



**United Nations Development Programme
Country: Republic of Serbia
Project Document**

Project Title Enhancement of the Capacities of the Ministry of Finance for the EU Accession Process

UNDAF and CPD Outcome: By 2020, governance institutions at all levels have enhanced accountability and representation to provide better quality services to people and the economy

Expected Output(s): Ministry of Finance has developed capacities to plan, manage and monitor inclusive, integrated, and EU compliant development, and to manage resources, coordinate investments, and report on public spending in all sectors
(Those that will result from the project and extracted from the CPAP)

Implementing Partner: Ministry of Finance

Responsible Parties: Ministry of Finance, UNDP

Brief Description

The overall objective of the project is to enable the Ministry of Finance to drive forward a set of structural reforms in the field of public finance management, which will make a substantial difference to the quality of life experienced by Serbia's citizens.

The purpose of the project is to support the Ministry of Finance by providing expertise/advisory services to the Cabinet and the relevant sectors and administrations of the ministry in delivering better results faster in key priority areas such as macroeconomic and fiscal analysis and projections, budgeting, taxation, state aid control, international cooperation and EU integration, etc.

Programme Period:	2016-2020
Key Result Area (Strategic Plan):	Support national partners to implement democratic governance practices grounded in human rights, gender equality and anti-corruption.
Atlas Award ID:	92490/97177
PAC date:	9.11.2015.
Start date:	1.12.2015.
End Date	31.12.2019.
Management Arrangements	NIM

2016 AWP budget:	USD 651,000.00
Total resources required:	USD 2,500,000.00
Total allocated resources:	USD 178,028.00
<ul style="list-style-type: none"> • Regular • Other: <ul style="list-style-type: none"> • MOF 	USD 178,028.00 (19.6 mil RSD as per UNORE Nov 15 rate)
Unfunded budget:	
In-kind Contributions	

Agreed by the Ministry of Finance: 

Agreed by UNDP: 

I. STRATEGY

The Government is strategically oriented towards the process of the European integrations for a faster acquisition of the full EU membership status. The general framework of the economic policy for the period from 2015 to 2017 has been defined by the development documents of the Government such as the Stabilisation and Association Agreement between the European Communities and their Member States of the one part, and the Republic of Serbia, of the other part (hereinafter referred to as: SAA), National Program for adoption of EU acquis (2013 - 2016), general and sectoral national development strategies, Fiscal Strategy for 2015 with projections for 2016 and 2017. In order to fulfill the economic and political criteria for the membership in the European Union (EU), it is necessary to ensure the strengthening of the administrative capacities and stability of institutions which guarantee democracy, rule of law, respect for human rights and protection of minorities, development of market economy and strengthening its capacities in order to respond to the competitive pressure and market power from the EU, as well as creation of a stable economic and monetary environment. The next medium-term economic policy has been defined in line with the strategic development framework.

The basic objectives of the economic policy in the next medium-term are the following:

1. Establishing the macroeconomic stability by implementing the measures of fiscal consolidation and strengthening the stability of the financial sector;
2. Removing the obstacles for the growth of economic activities and competitiveness by implementing the comprehensive structural reforms.

The Prime Minister of the Republic of Serbia, in his address to the Parliament on 27 April 2014, on the occasion of establishment of the Government¹, noted that Serbia has dropped to the 101st place under the Global Competitiveness Index of the World Economic Forum for 2013/2014, as the last country in the region. He stated that the main goal of the reform process would be to increase competitiveness of the economy, make an appealing climate for investments and finally, to put pressure on the practice of corruption. The Government has a plan to make the biggest progress on this index, becoming among the first ranked countries of Southeastern Europe by 2018.

In order to steer reforms at a fast-track pace and to accelerate EU accession process, the Ministry of Finance will engage the first-class expertise, as well as the knowledge exchange, in the following thematic areas:

- Macroeconomic and fiscal analysis and projections
- Budgeting
- Fiscal system
- Customs system and policy
- Financial system
- Internal control and internal audit
- Budget inspection
- Management of EU funds
- Prevention of irregularities in utilization of EU funds
- State aid control
- Various thematic areas across relevant administrations within the Ministry of Finance

1. Macroeconomic and fiscal analysis and projections

¹ For full text of the expose, see <http://www.srbija.gov.rs/>

- Commitments and recommendations of the European Commission (by end 2018)

The Sector for Macroeconomic and fiscal analysis and projections has formed a group to coordinate and manage its own resources of the EU as an obligation of the state under Chapter 33, which is expected to start its operation during 2016.

Sector is following the EC recommendations regarding the enhancement of analytical tools and projections in accordance with its capabilities and capacities, which is emphasized in the documents related to European integration.

- Plans in the process of European integration

In 2016, priority work will be focused on Chapters 17, 18 and 33, provided that these chapters shall be opened. Within Group for coordination and management of EU funds, a close cooperation with colleagues working on the same aspects of EU accession in Croatia has been initiated. Future work will be primarily focused on the improvement of tools and models for the analysis and design, but the pace and level of progress will depend on the resources that are committed to these activities.

2. Budgeting

Budget Department, in cooperation with the Office for European Integration, is working on the preparation of guidelines for the assessment of the financial effects of the action plans within the framework of the negotiating chapters for EU accession. Representatives of the Budget Department are members of each negotiating group within the negotiating chapters with the task of monitoring the process and the cost estimates of budgetary possibilities for realization of necessary activities in the process of European integration.

- Plans in the process of European integration

Monitoring and analysis of the financial effects of the EU accession process and effective planning of the budget that will be required in the process of European integration.

3. Fiscal system

There is a significant degree of harmonization of regulations governing value added tax in the Republic of Serbia with the European Union acquis in this field. EU regulations with which Republic of Serbia will harmonize its regulations governing the taxation of consumption tax are Council Regulation 282/2011 on establishing measures to implement Council Directive 2006/112 / EC on the common system of value added tax, Council Directive 2006 / 112 / EC, Council Directive 2009/132 / EC, the Thirteenth Council Directive 86/560 / EEC, Council Directive 2007/74 / EC Directive, Council Decision 2006/79 / EC, Council Directive 2008/9 / EC Council Directive 2009/55 / EC and Council Directive 83/182 / EC.

The provisions of the Law on Excise Duties are partially harmonized with EU standards. Excise taxation of alcoholic beverages is not in conformity with the Outline Directive on alcoholic beverages 92/83 / EEC and Directive on the approximation of excise rates on alcoholic beverages 92/84 / EEC. When it comes to excise taxation of tobacco products, national legislation is partially aligned with Directive 2011/64 / EEC, in the sense that the structure of taxation of tobacco products is fully harmonized, taking into consideration that process of reaching a minimum level of taxation will be subject to further harmonization. The structure of excise taxation of oil derivatives and minimum amounts of excise duty on petroleum products are fully compliant with Directive 2003/96 / EC. The structure of excise taxation of energy products is partly compliant with Directive 2003/96 / EC,

EU regulations with which the Republic of Serbia will harmonize its regulations in future are the regulations governing the area of tax procedure and tax administration i.e. Council Directive 2011/16 / EC, Directive

2010/24 / EU Council Regulation 389/2012 on administrative cooperation in the field of excise duties and Repealing Regulation 2073/2004, and Council Regulation 904/2010 on administrative cooperation and combating fraud in the field of value added tax.

- Commitments and recommendations of the European Commission (by end 2018)

The Republic of Serbia has adopted the EU acquis in Chapter 16. It was pointed out that, in the future, the Republic of Serbia shall continue the harmonization of domestic legislation with the EU acquis in this area.

- Plans in the process of European integration

Within the planned legislative activities by the end of this year, with the aim of further harmonization with the EU regulations that govern taxation of consumption of value added tax, changes that are needed in order to create the conditions for registering in the VAT system of foreign entities, i.e. persons in the territory of the Republic do not have headquarters or residence, and which supply goods and services on the territory of the Republic, and especially editing a tax representative for the supply of goods and services on the territory of a foreign person, will be introduced.

Within the planned legislative activities by the end of this year, the plan is to introduce amendments concerning the taxation of excise alcoholic beverages in accordance with EU standards, carry through amendments to the Law on Excise Tax, which would be implemented with the adoption of the Law on Budget for 2016.,(which means by the end of 2015), whereby the prescribed deferred application of these provisions shall start as of 1 January 2017, as the optimum period in which the respective solutions are to be adequately implemented.

Since the law governing the taxation of the legal entities is partially harmonized with EU directives, in order to achieve full harmonization in the field of direct taxation, regulations governing this area of taxation need to be further aligned with the EU regulations in the coming period.

It is planned to harmonize tax legislation with the acquis by the end of 2018.

4. Customs system and policy

- Commitments and recommendations of the European Commission (by end 2018)

At the moment, only obligations related to the introduction of new computerized transit system – NCTS have been assumed. In accordance with the adopted National project plan, Serbia should accede to the Common Transit Convention and the Convention on simplified formalities in trade in goods (both conventions were confirmed by the National Assembly of RS, "Official Gazette of RS - International Treaties", No. 13/15) when the implementation of NCTS at international level shall begin.

- Plans in the process of European integration:

1. Continuing further harmonization of customs legislation of the RS with EU regulations
2. Changes in customs regulations introduced in order to access the common transit system
3. Changes in customs regulations introduced in order to implement new information systems in the Customs Administration and to allow access to the databases of the EU framework, as well as to connect with the relevant EU computerized customs systems
4. Changes in customs legislation introduced to enable development of customs cooperation in the control of the application of customs legislation and establishment of an improved system of control at the border.

5. Financial system

- Commitments and recommendations of the European Commission (by end 2018)

Negotiating Group 4 - Free movement of capital

By signing the SAA on 29 April 2008, which entered into force on 1 September 2013, the Republic of Serbia has made a commitment to, over a period of four years after its entry into force, ensure the free movement of capital relating to portfolio investment and short-term financial credits and loans. Accordingly, until September 1, 2017, the Republic of Serbia will implement the liberalization of short-term financial loans and credits, as well as liberalization of short-term portfolio investments and transactions with derivative financial instruments, while full liberalization of deposit transactions is to be carried out after the liberalized short-term capital flows.

Negotiating Group 6 - Company law

Dynamics of harmonization, which will be defined after receiving Screening Report by the European Commission, will also include the fulfillment of commitments in accordance with the SAA.

Negotiating Group 9 - Financial Services

Banking

Dynamics of harmonization, which will be defined after receiving Screening Report by the European Commission, will also include the fulfillment of commitments in accordance with Article 91 of the SAA.

Insurance

Dynamics of harmonization, which will be defined after Screening Report by the European Commission, will involve the establishment of gradual liberalization of financial services described in Annex VI of the SAA, the fulfillment of commitments in accordance with Article 91 and Article 72 of the Agreement.

Capital market

Dynamics of harmonization, which will be defined after receiving Screening Report by the European Commission, will involve the establishment of gradual liberalization of financial services described in Annex VI of the SAA, the fulfillment of commitments in accordance with Article 91 and Article 59, Paragraph 3 of the SAA.

- Plans in the process of European integration

Negotiating Group 4 - Free movement of capital

In March 2015, a working group consisting of representatives of the Ministry of Finance, the National Bank of Serbia and other relevant institutions, was tasked with preparing a working version of the Draft Law on Amendments to the Law on Foreign Exchange Operations, with the objective of further harmonization of national legislation with the European Union, particularly the Council Directive 88/361 / EEC, respecting at the same time principle of gradual liberalization of capital movements, depending on economic, monetary and balance of payments indicators. The pace and scope of the engagement of this working group will depend on the European Commission report on the results of screening, which is pending.

Negotiating Group 9 - Financial Services

Banking

Depending on the European Commission report on the results of the screening program, a plan for further harmonization of regulations in the field of banking with the relevant EU legislation in the process of the accession of Serbia to the EU, shall be developed.

Insurance

The adoption of the new Insurance Act, which would carry out full harmonization with the Directive Solvency II, is planned for the fourth quarter of 2018, provided that the application of the new provisions of the Act in certain aspects that may not be implemented due to the fact that the Republic of Serbia is not a member European Union, shall be postponed until the date of accession to the European Union.

All planned legislative changes will be done in close cooperation with the National Bank of Serbia.

Capital markets

Depending on the European Commission report on the results of the Screening program, a plan for further harmonization of regulations in the field of capital market with the relevant EU regulations shall be developed by the end of the second quarter of 2016.

6. Internal control and internal audit

- Commitments and recommendations of the European Commission (by end 2018)

Commitments in this area are listed in the Negotiating Position of the Republic of Serbia for the intergovernmental conference on the accession of Serbia to the European Union for Chapter Financial control - 32.. Internal financial control in the public sector is a key element in the reform of public finance management, so the new Development Strategy for Internal Financial Control in the Public Sector (prescribes the necessary measures and actions to improve the legislative framework for the development of PIFC, as well as activities that will be undertaken to improve the institutional framework and capacities in public administration of the Republic of Serbia by improving the legislative framework.

- Plans in the process of European integration

By the end of 2016, the concept of managerial accountability will be further defined through changes introduced in the Manual for Financial Management Control (FMC), which should clarify and specify the role of FMC as a means of ensuring that the operations under the responsibility of managers of public fund users are conducted in a systematic, regulated and transparent manner, providing assurance to the manager that transactions within its organization have been conducted in accordance with the principles of sound financial management.

Irregularity management will be included in the framework of FMC, in accordance with the requirements of the Financial Regulation and other applicable EU legislation. This function will be regulated through the Law on budget system, and closely linked to the provisions that define the management responsibility.

7. Budget inspection

- Commitments and recommendations of the European Commission (by end 2018)

In a document "the Commission Releases issued to the European Parliament, the Council", in Clause 4.32, Chapter 32: Financial Control", it has been stipulated that it is necessary to develop and regulate the function of the central budget inspection in accordance with the requirements for Internal Financial Control in the Public Sector (IFKJ).

- Plans in the process of European integration

In the coming period, the aim is to ensure a functional and operational PIFC compliant Budget Inspection whose role and function will be fully segregated and regulated, with the overlaps with the Internal Audit function and External Audit eliminated..

8. Management of EU funds

- Commitments and recommendations of the European Commission (by end 2018)

To improve the results it is necessary to provide adequate capacity for implementation under decentralized management. Generally speaking, there has been moderate progress in the preparations in this area. In line with the EU recommendations, in 2015, a series of measures related to strengthening the capacity within the system for decentralized / indirect management of EU pre-accession funds should be undertaken. A number of different trainings related to enhancement of capacities of employees to perform tasks that they are in charge of have been conducted. Specific measures relating to the improvement of internal control of carrying out tasks within the system had been put in place.

In the coming period, the implementation of measures related to strengthening the capacity within the system through further intensified implementation of relevant trainings, improvement of operational procedures and the identification and implementation of measures that will allow the retention of quality staff within the system, shall be continued.

- Plans in the process of European integration

The creation of conditions for the smooth functioning and further development of systems for decentralized / indirect managing of IPA funds will enable the provision of support needed for the implementation of the priorities arising from the European integration processes in all relevant areas.

9. Prevention of irregularities in utilization of EU funds

Preventing fraud and irregularities in dealing with the financial resources of the European Union implies the establishment of an appropriate legal and institutional framework to enable effective protection of these resources. In this way, a candidate country for membership in the European Union shows readiness to provide effective protection of the financial interests of the European countries, in the same way that it does for its own funds.

The Budget System Law stipulates that European Union financial assistance shall be determined as public revenue that belongs to the budget of the Republic of Serbia, by which the constitutional jurisdiction of the Republic of Serbia is being financed, and as such, it represents a starting legal basis for the protection of the financial interests of the European Union in the legal system of the Republic of Serbia.

Department for combating irregularities and fraud in the handling of funds of the European Union, is a national body in the Republic of Serbia, which is responsible for coordination of operational work and cooperation with the Office of the European Anti-Fraud Office (OLAF), as well as the establishment and provision of technical and administrative support for the work of the Network for combating irregularities and fraud in dealing with the financial resources of the European Union, which brings together all the relevant institutions of the Republic of Serbia in order to achieve operational cooperation on combating irregularities and fraud in the handling of European Union funds. The Government of the Republic of Serbia, at the meeting held on September 10, 2015, adopted the Decision on the establishment of the Network for the prevention of irregularities and fraud in dealing with the financial resources of the European Union. This fulfills one of the requirements of the European Commission which ensures effective protection of EU funding.

- Commitments and recommendations of the European Commission (by end 2018)

Recommendations of the European Commission in the next 2-3 years taken from the report on screening Serbia Chapter 32 – Financial Control

"In terms of protection of EU financial interests, the legal framework of Serbia has already been harmonized with the relevant sections of the Convention on the protection of the financial interests of the EU and its three protocols. This ensures sufficient criminal protection in this area.

Although the AFCOS has been formally established by internal regulation of the Ministry of Finance, Serbia will have to provide a comprehensive legal basis which defines the tasks and responsibilities of the AFCOS and arrangements for cooperation with the European Commission. Following the recruitment of personnel, Serbia will also have to provide training and sufficient operational capacity of AFCOS so that it can effectively co-ordinate all relevant actors in the future AFCOS network. Serbia is still committed to the preparation of a national strategy for the fight against fraud and to improvement of the legal basis for the management of EU funds (IPA II).

-Plans in the process of European integration

The fulfillment of all obligations undertaken negotiating positions of the Republic of Serbia for the intergovernmental conference on the accession of Serbia to the European Union for Chapter 32 - Financial Control.

- The signing of the administrative cooperation between the Ministry of Finance and the European Office for the Fight against Fraud Office (OLAF) by the end of 2015 or early 2016, which will, in addition to the Law on Ratification of the Framework Agreement between the European Commission and the Government of the Republic of Serbia on cooperation rules relating to the financial assistance of the European Community the Republic of Serbia within the framework of the implementation of assistance under the rules of the instrument for pre-accession assistance, issues related to providing access to OLAF inspectors to carry out the on-site inspection on the territory of the Republic of Serbia shall be regulated;
- Preparation of the National Strategy for the fight against fraud with the relevant Action Plan activities;
- Undertake activities related to the implementation of administrative verification of reported irregularities and suspected fraud by the responsible bodies in the accredited system for managing funds for pre-accession assistance;
- Technical and administrative support to the work of the Network for the prevention of irregularities and fraud in dealing with the financial resources of the European Union
- Develop a reporting system of the European Commission - the European Office for the Fight against Fraud Office (OLAF) through an information system for management of irregularities (IMS)

Evidence-based policy support will be provided in the fields of: macroeconomic and fiscal analysis and projections, budgeting, fiscal system, customs system and policy, financial system, internal control and revision, management of EU funds, contracting and funding programme by the European Union funds, international cooperation and EU integration, budget inspection, state aid control, public procurement and prevention of irregularities in utilization of EU funds.

At the end of the day, the goal is to create a **sustained capacity to improve outcomes** for Serbian citizens. However, UNDP's assistance is designed as a positive measure in order to facilitate the implementation of reforms and EU accession process. Once the envisaged reforms are implemented, a substantial difference to the quality of life experienced by Serbia's citizens will be made and the need for advisory services foreseen by the project will cease to exist.

10. State aid control

- Commitments and recommendations of the European Commission (by end 2018)

The obligations of the Republic of Serbia in the field of state aid are defined in Article 73 of the Stabilisation and Association Agreement (Law on Ratification of the Stabilisation and Association Agreement between the European Commission and its Member States, on the one hand, and the Republic of Serbia, on the other hand).

Article 73 para. 1 and 2 of the SAA, among other things, provides that "any State aid which distorts or threatens to distort competition by favoring certain undertakings or certain products" is not in accordance with the proper functioning of the SAA in so far as they may affect trade between the Community (i.e. EU) and Serbia (Article 73, paragraph 1, item iii. SAA), including the fact that "any practices contrary to this Article assessed on the basis of criteria arising from the application of the competition rules are applied in the Community, especially from Articles 81, 82, 86 and 87 of the EC Treaty (now Art. 101, 102, 106 and 107 of the TFEU Treaty) and interpretative instruments adopted by the Community institutions" (Article 73, paragraph 2 of the SAA).

Article 73, paragraph 3 of the SAA stipulates that the Republic of Serbia should establish an operationally independent body that will be authorized to decide on the permissibility of state aid, but also to order the recovery of illegally granted state aid. The Republic of Serbia has fulfilled this commitment by establishing the Commission, which was formed by the Government of the Republic of Serbia Education Commission ("RS Official Gazette", No. 112/09), on 29 December 2009.

The EC's recommendation: to ensure operational independence of the Commission

Instruments Interpretations adopted by the institutions of the European Union, based on Art. 107 and 108 of the Treaty TFEU, are regulations and decisions of the European Commission and the Council, as well as announcements, notices, frameworks and guidelines of the European Commission regulating the area of state aid.

Thus, the Republic of Serbia is obliged to harmonize domestic legislation and to respect all the rules for granting state aid contained in the above acts of the EU.

Commission Recommendation: schemes must comply with the EU acquis

Also, Article 73, paragraph 7 of the SAA stipulates obligation of the Republic of Serbia to submit to the European Commission, by 1 February 2014, its gross domestic product (GDP) per capita figures harmonized at NUTS II level, so that the European Commission and Commission should jointly evaluate the eligibility of regions in the Republic of Serbia, and should consequently decide on the maximum volume of aid and will draw up the regional aid map. Creating a regional aid map is an obligation for all Member States, which is defined in the guidelines for regional aid (currently valid: Guidelines on regional State aid for 2014-2020, OJ C 209 of 23.07.2013.).

The EC's recommendation: create regional aid maps

Protocol 5 SAA, which establishes the rules for granting state aid to the steel industry, stipulates that the Republic of Serbia, until February 1, 2015, may grant state aid for restructuring companies in the steel sector, and that it is obliged to, by the deadline, submit to the European Commission for its opinion a National Restructuring Programme and individual business plans for restructuring of each company in the steel sector.

As appropriate, Protocol 5 establishes the rules on state aid in the steel industry. This Protocol establishes the rules applicable in the event restructuring aid is granted to the steel industry. It would stress the exceptional character of such aid and the fact that the aid would be limited in time and would be linked to capacity reductions within the framework of feasibility programmes.

The EC recommendations: to abolish the practice of exempting companies in the process of restructuring and privatization from the rules for granting state aid.

Outstanding liabilities described in the EC Progress Report of the Republic of Serbia for 2014: "In the field of state aid, harmonization of rules of de minimis aid with the EU acquis has continued. The Commission for State Aid Control (CSAC) has adopted 47 decisions and conclusions, including 13 conclusions about the subsequent (ex post) control procedure. This is a significant decrease compared with the previous period, which was partly due to the completion of notification of cases of de minimis aid. The capacity of the Secretariat SACC (the Department for State Aid Control) has been strengthened with two additional employees. The monitoring mechanism of cumulation of de minimis aid has been developed, but the monitoring of the assistance that has been approved for the same objective but on different legal grounds must be strengthened. Many existing programs of government assistance, including fiscal aid, are yet to be harmonized with the EU acquis. The practice of exempting companies in the process of restructuring and privatization from the rules for granting state aid must be abolished. The independence of SACC must be secured. More efforts need to be invested in order to ensure that the CSAC is informed of all measures for the allocation of assistance and to have them approved before the aid is granted. It is necessary to step up activities to promote state aid and raise awareness about it.

There has been a limited progress in the area of competition. The operational independence of the Commission for state aid control must be secured. Legislation relating to the control of state aid must be aligned with the acquis and apply to all companies, including those in the process of restructuring and privatization. In general, harmonization in the area of competition has moderately advanced. "

- Plans in the process of European integration

Since the activities related to the control of state aid for the coming period depend on the EC Screening report, which has not yet been received, at this moment, it is possible to solely specify the plans for harmonization of regulations, which are foreseen in the National Programme for the Adoption of the Acquis NPAA.

Table NPAA

	Type of state aid (or sector) -	Deadline
1	State aid of small value (de minimis aid)	By the end of 2014
2	Services of general economic interest	By the end of 2014
3	Block exemptions Coal sector	By the end of 2015
4	Recovery and restructuring	By the end of 2015
5	The transport sector	By the end of 2016

Fulfillment of relevant measures and activities for which the Ministry of Finance is the responsible authority in the respective action plans by deadlines set in the action plans (y/n) (for chapters 4,9,16,17,29,32,33). Indicators: Number of Ministry's priority areas for which the Ministry is receiving expert support

Targets:

Ministry of Finance has fulfilled the relevant measures and activities as defined in the Action Plans related to chapters 4,9,16,17,29,32, and 33. Ministry of Finance provided with expert support in advancing in EU accession process in the priority sectors

11. Activity Result: Evidence-based policy support provided Relevant administrations within the Ministry of Finance i.e. Tax Administration, Treasury Administration, Customs Administration, Administration for Prevention of Money Laundering, Tobacco administration, Public Debt Administration, and the Free Zones Administration	MOF	71300&71200 Consultants	unfunded	0	30,000	30,000	30,000	30,000	120,000
	MOF	71600-Travel	unfunded	0	20,000	50,000	50,000	50,000	170,000
	MOF	71600-Travel	MOF	0	10,000	0	0	0	10,000
	MOF	71300&71200 Consultants	unfunded	0	15,000	15,000	15,000	15,000	45,000
	MOF	71300&71200 Consultants	MOF	0	10,000				10,000
	MOF	75700-Workshop costs	unfunded		35,000	30,000	30,000	35,000	130,000
	MOF	75700-Workshop costs	MOF		4,550				4,550
	MOF	72100-Company Contracts	unfunded	0	20,000	50,000	50,000	50,000	170,000
	MOF	72800-IT Equipment	unfunded	0	10,000	10,000	10,000	10,000	40,000
	MOF	74500-Sundries	unfunded	0	5,450	5,000	5,000	5,952	21,402
	MOF	74200-Printing& Translation	unfunded		5,000	5,000	5,000	5,000	20,000
	MOF	74100-Evaluation	unfunded		0	15,000		15,000	30,000
	MOF	71400&64300 MNGMT							
	12. Activity Result: overall management	MOF	&BACKSTOPPING	unfunded	0	50,000	70,000	70,000	70,000
MOF		71400&64300 MNGMT	MOF	0	20,000	0	0	0	20,000

Subtotal Direct Project Costs									
General Management Services (GMS 5%) funded	0	620,000	590,000	575,000	595,952	2,380,952			
General Management Services (GMS 5%) unfunded	0	8,478	0	0	0	8,478			
TOTAL PROJECT COST (Direct Project Costs+GMS)	0	22,523	29,500	28,750	29,798	110,570			
	0	651,000	619,500	603,750	625,750	2,500,000			

III. RESULTS AND RESOURCES FRAMEWORK

Intended Outcome as stated in the Country Programme Results and Resource Framework:

By 2020, governance institutions at all levels have enhanced accountability and representation to provide better quality services to people and the economy

Outcome indicators as stated in the Country Programme Results and Resources Framework, including baseline and targets:

Indicator: Governance effectiveness index

Baseline (2013): -0.10

Target: 0.1 by 2020

Indicator: Regulatory effectiveness index

Baseline (2013): 0.15

Target: 0.44 by 2020

Applicable Key Result Area (from 2014-2017 Strategic Plan): Support national partners to implement democratic governance practices grounded in human rights, gender equality and anti-corruption

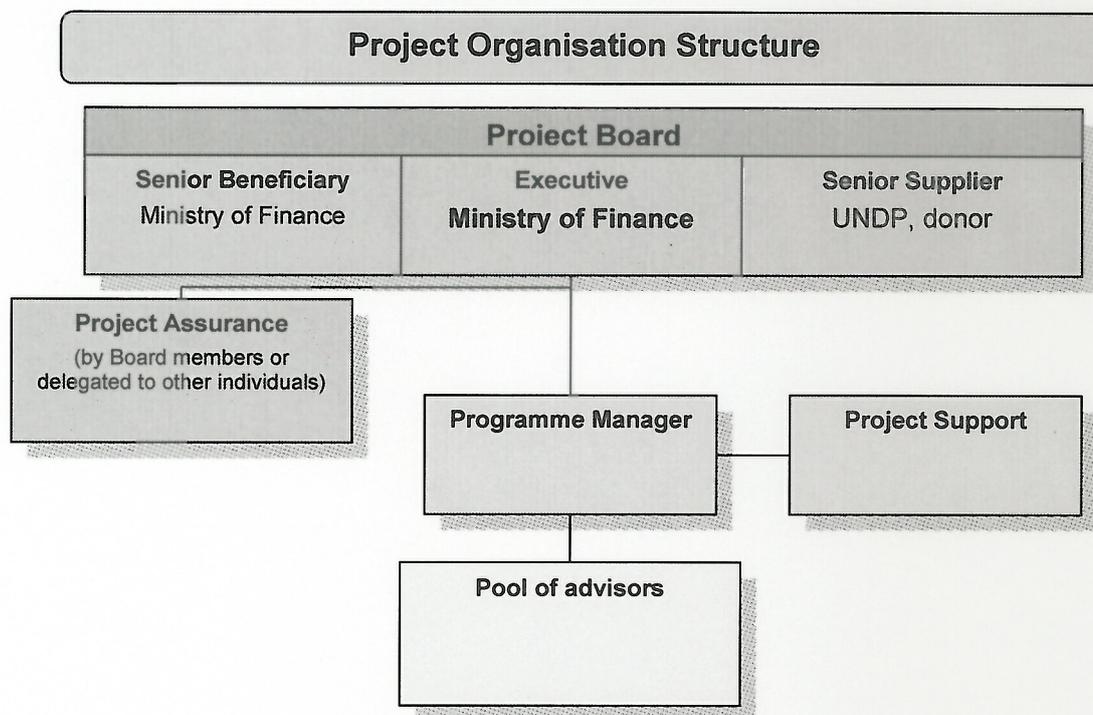
Project title and ID (ATLAS Award ID): Enhancement of the Capacities of the Ministry of Finance for the EU Accession Process

INTENDED OUTPUTS (Outcomes in PRODOC logframe)	OUTPUT TARGETS FOR (YEARS)	INDICATIVE ACTIVITIES	RESPONSIBLE PARTIES	INPUTS
		Supporting expert debates and	MOF	International Consultants

<p>Output 1 Capacity enhancement and operationalization of top Ministry of Finance program priorities in the process of EU accession</p> <p>Baseline:</p> <p>1.1 No chapter in EU accession negotiating process has been opened. The Ministry of Finance is a member of all EU Accession chapters, while it is a lead in the following:</p> <p>Chapter 4 - Free movement of capital – Preparation of the Screening Report is underway</p> <p>Chapter 9 - Financial Services - Preparation of the Screening Report is underway</p> <p>Chapter 16 – Taxation - Preparation of the Screening Report is underway</p> <p>Chapter 17 - Economic and Monetary Policy- Preparation of the Screening Report is underway</p> <p>Chapter 29 - Customs Union - The first two parts of the report were shared with the Serbian government for comments, which were to be submitted by 22. Jun. In the meantime, the EC submitted additional questions to which our party is drafting a response.</p> <p>Chapter 33 - Budgetary and financial provisions - Preparation of the Screening Report is underway</p> <p>Indicators:</p> <p>1.1 Fulfilment of relevant measures and activities for which the Ministry of Finance is the responsible authority in the respective action plans by deadlines set in the action plans (y/n) (for chapters 4,9,16,17,29,32,33).</p>	<p><i>Ministry of Finance has fulfilled the relevant measures and activities as defined in the Action Plans related to chapters 4,9,16,17,29,32, and 33.</i></p> <p>Chapter 4 - Free movement of capital</p> <p>Chapter 9 - Financial Services</p> <p>Chapter 16 – Taxation</p> <p>Chapter 17 - Economic and Monetary Policy</p> <p>Chapter 29 - Customs Union</p> <p>Chapter 32 - Financial Control</p> <p>Chapter 33 - Budgetary and financial provisions</p>	<p>political economy analyses on systems for improving EU accession process;</p> <p>Support review of alignment of legislation with EU Acquis;</p> <p>Providing extended support for thematic areas of particular importance for EU accession process;</p> <p>Support capacity development of key departments for acceleration and enhancement for EU accession process and consequently sustained effectiveness and efficiency;</p> <p>Conducting expert debates and analyses focused on regulating relevant fields for EU accession;</p> <p>Support enhancement of horizontal linkages among sectors and administrations of the Ministry and support enhancement of institutional transformation and increased effectiveness;</p> <p>Support knowledge exchange and lessons learnt with countries that have successfully finalized the EU accession process.</p>	<p>National Consultants</p> <p>Contractual Services</p> <p>Individuals</p> <p>Travel</p> <p>Company contracts</p> <p>Equipment</p> <p>Monitoring and Evaluation</p> <p>Printing and translation</p> <p>Miscellaneous</p> <p>Training, workshops and conferences</p> <p>Policy Advice & Backstopping</p>
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IV. MANAGEMENT ARRANGEMENTS



The project will be executed under the **National Execution Modality** with UNDP support services as required.

The Office of the Prime Minister will appoint a **National Project Director (NPD)** to take overall responsibility of project execution. The NPD will delegate responsibility for day-to-day management to the **Project Manager** who will also report the project progress to the **Project Board**.

The **Project Board** is the group responsible for making by consensus management decisions for a project when guidance is required by the **Project Manager**, including recommendation for approval of project plans and revisions. Project Board decisions should be made in accordance to standards² that shall ensure best value to money, fairness, integrity transparency and effective international competition. Project reviews by this group will be made semi-annually, or as necessary when requested by the **Project Manager**. This group is consulted by the **Project Manager** for decisions when time, budget and quality tolerances are likely to be exceeded. It ensures that required resources are committed and arbitrates on any conflicts within the project or negotiates a solution to any problems between the project and external bodies.

² UNDP Financial Rules and Regulations: Chapter E, Regulation 16.05: a) The administration by executing entities or, under the harmonized operational modalities, implementing partners, of resources obtained from or through UNDP shall be carried out under their respective financial regulations, rules, practices and procedures only to the extent that they do not contravene the principles of the Financial Regulations and Rules of UNDP. b) Where the financial governance of an executing entity or, under the harmonized operational modalities, implementing partner, does not provide the required guidance to ensure best value for money, fairness, integrity, transparency, and effective international competition, that of UNDP shall apply.

Project Assurance is the responsibility of each Project Board member, but is usually delegated. In this case, UNDP Programme Officer will perform the project assurance role. UNDP Programme Officer will support the Project Board by carrying out objective and independent project oversight and monitoring functions thus ensuring that appropriate project management milestones are managed and completed.

The **Programme Manager** has the authority to run the project on a day-to-day basis on behalf of the Project Board within the constraints laid down by the Board. The Programme Manager is responsible for day-to-day management and decision-making for the project. The Programme Manager's prime responsibility is to ensure that the project produces the results specified in the project document, to the required standard of quality and within the specified constraints of time and cost.

The **Project Support** role provides project administration, management and technical and financial support to the Programme Manager.

All deliverables produced during the project term, will bear the **donor and UNDP logo** and, where appropriate, the standard **UNDP disclaimer**.

V. MONITORING FRAMEWORK AND EVALUATION

In accordance with the programming policies and procedures outlined in the UNDP User Guide, the project will be monitored through the following:

Within the annual cycle

- On a quarterly basis, a quality assessment shall record progress towards the completion of key results, based on quality criteria and methods captured in the Quality Management table below.
- An Issue Log shall be activated in Atlas and updated by the Project Manager to facilitate tracking and resolution of potential problems or requests for change.
- Based on the initial risk analysis submitted (see annex 1), a risk log shall be activated in Atlas and regularly updated by reviewing the external environment that may affect the project implementation.
- Based on the above information recorded in Atlas, Project Progress Reports (PPR) shall be submitted by the Project Manager to the Project Board through Project Assurance, using the standard UNDP report format.
- a project Lesson-learned log shall be activated and regularly updated to ensure on-going learning and adaptation within the organization, and to facilitate the preparation of the Lessons-learned Report at the end of the project
- a Monitoring Schedule Plan shall be activated in Atlas and updated to track key management actions/events

Annually

- **Annual Review Report.** An Annual Review Report shall be prepared by the Project Manager and shared with the Project Board and the Outcome Board.
- **Annual Project Review.** Based on the above report, an annual project review shall be conducted during the fourth quarter of the year or soon after, to assess the performance of the project and appraise the Annual Work Plan (AWP) for the following year. In the last year, this review will be a final assessment. This review is driven by the Project Board and may involve other stakeholders as required. It shall focus on the extent to which progress is being made towards outputs, and that these remain aligned to appropriate outcomes.

Quality Management for Project Activity Results

OUTPUT 1: Expert support allows for capacity enhancement and operationalization of top Ministry of Finance program priorities in the process of EU accession		
Activity Result 1 (Atlas Activity ID)	MOF 2	Start Date: 1.12.2015. End Date: 31.12.2019.
Purpose	<i>The purpose is to support the Ministry of Finance by providing high level expertise/advisory services to the Cabinet and the relevant sectors and administrations of the ministry in delivering better results faster in key priority areas such as macroeconomic and fiscal analysis and projections, budgeting, taxation, state aid control, international cooperation and EU integration, etc. in order to be able to accelerate and enhance the EU accession process.</i>	
Description	<i>Evidence-based policy support will be provided in the fields of: macroeconomic and fiscal analysis and projections, budgeting, fiscal system, customs system and policy, financial system, internal control and revision, management of EU funds, contracting and funding programme by the European Union funds, international cooperation and EU integration, budget inspection, state aid control, public procurement and prevention of irregularities in utilization of EU funds.</i>	
Quality Criteria <i>how/with what indicators the quality of the activity result will be measured?</i>	Quality Method <i>Means of verification. What method will be used to determine if quality criteria has been met?</i>	Date of Assessment <i>When will the assessment of quality be performed?</i>
Number of Ministry's program priorities for which the Ministry is receiving expert support	Expert inputs, Project progress reports	Semi-annually

VI. LEGAL CONTEXT

This document together with the CPAP signed by the Government and UNDP which is incorporated herein by reference, constitute together a Project Document as referred to in the Standard Basic Assistance Agreement (SBAA); as such all provisions of the CPAP apply to this document. All references in the SBAA to "Executing Agency" shall be deemed to refer to "Implementing Partner", as such term is defined and used in the CPAP and this document.

Consistent with the Article III of the Standard Basic Assistance Agreement (SBAA), the responsibility for the safety and security of the Implementing Partner and its personnel and property, and of UNDP's property in the Implementing Partner's custody, rests with the Implementing Partner. To this end, the Implementing Partner shall:

- put in place an appropriate security plan and maintain the security plan, taking into account the security situation in the country where the project is being carried;
- assume all risks and liabilities related to the implementing partner's security, and the full implementation of the security plan.

UNDP reserves the right to verify whether such a plan is in place, and to suggest modifications to the plan when necessary. Failure to maintain and implement an appropriate security plan as required hereunder shall be deemed a breach of the Implementing Partner's obligations under this Project Document.

The Implementing Partner agrees to undertake all reasonable efforts to ensure that none of the UNDP funds received pursuant to the Project Document are used to provide support to individuals or entities associated with terrorism and that the recipients of any amounts provided by UNDP hereunder do not appear on the list maintained by the Security Council Committee established pursuant to resolution 1267 (1999). The list can be accessed via

http://www.un.org/sc/committees/1267/ag_sanctions_list.shtml. This provision must be included in all sub-contracts or sub-agreements entered into under/further to this Project Document”.

For the Ministry:

For the United Nations Development Programme



(Signature)

Name: Mr. Dusan Vujovic
Title: Minister of Finance
of the Republic of Serbia

Date: NOV 24, 2015

Place: BELGRADE

(Signature)

Name: Ms. Irena Vojackova-Sollorano
Title: Resident Representative, UNDP

Date:

Place:



OFFLINE RISK LOG

#	Description	Date Identified	Type	Impact & Probability	Countermeasures / Mngt response	Owner	Submitted, updated by	Last Update	Status
1	Early Parliamentary elections	Project development phase	Political	P = 5 I = 4	Suspend further hiring of consultants once elections are announced. Secure consultations at the highest level immediately after establishment of new Cabinet in order to discuss further project duration and objectives	Programme manager	Project developer	Project development phase	
2	Frequent changes within the political context and Project leadership (potential frequent changes of NPD)	Project development phase	Operational Political Strategic	P = 4 I = 2	Keep uninterrupted communication on reform issues with middle management, which has proven to be safeguard of the continuity of partnership and achievements in the past, in order to avoid and/or mitigate potential delays or negative impact.	Programme manager	Project developer	Project development phase	