regulation was adopted in December 2010 on capital requirements, risk management, disclosure and consolidated supervision. Financial risk assessment is improved and model developed for risk management in the Debt Management Administration and Treasury Administration. (The model was documented and tested, and users were trained in the use of the Model).		X	
	A new Securitisation Law is being drafted. Basel II conditions need to be introduced.	Conditions for Basel are substantially advanced.	Basel II requirements are fully implemented. The Basel III requirements are not yet implemented (must be operational by 2019) and alignment with the latest <i>acquis</i> on deposit guarantees has not been achieved.		X	
	The insurance sector	Insurance sector is	NSB is responsible for the supervision of insurance and financial leasing		X	

2006/2007 EP Objectives (actual)	Baseline in 2007	Indicators of progress by 2010/11	Achievement of Progress	Contribution of the IPA		
				None	Some	High
	needs supervision. Short term investments by foreigners are forbidden.	supervised by National Bank.	companies (according to Law on Supplementing the Law on NSB).			
		Some progress has been made on repaying external debt.	External debt totalled 24.8 MEUR at the end of September 2012. The share of debt as a percentage of GDP in Q3 of 2012 was 83.7 and rising.	X		
		Inflation reduced to 4% by 2011.	The central bank lowered its end-of-the-year inflation target from 4.5% in 2011 to 4% in 2012, still within an unchanged tolerance band of ±1.5 percentage points. ⁴²	X		
		Level of FX reserves reaches EUR 16.7bn.	Reserves were EUR 10.16 in October 2012.	X		
		Financial system is stable.	The National Bank of Serbia is maintaining its commitment to price stability.		X	
Public Administration Reform						
Continue with full implementation of civil service and <u>public administration</u> laws, implement measures to develop human resources in the civil service, strengthen the policy-making and coordination capacity of the public administration at government and local levels, establish a centralised payroll	The new law on Civil Servants was adopted. The relevant institutional setup has proven to be well established and effective. A human resources management service (HRMS) was set up and is operative, however, capacity is still weak and staffing is not yet complete.	Significant improvement of administrative capacity of public administration according to SIGMA, including development of human resources at both governmental and sub-national levels (with implemented training for all line Ministries).	- The draft Law on Civil Servants adopted by the Government in March 2012; - Greater effectiveness in HR practice in the pilot municipalities / skilled practitioners; - HRM Toolkit developed; - HRMS continues to function although its future remains unclear in the light of the plans to create a National Training Institute.		X	
	Regulatory and independent bodies are not yet sufficiently					

⁴² Progress Report, 2012, p. 23.

2006/2007 EP Objectives (actual)	Baseline in 2007	Indicators of progress by 2010/11	Achievement of Progress	Contribution of the IPA		
				None	Some	High
system, implement the constitutional provisions relating to decentralisation and ensure the resources for local governments.	developed to ensure the necessary oversight and enforcement of legal obligations.					
	A new law on local government financing allows for greater fiscal decentralization and enables poorer municipalities to receive a larger share of budgetary resources.	Noticeable fiscal decentralisation, with embedded aid for local governments with low fiscal revenues.	- Proposal for equalisation system finalised; - Recommendation and guidelines for Performance budgeting drafted; - LG Debt management – Guidelines developed; - Fiscal decentralization has started. Local government has established local revenue departments which are in charge of assessment, collection and audit of property tax. Following fiscal decentralization, property taxes will be the main revenue source of LSG.		X	
Establish a fully functioning Ombudsman's office in line with legislative requirements and ensure proper follow-up to the recommendations made by the ombudsman.	The government, however, has not yet taken the necessary measures to ensure the full functioning of the office of the state Ombudsman.	Cooperation with other bodies of public administration exists.	Established cooperation with administrative authorities, government institutions, local authorities, HR NGOs and international organizations.			X
	Capacity of the Ombudsman's office in terms of human resources and technical equipment still insufficient.	Ombudsman's Office function further strengthened, with human resource capacity raised and fully equipped.	Ombudsman's capacity to perform its activities is strengthened, its offices are fully equipped and human resource capacity raised. The three field offices in Bujanovac, Preševo and Medveđa were also established in 2010 and are fully equipped.			X
	Cooperation between Ombudsman offices and public administration and communication with citizens is still	Communication strategy for increasing the public awareness shall be improved and requests to the Ombudsman by	Significant increase in visibility and public which resulted in the increase in the number of complaints received year on year. In 2007 406 formal complaints were received, in 2008 – 1030, in 2009 – 1765, in 2010 – 2646, 2011 – 3642 and in 2012, so far, 3547 complaints.			X

2006/2007 EP Objectives (actual)	Baseline in 2007	Indicators of progress by 2010/11	Achievement of Progress	Contribution of the IPA		
				None	Some	High
	insufficiently developed.	citizens increases year on year.				
Strengthen the operational capacity and functional as well as financial independence of the Supreme <u>Audit</u> Institution.	Law on the supreme audit is adopted but the institution not yet established.	The Supreme Audit Institution is established, operational and staffed.	The Supreme Audit Institution, also known as the State Audit Agency is established and operational.	X		
	A weak institutional setup and administrative capacity has restricted progress and enforcement capacities remain limited.	Enforcement capacity raised in the Supreme Audit Institution.	Enforcement of capacity of SAI raised and Review of the Local Audit System us prepared.	X		
		External audits of government institutions are being undertaken.	External audits of a wide range of government institutions are being undertaken.	X		
Statistics						
Amend the <u>Law on statistics</u> and increase cooperation and coordination within the national statistical system.	Some training has taken place to improve the management capacity of the statistical office (SORS).					
	Progress can be reported in different sector statistics. However, there is no progress in statistics on regional level, external trade statistics and transport statistics.	Further alignment accomplished in classification, sectoral, regional, external trade and transport statistics.	Further alignment is achieved, and only partly in regional statistics.		X	
	The statistical infrastructure, the legal	Law on statistics amended.	The Law was adopted in 2009 and is broadly aligned with international standards.		X	

2006/2007 EP Objectives (actual)	Baseline in 2007	Indicators of progress by 2010/11	Achievement of Progress	Contribution of the IPA		
				None	Some	High
	basis and the management capacity have improved slightly.	Strengthened cooperation of national institutions within the statistical system.	Cooperation is strengthened, and particularly with the Ministry for Agriculture. A series of bilateral cooperation agreements with different ministries have also been signed.		X	
	The business register is still not fully operational as routines for uploading and updating data are not in place yet.	Classification and business register developed.	Business register methodology is improved.		X	
		Improved statistical infrastructure, operative capabilities and HR.	The existing qualification of staff have been improved, although budget restrictions are limiting headcount at a time when reinforcement is increasingly needed.		X	
Conduct an agricultural census, create an agricultural register and continue the development of national accounts according to ESA 95 including improving the data sources.	Limited progress in agricultural statistics due to lack of agricultural census.	Agricultural census conducted and agricultural register created.	Methodology and all necessary statistical instruments for Agricultural census prepared and tested and all preparatory activities for introducing Farm register are implemented. Agricultural census was carried out in autumn 2012.			X
Rehabilitation and modernization of the <u>statistical system</u> by implementing the Statistical Master Plan.	Master plan for Serbian statistics office for the period 2008-09 was adopted.	Statistical Master plan implemented.	Some improvements were only done in the Five Year Programme 2011-2015.			X
Serbia's effective participation in the Eurostat system.	As regards classifications and standards, the compliance with EU standards is limited.	Clear evidence of compliance with EU standards.	Improvements were made in accordance with the Statistical Code of Practice by adopting a number of standards and procedures and Eurostat's requirements.			X

Public Administration Reform/Public Financial Management sector analysis

Two strategic documents underpin the external assessment of the PAR/PFM sector – the Public Expenditure Framework Assessment (PEFA) undertaken by consultants but under the auspices of a World Bank led donor group in 2007 and 2010 and the annual OECD SIGMA review of progress in PAR. These reports are complementary and the benchmarking following a common methodology allows comparison over time and between countries. The PEFA is a widely implemented standard set of 28 high level PFM indicators to assess the performance of a country's PFM system against six core dimensions. It covers principally the budget establishment and management mechanisms, including accounting and audit whilst the SIGMA report takes a broader analytical frame and considers civil service legislation and practices as well as public expenditure management and administrative justice. In some respects therefore these two documents overlap, but the differing time perspectives of each (annual versus multi annual) supports complementarity. Given the horizontal nature of these documents, a summary of each is provided below and specific elements introduced into sub sectors where relevant.

Summary of 2010 PEFA Assessment

The PEFA assessment was prepared in mid 2010 and acts as a baseline against which progress over time can be measured. In comparison with the 2007 assessment, by 2010 well over 50% of the indicators and 50% of the dimensions had an improvement in scoring, although in some of these cases this was due to small managerial or administrative improvements. The number of 'A' scores (in line with good international practice) went from 3 to 8 and the number of 'D' scores (process not functioning) from 7 to 6. The highlights of the improvement were the creation of the Single Treasury Account and the introduction of the FMIS which improved overall scores in Cash Management, Accounting Recording and Reporting. The biggest improvement in overall scoring was in quality and timeliness of in-year budget reports quality and timeliness of annual financial statements.

Credibility of the budget

The dimensions and indicators covering credibility of the budget deteriorated slightly due to the financial crisis leading to lower revenue and increased borrowing to fund expenditures. The large reduction in expenditure arrears has also impacted on the availability of revenues for non arrears expenditure.

Comprehensiveness and Transparency

Performance has been variable with transfers to local government deteriorating even though transparency improved as the implementation of the new Budget System Law was suspended because of the financial crisis. If the law had been implemented the process would have been rated 'A'. Central government monitoring of local government fiscal positions has improved and the budget classification and information on it made available to the public.

Policy Based Budget

There was little change in this sector. Whilst the budget calendar provides sufficient time for deliberations by the cabinet, the MTEF needs to establish ceilings to strategic priorities within ministries. Bottom up planning of the MTEF needs to be started.

Revenue Collection and Management

Ongoing problems with tax arrears that could be resolved by a write off of unlikely to be collected debts undermines good performance in the transfer of taxes to treasury and tax accounts reconciliation by the treasury. Information systems and computerisation and the introduction of a more systems based approach to tax audits based on risk has improved tax administration. Overall scores are slightly upwards.

Predictability and Control in Budget Execution

Significant improvement has been made with the implementation of the Single Treasury Account and creation of a Debt Unit and the legal basis behind the improved management of public debt. Scoring for public procurement improved due to the increase in percentage of contracts awarded under open competition. Improvement in the payroll function and the introduction of FMIS and the development of financial control and internal audit across Government has all impacted positively with only the management response to internal audit receiving negative comment.

Accounting Recording and Reporting

The real time access to all transactions of the State Treasury and daily reconciliations between Bank and State treasury, as well as improvement of generation of recording and accounting due to the FMIS are the basis for substantial improvements since 2007.

External Scrutiny and Audit

The creation of the Supreme Audit Institution is improving the coverage and audit now carried out although despite being included in the Budget System Law the time available for scrutiny has been reduced.

Donor Practices

The use of government procedures by donors continues to be insignificant and scores in this area remain low.

Summary of OECD SIGMA Report 2012

The Constitution of Serbia is aligned for the most part with European standards of parliamentary democracy, with some important exceptions. Power is concentrated in the hands of the executive and an appropriate balance protection of individuals, state secrets and transparency has not yet been achieved, threatening democratic values and individual rights. Law is easily circumvented and is generally of poor quality. However, some steps have been taken to strengthen the ability of Parliament to control the executive and reinforce independent institutions. Policy co-ordination is weak, exacerbated by distribution of institutional and administrative power amongst coalition members. The General Secretariat is too weak institutionally to be able to drive the policy system towards greater effectiveness and output quality.

Public Administration

There is a lack of a merit based system in the civil service and a concentration of decision making in the hands of politicians who do not delegate. Respect of legality and quality before the law in administrative decision making and actions needs to be improved. The constant creation of public bodies since 2000 has established a parallel state administration without clear accountability.

Public procurement needs to be legally and institutionally reformed and the implementation of already adopted laws needs to be improved. It remains a major source of corruption. Whilst public expenditure management is based on a comprehensive budget system law, analytical capacity and conceptual understanding are still weak. Managerial capabilities and accountability remain low but the State Audit Institution is starting to work effectively.

Administrative Justice

Despite establishing an administrative court, poor preparation of the Law on Administrative Disputes means that it needs to be reviewed. Administrative procures are still regulated by non-democratic legislation which is in the process of revision.

Reform Capacity

The Government has limited capacity to set priorities and adequate sequencing for reforms due in part to the excessive fragmentation of the coalition Government and its lack of ability to carry out meaningful political negotiations. This is exacerbated by low managerial capacities, little analysis of legislative impacts, lack of a national consensus on the direction of reforms and reliance on external pressure to stimulate change – the latter meaning that national reforms are too linked to the European integration reform agenda. Some pressure for change is however coming from the business and NGO communities but overall national ownership of reforms and the reform process needs to be strengthened.

Financial Control

Progress and developments in the institutional structures

Institutions

There are expected to be changes in institutional setup and capacity related to **public procurement** following the 2012 elections, with the proposal for the Public Procurement Office (PPO), currently a stand-alone organisation, to be integrated into the Ministry of Finance. Central government bodies will be obliged to use it for the purchasing categories identified. There are provisions in the amended PPL permitting other authorities (e.g. at regional and local level) to set up offices for centralised procurement. Other key institutions in public procurement include the State Audit Institution, MoF Budget Inspectorate and the anti-corruption and competition authorities.

The Review Commission has been given additional responsibility to decide on complaints in relation to the award of PPPs and concessions. However, the work of the Republic Commission is still at an early stage and it needs to build a solid enforcement record by further ensuring that its decisions are implemented. Furthermore, the coordination mechanisms among the main stakeholders within the PP system are still weak, particularly related to reducing the scope for corruption.

The Intellectual Property Office (IPO) has strengthened its role as the national coordinator for intellectual property rights (IPR). IPA assistance contributed to the establishment of the Education & Information Centre within IPO. The Centre is equipped and staffed with trained personnel able to provide a broad spectrum of educational and informative services concerning IPR. A regular exchange of information is established between the stakeholders including enforcement bodies and the Centre in the field of intellectual property.

The Commission for Copyright and Related Rights was established in December 2010 on the basis of the new law on copyright and related rights. It is empowered to decide on the tariffs if no agreement is reached with collective rights management organisations. Currently, three organisations in Serbia are authorised for collective management of copyright and related rights. The key enforcement institutions are the prosecutor for high-tech crime, two specialized police units, the specialised customs department, the specialised tax inspection unit, the tax police, the market inspectorate and different court panels. Special high-tech crime units were established in the Public Prosecutor's Office, the Higher Court in Belgrade and the Ministry of the Interior, as provided for by this law. A special unit was established within the Tax administration in 2010 which should increase the efficiency of enforcement in software and databases.⁴³

The cooperation at the operational level was established between the market inspectorate and the customs office. However, a formal coordination mechanism between the institutions in charge of

⁴³ During 2011 they have launched three registers (of producers, of distributors and of software) in collaboration with IPR holders, with a view to facilitating its work and its checks.

IPR is still lacking and the IPO, in the framework of the implementation of the National IPR Strategy, is currently coordinating preparatory activities on the establishment of a cooperation body on IPR enforcement (to be the subject of future IPA assistance). Furthermore, no solution has yet been found related to the issue of the long-term financial sustainability of the IPO as proposed changes will remove some of the direct revenue generating sources that fund its outreach activities.

PIFC development has led to the establishment of a formal framework for internal audit at central government level.⁴⁴ By September 2011 there were around 40 internal audit units. PIFC covers internationally agreed standards and EU good practice on internal control across the entire public sector - and external audit which covers the operational and financial independence of the external audit function (national audit office). The PIFC is made up of three pillars: managerial accountability underpinned by financial management and control systems; functionally independent internal audit systems; and a Central Harmonisation Unit (CHU) for developing methodologies and standards relating to the first two pillars. **CHU** was formally established in March 2010 as a department in the Ministry of Finance, being further reinforced during 2012. On the whole, Serbia is still at a relatively early stage of implementing the **PIFC system**.

The **Audit Authority** in charge of auditing public funds in Serbia was established as an independent body in the Ministry of Finance, accountable only to the Minister of Finance. In its role of Competent Accrediting Officer, it provides for the functional independence from the institutions within the management and control system for EU funding (NAO, NF, PAO and CFCU). The State Audit Institution (SAI) was established by the 2005 Law on the State Audit Institution and has been a member of the International Organisation of Supreme Audit Institutions (INTOSAI) since November 2008. The SAI performed its first audit in 2008, which was the first time the state budget had been audited since 2001. Since then, the SAI has steadily improved its performance and cooperation with other independent regulatory bodies as well as the status of the auditors have improved, although its recruitment plan needs to be completed in order for the SAI to perform its tasks fully. Since SAI has only operated for four years, it is still in the institution-building phase. Some progress can be seen in the area of financial control, particularly related to external audit.

Legislation

The core legal framework applying to **public procurement** comprises the Public Procurement Law (PPL) which entered into force in 2009 and the Public-Private Partnership and Concessions Law 2011 (PPP Law) together with the related by-laws and standard documents and manuals. The PPL is largely based on the current EU public procurement legislation. However, some discrepancies and shortcomings in the existing legislative framework, including the lack of an appropriate regulatory framework on concessions, still remain to be addressed. The amended PPL will be for the most part, but not fully, aligned with the *acquis*. Areas not aligned include the restricted procedure (which fails to adopt the EU model), exemptions from the PPL, and domestic preference provisions. Consequential amendments to existing by-laws are being drafted, as well as a number of new by-laws including the introduction of Common Procurement Vocabulary (CPV) codes. The amendments proposed by the Government generally strengthen the legal framework in order to tackle a number of weaknesses in the PPL, particularly in relation to the over complexity of the procurement process and lack of transparency. They include, for example, simplification of the qualification process and increased transparency through electronic publication of procurement notices.

The PP law was followed by the adoption of the relevant implementing legislation and regulates the award of public contracts. Rules of Procedure for issuing certificates for the officers of the Public Procurement Directorate have also been prepared and adopted. The new PP Law is expected to be

⁴⁴ Introduction of internal audit on the local level has not started, except for the City of Belgrade.

adopted by the end of 2012 and is almost completely harmonised with the existing EU directives. It is now necessary to keep up steady efforts to implement this legislative framework, and in particular to avoid irregularities in the use of the negotiated procedure. Overall, the public procurement system needs to be legally and institutionally reformed and the implementation of already adopted laws needs to be improved in order to comply with European standards and to provide effective services.

The new Law on Ministries, adopted in May 2007, implicitly stipulates that the Intellectual Property Office (IPO) should be the central institution responsible for coordination of the work of other institutions in charge **of intellectual property rights** (IPR). Enforcement of IPR is specifically regulated by the Law on special powers for the purpose of efficient protection of IPR, which entered into force in 2006. A new Decree on the terms and means of enforcement of measures for protection of IPR at the border, which is aligned with the new Customs Law, entered into force in January 2011. In line with the requirements of the Interim Agreement, The Serbian Customs Administration (CAS) has made efforts to reach the EU level of protection of IPR. It has substantially tightened up the control procedures at the border and should now further reinforce effective means of enforcement. IPO is having a coordinating role in the currently on-going process of amending the Law on special powers for the purpose of efficient protection of IPR, with the aim of improving the division of competences as well as the coordination and cooperation between the enforcement agencies.

As to judicial protection of IPR, the Law on Territorial Organisation of Courts still needs to be amended to allow judges to specialise and IPR cases to be concentrated in a limited number of courts. With the aim of strengthening the enforcement of IPR, IPO submitted the proposal on the amendment of necessary legal texts on the reorganization of the court network to the Ministry of Justice in July 2011.

The Law on Copyright and Related Rights was adopted in December 2009 and was amended in December 2011 with the aim of aligning it further with the *acquis*. Good progress was also achieved with the Trademark Law and the Law on Legal Protection of Industrial Design, which were adopted in December 2009. The Law on the Ratification of the Convention the Grant of European Patents was adopted in May, 2010 and in the same year the implementation of a New Customs Law – Measures for the Protection of Intellectual Property Rights at the Border, started. Furthermore, the Law on Protection of Plant Breeders' Rights was amended in November 2011, allowing Serbia to start the procedure for joining the International Union for the Protection of New Varieties of Plants (UPOV).

Several additional laws relevant for ensuring further alignment with the *acquis* were adopted. The Law on the Protection of Topographies of Integrated Circuits was adopted in December 2009 but it remains to be further aligned with the *acquis*. Some progress is seen in the field of enforcement. The Law on Patents has been adopted in December 2011, ensuring further alignment with the *acquis*. Apart from further ensuring harmonization with the EU legislation, this law also introduced some new instruments with the aim of improving the patent granting procedure. The Law on Protection of Trade Secret was also adopted in September 2011 and among the most relevant recent achievements is the adoption and implementation of the Law on Optical Disks in July 2011. Implementing legislation for this law was adopted in March 2012. The amendment of the Law on enforcement was initially scheduled for the end of 2012 and related activities are on-going.

On the whole, Serbia's legislative framework on industrial property rights, including its legislation on industrial design and trademarks, is largely aligned with the EU *acquis*.

The public expenditure management system, including **public internal financial control**, is based on a comprehensive budget system law, but the analytical capacity and conceptual understanding of key elements of effective public expenditure management are still weak. The legal framework for PIFC, which is provided by the mentioned budget system law and two implementing regulations, one on Financial Management and Control (FMC), the other on internal audit, applies to all users of the national budget. Implementing legislation on internal audit and FMC was further aligned with international standards in December 2011, enabling better defining of managerial accountability and separation of the roles of a manager and an accountant. The **law** now provides a legal basis for decentralised internal audit and financial management control arrangements throughout the public sector. Substantial efforts are however still needed to develop public sector financial management and control based on the underlying concept of managerial accountability. The provisions on centralised budget inspection also need to be amended, as inspection is not yet PIFC-compatible. The government adopted the PIFC policy paper for 2009-14 in July 2009, which envisages that the provisions will be amended in 2014, once internal control systems have been properly developed. Overall, preparations in this chapter are still at an early stage and progress in the segment of PIFC internal financial control can be assessed as limited.

Amendments to the Law on **SAI** were adopted in 2010, when SAI was given the supreme state authority for auditing public funds. The law empowers the SAI to implement both financial and performance audits and provides that the SAI is independent for planning and implementing audits. However, the Law does not provide for full financial and operational independence in line with the standards of the International Organisation of Supreme Audit Institutions (INTOSAI). Amendments to the Law on SAI should thus be considered in order to strengthen both the functional and the operational independence of the SAI. Furthermore, according to the requirements of the SAI Law, the SAI continues to have a specific responsibility to submit requests for filing misdemeanour and/or criminal charges to the competent authority. This responsibility, which should rather be part of wider budget inspection activities, takes up some of the SAI's limited resources that could rather be used for additional audit work.

Strategies

In September 2011 the Government adopted a **Procurement Strategy** and Action Plan that set out a number of objectives and actions for the period 2011-2014 for the improvement of the public procurement system as a whole. Measures to increase transparency and reduce corrupt practices, including improving internal and external controls, have been proposed. The Procurement Strategy includes propositions aimed at improving and updating the PPL and the legislation covering concessions and PPPs, institutional changes including the setting up of a new centralised procurement purchasing body and improved co-ordination between institutions, capacity building and professionalisation, e-procurement, frameworks, social and environmental issues. A number of the activities identified in the action plan are underway.

The National Strategy for **Intellectual Property Rights** 2011-2015, providing a comprehensive framework for concerted enforcement by all competent institutions, was adopted in June 2011. The strategy is being implemented and capacity has been strengthened.

The national strategic document which defines the objectives and guidelines of the Government's mid-term economic and fiscal policy is the Memorandum on Budget and Economic and Fiscal Policy for 2011-2013. This document is complemented by several strategies already adopted or in the pipeline for particular aspects of public finance, providing more in-depth orientation for programme interventions in the short- and medium- term period. Among these are: the Strategy of Internal Financial Control in the Public Sector, and the Public Debt Management Strategy which streamlines both fiscal and monetary policies. Organisational and Institutional structures related to

the last mentioned strategy have been proposed and agreed. A strategic development plan for 2011- 15 was also adopted by the SAI Council in November 2011. This is also the segment where the main goals related to **PIFC** have been achieved, as the result of IPA, following previous extensive support through the CARDS programme. The support resulted in the adopted Policy paper for PIFC.

Development of human resources

Capacity in implementing Public Procurement was raised as the result of numerous training seminars which **PPO** organized for various stakeholders throughout the country. The PPO played a key role in the development and roll out of the certification process of 1,045 procurement officers, which represents a critical step in professionalisation. It has also been involved in organising a number of training sessions for contracting authorities, bidders and other stakeholders.

Both the Ministry of Finance and the Review Commission have increased staffing, however coming from a low base capacity remains an issue.⁴⁵ A further impediment is the limited financial resources of these bodies. Overall, administrative capacity and coordination mechanisms of the main stakeholders in the public procurement system, especially the Ministry of Finance, still need further strengthening, particularly related to reducing the scope for corruption.

The **Intellectual Property Office (IPO)** conducted a large number of training events for government enforcement agencies and organised promotional activities for stakeholders. The Education & Information Centre established within the IPO by IPA assistance has created a stakeholder network that coordinates training and awareness-raising activities on IPR for judiciary and the IPR enforcement agencies.⁴⁶ The major achievement of IPA assistance in this area can be seen in the strengthened capacity of the Serbian administration⁴⁷. Along with training and internal coordination, this is also seen in external coordination, since it targeted all stakeholders in the IPR system. A further significant contribution of IPA assistance is seen in the raised public awareness of the IPO as well as the generally raised reputation of the Office. Needs for further capacity building are observed since the specialisation of prosecutors, judges and court panels handling cases in all segments of intellectual property law is still not sufficiently ensured which is threatened by changes to the financing of the institution.

The **SAI** is in the institution-building phase and is gradually building up its full potential and further auditors are being recruited. It now has approximately 130 staff, including over 100 auditors. However, SAI is under-resourced, and the audit coverage is still rather limited. The Central Harmonisation Unit (CHU) continued to focus on technical activities, particularly training and certification of internal auditors. Around 130 internal auditors have been trained by the CHU and around 70 certified. An updated certification program with more emphasis on practical audit work is being developed. However, internal audit cannot grow to its full potential if the public sector internal control as a managerial responsibility is not developed in parallel. More awareness-raising with senior public sector managers is needed to increase their understanding of their specific role and responsibilities in setting up internal control systems and of the role of an internal auditor within their organisation.

⁴⁵ The problem is persistent even though the Department for Public Procurement in the Ministry of Economy and Finance, which is responsible for legislative initiatives, increased its staff from 2 to 6 employees and the Republic Commission for the Protection of Rights in Public Procurement Procedure ('Republic Commission') staff increased from 9 to 38 employees.

⁴⁶ Along with the conducted trainings for enforcement agencies, IPO also conducted awareness raising activities (round table on piracy, WIPO /World Intellectual Property Organization/ seminar on counterfeit and piracy, lectures for general public, press clippings, etc).

⁴⁷ 6 Staff have gone through intensive training in all IPR fields, including IPR management, commercialization of IPR etc.

Among major achievements of IPA assistance in this segment in **PIFC** is the development and practical on the spot support to introducing risk management, risk control and practical auditing work in line ministries. The capacity of the MoF's CHU has also been increased with four additional staff in 2011 and three in early 2012.

Establishment of systems and tools

Among achieved progress is the upgraded **public procurement** portal, contributing to an overall improvement of the public procurement system. The PPO has also published a set of standard forms, templates and models to facilitate procurement and continually provides training for stakeholders throughout the country, to promote the public procurement web portal and assistance and advice to procurers and bidders. As the result of IPA assistance, the PPO has prepared a range of user tools, including manuals, aimed at facilitating the work of public procurement practitioners. It has, together with a UNDP Project, developed software for the electronic management of public procurement notices and run a number of related training courses.

In relation to **IPR**, IPO has continued to strengthen its IT capacity, in particular by starting to develop a national industrial design database, in order to improve cooperation with economic operators. Exchange of information is not standardised and a solid IT platform that would ensure transparency and statistical tools for tracking a comprehensive enforcement record in the area of IPR does not exist.

Revised FMC and internal audit rulebooks have been published. Ninety-eight internal auditors completed the certification examination following theoretical and practical training, both delivered by the CHU.

The SAI continued to work on improving audit methodology and further increased audit coverage.

Other donor assistance to the sub-sector

In this sub-sector, the main other donors included:

- **UNDP** project (2009-2012): "Strengthening Accountability in Public Finance". The activities of the PPO in this project are particularly related to the development of public procurement system at local level (five pilot towns/cities have been chosen to participate in the activities of the project). One of the key outputs of the project is the Software for electronic conduction of public procurement process;
- **Office of the Auditor General of Norway (OAGN)**, The 'Institutional Capacity Development of the SAI Serbia' covering the period 2008-2013 had the overall objective of ensuring the implementation of high quality audits, thereby promoting transparency, accountability and good governance in the management of public funds;
- **The Royal Norwegian Embassy in Belgrade**: Agreement on Financial support to SAI Serbia by the Royal Norwegian Embassy in Belgrade 2009-2010. The financial support is earmarked for English language lessons for five members of the SAI Council as well as two supreme state auditors, secretary general of SAI and joint lessons for four SAI employees;
- **The Government of Norway** financed the project: Strengthening Accountability Mechanism in Public Finance 2010-2011. The purpose of the project was to support the establishment of an effective and sustainable accountability mechanism in public finance in Serbia.

Revenue Administration and Financial Supervision

Progress and developments in the institutional structures

Institutions

The **Serbian Tax Administration** (STA) is part of the Ministry of Finance and Economy. STA has administrative structures and resources for implementation of the EU acquis, but will need to be further modernised in line with its recently adopted strategy.

As the result of CARDS assistance, in April 2010 the STA opened a Contact Centre as an integrated and centralized information point for taxpayers. The Centre's structure has been reorganized and will have a more relevant role in the compliance management cycle in future. The modernization of the Large Taxpayer Office has also continued. A new structure, operational plan and improvements to the current business model are currently being implemented. The implementation of a new audit headquarters structure has also commenced. A new structure has been designed, staff needs determined and an implementation plan agreed by the STA.

The **Serbian Customs Administration** (CAS) is contained within the Ministry of Economy and Finance. The administrative and operational capacity of CAS is good⁴⁸. It has the administrative structures and adequate resources to implement and enforce the customs legislation and make sure that procedures and working methods are implemented effectively.

Internal checks by the customs administration and the police have resulted in a sizeable number of cases being investigated and penalties imposed, and initial progress has been made in the fight against corruption. Customs revenues have been increasing steadily since 2007, with a decrease in 2009 as a result of global crisis followed by an increase in 2010 and 2011.⁴⁹ CAS has intensified its anti-smuggling activities in joint actions with the other state bodies and international partners. It led its first operation as part of its cooperation with the South-East European Cooperative Initiative Centre with the aim of revealing channels for smuggling textile goods and is currently actively engaged in international activities concerning the fight against illegal trade in goods (narcotics, oil and cigarettes) and cross-border movement control.

In cooperation with neighbouring countries, Serbia has also continued to work on simplifying controls on goods and passenger railway traffic with the aim of reducing transit times at border crossings. Even though the coordination between CAS and the other departments of the Ministry of Finance and Economy has improved, there is scope for further improvement.

The **National Bank of Serbia** (NBS) is the central bank of the Republic of Serbia, with its primary objective being achieving and maintaining price and financial stability. Along with its traditional role of supervisor of the banking sector, pursuant to the Law on Supplementing the Law on the National Bank of Serbia, the NBS is also responsible for the supervision of insurance and financial leasing companies as well as voluntary pension funds and reports directly to parliament. The NBS is completely independent in carrying out supervision in the financial sectors under its responsibility.

Legislation

Related to institutional structures in the area of **taxation**, Serbia is proceeding well on its way to meeting the EU standards. The enforcement capacity of the tax administration and tax collection has improved, although further progress is required and the problem of the informal economy

⁴⁸ Serbia Assessment, SIGMA/OECD Report, 2012

⁴⁹ The decrease in revenue in 2009 can be explained by the effects of the global crisis, a slight decline from 2008 is in fact a good result for SCA duties collection considering that every year the average tariff rate is reduced in order to fulfill obligations under the Interim Agreement. (Source: Revenue Department of the CAS)

remains to be tackled. Follow-up actions are also necessary to ensure that its tax legislation complies with the Code of Conduct for business taxation. In January 2009 the Parliament adopted a set of budget laws, including amendments to the Laws on excises, administrative taxes, property tax, social security contributions and pension and invalidity insurance. The parliament also adopted amendments to the law on company profits tax and the law on income tax, in line with the *acquis*.⁵⁰

Legislation on other excise goods and on issues such as movement and control, excise warehouses and storage or the concept of taxpayer still remains to be aligned with the *acquis*. Likewise, there was little progress on approximation of tax legislation to the *acquis* regarding both direct as well as indirect taxation (value-added tax and excise duties), where further alignment is necessary.⁵¹

Amendments to the Property Tax Law were adopted in October 2011, postponing a tax increase until after 2012. Changes were also made to the law on tax on profits in December 2011 to provide certain tax reliefs for companies undergoing financial restructuring and tax reliefs were introduced for profits generated by production in free zones. The amendments to the Law on Tax Procedure and Tax Administration were adopted in December 2011, aiming to strengthen fiscal discipline and clarify some tax procedures.⁵²

Implementing legislation, by which the Large Taxpayer Centre will cover a larger number of tax payers, was adopted in July 2012 and should result in a higher collection of revenues. In the same month, implementing legislation on tax identification number of legal entities⁵³ was also adopted. The tax legislation in Serbia is only partly aligned with the EU *acquis*.

Serbia has made good progress in the area of **customs** legislation. A set of legal acts were adopted in order to allow voluntary implementation of the Interim Agreement with the EU. The new Customs Law has been adopted in 2010 and is largely harmonized with the *acquis*. The Law on the Customs Service, classification practice in line with EU standards, implementation of customs related security legislation and the renewing or upgrading of the Customs Declaration Processing System (CDPS) remains outstanding. Legislation has been adopted on customs-related security initiatives, including authorized economic operators, but has not yet been implemented.

Good progress was achieved in the area of the Customs Union with the adoption of new laws and sustained efforts to enhance CAS administrative capacity, particularly in the audit and post clearance sector. The government amended the decree on customs tariff nomenclature in November 2011 with the aim of aligning it with the 2012 EU Combined Nomenclature and with the liberalisation schedule of the Interim Agreement. Simplified procedures for imports and exports, based on accounting documents, have been introduced and duty relief for postal packages was increased in October 2011. However, the rules are still not fully in line with the *acquis*. Related to trade facilitation, the customs administration formalised procedures for exchanging pre-arrival information with neighbouring countries. The implementation of the integrated border management strategy and action plan has also continued.

⁵⁰ Laws on avoidance of double taxation were ratified for a number of EU Member States. However, discriminatory excise duties on imported spirits need to be brought into line with the same duties on local production in order to comply with the relevant provision of the Interim Agreement.).

⁵¹ VAT legislation is not yet fully compatible with all the provisions of the VAT Directive and there are considerable discrepancies from the EU *acquis* for harmonised excisable goods. Certain aspects of the Serbian direct taxation system concerning individuals could conflict with the EU *acquis* as they discriminate against non-resident taxpayers. Furthermore, some tax relief measures will need to be further examined in order to determine whether they are harmful.

⁵² They also allow companies undergoing financial restructuring to pay their taxes in instalments over a longer period.

⁵³ Aiming at simplifying procedure and cutting unnecessary paperwork, in line with the comprehensive regulatory reform.

In the **banking sector** during 2007, through intensive cooperation with commercial banks and the Association of Serbian Banks, a new package of secondary regulation for further improvement of the risk management process and implementation of Basel Committee recommendations has been adopted. The Law on banks was amended in 2010 and new decisions on harmonising bank capital adequacy, risk management rules and bank data disclosure with Basel II were implemented by the NBS in December 2011. Serbia is currently implementing Basel I requirements for capital adequacy and supervision and is implementing Basel II. With this aim a regulation was adopted in December 2010 on capital requirements, (standardised approach) risk management, disclosure and consolidated supervision. Basel standard is the basis for the EU capital adequacy legislation.⁵⁴ The Basel III requirements have not yet been implemented – they must be in place by 2019 - and alignment with the latest acquis on deposit guarantees remains to be achieved.

The amendments to the Law on the National Bank, adopted in August 2012, will result in the establishment of a specific Authority for the Supervision of Financial Institutions (which include banks, insurance companies and voluntary pension funds), within the NBS. The NBS carries out its supervisory role in a satisfactory manner. There was no progress in further aligning with the acquis in the area of financial market infrastructure however.

The regulatory framework for securities markets and investment services is defined by the Law on capital markets, adopted in May 2011, which aims at the alignment with the EU legislation on markets in financial instruments and on prevention of market abuse. Furthermore, the Securities Commission adopted 22 pieces of implementing legislation in order to regulate more precisely the capital market legal framework. Alignment with securities markets legislation is still not achieved however and the appointed Securities Commission needs to make sure that it carries out its supervisory functions properly. There has also been no progress in further aligning with the acquis on rating agencies and on undertakings for collective investment in transferable securities (UCITS).

Alignment in the area of financial services is moderately advanced. On the whole, Serbian legislation in this segment remains to be further aligned with the acquis and effectively implemented in the medium term.

Strategies

In the area of **taxes**, the Corporate Strategy (STA strategy) has been updated and the Compliance Plan implemented. However, further improvements are necessary. The 2011-2020 IT Strategy has also been adopted in autumn 2011. It includes the IT Strategy Implementation (2011-2013), as well as the development of the 2011-2015 Post-Clearance Audit Strategy (with the 2012 Post-Clearance Audit Annual Plan). Both this and the IT strategy were the result of IPA assistance, aiming at proper and efficient management of tax collection and improvement of the servicing and auditing of taxpayers. A new taxpayer services strategy has also been designed, aiming to improve the relationships with taxpayers and the way the STA interacts with them. The strategy has strong linkages to the STA Compliance Strategy for 2012 where certain initiatives are geared towards improving compliance in high risk areas. The Tax and Custom Administrations have also adopted their related strategic documents - the Tax Administration Development Strategy for 2010-2014.

In order to help implement the SAA in the segment of **customs** successfully, the Integrated Border Management Strategy was adopted in 2006.⁵⁵ The customs Risk Analysis and Risk Management Strategy were adopted by the SCA in September, 2008. The Government has also adopted the

⁵⁴ (Sr Analytical Report, 2011,p 70).

⁵⁵ The National IBM (Integrated Border Management) Strategy is in compliance with the European Commission's Guidelines for IBM in the Western Balkans and mostly with the core principles of the Schengen Catalogues of the Best Practice. The IBM Strategy presents the starting base for further development of the IBM policy in Serbia.

National Strategy for Fight against Organized Crime, as well as the Strategy for Drug Suppression in the Republic of Serbia for the period 2009–2013, along with the Action Plan for Implementation of the Action against Drugs.⁵⁶ The medium-term SCA Information System Development Strategy was also adopted and in December 2010 the Customs Administration Business Strategy was adopted for the period 2011-2015.

Development of human resources

Human resources have been upgraded in the area of **taxes**. In 2004, CARDS supported the establishment of the Education Department within the Education and Communication Sector, which is now within the Human and Material Resources Sector of the STA. The Education Department consists of a network of Educational Centers in Belgrade, Novi Sad, Kragujevac and Niš. The administrative capacity of the STA is continuously improving as a result of intensive training efforts focused on improving employee skills and administrative capacity.⁵⁷ However, the recruitment of more staff is needed with the necessary qualifications, particularly in the IT sector. Despite good results in enforcement by the tax police, the general collection capacity of the administration improved only slightly. The share of the 'grey' economy remains high and cumbersome procedures for tax collection remain in place. Despite this, based on official statistics, the overall level of tax collection is increasing year by year. The Large Taxpayers Office has hired an additional 22 staff and has increased the number of taxpayers under its jurisdiction by more than 20%. It has also recently introduced a new operational plan aimed at boosting total tax revenues.

In the Serbian **customs administration**, administrative capacity has been further strengthened, notably in the audit sector as well as in post-clearance controls. A part of the staff from the CSA have already gained relevant knowledge through their attendance at EU meetings since Serbia gained observer status to the Common Transit Convention. It is now necessary that CSA ensures adequate capacity in order to implement and enforce special rules laid down in related areas of the EU acquis such as on external trade, health and security.⁵⁸ The World Customs Organization's (WCO) e-learning Programme has also been incorporated into the regular customs training curriculum, resulting with strengthened post-clearance controls.

The administrative capacity of **NBS** is sufficient.⁵⁹ It has a comprehensive knowledge management system through an internal intranet accessible to all staff containing information on training and capacity building, including that funded through EU assistance. It pays higher salaries than the civil service and has additional funding sources that provide for the ability to hire external advisory support.

Establishment of systems and tools

New **taxation** management tools were developed within the STA including at the end of 2009 a single taxpayers' register as the basis for the future new information system. From April 2012, all VAT payers have the option of declaring their tax electronically. However, the IT system needs to be further improved. In the course of 2011, STA developed three additional registers (of producers, distributors and software) in collaboration with IPR holders, aiming at facilitating its work and checks. As the result of IPA assistance, the Initial Training Manual has also been developed, encompassing the initial training catalogue – mandatory for all newly employed staff in the STA and tax auditors. Among other developed manuals, the „Participative Training Techniques Manual“, was developed, aiming at developing training skills, as well as the „Manual for Monitoring of

⁵⁶ The Strategy is in compliance with the European Union Anti Drug Strategy (2005-2012) and other international documents, the Council of Europe recommendations, the UN Conventions, etc. related to opiate drugs production, circulation and use.

⁵⁷ Training has been provided for new recruits as well as the majority of current employees.

⁵⁸ All staff have demonstrated high commitment to proceed with the updated requirements and proposed changes.

⁵⁹ The capacity of its Insurance Supervision Department was reinforced by the hiring of two new employees.

Professional Career Development through Initial Training".⁶⁰ The developed „Moodle Manual – for trainers“, consists of a software package and web applications from the Learning Management System, which is intended for training on e-learning.

In **Customs**, CAS also developed its IT capacity necessary for IPR protection and a fully functioning IT system has been established, based on the interconnectivity between the various departments of CAS. Around 90% of customs declarations are currently submitted electronically and the concept of electronic signature has been introduced. Serbia has progressed on customs computerisation and is planning future interconnectivity with EU customs IT systems. However, the Customs Declaration Processing System (CDPS) should be upgraded and a properly equipped and functioning customs laboratory is needed.

Progress was made through the conclusion of several agreements on international cooperation, where CAS also improved information sharing with other national institutions. With the aim of facilitating trade, the CAS implements the system for exchanging pre-arrival information with Bosnia and Herzegovina, Montenegro and the former Yugoslav Republic of Macedonia.

CAS has continued to make progress in enforcing IPR, among others, by way of fully updating an electronic database of customs offences in the field of IPR and by introducing electronic handling of requests for protection of IPR. CAS still needs to utilise fully the electronic exchange of data with IPR holders.

The Single Electronic Window activity brought together staff from CAS and the Ministries of Health and Agriculture to discuss their requirements and the resulting document should be of use to all involved Ministries.

The National Bank is currently still in the process of reorganising the procedures for technical analysis and processing of information on counterfeit bank notes and coins in order to act as a national analysis centre. Preparations in this area are not very advanced.

Within the segment of treasury, an econometric model for estimating and forecasting budget revenues and main macroeconomic indicators was developed as well as the Methodology for evaluating the sustainability of public finances. The methodology for calculating the Index of Macroeconomic Stabilisation was also updated. Progress is also seen in the improved financial risk assessment and model for risk management in the Debt Management Administration and Treasury Administration. The model was documented and tested, and users were trained in the use of the Model. A Public Debt Database Manual has been developed and progress is also seen in the improvement of functions and functionalities of the information system in the field of Public Financial Management.

Other donor assistance to the sub-sector

World Customs Organization: since 2006 the SCA has participated in the Columbus Programme for capacity building, with the aim to implement the Framework of Standards to Secure and Facilitate Trade. The pilot project- Integrity of customs officers- was implemented in 2010 with the aim of raising awareness of staff and managers on the roles, functions and objectives of internal affairs.

Norwegian Bilateral Assistance, 2008-2010, financed the project: IT support to SCA for the Integrated Tariff of the Customs Administration of Serbia- TARIS. The project's objective was to

⁶⁰ STA has already had a developed recording system of the trainees through their records, besides these recommended files for monitoring development of staff career.

enable IT support for the implementation of the Integrated Tariff and economic policies in order to harmonize Serbian customs system with the European Union standards in core customs and taxation business areas

Norwegian Bilateral Assistance, in 2011-2012 financed the project: Institutional and administrative capacity building of Serbian Customs Administration through the development of Business Intelligence system and approximation to modern European standards of customs business.

A World Bank credit, in the amount of USD 50,000, was used for training 500 customs officers for using the hand-driven radiation detectors, approved for implementation of the Trade and Transport Facilitations in Southeast Europe project, which ended in 2007. **The World Bank** also enabled the STA to acquire 30 laptops and audit software applications which will be used to audit more extensively those taxpayers who have electronic accounting records.

The U.S. Department of State manages the EXBS (The Export Control and Related Border Security) program with the aim of building the capacity of the Enforcement Division. Through this programme from 2005 onwards, training courses covering different areas for the purpose of improving enforcement activity were implemented in the amount of **USD 245,000** and equipment was provided in the amount of **USD 640,000**.

The People's Republic of China (The Export-Import Bank of China) provided a state concessional loan (about EUR 11 million) for the x-ray equipment at border crossings used by the Customs Directorate to enhance technical capacities and to complete the results achieved through the project related to harmonisation of work with the EU agencies operative methodology, financed from the IPA 2008 funds.

Through **IMF** assistance STA has developed a „Tax compliance strategy“ that contributed to better tax compliance and STA was provided along with training regarding auditing of taxpayers.

USAID: technical assistance to the National Bank of Serbia (Bank Supervision Department) was continuous in the past six years with the aim of developing the overall banking supervision function.

The support of the **European Central Bank (ECB)** was complementary to IPA assistance. ECB (ESCB) ⁶¹experts analysed and assessed the current regulatory and operational framework as well as policies and practice of the NBS against the precisely agreed and defined ESCB benchmarks and standards. IPA assistance will continue in the follow-up phase, during which active and concrete actions will be implemented with the aim of strengthening institutional capacities of the NBS and harmonizing its activities and operations with the EU standards.

Public Administration Reform

Progress and developments in the institutional structures

Institutions

The Council of Public Administration Reform (PAR) is responsible for the strategic management of the **PAR** process. The Council includes the Prime-minister, vice Prime-Ministers, Ministers having authority for different aspects of the PAR, and the Director of the HRMS. Thus far, the PAR Council continues to address only administrative and technical issues and does not actively steer the implementation of the PAR Strategy, which remains insufficient. At the operational level, implementation of the PAR as well as for the effective coordination of all stakeholders has been

⁶¹ European System of Central Banks.

divided after the 2012 elections between the new Ministry of Justice and Public Administration and the Ministry of Regional Development and Local Self Government. This may improve the formerly complex and confusing institutional structures. Further changes to PAR institutions, such as the HRMS, may be forthcoming with the implementation of the National Training Strategy.

The General Secretariat, responsible for policy co-ordination and planning, has recently been restructured and reinforced and is slowly taking up consistent coordination functions. It will be the beneficiary of future IPA assistance. However, the capacity of the public administration in certain sectors is weak as well as institutional cooperation, which remains to be strengthened. Effective coordination between the main stakeholders, including audit and judicial institutions, remains an important task. Serbia also needs to further strengthen capacity on EU integration, in particular the central coordination between the General Secretariat, the Serbian EU Integration Office and in Ministry of Finance. On the whole, little progress has been achieved regarding PAR and greater political commitment, better coordination, and increased financial and human resources are needed to bring about administrative reform.

The first State **Ombudsman** was appointed by Parliament in 2007 for a period of five years and was re-elected with cross party support after the 2012 elections. There is also a specific Ombudsman for Vojvodina and several other on the municipal level with whom the State Ombudsman has established cooperation – although the Vojvodina Ombudsman refused to collaborate with the IPA assistance. A local field office was opened in Southern Serbia in June 2010. The Ombudsman is becoming a central figure in the defence of citizens' rights in relation to the public administration. The public have demonstrated increasing interest and confidence in the Ombudsman and in the past five years the Ombudsman has established cooperation with administrative authorities, government institutions, local authorities, NGOs, the media and international organizations related to protection of human rights. The offices at both the state and provincial level were very active and led to a greater awareness among the general public, which resulted in an increase in the number of complaints. Most complaints refer to the public administration's inefficient decision-making in various fields of administrative activities. The increased number of cases investigated and solved demonstrate the strengthening and improvement of the Office's growing core capacity in handling citizens' complaints and the growth of the citizens' trust towards its role. The main benefits of IPA assistance are seen in its substantial contribution to the strengthening of the institution's capacity to handle complaints, as the core focus of its work, including, among others, improving of its internal procedures to ensure more efficient implementation of its activities. Significant increase in visibility through enhanced communications with the public (via media events as well as an enhanced webpage) resulted in the increase in the number of complaints received year on year.⁶²

Legislation

The main achieved legislative progress in **PAR** relates to improvements of the legislative framework, basically focused on strengthening the legal status and the effectiveness of local government employees. In 2008 the Law on Ministries was adopted, broadening the competences of the MPALSG to engage in all tasks related to the PAR process.

As part of the PAR, the Law on Civil Servants was amended in December 2008. The new provisions set clear educational requirements for civil servant posts, defined the role of the Ombudsman in connection with dismissal of civil servants and extended the legal deadline for completion of open competitions for recruitment. In the area of professionalisation of public administration, the Law on Amending the Law on Civil Servants was prepared and adopted,

⁶² For example, in 2007 Ombudsman received 406 formal complaints, in 2008 – 1030 complaints, in 2009 – 1765, in 2010 – 2646, 2011 – 3642 and in 2012 so far – 3547 complaints. (Information obtained from the State Ombudsman office).

including by-laws for its implementation. The Draft Law on Civil Servants in Local Self-Government Units was finalised by the MHMRPALSG and adopted by the Government in 2011.⁶³

The Law on administrative disputes, which regulates judicial scrutiny of administrative acts and the work of the Administrative Court, was adopted in December 2009. However, this Law remains to be fully aligned with European standards for judicial review of administrative acts. The legislative framework in the sector is being completed with the drafting of the Law on Administrative Procedures. New legislation on general administrative procedures and on local government employees and salaries remains to be adopted. The Law on Administrative Inspection, which governs procedures for checking that administrative bodies comply with administrative law, was also adopted in November 2011. Furthermore, the Law on Election of Representatives and the Law on Referendum and Civil Initiative have been drafted, while the drafting of the Law on Labour Relations in Local Self-Government is on-going. The Law on Transfer of Property to Municipalities is expected to be adopted.

The results of IPA assistance to MPALSG were the drafting of the basic legislation for local-self government in Serbia. The following four laws were drafted and adopted in 2007: Law on local self-government, Law on local elections, Law on territorial organisation and Law on the City of Belgrade. Among other related laws drafted with IPA assistance are the Law on Communal police (support to MPALSG), adopted in July 2009 and the Draft Law on Civil Servants in Local Self-Government Units, adopted by the Government in March 2012. IPA assistance also contributed to the preparation of the Law on Administrative Inspection, adopted in 2011 and resulted in recommendations for the improvement of the administrative supervision system.

Among other achievements of IPA assistance were the improved financial arrangements for local government and support to fiscal decentralization, the strengthened co-ordination mechanisms and the developed decentralisation strategy. A further positive achievement is the enhanced citizens' participation at the local level, including raised awareness on local government issues.

Fiscal decentralization has also been performed. Local governments have established local revenue departments which are in charge of assessment, collection and audit of the property tax. Following fiscal decentralization, the property taxes represent a major contribution to the revenues of local governments.

The **Ombudsman** proposed numerous amendments to draft legislation, including laws on the army, the Constitutional Court, security services, children's rights and the draft rules of procedure for the Serbian parliament. The Ombudsman's recommendations are still not been sufficiently followed up. However, its power and independence will be reinforced by the draft law amending its statute, adopted by the Government in February 2012, which gives it more financial autonomy.

Strategies

The main government document which defines the challenges and objectives of the **PAR** is the PAR Strategy in the Republic of Serbia with the Action Plan for Serbian PAR Implementation, 2009-2012. However, the Strategy still remains insufficient and is currently being redrafted with IPA assistance.

⁶³ Among other adopted laws is the Law on Registration Books, adopted in March 2009 with the aim of introducing electronic communication between State bodies and registries, thus facilitating document management. The Law on Administrative Procedure and the Decree on Electronic Document Management in Public Authorities' State Government have also been adopted.

The Strategy for e-Government Development with the Action Plan for the Strategy implementation for the period of 2009 to 2013 sets out the objectives for the introduction of e-government which should allow more efficient and effective operation of administrative bodies and public authorities in the provision of public services to citizens, companies and other organisations. Other strategic documents defining priorities in the field of e-government are the Strategy for the Development of Information Society in the Republic of Serbia to 2020 and the Strategy of Scientific and Technological Development of Serbia 2010-2015. The latter strategy highlights the importance of Serbia embedding ICT in all national development strategies.

The Strategy of Decentralisation of Serbia has also been developed. This represents a clear intention of the state authorities to lead the process of decentralisation on the basis of strategic planning and coordination, in order to increase efficiency and quality in the provision of public services to citizens.

A new strategy on professional development of civil servants has been adopted. Among other strategies adopted in this sub-sector is the National Anti-corruption Strategy.

Development of human resources

The current administrative and political fragmentation adds to the difficulties of a **public administration reform** that needs to impact horizontally across the whole state administration. Furthermore, the concentration of decision-making powers at the political level impedes the emergence of professional management in the public service. These factors represent serious obstacles for reform, together with relatively high staff turnover and shortages in key areas. Accountability of manager =s is virtually non-existent as decision-making is limited to political decisions taken by ministers and politicians. There is no widespread practice of delegation of decision-making powers and one of the results of this concentration of power in the hands of politicians is the extreme difficulty of implementing laws and policies since the excessive political pressure inhibits the development of managerial skills in public administration organisations. Overall, managerial capabilities to implement reforms are very low.

In July 2011, the Government adopted the 2011-2013 Strategy on Professional Development of Civil Servants with the aim of creating a new system of professional development through the establishment of a central institution in charge of the implementation of training programmes. The strategy also shifts the current responsibilities of preparing, establishing and monitoring professional development from the Human Resources Management Service (HRMS) to the Ministry of Justice and PA, which will also co-ordinate specialised training programmes developed by individual institutions. The division of responsibilities between policymaking, attributed to the Ministry, and implementation, attributed in part to HRMS in the Secretariat General of the Government, is thus now operational. The disaggregation of policy making and implementation to two separate institutions means that the relationship between them needs to be well managed and closely coordinated. The HRMS should be subordinated to the Ministry of Justice and PA, not to the Secretary General of the Government.

IPA assistance led to enhanced effectiveness in HR development practice in the pilot municipalities, particularly related to raising skills of local practitioners.⁶⁴ A new training programme for civil servants was adopted in 2012 and several training courses were delivered. However, only a small

⁶⁴ The Standing Conference of Towns and Municipalities organizes independently as well as in the framework of cooperation on different programmes /projects. around 30-40 trainings per year, covering almost all relevant areas relevant for LSGs, among them: human resource management in LSG and monitoring, evaluation of work of municipal administration, project preparation and PCM, strategic planning, local economic development, municipal property management, municipal finances, environmental protection and waste management, urbanism and spatial planning, social services, public relations in LSGs, transparency and accountability, etc.

percentage of civil servants, and in particular a very small percentage of managers, took part in training. This limited participation is due to a range of reasons, including cultural and the structure of career management that puts training as a role of line management rather than of the individual.

HR development in the PAR sub sector is also hindered by the fact that the recruitment and career system is not yet fully merit-based and recruitment is still prone to political influence and patronage. The impartiality mechanism embedded in the recruitment system is not difficult to circumvent since it is relatively weak, and recruitment decisions are still based excessively on discretion. Local government does not have a merit-based and professional human resources service.⁶⁵ Selection procedures are still not applied uniformly and managers have too much discretion when choosing candidates from lists drawn up by selection panels following competitions. Furthermore, temporary employees are not recruited according to competitive criteria and contracts are allocated without internal or public competition. Altogether, further efforts are needed in order to introduce effective human resources management.

The Serbian **Ombudsman** Office is able to attract well qualified legal staff despite offering civil servant salaries as it is seen as an important institution and useful career path, although changes to Judicial legislation may see some of the more experienced judges return to the judicial system. Staff are trained primarily on the job through collaboration with colleagues. Its central offices are fully equipped – although lacking a planned document management system - along with three field offices in Bujanovac, Preševo and Medveđa were also established in 2010 and are fully equipped. The Ombudsman however still lacks sufficient staff since the current number of 70 is inadequate to deal with the increasing number of complaints – although this may be resolved in 2013.

Establishment of systems and tools

Progress is seen in **PAR** related to the promotion of modern and effective Human Resources Management models (HRM) and functions in all Serbian local authorities (towns and municipalities). The HRM Toolkit is currently being disseminated to all local governments in Serbia. Among other achievements, the proposal for the equalisation system has been finalised and Recommendation and guidelines for Performance budgeting have been developed, as well as the Guidelines for Local Government Debt management. The Guidance and Recommendations can be assessed as a very useful tool to local governments necessary for more transparent, effective and result oriented budget management and reporting as well as an intermediate step towards programme budgeting. Further achievements include also the developed Council of Europe Handbook on Finance at Local and Regional level, which has been translated into the Serbian language, published and disseminated to towns and municipalities. A case study handbook Best practice in local governments has also been developed as well as the Guidebook for Property transfer to local government, published in November 2012. Furthermore, guidance on performance based budgeting for local governments and Recommendations on the necessary changes for wider dissemination and use of performance budgeting have been provided.

As the results of the adoption of the Decree on E-Office-Business, the Government has seen the instigation of electronic sessions and the launch of the e-government portal, as well as the launch of the software application for medium-term planning and submission of the contributions for the annual Work Plan of the Government and corresponding Reports.

Among relevant contributions under this component, based on IPA assistance in the sector, is also the **Ombudsman** Institutional Building Guide, gathering best practices and principles relevant for the work of Ombudsman Institutions.

⁶⁵ A number of appointments to senior civil service positions are also still pending.

Other donor assistance to the sub-sector

The main donors in this segment were:

USAID financed The Serbian Local Self-Government Programmed (SLGRP) which offers strong support to all cities and municipalities which decided to establish the office of the citizens' defender. Furthermore, efforts were made to secure basic conditions for financial sustainability of already established offices of the local Ombudsman.

USAID MEGA (Municipal Economic Growth Activity) programme, 2005-2010, project: Developing the skills of local governments and business groups to foster economic growth, promote job creation, and build a flourishing private sector. The project assisted local economic development and enhanced opportunities for cooperation between the public and private sectors to create a business friendly environment.

EU, jointly with the Swiss Confederation financed the Programme of Support to the Southern and South-Western Serbia (ongoing in 2011). This programme supports the activities which should be stimulating for the social and economic development of the relevant territory, through support to implementation of the priority infrastructure projects, enhancement of municipal and inter-municipal management capacities and promotion of development potentials of the Southern and South-Western Serbia.

The **Swedish International Development Cooperation Agency (SIDA)** and the **UK Department for International Development (DfID)** financed with USD 1,850,000 in 2006-2009 the Project "Support to the Strategy of Public Administration Reform in the Republic of Serbia – Second Phase" that has provided the main support to the PAR implementation and is being implemented by MPALSG in cooperation with the **UNDP**. **SIDA** also implemented training of civil servants and administration in how to combat corruption. SIDA's previous support has led to the creation of Serbia's anti-corruption strategy.

The EU, SIDA, the Kingdom of Norway, the Austrian Development Agency and the Serbian Government in the period 2005-2008 jointly financed with USD 10,000,000 the Programme of development and recovery of municipalities in Southern Serbia (MIR – stage 2).

The Royal Norwegian Ministry of Foreign Affairs financially supported the project: "Improvement of the Personnel Selection Process in Public Administration Authorities", from the budget for 2007 which **HRMS** is implementing. The project envisages improvement of the existing and adoption of new methodology for the process of personnel selection in public administration, as well as strengthening the capacity of employees doing the tasks of personnel selection in order to be able to conduct the process of personnel selection more efficiently and effectively.

The Royal Norwegian Ministry of Foreign Affairs also financed the project "Automation of the Vacancy Filling Process in Public Administration" from the assistance package for 2008. The project deals with improving the process of personnel selection in public administration by modernizing the vacancy filling process through automation of work functions.

Norwegian aid financed the European Integration projects "Strengthening capacities of Serbian Administration for EU integration" as well as the project "Serbia and the EU – Preparing for the EU Accession". **The Kingdom of Norway** also financed with USD 213,135 in 2006-2008 the project „Support to preparation of Decentralized Implementation System for EU funds (DIS) in Serbia" and in the same period, with USD 100,000 supported local development in the country.

The Republic of Italy provided grants in 2011 through procurement of goods from the agreement on donation (the so called Protocollo Antonione), the further absorption of which is expected during the period 2012- 2013.

The World Bank project (USD 40 Million): “Delivery of Integrated Local Services (DILS)”, is designed to promote the delivery of local services in social protection, health, education and fiscal management in a decentralized environment.

The European Agency for Reconstruction (EAR) and the Swiss Agency for Development and Cooperation supported in 2006-2009 the project “Development program for municipalities in South-western Serbia” (PRO – stages 1 and 2) with USD 10,000,000.

Overall, most active donors in the PAR sector are the **United States of America, the Kingdom of Sweden and the Federal Republic of Germany.**

In the field of local self-government, the estimated amount of disbursed funds during 2011 was EUR 77.75 million. The list of the most active development partners supporting interventions in this sector, along with the EU, also includes the **United States of America, the Federal Republic of Germany, the Swiss Confederation, the Kingdom of Sweden, the Czech Republic, the Republic of Slovakia as well as UNDP.**

Since 2007, the Ombudsman has received assistance and funding from several international organizations/institutions including **OSCE Mission to Serbia, OHCHR, UNICEF, UNIFEM, UNDP, Norwegian Government, Save the Children Norway, Council of Europe, UK Embassy, SIDA and USAID.** This contributed to further strengthening of the institution's capacities (human, technical, and other), promotion of human rights, raising the institution's visibility and increasing its outreach to citizens throughout the country.

Statistics

Progress and developments in the institutional structures

The Serbian Statistical Office (SORS) is the body responsible for official statistics in Serbia. SORS is not the only producer of official statistics, but since the system of production of official statistics is quite centralised, SORS holds responsibility for the larger part of the official statistics produced in the country.

Cooperation and coordination between the statistical office and other official producers of statistics has improved, in particular with the National Bank of Serbia, the Ministry of Finance and the Ministry of Agriculture. The SORS signed a number of cooperation agreements with other Serbian bodies, as well as a number of memoranda of understanding with various Serbian ministries and the Serbian tax and customs administrations. A Statistical Council, bringing together representatives from various ministries has also been created. SORS is currently well-positioned to perform its role. Although the above mentioned progress has been made recently, coordination with other bodies within the administration needs further strengthening. The **Law on statistics** was adopted in 2009 and is broadly aligned with international standards. Adoption of the law has considerably accelerated the development of the statistical system.

The necessary improvements and modernisation of the system of statistics in Serbia are defined in the Development Strategy of the Official Statistics in the Republic of Serbia 2009-2012, adopted by the government in January 2009. Overall, if it continues its efforts, Serbia should be able, in the medium term, to align fully with the EU acquis in the area of statistics.

Development of human resources

The SORS has approximately 472 employees. As part of the streamlining of public administration, the staff resources of the SORS have gradually decreased by approximately 10%. SORS has upgraded the existing qualification of its staff. However, given the tasks required to comply with the acquis, the number of qualified staff at the SORS will need to be increased over the next few years. Furthermore, the available funding is still not sufficient to cover all planned activities.

Establishment of systems and tools

Significant progress in the sub-sector has been achieved related to established systems and tools. Progress is seen in the developed Feasibility Study for ICT and the adopted ICT Strategy. The following have also been developed:

- Methodological manual, questionnaire for Agriculture Census, Organisational instructions, as well as all linked necessary instruments;
- Methodology and organisation of Survey on big, medium and small sized enterprises (almost 18000 enterprises), for the purpose of establishing Supply and Use Tables;
- Nearly 20 Rulebooks, written procedures and Guidelines.

Several pilot surveys were carried out and some results were published. For demographic and social statistics a labour cost pilot survey was conducted. The labour force survey methodology was revised and these surveys are carried out regularly twice a year. A number of other surveys are conducted in the area of social statistics⁶⁶, such as on migration and asylum, earnings and labour costs, education and health, together with the household budget survey. A pilot survey on innovation was also conducted and the results of the surveys on structural business statistics were published, important since they serve as the basis for the national accounts, which have also been further developed. However, further preparations are needed with the aim of achieving comprehensive delivery of national accounts data according to ESA 95 and its transmission programme. A substantial effort has been made to develop the statistical business register on which two regulations were adopted. On the whole, there was some progress in the area of classifications and registers and the business register methodology was improved. The revised classification of activities, NACE rev.2, has been further applied to time series of national accounts.

A pilot agricultural census was conducted in December 2009 and, currently, preparations for the agriculture census are under way.⁶⁷ Implementation of the acquis on agricultural statistics needs further attention, since the quality of agricultural statistics has generally been low so far, as they are based on estimates by municipal assessors. Agromonetary statistics are also in an initial phase and are currently being improved.

The population and housing census was carried out in 2011. Field work has been completed and data processing is on-going. Particular efforts have been made to involve the Roma population in the census. Related to sector statistics, substantial progress has been achieved. Concerning macroeconomic statistics, the SORS produces estimates of gross domestic product (GDP) and national accounts broadly in accordance with the European System of Accounts (ESA95). Government finance statistics are produced by the Ministry of Finance and follow the International Monetary Fund manual on government finance statistics. Financial statistics as well as the balance of payments, foreign direct investment and monetary statistics are compiled by the National Bank. As to price statistics, the harmonised consumer price index has still not been developed. Business and Energy statistics have also been further developed.⁶⁸ Foreign trade statistics have been

⁶⁶ The survey of income and living conditions (SILC) is currently planned to be introduced.

⁶⁷ Methodology and all necessary statistical instruments for Agricultural census prepared and tested. Furthermore, all preparatory activities for introducing the farm register have been implemented.

⁶⁸ The structural business statistics were expanded in order to cover additional related items from the EU Regulation.

harmonised with the standards and procedures applied in the EU and data are forwarded to the European Commission. A new method for air transport statistics and the new customs tariff based on the 2009 Combined Nomenclature were also introduced.

The action plan for harmonisation with the European Statistics Code of Practice based on the results of the Light Peer Review is also been implemented. Progress is based on the adoption of a number of standards and procedures as well as Eurostat's requirements. Furthermore, a regional statistical classification (NUTS) has been proposed by Serbia but has not been agreed by the European Commission. A revised proposal, in line with the EU acquis, is expected. This issue however goes beyond the scope of technical expertise and requires a political decision.

Other donor assistance to the sub-sector

The main donors in the statistics sub-sector were the following:

OECD, Eurostat and EFTA supported the Regional projects on Non Observed Economy aimed at achieving exhaustiveness in national accounts.

The Swedish Development Agency (SIDA) has been supporting the progress in agriculture statistics, economic statistics, business register, short term statistics, SBS, energy statistics and energy balances, IT development and IT training, survey methodology, monitoring of sector performance, household budget survey, labour market statistics, cooperation with users and human resource training. The SIDA Regional project is supporting environmental statistics, statistical methodology and gender statistics. Among others, this regional project has improved the quality of waste and air pollution statistics, has trained staff for survey implementation, questionnaire design, sampling techniques, compliance with the EU requirements and has improved cooperation with users and producers of official statistics.

Training which is implemented by the Standing Conference of Towns and Municipalities is mainly supported by **SIDA, SDC, SECO, Kingdom of Norway and the United Kingdom**.

Conclusions

Most progress in the past seven years can be seen in *institutional structures*, where substantial progress has been made in the establishment and development of institutions. This has progressed best in large or more independent institutions such as the STA, CSA, Ombudsman, SCB, IP and Statistics and less well within government ministries with more horizontal roles, including all aspects of PAR, PIFC and public procurement. This is in part due to the clear mandate of the former institutions, especially under the acquis, and the clearer political support for the technical restructuring needed to implement it.

The **STA** has administrative structures and resources for the implementation of the acquis and clear plans for their future institutional development. A new structure, operational plan and enhancements to the current business model are currently being implemented. The **SCA** has the administrative structures and adequate resources to implement and enforce the customs legislation. A set of legal acts were adopted in order to allow voluntary implementation of the Interim Agreement with the EU, the customs tariff was amended as well as a new Customs Law but not yet the Law on the Customs Service.

The **Ombudsman** has been restructured and strengthened operationally, legislatively and financially resulting in an increase in the number of complaints. It also established good cooperation with state bodies, media and associations of citizens engaged in the protection of human rights.

The legislative framework on **IPR** is now largely aligned with the *acquis* and the National Strategy for IPR was adopted and capacity has been strengthened. However, no solution has been found so far related to the issue of IPO's long-term financial sustainability.

The **PPO** and Review Commission have benefited from considerable external assistance to strengthen their administrative and enforcement capacity. However, both institutions are expected to be subsumed into the Ministry of Finance and this may threaten the sustainability of this support but equally may address the current issues of poor coordination between the main stakeholders.

Institutional structures for **PAR** have also been revised since the election with the creation of new Ministries covering both central and local government. Progress has been made to the legislative framework, strengthening the legal status and the effectiveness of local government employees. However, the lack of political consensus to introduce changes in the basic local self-government laws continues. The PAR Council continues to address only administrative and technical issues and does not actively steer the implementation of the PAR Strategy, which is itself in the process of being rewritten.

A formal framework for internal audit at central government level is largely in place. However, the **PIFC** system is still at a relatively early stage of implementation.

Progress is seen in the development of institutional structures in **statistics** and co-operation with the MAFWE is strong following preparations for the agricultural census. The Law on statistics, adopted in 2009, has considerably accelerated the development of the statistical system and is broadly aligned with international standards.

All sub sectors have witnessed progress in *human resources development*, through the efforts of both assistance programmes and horizontal or technical training by various government institutions. The Government adopted the 2011-2013 Strategy on Professional Development of Civil Servants with the aim of creating a new system of professional development through the establishment of a central institution in charge of training, although this has not yet come into existence. How this new institution will interact with the HRMS remains unclear. Among the most positive achievements is the **STA**, with its administrative as well as training capacity continuously improving as the result of intensive training efforts focused on improving employee skills and training of trainers through an established network of four regional training centres.

In the **SCA**, administrative capacity has been further strengthened, notably in audit as well as in post-clearance controls and the establishment of an upgraded risk analysis system. Capacity strengthening in **IPR** focused on the early inclusion of IPO staff members as service providers during IPA assistance which meant that the institution was from the beginning directly responsible for delivering outputs rather than merely receiving assistance. However, in the broader context of IPR substantial improvements are still necessary. On the other hand, significant progress has been made with **PIFC** training and the establishment of internal audit units within a large number of government institutions. Further work is needed with PFM and the embedding of broader concepts of managerial responsibility for budget funds.

In **public procurement** despite significant external assistance from a range of actors, administrative capacity and coordination mechanisms of the main stakeholders are still weak and the Public Procurement Unit in the Ministry of Finance is persistently understaffed. SORS has upgraded the **statistics** capacity of its staff through training projects from a range of donors that has included preparations for both agriculture and population census as well as an improving broad range of *acquis* related statistical surveys.

IPA and donor assistance have also contributed to the *establishment of systems and tools* throughout the sector, principally in the form of electronic information portals (statistics, Ombudsman, Intellectual property and public procurement) and training manuals and other technical training tools (tax, customs, PIFC and PAR).

Annex 5 Objectives of the projects in the sample

IPA projects in the sample and their objectives

Project title	Overall Objective	Purpose:
Public Finance Management		
Financial Control		
2007 Public Procurement	Contribute to the development and strengthening of a stable, transparent and competitive public procurement system in the Republic of Serbia in accordance with EU standards.	- Strengthening the legal, institutional and methodological framework of the Serbian public procurement system; - Strengthening professional skills and capacity of the staff of the Public Procurement Office, Commission for the Protection of Tenderers' Right and of the Public procurement system Group; - Ensuring availability to the public of transparent information related to public procurement.
2007 Intellectual Property Rights	The overall objective of the project is to assist the beneficiary country in meeting the requirements of the Stabilisation and Association process in the field of intellectual property.	Increase the knowledge on intellectual property, its requirements and protection, in compliance with the needs of the stakeholders such as the Intellectual Property Office, courts, police, trade inspectorates, universities and economic operators; this will be accompanied by setting up of a system which would unite the available relevant information in the field and dissemination of information on the importance of intellectual property.
2008 Support to PIFC Phase 3	The overall objective of the project is to improve the efficiency, effectiveness and transparency in the allocation and expenditure of public funds. The project will also contribute to the continued process of public administration reform through de-centralisation of financial management and control.	The purpose of the project is to implement a public internal financial control system covering decentralised internal audit and financial management control arrangements within the Ministry of Finance and a minimum of ten line ministries. By the end of the project it is expected that: - The Central Harmonisation Unit (CHU) is a fully functional institution, working in line with EU and internationally accepted requirements for harmonisation bodies; - Decentralised units for internal audit are established, trained, supported and working in line with internationally accepted standards for internal audit in mandatory social security organisations (MSSO's), at least ten line Ministries, City of Belgrade and City of Novi Sad on a pilot basis; - Management and relevant staff have been trained on Financial Management and Control (FMC) requirements and basic FMC structures and procedures have been introduced in participating institutions; - Certification scheme for internal auditors has been set up; - Comprehensive legal framework for PIFC has been developed and submitted for the Government for

Project title	Overall Objective	Purpose:
		approval.
Revenue Administration and Financial Supervision		
2007 Tax Administration	Contribute to the establishment of the client oriented an efficient Tax Administration, while maintaining and increasing the level of tax collection.	1. Institution building of human resources in the Tax Administration in accordance with EU best practice; 2. Increasing administrative capacities for implementation of the Tax Law, fight against corruption, cross-border crime and evasion of payment of tax obligations; 3. Improve and develop audit and collection functions within the Tax Administration of the Republic of Serbia.
2007 Customs Administration	Implement the Common Transit Procedure by building the capacity of the Serbian Customs Administration.	1. Speeding up and facilitating the transit procedures on border crossing points; 2. Assisting the Serbian Customs Administration to set up Community Transit corresponding administrative, legal and equipment structures and preparing for the implementation of an NCTS-compatible automated transit system; 3. Joining the Convention on Common Transit Procedure of the EU.
2008 Customs Enforcement	This project will contribute to enabling the Republic of Serbia to establish open, but secure borders through efficient border control and management systems, based on EU best experience and practices.	The project aims to support and build up the capacity of the Serbian Customs Administration by capacity and institution building as well as by the installation of X-ray systems and other necessary equipment, in order to improve the efficiency and effectiveness of border control systems such as the means of preventing and combating international terrorism, smuggling, counterfeiting, and other customs offences, while also ensuring a higher level of environmental safety in Serbia.
2008 National Bank	To contribute to sustainable macroeconomic and financial system stability by supporting the National Bank of Serbia in fulfilling in the most efficient and effective way its mandate and align its activities with best international practice.	Strengthening of institutional capacities, activities and efficiency of the NBS with a view to implementing the NBS' core functions and achieving harmonization with EC internal market regulations and internationally accepted standards on regulation and supervision of financial services.
2010 Treasury Administration	The overall objective of the project is to improve the efficiency, effectiveness and transparency in the expenditure of public funds.	The purpose of the project is to build sustainable capacities in the Treasury Administration for efficient budget execution, financial planning, budget accounting, reporting and debt management according to the best practice in the respective areas.
Public Administration Reform		
2007 Municipal Support	The overall objective is to contribute to improved governance and economic development in Serbia through support to all aspects of the decentralisation of responsibilities and competences from central to local level.	The specific objective of this programme is to improve the capacities for good governance and municipal management at the local level, to improve local services to citizens and to enhance local economic development by strengthening local organisations, the Standing Conference of Towns and Municipalities and local-central government cooperation.
	To improve 2010 Public Administration Reform the public administration system in the Republic of Serbia in accordance with the requirements of the EU integration process.	Contribute to the successful implementation of Public Administration (PA) reform in particular as related to PA efficiency, civil service recruitment, career development, training and e-Government.

Project title	Overall Objective	Purpose:
2007 Ombudsman	Creating the environment for further democratization of society, promotion of the principles of the rule of law, human rights and good governance through more efficient control of the legality in the work of public administrative bodies.	Set conditions for the establishment the initial phase of operations and continue improvement of work of the Ombudsman's Office in line with standards of the European Ombudsman, as an independent and unbiased institution, which needs to prepare for more efficient control of the legality of administrative bodies, in light of the promotion of protection of human rights and citizens' freedoms.
Statistics		
2007 Statistics	Approximating of Serbian Statistical System to the European Statistical System requirements.	The project aims at completing the upgrading of SORS infrastructure in order to ensure further sustainable approach to EU <i>acquis</i> in statistics. It will ensure continuation with the ongoing 2002 CARDS project on national accounts and tackle areas identified as priority by the European Commission (agriculture statistics). The project shall also consolidate the internal activities that support statistical production and statistical dissemination.
Environment		
Air and Energy		
2007 Nikola Tesla	Fulfil <i>acquis</i> environmental obligations under the Energy Community Treaty, (Directive 2001/80/EC for large combustion plants).	To reduce the emissions from thermal power stations in Serbia, in order to comply with the legal obligations under Serbian Legislation and EU Directives.
2007 Energy Strategy	To ensure the implementation of commitments undertaken in the framework of the Energy Community Treaty, including the implementation of the Regional Energy Market.	- To strengthen the capacity and technical skills of the Serbian institutions and energy industries to meet the legal and technical requirements deriving from the Energy Community Treaty and the Regional Energy Market; - To assist in developing the investments needed in cross border electricity interconnections in order to realise the objective of creating a functioning regional energy market.
2007 Air quality	Strengthen the capacity of the competent bodies at central level as well as regional/local authorities to implement and enforce Air Quality environmental legislation.	- strengthen institutional capacity at central and local levels in implementing and enforcement of air quality related legislation; - establish good institutional management and technical performances of staff; - Prepare air quality protection related legislation and action plans for their implementation.
2008 ENV protection EPS	To contribute to environmental harmonisation and removal of serious health hazards.	To fulfil Directive 2001/80/EC for large combustion plants by modernising specified Thermal Power Plants (TPPs), and EU Directive 96/59/EC by decontaminating facilities and replacing equipment using PBD – pyralene oils.
Waste		
2008 Hazardous waste	To contribute to harmonisation of the Serbian legislation and best practices in the field of hazardous waste management with those	To strengthen the national waste management system in the field of hazardous waste by implementing legislation and strategic documents and enhancing the capacity and awareness of all stakeholders.

Project title	Overall Objective	Purpose:
	of the EU.	
2008 Chemicals management	To contribute to the minimization of adverse effects of chemicals on human health and environment.	Strengthening of the institutional framework in Serbia (capacities in relevant ministries, research institutes and industry) for effective implementation of legislation on chemicals management by 2012.
2008 Healthcare waste	To contribute to the implementation of environmental and healthcare strategies that will ensure compatibility with EC legislation and best practices in sanitary standards.	To improve infectious healthcare waste management in 35 healthcare facilities in Serbia ¹ by completing the system for collection, storage, treatment and disposal of infectious healthcare waste as initiated under a CARDS Healthcare waste management project.
2009 Hazardous Waste	To improve quality of natural environment and health of population through improved waste management.	To provide technical assistance for the analysis, planning, preparation for the future construction of a national Hazardous Waste Management facility in Serbia.
Water		
2007 Flood areas	To develop a national flood control strategy, in line with EU water/flood management directives and legislation.	• Development of integrated flood management framework; • Introduction of land use planning, zoning and risk assessment; • Development of an early warning systems and upgrading of contingency planning and emergency measures; • Integration of Pollution prevention measures.
2008 Sewage and Wastewater strategic master plan	Improve environmental water quality in the West Morava River Basin, which would promote the health of the local population, and provide better conditions for the development of the regional economy.	• Develop a Strategic Wastewater Master Strategy and Implementation Plan based on communal hydro techniques that deals with evacuation and treatment of municipal and industry waste waters on the territory of West Morava; • Facilitate investment in the Waste water sector and sustainable infrastructural development.
2008 MISP	The overall objective of the project is to strengthen capacity in Serbia, as required by candidates for EU Membership, to develop and implement policy reforms on the decentralisation of local government leading to improved local governance, better management of municipal infrastructure services, and the capacity of municipalities to programme and absorb EC investment funds for new and rehabilitated assets.	2.2.1 Component 1. Improved institutional and regulatory framework for municipal infrastructure services and support for PUC transformation <i>Development of decentralisation policy issues in the field of municipal infrastructure services, improvement of regulatory and institutional framework and alignment it with EU standards.</i> 2.2.2 Component 2. Improved municipal infrastructure programming and project preparation <i>To support municipalities (or their common functional associations, such are Regional Development Agencies) to enhance their capacity to plan and prepare adequate and mature infrastructure projects for implementation (project pipeline). Also, to reinforce national coordination mechanisms established in the previous period.</i>

Project title	Overall Objective	Purpose:
		2.2.3 Component 3. Implementation of selected municipal infrastructure projects <i>Depending on the project pipeline and available projects at the appropriate time, selected municipal and/or inter-municipal infrastructure projects from all sectors for municipal development [environmental sector (e.g. water supplies, wastewater, solid waste, district heating etc.), economic infrastructure (e.g. tourist attractions and other tourist infrastructure, urban renewal, brownfield regeneration, industrial parks, business service centres etc.); and social infrastructure (e.g. sheltered housing and/or disabled access, education etc.)] will be implemented.</i>
Horizontal issues and nature		
2007 Environmental Approximation Strategy	To provide a basis for approximating Serbian environmental legislation with the EU environmental <i>acquis</i> .	• Support the Ministry of Environment in designing and developing an Environmental; • Approximation Strategy (EAS), including calculating the costs & benefits of compliance with EU environmental <i>acquis</i>; • Assist the Serbian Government in transposing the EU environmental <i>acquis</i>; • Strengthen the institutional framework within which the EU environmental <i>acquis</i> is to be implemented and improve stakeholder involvement and participation in the implementation process and strengthen administrative capacity for environmental law approximation; • Commence implementation of the EAS by addressing priority environmental sectors of the <i>acquis</i> and provide compliance schedules for selected directives; • Assist the Serbian Government in fulfilling its obligations under the SAA.
2007 NATURA 2000	Strengthen the capacity of the competent bodies at central level as well as regional/local authorities to implement and enforce environmental legislation in designated protected areas in Serbia.	The purpose of this project is to contribute to the creation of pre-conditions for the establishment of a nature protection management system. More specifically, to improve protection of endangered species and their habitats in Serbia, to raise knowledge in the preservation of Serbia's natural heritage and increasing the capacity to implement <i>Acquis</i> legal standards in nature protection.
2008 Serbian EPA & EIONET	Increase the capacity of the SEPA and its monitoring data providers to carry out the monitoring and reporting responsibilities supporting the Republic of Serbia in honouring its domestic and international environmental protection obligations.	Design and help establish a fully functional National Environmental Information Network (National EIONET) that will improve (operational) reporting towards the EEA and other relevant institutions.

Annex 6 The evaluation methodology

The country level interim evaluations (and the MBP evaluation) will consist of two constituent and complementary elements – the evaluation of individual projects in the sample and the creation of a wider sectoral assessment. The interim evaluations follow the formats and methodology of the Commission's Evaluation Guide and the Project Cycle Management (PCM) Guide of EuropeAid. Each project included within the evaluation is assessed against the indicators in the project and programme documentation for efficiency, effectiveness, impact and sustainability and the results used to answer the Evaluation Questions established in the ToR.

With the focus of the evaluation on the measurement of impact, a sectoral approach is being used which requires a further level of assessment. The objective is to review how a particular sector in a country has evolved over time and assess the influence that the IPA has had on the changes that have been observed. This is undertaken by creating a picture of the sector and assessing how it has changed by identifying the initial sectoral objectives of the national authorities, determining what the situation was when the IPA assistance was planned and then measuring progress against impact level indicators. The evaluation questions, around which the evaluation report itself is also framed, fit into this sector focussed approach by building on the data gathered for the sectoral impact analysis.

The evaluation starts with a sampling process to reduce the overall population to a more manageable size whilst retaining sufficient scope to provide a credible evidence base for the conclusions and recommendations. Sectoral assessment matrices are developed based on programming documents to develop an understanding of the intervention logic of the programmes and ensure there are sufficient SMART⁶⁹ indicators, particularly at the impact level. Project evaluation forms are used to gather data on performance based on the indicators given in the project documents and made available from primary research and secondary information sources.

Elaboration of the sectoral assessment methodology

Creating the sectors

In the 2007-09 programming period, the IPA was structured along 'priority axes' and therefore firstly, the sectors to be included in the evaluation should be defined by reallocating individual projects into the same sectors used in 2011 programming onwards. It should be noted that whilst the MIPD refers to grouping projects into sectors for the process of programming there is no common definition or consistent use of the term 'sector' in DG ELARG. For the purposes of this evaluation the term 'sector' is used to refer to groupings of projects along the same lines as in the MIPDs. For each sector in the sample the sectoral objectives and the baseline are identified from the Accession Partnership (s) and Progress Reports which underpin the assistance under review. From these sectoral objectives we can identify or define indicators of expected impact. The second stage is to describe the current status of these sectoral objectives and therefore understand what has changed. The third stage is to analyse how and whether IPA assistance contributed to the observed change in the sectoral objectives, or to what extent the changes can be attributed to IPA.

Defining the baseline

The European Partnership (EP) is a summary of the short and medium term objectives (described by the Copenhagen Criteria and the chapters of the *acquis*) agreed between the Commission and

⁶⁹ Specific, Measurable, Available, Relevant and Time bound – characteristics of good indicators.

the beneficiary applicant state. It forms the basis for the programming of EC assistance but clearly its objectives are of a significantly broader scope than can be funded from the resources available solely from the EU. It is supported by an Action Plan prepared by the beneficiary country detailing the timetable for completion of the objectives of the EP. The EP is prepared in the year preceding the financing memorandum and thus the IPA 2007 programme is based on the EP of 2006 and the IPA 2008 on the EP of 2007⁷⁰. For the purposes of the evaluation, the baseline is taken from the Progress Report and the sectoral policy objectives (and the indicators derived from them) from the medium term priorities of the EP – those which should be achieved within 3-4 years (i.e., by 2010/2011).

Measuring progress

The current status of the sector will be defined using information from the most recent progress report, sector strategies and sector studies, complemented by interviews with key sectoral stakeholders. Where necessary we can also bring in the services of external specialists to bring further clarity to the analysis. The final stage is to establish whether the IPA made a contribution to these observed changes.

Establishing contribution

The objectives identified in the planning stages will be cross referenced against specific projects funded in the sector and used to determine the extent to which there could have *potentially* been an impact realised by IPA assistance. The indicators defined from the programme documents (EP, project fiches) will then be used to measure the extent to which the IPA assistance has contributed to the changes observed. This can be supplemented by a review of documents, ROM reports and interviews with key stakeholders and other experts in order to establish whether specific changes can be attributed to the IPA assistance or to other factors, or whether IPA has contributed to internal processes of change. If there are no observable changes – i.e. there has been no impact – the reasons behind this can also be determined by the analysis.

Where documentary evidence is not available the contribution of the IPA to observed change will be made using a public administration capacity systems analysis methodology. This approach identifies the type of effects generated by the assistance and the contribution this has made to the sectoral changes observed. Where indicators are lacking or insufficient, it offers an objective and logical explanation of how and whether impact could have been achieved by IPA assistance.

Disregarding externalities for a moment, any sectoral change can be defined within one or a combination of three categories: Institutional Structures, Human Resources or Systems and Tools. These features of administrative reform need to be visualized along a time line of sectoral policy development, with investment provided at appropriate times to effect the achievement of impact. For example, there is little point in investing in Information and Communications Technology (ICT) until the institutional structures have been established; the development of Human Resources must be a constant process.

Institutional Structures considers the changes to the structures of the institutions in the sector (state and Non Governmental Organisations (NGOs)) driven by the introduction of new policy. It can be disaggregated into a number of sub components, including organizational reform (such as restructuring or decentralization) and the legal framework (scope of responsibilities between ministries, introduction of commercial service delivery, creation of regulatory agencies).

⁷⁰ Due to the changing constitutional nature of some of the beneficiaries of the region over the programme time period, some consolidation of objectives from different reports has been necessary.

Human Resources covers the changed behaviour and working methods of the individuals working within institutional structures and can consist of staffing (adequacy of numbers, limiting turnover), resources (existence of Human Resource (HR) policies and career paths, risk of brain drain) and competencies (completeness of required competencies, effectiveness of training).

Systems and Tools consists of the delivery of those elements of technical or managerial infrastructure needed by institutional structures and human resources to effect change. It includes Information and communication technology, infrastructural investment, management information systems or monitoring systems.

The Evaluation Questions

The questions in this evaluation fall into two groups. Those addressing efficiency and effectiveness cover the project level environment and are essentially directly within the control of the implementing authorities and contractors. Those looking at impact and sustainability consider the affects the programmes will have on the wider environment and are both more difficult to objectively measure and less under the control of operational stakeholders:

- For the evaluation of questions covering efficiency and effectiveness we will be looking at systemic issues affecting the delivery of IPA assistance. The data for these evaluation questions will come from the analysis of project performance through the review of indicators and interviews with key stakeholders. Programme level evaluations do not consist of the sum of the performance of individual projects, but the analysis of individual projects does form the basis for the derivation of programme level conclusions;
- For the evaluation of questions covering impact and sustainability we will be looking at how the IPA assistance has contributed to changes observed at the sectoral level. The data for these evaluation questions will come from the analysis of how the sector as a whole has developed since the time of programming and disaggregates the specific impact of the IPA. This element of the research also looks at whether sectoral objectives not assisted by the IPA have been met and thus provides a counterfactual analysis. As well as measuring the expected versus actual impact indicators, interviews with key stakeholders will determine process and therefore lessons learned in achieving impact and sustainability.

Evaluation of Efficiency and Effectiveness

There are three evaluation questions covering aspects of efficiency and effectiveness:

Table A.6.1 Assessment of efficiency and effectiveness

Assessment of efficiency and effectiveness	
EQ 1	To what extent are interventions financed under IPA efficient in terms of value for money when delivering outputs and immediate results?
EQ 2	To what extent are interventions financed under IPA effective in delivering outputs and immediate results?
EQ 7	Are there potential actions which would improve the efficiency and effectiveness of the ongoing assistance?

This element of the evaluation will consist of the measurement of the extent that outputs have been delivered, at an appropriate quality level, and objectives achieved; the timeliness of their delivery and their cost. Questions considering efficiency seek to understand whether outputs were delivered on time and at a reasonable and expected cost. Effectiveness looks at what use has been made of the outputs delivered, or are likely to be delivered. At the same time, realistic alternatives should be identified which are likely to be more effective and/or efficient than the observed solutions.

In the context of this evaluation, efficiency focuses on the achievement of value for money for both outputs and objectives. To assess this we need to determine:

- whether the assistance has been, or is likely to be, delivered within the originally planned budget and time-frame; and
- whether the planning process took adequate consideration of other ways of delivering outputs or objectives and whether assistance could have been delivered in a more cost effective manner to achieve the same outputs or objectives.

In principle, the questions will be answered at the level of the sector concerned. This means that especially for impact and sustainability sector-specific indicators were developed. Capacity building and institutional strengthening has however also many common elements, which is why many indicators, especially for efficiency and effectiveness, can also be presented at a more general level (as is done in this section).

When analysing efficiency, it should be furthermore kept in mind that the emphasis of the evaluation is on impact and sustainability of the combined IPA effort on the relevant sectors. The evaluation will therefore not go in detail on individual examples of bad or poor performance in specific interventions (if at all, this will be done to illustrate common phenomena), but instead endeavour to identify embedded strengths or weaknesses in the system (procedures, modus operandi) which influence efficiency and overall value for money in terms of 'impact for money.'

EQ I To what extent are interventions financed under IPA efficient in terms of value for money when delivering outputs and immediate results?

Judgement criteria:

- The assistance has delivered the planned outputs and achieved project objectives in the most cost effective manner;
- Planned outputs were normally delivered within the foreseen timespan;
- Procedures for programming and supervision are transparent and promote efficiency;
- Budget and timelines for the majority of interventions were realistic;
- IPA interventions normally do not result in excessive administrative burden for the beneficiary organisations;
- Generally a good mix of financial sources (incl. non-EU sources like IFIs etc.) was applied.

Indicators/Descriptors	Data source
• All contracts were subject to competitive tender;	Project fiches, EUD/CFCU
• All tenders are contracted at least six months before the end of the commitment period thereby providing the Contracting Authority with sufficient time to cancel, redesign and re-tender if offers are unduly expensive;	Perseus reports, Implementation status report
• The beneficiary authorities provided the minimum required levels of co-financing in a timely fashion;	Perseus reports
• A comprehensive needs assessment, updated detailed design and commercial assessment by an appropriately qualified independent expert has been completed within one year of the launch of the tender;	ROM reports, CFCU Interviews
• Administrative capacity assessments are used on all institution building projects to scale assistance to beneficiary absorption capacity;	ROM Reports, CFCU Interviews
• The type of contract (works, supply, service, TA or Twinning) is appropriate for the objectives targeted;	Contracts / Project fiches
• Delay and performance clauses and other appropriate penalties have been included in contracts and is there clear evidence that that they have been enforced where necessary;	Sample contracts Interviews with NAO/CFCU
• For all infrastructure components, alternative sources of funding to IPA grant aid	Project fiches

EQ I To what extent are interventions financed under IPA efficient in terms of value for money when delivering outputs and immediate results?

been considered at the planning stage (soft loan finance, government funds, municipal bonds, other EU financing);	Interviews with NIPAC/IFAs
Resources have been leveraged with other donors/beneficiary budgets where possible;	MIPD
Duplication of funding with other sources has been avoided;	NIPAC
An effective aid co-ordination structure is in place to ensure no overlap and collaborative financing;	NIPAC co-ordination meetings
The costs, including indirect and ongoing costs, to achieve the planned objectives have been clearly considered in programme design;	Project fiches
There is good governance at all levels with sound financial management to ensure corruption is avoided;	Management systems
Timely approval procedures for institution building outputs	NAO/CFCU
Timely preparation and mobilization of twinning contracts;	ROM reports,
Generally, service providers deliver outputs within the foreseen timeframe;	progress and final reports
Generally, beneficiary organisations make the required resources (space, human resources, translation services, IT etc.) available in time;	ROM reports, NIPAC
Project outputs can be applied by beneficiary organisations without the need for unduly large investments or other costs;	
Project outputs are timely absorbed by beneficiary organizations.	ROM reports, NIPAC

The evaluation question directed at effectiveness looks at the extent to which the outputs and objectives of the assistance have been successfully achieved (or are likely to be achieved) or if there were better ways of delivering outputs and objectives.

EQ II To what extent are interventions financed under IPA effective in delivering outputs and immediate results?

Judgement Criteria:

- The assistance was effective with the planned outputs delivered, at the appropriate quality level;
- Normally, appropriate service providers or twinning partners have been selected;
- Procedures for programming and supervision are pro-active and promote quality and effectiveness;
- Generally, outputs were relevant for the beneficiary organisations;
- Generally, outputs have been taken up/used by the beneficiary organisations.

Indicators/Descriptors	Data source
The extent to which outputs have been delivered (or are on schedule to be delivered) as defined in programming and contract documents;	ROM reports, CFCU / Perseus
The beneficiaries were included in the design and definition of objectives	NIPAC
Each project contains clear and convincing intervention logic with evidence and assumptions/conditionalities;	NIPAC
Regular management meetings are held between contractors and all stakeholders at least quarterly (process);	NIPAC / CFCU / EUD
EUD Task Managers apply good management practices with at least quarterly internal management reviews of all projects (process);	EUD management
The risks to the achievement of the objectives are identified at appropriate intervals during the project duration (process);	ROM reports NIPAC
If risks were identified, generally appropriate action is taken by EUD or other relevant	EUD, NIPAC,

EQ II To what extent are interventions financed under IPA <u>effective</u> in delivering outputs and immediate results?	
bodies;	progress reports
- Objectives or outputs are amended to take into account changing circumstances; - Project outputs are generally at an appropriate quality level and relevant for the beneficiary organizations; - Project outputs are generally accepted and implemented by the beneficiary organisations.	NIPAC EUD, NIPAC, interviews with BOs EUD, NIPAC, interviews with BOs

EQ VII Are there any potential actions which would <u>improve the efficiency and effectiveness</u> of ongoing assistance?	
Judgement Criteria: - Is there a need for improvement in efficiency and/or effectiveness (answer delivered by EQ 1 and 2)? - For most interventions in the design phase a conscious selection has been made between different delivery methods, with a view to maximizing efficiency and/or effectiveness; - Actions can be or cannot be defined that can improve the efficiency and effectiveness of the assistance.	
Indicators/Descriptors	Data source
- Corrective actions to improve systemic impediments to efficiency and effectiveness; - Extent to which beneficiaries/other actors involved identify possibilities for the improvement of efficiency; - Extent to which the “environmental” preconditions are available (e.g. political support, project fits in wider sector strategy, HR strategy, etc.).	document review, field research interviews or institutional capacity analysis provided in the framework of Structures, Human Resource Management and Tools Expert judgements (interviews, focus groups) Expert judgements (interviews, focus groups)

Evaluation of Impact and Sustainability

There are five evaluation questions covering impact and sustainability.

Table A.6.2 Assessment of impact and sustainability

Assessment of impact and sustainability	
EQ 3	Are the outputs and immediate results delivered by the IPA translated into the desired/expected impacts, namely in terms of achieving the strategic objectives/priorities linked to the accession preparation? Are/can impacts be sufficiently identified/quantified?
EQ 4	Are there any additional impacts (both positive and negative)?
EQ 5	Are the identified impacts sustainable?
EQ 6	Are there any elements which could hamper the impact and/or sustainability of the assistance?
EQ 8	Are there actions which would improve the prospects for impact and sustainability of the on-going assistance?

EQ III Are the outputs and immediate results delivered by IPA translated into the desired/expected impacts, namely in terms of achieving the strategic objectives/priorities linked to accession preparation? Are/can impacts be sufficiently identified/quantified

Judgement Criteria:

- The assistance provided under the IPA is making, or can be expected to make, a visible contribution to the institution building objectives of the NPAA/SAA;
- All interventions fit logically into the wider objectives of IPA;
- Generally, outputs have been taken up by the beneficiary organisations;
- Generally, the objectives of the programme have been met.

Indicators/Descriptors	Data source
• Extent of progress on the fulfilment of the acquis and Copenhagen Criteria within the sector; • The interventions contribute directly to the requirements of the acquis as laid down in NPAA/SAA and Action Plan; • For earlier projects now in their later stages (FM 2007/2008) measurement of existing impact indicators must show at least some progress towards target; • Strategic programming documents (MIPD, national strategic plans) are clearly linked to the NPAA/SAA; • There exist realistic but sufficiently ambitious national strategic plans; • The suite of IPA funded project fits logically in the national strategic plans for institution building; • Pre-conditions for impact have been defined during programming (such as staff reinforcement, premises, equipment); • All conditionalities have been enforced prior to contracting; • Measurement of individual sector performance indicators against sectoral objectives and the baseline (given in detail in annex 4); • Measurement mechanisms are in place to assess impact and implement corrective management actions as necessary; • Qualitative progress is measured on strengthening of Structures (legislation, co-operation, management); • Qualitative progress is measured on strengthening Human Resources (competencies, staffing, resources); • Qualitative progress is measured on strengthening Systems and Tools (ICT, finance, M&E).	Project fiches, Perseus, Task Managers, annual reports on progress towards adoption of the <i>acquis</i> ROM reports, Questionnaire ROM reports, Questionnaire MIPD, NPAA/SAA Strategies NPAA/SAA strategies Project fiches, Strategies Project fiches, EUD Interviews with EUD EUD/NIPAC/document analysis NIPAC ROM reports, Questionnaires, annual projects ROM reports, Questionnaires ROM reports, Questionnaires

EQ IV Are there any additional impact (both positive and negative)?

Judgement Criteria:

- Unplanned impacts are identified in the interventions;
- There have been unplanned indirect positive effects of the interventions, which significantly augment the impact of IPA;
- There have been unplanned indirect negative effects of the interventions, which significantly take away from the impact of IPA;
- In hindsight, could these effects have been anticipated?

Indicators/Descriptors	Data source
• Mechanisms are in place to capture information on unplanned impacts and mitigate/promote them;	NIPAC + questionnaire

EQ IV Are there any additional impact (both positive and negative)?

• List unplanned impacts identified by the beneficiary authorities and management actions taken/planned;	NIPAC + questionnaire
• Are these (unforeseen and/or indirect) effects of a significant size, to what extent do they augment the direct effects or take away from the latter (to be further specified in Annex 4);	NIPAC + questionnaire
• Does IPA in general contribute to the emergence of relations with relevant partner organisations within the EU (member states).	NIPAC + questionnaire

As with impact, sustainability can usually only be finally assessed once a project has been completed and thus the evaluation must focus on pre-conditions for sustainability. Much of the IPA consists of multi-annual interventions and the sustainability of earlier elements is sometimes a useful proxy for the sustainability of current actions.

EQ V Are the identified impacts sustainable?

Judgement criteria:

- Long term institutional capacity building impacts will be sustained as they are a pre-requisite for membership of the European Union;
- Beneficiary budget is sufficient to sustain the effects;
- Beneficiary organisations are able to retain human resources necessary to implement the results of the IPA interventions;
- IPA enabled effects are logically embedded in beneficiary (new) structures.

Indicators/Descriptors

Data source

• For earlier projects in their later stages (FM 2007/2008) measurement of existing sustainability indicators show progress towards targets;	ROM reports, Contractor interviews, Project reports, beneficiary interviews
• Identification of external factors such as staff turnover or political support that influence the sustainability of impact;	ROM reports, Contractor interviews
• For investment projects, beneficiaries must have sufficient budgets for consumables, replacement and additional equipment;	Beneficiary interviews
• For institution building projects, beneficiaries must have sufficient budget to effectively retain or recruit staff based on an administrative capacity plan approved by the budgetary authority;	Beneficiary interviews
• Conditional legislation (especially secondary legislation) should be in place before the end of the associated assistance;	Beneficiary interviews / NIPAC
• Existence of examples of the sustainability of any completed comparable interventions as a proxy for likely sustainability of assistance under evaluation.	NIPAC / EUD

Given the programme level nature of the interim evaluations, the identification of issues which could hamper the achievement of impact and sustainability should concentrate on common rather project specific issues

EQ VI Are there any elements which could hamper the impact and/or sustainability of the assistance?

Judgement Criteria:

- There are (no) systemic issues which reduce the impact or sustainability of assistance;
- There are (no) embedded defects in the system in the partner country and/or beneficiary organisations which prevent adoption of the outputs of IPA interventions, e.g. excessive lack of staff, brain drain or lack of political will (either government or parliament) to adopt the changes).

Indicators/Descriptors

Data source

• Problems identified affecting impact and sustainability of investment projects such	Beneficiary
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EQ VI Are there any elements which could hamper the impact and/or sustainability of the assistance?

- as: poor needs assessment & specification, sufficiency for beneficiary needs and availability of additional financing (e.g. To complete networks of laboratories for food testing), staffing of new facilities, funds for consumables & replacements, rapid obsolescence of equipment due to legislative or institutional change, operating budgets, user costs & cost recovery;
- interviews, NIPAC, EUD interviews, ROM reports
- Common problems on institution building projects include: involvement of the beneficiary in project design, adequacy of staff and facilities, retention of trained employees (private sector pull), maintenance of reform momentum, loss of reform champions.

The lack of focus of those charged with operational management of the IPA offers a substantial opportunity for evaluation to identify and develop institutional corrective actions to improve the potential for impact and sustainability of the programme.

EQ VIII Are there any actions which would improve the prospects for impact and sustainability of the ongoing assistance?**Judgement Criteria:**

- Actions can(not) be defined that can improve the impact and sustainability of the ongoing assistance;
- Such actions (if at all) are not so expensive or invasive that their introduction would take away from impact or sustainability.

Indicators/Descriptors**Data source I**

- Corrective actions to improve impact and sustainability identified in the institutional capacity analysis will be provided in the framework of Structures, Human Resource Management and Tools;
 - Other identified actions based on the findings on factors that influence the sustainability negatively.
- Same as for EQ III – VI

Annex 7 Debriefing note

Serbia Country Programme interim Evaluation

Debriefing meeting 27th June 2013

N	Conclusion	Recommendation	Action	By	Indicative Deadline	Debriefing response
1	The PEFA assessment provides a useful benchmarking tool for the PFM sector in the absence of a more sector wide approach but is only undertaken every three years, which limits its use for programme management. SIGMA provides more practical annual assessments on PAR with some overlap into PFM.	The Commission Services should consider increasing the scope of the SIGMA reports to cover the PFM sector so that result and impact information can be provided annually.		EC Services DG ELARG Unit E.4	Next SIGMA reporting round	Broadening the scope of SIGMA into specific PFM areas such as tax and budget would need a fundamental change of their resources. SIGMA will in the future produce advisory as well as assessment services. A further PEFA is planned in 2016 using 2013 funding
2	IPA projects are often too ambitious and have too wide a scope. Individual projects are frequently structured to include the development of institutional structures followed by associated human resource development and/or the creation of systems and tools. Any delays to earlier elements compromise the performance of those following.	There should be a more rigorous assessment at the planning stage of what can realistically be expected for an individual project to achieve, especially in politically contentious areas or those not driven by technical acquis.		SEIO	Next programming round	This has been adopted in recent years and sequential activities are no longer included in single projects. Sector fiches and the sector approach give a more structured perspective

N	Conclusion	Recommendation	Action	By	Indicative Deadline	Debriefing response
3	There are no formal capacity assessments in the project development stage to scale assistance to the absorption capacity of beneficiaries. Some of the smaller or newer institutions have found effectively supporting and absorbing the scale of institution building under the IPA challenging.	SEIO should provide as part of the programming process a formal assessment of absorption capacity to justify the scale of assistance proposed		SEIO/NAO	Next programming round	There have been workload analysis as part of DIS preparations and the MoF looked into institutional capacities for fund management in the evaluation of project applications. Ensuring capacity is created and retained between programming and contracting is an issue
4	Replacing experts is common and whilst this should improve project effectiveness the extent of the issue suggests that there are more fundamental problems with the design of tender documents.	Serbian institutions and the EUD need to improve the definition of competencies and experience in tender documents so that the right experts are identified during the tender process. At the same time, the tender and selection process should not be readily undermined and replacement should be considered as the last option in resolving management issues.		SEIO	30 September 2013	Did not consider that staff changes had been significant. The move to Global Pricing Contracts will remove the need to administrate CV and focus instead on outputs
5	A number of beneficiaries noted that twinning partners did not always tailor advice to the Serbian institutional structures and national perspectives.	Greater consideration needs to be placed on the selection of twinning partners to ensure that they have knowledge transfer skills and experience in motivating their counterparts.		Beneficiaries and EUD. SEIO as twinning co-ordinator	Continuously	Beneficiaries need better briefing on how to work with twinners and what to expect. EUD pushes for more use of twinning where possible.

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6	A number of contractors (both twinners and consultants) have been located outside of the premises of the beneficiary on the grounds that free space is limited.	All long term advisors should be located within the beneficiary institution and preferably in very close proximity to senior decision makers..		Beneficiaries and EUD	Continuously	This is done already for both twinning and TA, to the extent that it is practically possible
7	A number of projects have overlaps with support from the MBP of the IPA and this has not always been coordinated as well as it could have been.	The MBP Unit in Brussels, the NIPAC and the EUD need to have clearer communication to ensure than practical implementation of the MBP in the national context does not overlap.		EC Services, EUD and SEIO	30 September 2013	The communication process has been improved at programming but when MBP is late beneficiaries lose track of the process.
8	The unclear responsibilities of the institutions both at sector level and for implementation of projects, in some cases combined with lack of leadership, led to delays and poor ownership, sustainability and impact. This was particularly evident in the case of nature protection, water management and waste and water infrastructure projects.	The institutional arrangements in the subsectors and roles of the institutions in the implementation of IPA assistance should be defined based on the Environmental Approximation Strategy (adopted by the Government at the end of 2011).	The MEDEP should use the Environmental Approximation Strategy and the Sectoral Strategies to fine-tune the institutional responsibilities and strengthen capacities in the environment sub-sectors.	MEDEP	20 December 2013	Agreed but other actors are also involved
9	Some units in the area of nature protection, water management and horizontal issues do not have sufficient capacity which contributed to the limited effectiveness and sustainability of twinning assistance	The twinning instrument should be used only where there is sufficient capacity to absorb this type of assistance.	Do not plan for twinning where the beneficiary does not have capacity to support contract implementation and make efficient use of the assistance.	Beneficiaries, SEIO, EUDs	Continuously	

N	Conclusion	Recommendation	Action	By	Indicative Deadline	Debriefing response
10	The consultations with civil society in the area of environment are good management practices and support the partnership principle.	The involvement of civil society in planning and projects implementation has already started but should be expanded to include discussions before decision making as well as during the implementation of projects, through their involvement in the project Steering Committees or Working Groups.	Include relevant Civil Society organisations during the project preparation and implementation.	Beneficiaries, EUD	Continuously	Civil Society is involved in programming but their involvement in practical aspects of project management is likely to be operationally difficult
11	A number of projects containing more horizontal reform and in particular those that are not driven by the acquis have struggled to gain and sustain momentum for change, in particular the creation of a culture of 'change at the top' (eg. 2010 PAR, 2008 Support to PIFC).	For this kind of assistance in the future there should be a clear lead institution, preferably with a clear national champion in the form of an individual or an individual position (such as Minister of Justice and Public Administration for PAR) who can clearly exhibit support for the changes proposed to be supported by EU funds.	Clear institutional and individual ownership of projects should be determined early in the planning stages. Assistance should be clearly linked to functional strategies.	Beneficiaries, EUD	Continuously	This is now a requirement for current programming
12		Institutional structures, including laws, should clearly be in place before investment in either human resources development or systems and tools. This may require sustained advisory support at senior levels prior to any subsequent assistance that will deliver investment in people or equipment, as occurred in support to SCA in establishing the NCTS.	Introduce SWAP/multi-annual programming in the case of complex assistance that requires targeting for all components – establishment of institutional structures (including legislation), human resources development and systems and tools.	Beneficiaries, EUD	Continuously	This is now a requirement of current programming and will be further assisted by the moves towards a more sectoral approach.

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13	The HRMS is the institutional centre and repository of human resources development (until the establishment of the planned National Training Institute) and is a beneficiary of IPA assistance yet they are not included in the training components of other IPA projects.	The HRMS – or equivalent successor organisation – should be systematically included in all IPA institution building projects as one of the knowledge management partners.	Include HRMS (or equivalent successor organisation) as a project stakeholder in projects for institution building that provide for training activities.	Beneficiaries, EUD, HRMS	Continuously	Accepted. There have been attempts to include HRMS in trainings recently, with various levels of success.
14	New rules for the financing of the IPO have the potential to seriously curtail its outreach activities and thus compromise the impact and sustainability of IPA assistance.	Future planned assistance to the sector should be made conditional on a satisfactory solution being found to the longer term financing of both the activities as well as the staffing of the institution.	Ensure that the IPO has the financial and human resource capacity to absorb and sustain the future assistance before granting new IPA contracts to them.	EUD IPO	When a project application where IPO is beneficiary is submitted.	Accepted
15	International organisations, especially those with a European focus, have been highly successful at implementing the IPA due in part to their longer term relationships with the beneficiary institutions that will continue after the assistance has ended. They have also made a financial contribution although this is less important and appear to more readily utilise beneficiary staff in key project roles.	Where these organisations have the capacity and experience they should be targeted as either service providers or otherwise formally associated with the assistance.	During future planning, where appropriate, consider how and when the relevant international organisations could be involved in the project implementation in order to increase efficiency and bring additional benefits.	Beneficiaries, EUD	Next programming round	Agreed, but clear differentiation needed between technical organisations and more general aid organisations.

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16	The lack of co-financing by beneficiaries (municipalities, healthcare providers and government) for the infrastructure projects as well as financial resources for maintenance and/or operation of some equipment delivered, casts a shadow over the prospects for sustainability and impact of some IPA projects.	Clearer financial conditionalities should be included in the project fiche and agreed with all parties at the design stage before the decision on funding is taken.	In the project fiches include a conditionality for availability of financial resources to maintain and operate the equipment delivered or infrastructure constructed with IPA support.	EUD	Continuously	The provision of operational or additional financing is agreed during project preparation and monitored after projects have finished at the JMC but there is limited leverage available to the Commission to enforce it.
17	The legislation in the area of water needs fine-tuning to ensure efficient implementation and full compliance with the acquis.	The deficiencies of the current legislative base need to be assessed and necessary amendments introduced.	Assess the deficiencies in the current water legislation and propose actions to address them.	Water Directorate at the Ministry of Agriculture Forestry and Water Management	30 September 2013	Accepted but considered somewhat vague
18	The long discussed reforms in the public utilities sector are yet to be agreed upon. While it is recognised that this is a difficult issue with political and social considerations, the lack of reform in the area threatens the proper operation of the waste and water treatment facilities supported under IPA.	In view of the fact that this support will continue in the future it is important to ensure proper political and institutional leadership to drive the reforms, and there should be clear evidence of progress towards this as a conditionality of future assistance to the sector.	A. Give a mandate to an institution/individual to take leadership of this process. B. Include in the project fiches for waste and waters municipal infrastructure development a conditionality that the reform in public utilities sector has started.	Serbian Government EUD	September 2013 Next programming round	

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19	In the energy sector, the IPA should continue the support to the key players in enforcement of the legislation, however for impact to materialise there is also a need of political support for timely and proper enforcement.	Future support to energy efficiency and renewable energy needs to consider the human resource development issues as well as investments in systems and tools.	In the energy sector continue the support for enforcement of the legislation. In the area of energy efficiency and renewable energy continue the support to human resource and systems and tools.	NIPAC, EUD	Next programming round	



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