

**Standard Summary Project Fiche – IPA centralised programmes**

**Project Number 21: Project Preparation Facility and Support Measures**

**1 BASIC INFORMATION**

- 1.1 CRIS Number:** 2011/022-585
- 1.2 Title:** Project Preparation Facility and Support Measures
- 1.3 ELARG Statistical code:** 01.40 Political criteria. Project preparation facility
- 1.4 Location:** Republic of Serbia
- Implementing arrangements:**
- 1.5 Contracting Authority:** EU Delegation to the Republic of Serbia
- 1.6 Implementing Agency:** EU Delegation to the Republic of Serbia
- Component I-** Project Preparation Facility (PPF)
- Component II-** Support Measures Facility (SMF)
- 1.7 Beneficiary (including details of project manager):**

**Component I:**

**Ministry:** National IPA Coordinator, NIPAC Technical Secretariat and Strategic Coordinator.

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A Steering Committee will be established for the project that will be chaired by the Project Manager and the NIPAC Secretariat will provide the Secretariat. It will include the EU Delegation, Strategic Coordinator, additional representatives from NIPAC Secretariat and also

representatives of key line ministries. The Steering Committee will meet every 6 months to review the progress of project preparation, tenders and contracts carried out and planned under the PPF and to identify additional areas of support.

**Component II:** Beneficiaries of the SMF will be actually the beneficiaries of the projects that are subject of preparation or beneficiaries of twinning light projects.

**Financing:**

**1.8 Overall cost:** EUR 7.8 million<sup>1</sup>

**1.9 EU contribution:** EUR 7.8 million

**1.10 Final date for contracting:** 2 years after the signature of the FA

**1.11 Final date for execution of contracts:** 4 years after the signature of the FA

**1.12 Final date for disbursements:** 5 years after the signature of the FA

## **2 OVERALL OBJECTIVE AND PROJECT PURPOSE**

### **2.1 Overall Objective:**

Support and reinforce the capacities of the Serbian administration in the preparation for investment projects and improve the planning, programming and implementation of the Instrument for Pre-Accession Assistance (IPA) and to support mechanisms for an integrated EU accession process in Serbia..

### **2.2 Project purpose:**

#### **Component I:**

To support the creation of strategic and policy framework for pre-accession assistance and the creation of mature projects with a full set of project documentation in accordance with EU procedures for Programming and Procurement Rules.

#### **Component II:**

To allow project preparation and implementation to proceed in a quick and effective manner.

### **2.3 Link with AP/NPAA/EP/SAA**

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<sup>1</sup> EUR 7,806,810 out of which EUR 5,750,000 is for component I (PPF) and EUR 2,056,810 is for component II (SMF).

## **Component I:**

Under the revised *National Programme for Integration with the European Union (NPI)* (December 2009), the specification of the Strategic Coherence Framework for the program (SCF) will imply the draft of multi-annual operational programs within the regional development component and human resources development component. These programs will include in particular: estimation of mid-term needs and objectives, description of chosen strategic priorities for each priority axis and approximately for each adequate measure, and the total amount of the EU and the national contributions.

NPI defines that the structures for IPA components III and IV are designed similarly to the structures for the management of Structural/Cohesion funds. Taking into account closely specialised knowledge and skills necessary for the management of IPA components III and IV (especially big projects – infrastructure ones for the environment and transport sectors), as well as a different structure of projects.

The latest *European Partnership* (18 February 2008), stresses the importance of the permanent implementation of Public Administration reform and improvement of efficiency and performance of the civil service with the aim to assume complex tasks in joint work with the EU institutions and member states. Hence, the main objectives regarding public administration reform in the field of EU integration relate to further strengthening of the public administration and European integration capacity within other European integration structures, by embedding these institutions within line ministries and throughout government, and improving cooperation mechanisms with all departments dealing with European integration.

The project will also support the following medium-term priorities under the “Political criteria” of the *Stabilisation and Association Agreement 2008 (SAA)*: “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.” In addition, this project will also have positive effects on the “Economic criteria” presented in the SAA: “Improve the business environment to increase greenfield foreign direct investment.”

## **Component II:**

The project will enhance the authorities’ ability to prepare projects that help Serbia meet the full range of its priorities deriving from the European Partnership and Multi-annual Indicative Planning Document. The Support Measures Facility has been designed in a flexible manner to support also the initiatives contributing to such projects.

### **2.4 Link with MIPD**

The project will contribute to all sectors of the MIPD by facilitating the preparation of Serbia's accession to the EU, as well as enhancing the better absorption of funds and the implementation of projects.

### **2.5 Link with National Development Plan (where applicable)**

N/A

## 2.6 Link with national / sectoral investment plans (where applicable)

The project will participate to the implementation of the following national and sectoral investment plans:

The “**Needs Assessment of the Republic of Serbia for International Assistance 2009-2011**”, proposes the following in the field of programming, coordination and monitoring of execution of international development assistance include:

- “Baring in mind the necessity of strengthening the capacities of the state administration bodies in the area of coordination, programming and use of international assistance, particularly concerning the use of EU funds, it is important to provide coordination of training activities at the state administration in the future period.”
- Support to ministries in the process of international assistance planning
- Matching international assistance with national priorities and coordinating between donors
- Evaluation of previous programmes and monitoring of existing programmes

Serbian **National Transport Strategy** which is supplemented with a Transport Master Plan, identifies areas for investment within the road, rail, inland waterways, air and inter-modal sectors - particularly TEN-T network Corridors VII and X. In addition, the **National Infrastructure Plan** places emphasis on Corridor X, in terms of both rail and road<sup>2</sup>. Serbian government’s commitment to Corridor VII can also be seen in its involvement in the drafting of the new European “Danube Strategy” that is supposed to be finalised by the end of 2010.

The new **National Waste Management Strategy 2009-2018**, calls for strengthening of the existing and development of new measures for establishment of integral waste management system, further integration of environmental policy into other sector policies, acceptance of extended individual responsibility for environment and more active participation of public in the decision making processes.

**Strategy of Regional Development of Serbia** for the period 2007-2012 (adopted by the Government in January 2007) highlights the importance of stimulating the development of economic infrastructure: “Infrastructure is one of the most important factors for maintaining sustainable economic and social development of the Republic of Serbia, and represents a key driver for regional development and utilisation of comparative advantages of local areas” (Sections 2.12 and 2.4).

**National Strategy of Sustainable Development** was adopted by the Government in 2008. The relevant priorities of this strategy are: development of infrastructure and harmonised regional development, improvement of investment attractiveness of the country, improvement

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<sup>2</sup> The **White Paper** on EU Transport Policy sets out the approach and programme for development of the Trans European Transport Network up to 2020. It places a high priority on achieving a shift of modal split from the current emphasis on road transport. It notes that the inland waterways “network is reliable and economic, produces little noise or pollution, takes up little room and has spare capacity”. (EC Directorate-General for Energy and Transport: White Paper Presentation September 2001.)

of the quality of services, as well as, protection and improvement of the environment and rational use of natural resources.

**National Employment Strategy 2005-2010** states the following: “One of the important strategic orientations of our country is EU integration process... An integral part of EU integration process’s overall conditions is the integral strategy of employment and addressing unemployment...”

**National strategy of development of science and technology 2010-2015**, which was adopted in 2010, emphasis: “Support to science, research, development and innovation is the basis of the strategy that has been adopted by the Council of Europe in Lisbon in March 2000, which should contribute to achievement of the goal that EU should become, by 2010, dynamic knowledge based economy, the most competitive in the world, with sustainable economic development, higher number of better work places and better social cohesion – “Lisbon Strategy”. Republic of Serbia must define its role in that movement of our continent.”

In parallel of the preparation of this project, Serbia is finalising its first **Strategic Coherence Framework** and **Operational Programmes** for IPA III and IV (2012, 2013), which themselves draw on the above-mentioned strategies. The current project will also build on the objectives and projects set in these documents.

### **3 DESCRIPTION OF PROJECT**

#### **3.1 Background and justification:**

##### **Component I:**

Today, Serbia is still a potential candidate country with only the first two IPA components open. The De-centralised Implementation System (DIS) has still not been accredited, due to both technical (staffing/systematisation issues) and political circumstances (Serbia’s candidate country status)<sup>3</sup>. The European Commission is responsible for the programming, contracting and implementation of IPA. The Government of Serbia has appointed the Deputy Prime Minister for EU Integration as the National IPA Coordinator (NIPAC) and reconfirmed the role of Sector for Programming and Management of EU Funds and Development Assistance, within the Ministry of Finance, as NIPAC’s Technical Secretariat. The Office of the Deputy Prime Minister for European Integration was appointed Strategic Coordinator by the decision of the Government. Furthermore, Serbia successfully completed 2 stages out of 6 of DIS implementation and currently is in the Gap Plugging phase for IPA components 1-4. CAO, NAO and PAO, as well as the heads of NF and CFCU have been appointed.

The preparation of major projects and accompanying project documentation, under the current IPA framework (especially for IPA component III) is in its infancy. Drafts of the first Strategic Coherence Framework (SCF) and relevant Operational Programmes (OPs) is completed, identifying key areas of intervention for 2012 and 2013. Along with this strategic framework, the necessary documentation for identified projects is being prepared so that the projects are ready to start once Serbia gets the candidate status and the DIS is accredited.

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<sup>3</sup> According to the Serbian DIS Roadmap, conferral of management for IPA components I and II is expected by mid 2012.

Having the current experience in mind, Serbia needs external support to reach requirements set by the Components III and IV.

The investment projects in particular require specific and technical documentation in order to ensure projects are of an appropriate maturity to receive funding. This documentation includes pre-feasibility studies, feasibility studies, systems design, environmental impact analyses, cost-benefit analysis and the preparation of tender documents. It is necessary therefore to provide additional assistance to these ministries responsible for large scale works and investment projects. All project documentation that will be developed through this project should be in accordance with rules set in the EU Implementing Regulation, PRAG or FIDIC and requirements of DG REGIO for large infrastructure projects funded within IPA component III.

The capacity within the public administration as a whole to prepare project fiches, terms of reference and technical specifications is low. Still, there are encouraging signs of increased understanding and capabilities in the institutions, which have been involved in the delivery of EU projects under previous programmes. However, even within these institutions, there is a need for external support to ensure that the appropriate procedures are followed. Without that, the ability to prepare a robust and mature project pipeline is impaired. A purpose of this project therefore will be to prepare the documentation for such a pipeline and to ensure its continuity. The creation and maintenance of the project pipeline should become an ongoing sustainable process that will continue to be managed and coordinated by the Serbian administration.

The new seven-year budget cycle will be fundamental for shaping the EU of tomorrow. Faced with incessant challenges such as globalisation, climate change, and an ageing population, the EU will have to take sweeping measures to ensure a sustainable future at the helm of global affairs. Its leadership will certainly need to begin close to its borders – in its enlargement policy towards potential member states. In Serbia's case, for a country that has spent most of the current financial perspective with only the first two IPA components, the new financial frame will be an opportunity to step up its game and reach higher goals.

It must also be noted that most of the new member states have experienced difficulties in management Structural and Cohesion funds. Therefore, problems and success stories encountered in these countries to manage Structural and Cohesion funds should be carefully considered. The 2009 annual report of the Parliamentary Committee on European Affairs highlights a case where only 1.3% of funds allocated for 2007-2013, exceeding 15 billion Euros, were actually spent. Lengthy procedures and irregularities (overestimation of projects, conflicts of interest) impede the implementation of projects. If projects worth 1.4 billion Euros were approved in 2009, only 72 million Euros were allocated to beneficiaries. At the same time, rejection rates of projects reaching up to 98% can hardly be regarded as success stories in the DIS.

Bearing in mind that this project cannot be contracted before 2012, support through IPA 2011 to create strategic and policy framework for pre-accession assistance under the new financial perspective 2014-2020 and the creation of mature projects with a full set of project documentation in accordance with EC procedures for Programming and Procurement Rules is of utmost importance and demonstrates timely planning by relevant Serbian authorities.

## **Component II:**

The Support Measures Facility (SMF) scheme introduced by the European Commission for the former candidate countries has been used for fast and flexible interventions to support the adoption of the *acquis* and for the preparation of projects to be funded under the pre-accession programmes.

The SMF projects under the previous Phare and CARDS programmes have been considered successful in terms of delivering short-term assistance in:

- Designing effective strategic plans in different sector areas, often followed by the more detailed investment strategies;
- Supporting planning and programming the EU funded projects by assisting in stakeholder consultations, drafting the Project Fiches and their annexes; and
- Drafting the tender documentation for the implementation of the EU funded projects.

In addition, the IPA also foresees support for preparing and building the necessary capacities and systems for further decentralisation, as well as for building capacities of Serbia's co-ordination mechanisms for implementation of priorities from the EP and SAA.

It is proposed therefore that, based on the lessons learned from the former candidate countries, the similar needs of the Serbia's state administration should be supported. In doing so, it is necessary to take into consideration that in many cases Serbia's institutions need support in drafting the appropriate sector strategies to form the framework for effective change initiatives. Furthermore, IPA programming also requires the existence of strategic documents, which additionally emphasises and justifies demand for development of new strategies and investment plans, as well as for revision of existing ones.

Serbia's state institutions also lack experience in programming, co-ordinating and developing mature project proposals under tight programming deadlines. In line with the IPA programming guidelines, support would therefore be provided to the National IPA Coordinator (NIPAC) and DACU in planning and programming the IPA-funded projects by assisting in stakeholder consultations, and advising on the drafting of the Project Fiches and their annexes. It is particularly important that financed projects target well the specific needs and that the funds are used in the most efficient manner possible. Thus, the SMF will provide support in thorough project preparation process, as well as in preparation of adequate/accompanying cost-benefit analyses, feasibility studies and/or market analyses, which are pre-requisites for the good project preparation.

The third area where additional short-term interventions in Serbia are required is related to the implementation of the EU financed projects. In many cases thorough project implementation documentation in the form of tender dossiers, technical specifications or terms of reference need to be drafted in order to initiate the tender procedures for acquiring the services or supplies required. Often the technical know-how required for drafting for the project implementation documentation is either too specific for Serbia's institutions, or alternatively the drafting process would prove to be unreasonably time-consuming for the non-specialists in the field. In these cases the assistance of experts would allow speedier approach and also provide Serbia's authorities with hands-on training.

The SMF consists of unallocated sum of funds which should cover the financing of the small technical assistance and twinning light projects, amounting up to EUR 250,000 per single project.

### 3.2 Assessment of project impact, catalytic effect, sustainability and cross border impact (where applicable)

#### Component I:

The project will have the following impacts:

- Increased disbursement of available funds as a result of improved administrative absorption capacity;
- More effective implementation of the relevant programmes and projects - better designed projects produce better results and also require less subsequent revision;
- Faster completion of tendering procedures - properly prepared documentation can be approved faster by the Contracting Authority eliminating backlogging **and ensuring smoother running of the DIS institutions responsible for** tendering and contracting;
- Higher quality responses from organisations and companies submitting bids - tender documentation which is clear, logical and takes onboard experience from the EU and previous projects in Serbia will attract bidders, which are able to provide precisely what is required by the beneficiary institutions;
- Improved effectiveness of projects;
- “Filled” project pipelines means that even if one project does not get approved, another one is ready to jump in its place;
- A larger budget allocated to the Republic of Serbia as a result of efficient and effective use of funds;
- Quicker and more effective reform - main objective of IPA.

In addition to these results, the project will also gradually prepare Beneficiary Institutions to develop projects under Structural and Cohesion Funds. The skills and knowledge in project design can also be transferred for projects financed by bilateral donors, IFIs and those supported by the National Investment Plan (NIP). Having this in mind, the catalytic effect of the project will be to improve the value for money of the EU funded initiatives, as well as these funded by other national and international sources.

One of the most significant trickle-down effects of this project will be the lesson of how good project design leads to good project implementation, encouraging governmental institutions and other agencies to attach greater priority to the programming and project design phases which have often been overlooked as a key phase of EU (and other) fund absorption.

Sustainability will be guaranteed through the acquired skills in the government administration.

#### Component II:

Primarily, the Support Measures Facility will contribute to the quality of processes and documents required for planning, programming and implementing of the Instrument for Pre-



accession Assistance. In parallel, the SMF will strengthen capacities of Serbia's authorities' in a/m IPA process by enabling learning-by-doing or other forms of trainings in planning, programming and implementing of IPA.

Furthermore, the SMF will enhance capacity building programmes by providing more genuine reflection on state-of-play of Serbia's capacities, systems and co-ordination mechanisms for transition to DIS and for implementation of EP and SAA priorities. Accurate analyses, needs assessment and recommendations will directly lead and contribute to the quality in defining and designing of the capacity building programs.

Longer-term impact will be well targeted projects and efficient use of IPA funds.

### **3.3 Results and measurable indicators:**

#### **Component I:**

**Result 1** – Drafted programming documents for IPA III and IV or equivalent components for the period after 2013.

Indicator: Prepared new Strategic framework and Operational document for its implementation.

**Result 2** - Government administration dealing with IPA trained and aware of possible evolution and changes in the pre-accession instrument.

Strengthened capacity of the beneficiary institutions to prepare projects in accordance with the (pre) accession-fund programming process, as well as strengthened capacities of these stakeholder institutions that will manage and implement projects.

Indicator 1: Prepared Training Needs Analysis and Training Plan

Indicator 2: Number of on-the-job and formal trainings performed, as well as number of civil servants in the existing IPA and other DIS unites trained;

Indicator 3: Line Ministries' positive reports on the usefulness of trainings provided.

**Result 3** - Financially viable projects for financing by EU pre-accession/accession assistance (and possibly by IFIs and/or other donors) developed and ready for implementation (e.g. feasibility studies, cost-benefit analyses, environmental impact assessments, application forms for major projects, etc).

Indicator: Number of project and project documentation prepared and approved by the Serbian authorities and the EU Delegation/DG REGIO.

#### **Component II:**

Upon its completion, the Support Measures Facility should have resulted in the preparation of well justified and good-quality project proposals and tender documentation through:

- The preparation of sector strategies or investment strategies;
- The facilitation of stakeholder consultations throughout the project preparation phase;

- The preparation of feasibility studies/market studies/cost-benefit analyses for investment components in the projects, technical designs and bills of quantity;
- The preparation and compilation of project tender documentation (terms of reference, technical specifications, other supporting materials for tender dossiers);
- The preparation of twinning fiches;
- The implementation of twinning light activities.

### **3.4 Activities:**

#### **Component I:**

The Project Preparation Facility is open to all Beneficiary Institutions who are participating in the pre-accession assistance programming process or in the implementation of subsequent projects under IPA components III and IV. It will be a responsibility of NIPAC, Strategic Coordinator and NIPAC Secretariat that all beneficiaries are aware of its purpose and how to access support of the technical assistance.

#### **Activities related to Result 1**

1.1. Analysis of socio economic situation for setting up the strategic objectives, which have to be in place and in line with EU priorities for cohesion policy, as well as national priorities for socio economic development and European Integration

1.2. Support to the identification of areas for intervention as well as preparation of relevant strategic framework and operational documents under the areas covered by IPA components II and IV.

1.3 Debate on key priorities with participation of all concerned partners from civil society organisations

#### **Activities related to Result 2**

2.1. Review of existing or preparation of new Training Needs Analysis and accompanying Training Plan related to the preparation of the Strategic framework and Operational programmes

2.2. Provide training for relevant national authorities related to strategic and policy planning and project design, project documentation and tender documentation

#### **Activities related to Result 3**

3.1. Identification, screening and selection of potential projects for financing, based on: existing project pipelines, careful analysis of previous projects, which would ensure complementarity and continuity

3.2. Support to project preparation and design of feasibility studies, cost benefit analyses, environmental impact assessments, as well as all other needed relevant documentation

3.3 Preparation of said project documentation will be accompanied by on the job training, counselling and advising

All activities undertaken to achieve Results 3 should be developed and delivered in a way which ensures that projects are fully owned by the respective national institutions. Projects should also be developed in consultation with key stakeholders and partners, with the aim to develop longer term linkages between them. Coordination with relevant EC services, especially DG REGIO, and the EU Delegation is essential.

Implementation of activities will require close analysis of efforts and achievements of previous and ongoing PPF and DIS related projects.

## **Component II:**

This Support Measures Facility is for a total maximum amount of EUR 2,056,810, which is to cover the costs of activities linked to the preparation and follow-up leading to the implementation of other activities, already defined in this and other IPA programmes, and the attainment of their objectives. Preparatory activities may cover studies, including feasibility studies, training, seminars, supervisory services and related technical assistance, evaluations and audits. Follow-up activities may consist of activities extending or supplementing other activities already defined in IPA programmes that have become necessary in order to achieve the intended results.

SMF is a financial mechanism that may be drawn as individual provisions through framework and service contracts, as various separated contracts, and twinning light, whose size is to be decided according to the specific needs that rise during the project preparation phase.

It is therefore not possible to break down the SMF overall amount into the separate service contracts. Indicatively, for the implementation of this SMF, an approximate number of 20 service contracts and 2-5 twinning light contracts will be launched by the end of the contracting deadline (tentatively 3 in 2011, 12 in 2012, and 5 in 2013 for the service contracts and 1 in 2011, 1-2 in 2012 and 1-2 in 2013 for the twinning light contracts).

The SMF will support the preparation and early implementation of activities under the Annual Programmes.

The activities of the project include some or all of the following activities, but should not be strictly limited to the following list:

- Drafting or assessment of sector strategies or multi-sector strategies for the harmonisation of national legislation and its implementation, or for the future use of EU pre-accession funds. The special focus of the strategies should identify “gaps” in compliance with the most recent Progress report;
- Drafting of (pre-)feasibility and impact studies and carrying out (pre-)investment studies (environmental impact assessments, business plans, market studies, economic and cost-benefit analysis, investment appraisals etc) for the upcoming investments;
- Carrying out or facilitating workshops for the stakeholder consultations for project preparation;
- Preparation of procurement documents (terms of reference, technical specifications, bills of quantities, guidelines for grant schemes and other supporting documents for tender dossiers);
- Providing training relevant to any of the above-mentioned activities;
- Preparation and implementation of Twinning light activities;

- Drawing up analyses, conducting needs assessment and providing recommendations for further enhancement of capacities, systems and co-ordination mechanisms for establishment of DIS; and,
- Evaluations and audits.

### 3.5 Conditionality and sequencing:

#### Component I:

Existing capacities of the line ministries do not currently match the required criteria for programming of EU funded projects. Line ministries have to commit the necessary staff in order to ensure the success of the programming process and development of project fiches, as well as the creation of the new strategic and policy framework. Line Ministries will need to maintain a commitment to increasing the capacity of their EU Directorates by retaining staff in existing positions and by actively seeking opportunities to develop the staff through involvement in strategic/policy framework design and other project design and preparation activities undertaken as part of this project.

The technical assistance should ensure that, where appropriate, project design is carried out in consultation with the full range of stakeholders and not just the official beneficiary institution. Project terms of reference prepared under the project should also include activities and structures which ensure inter-ministerial collaboration during implementation.

Line Ministry beneficiaries must ensure that supported projects are sustainable and the necessary costs of maintenance are factored into budgets.

Infrastructure investments cannot be implemented without the full commitment of government to ensure that necessary legal, institutional and co-financing pre-requisites are in place. Stronger and tighter quality assurance and quality control standards from local counterparts should be established.

In terms of the sequencing, the Activity 1 has to precede Activity 3. In other words, Activity 1 - creation of the new strategic/policy framework - will in large part determine which projects should be considered for Activity 3. Activity 2 can begin with the start of the project and last until its end.

### 3.6 Linked activities

#### Component I:

**CARDS 2006** is supporting the programming process of IPA 2009/10 through the **IPA Programming and Project Preparation Facility** that started in September 2008. Through this project, a pool of experts is engaged in supporting line ministries in preparation of IPA 2009/10 project fiches in line with the MIPD and national strategic documents. In addition, this project will support training of line ministries and drafting of tender documentation for IPA 2008/09 project fiches.

Under **IPA 2007**, a 6 million euro **Project Preparation Facility** has started in March 2009 and it assists the relevant Serbian authorities in preparing strategic and programming documents for

IPA III and IPA IV (including the SCF and the four related OPs) in accordance with the EU requirements and procedures. Furthermore, it assists the NIPAC/NIPAC Technical Secretariat and the relevant Serbian authorities in ensuring that selected projects proposed for funding under IPA - including a pipeline of mature infrastructure projects for funding under IPA III Environment and Transport Priority Axis - are developed and documented under the highest standards of quality in order to be submitted for approval to the EC and subsequently implemented. It also aims to develop the capacities of the Serbian administration in order to fulfil its responsibilities during the whole project cycle related to the management of IPA, with specific focus on components III and IV.

**IPA PPF 2008** (5 million euro) will also cover preparation of relevant project documentation, and has started in the first quarter of 2010. It should be built on the experience and potential carry-over of these two projects. The first component of this project will support preparation of a Feasibility Study and Environmental Impact Assessment for railways projects (i.e. railway line Stara Pazova – Novi Sad). The second component of this project will support programming of IPA component I.

Furthermore, under **IPA 2010**, a **Project Preparation Facility for Large Infrastructure Projects** has been approved. The proposed purpose of this project is to support the Serbian Administration in the preparation and delivery of an effective and mature project pipeline in accordance with EC procedures for IPA Programming and Procurement Rules.

**IPA 2007** and **IPA 2008** projects will provide support to the preparation of DIS. The shared aim of these projects is the preparation of strategic and implementation documents under DIS (this will include establishment of clear systems and designation of institutional responsibilities for programming and monitoring/financial management/programme implementation/audit). Furthermore, their goal is to also identify and determine necessary legal and institutional framework for the successful implementation of DIS, while at the same time, working on improving of public administration capacities. IPA 2007 project will cover gap plugging phase for IPA components I and II and it will start in October 2009, while IPA 2008 will support gap plugging phase of IPA components III and IV and it will start in the second quarter of 2010.

Some other related projects are **CARDS 2006 Support to National Investment Planning and Implementation**: the objective of the contract is to support the Serbian government in the planning and implementation of the NIP. **Support to the Regional Development Agencies**: the objectives of the contract are to support Regional Development Agencies to (i) increase efficiency with respect to the management of local development resources (ii) increase inputs/participation in the national regional development policy planning process (iii) improve project cycle management skills (iv) strengthen capacity in grant management and (v) increase advocacy role at national level.

European Union is also supporting preparation of local infrastructure projects in area of environment, economic and social infrastructure. Municipal Infrastructure Support Programme (MISP) supports preparation of feasibility studies, tender dossiers in area of waste water treatment, water supply and landfills in line with municipal strategic documents and national priorities. Additional 10 million euro will be granted through IPA 2008 for preparation of the projects selected through the SLAP process and 35 million euro for implementation of the mature municipal projects. These projects support strengthening of absorption capacity by focusing on the preparation of larger inter-municipal/regional project pipelines for further financing from national, EU and other available resources.

Within Multi-beneficiary IPA, EU has launched the **Western Balkans Investment Framework** for supporting infrastructural projects in order to contribute to creating conditions for sustainable development in the region and beneficiary countries. Within this frame, EU is providing support through programme Infrastructure Project Facility (IPF Technical Assistance) for preparation of project documentation for major regional infrastructure projects in area of environment, transport, energy and social field to be further implemented and supported by IFIs.

### 3.7 Lessons learned

#### Component I:

##### Need for more ownership

The recommendations of the Evaluation of the Assistance to the Balkans Report under the CARDS Reg. 2666/2000 identified the need to increase beneficiary ownership and support recipient institutions in Serbia. It argues that the beneficiaries should find their own way to fill the gaps towards EU approximation and integration, with the aim of creating a learning process and not merely providing advice and guidelines on the *acquis*, “there should be specific and diversified actions to support partners’ capacity to run consultations, draft their own visions and strategic documents, prepare projects, manage, train and motivate staff.”

##### Dearth of needs analysis/impact assessments

In Serbia, a central planning system has left a legacy of weak links between technical and economic analysis. Project designs have not been based on optimising the cost effectiveness of investments, rather, on using up funds allocated on the basis of other criteria. This has often led to massive investments in one area, while other needs went unaddressed. Therefore, it is of utmost importance to plan and integrate national priorities into the financial and policy frameworks of the Serbian government and future EU support.

Other significant analysis has also been lacking both before and after project identification and implementation. Impact assessments (such as business, legislative, or environmental) have been scarce in the project identification phase. Likewise, there is very little data on the successes of completed projects and their catalytic effects.

##### Lack of project pipelines/mature projects

Every new EU Member State and EU Accession State has had, or still encounters, problems in developing a project pipeline capable of ensuring a steady flow of prepared projects to absorb pre-accession and post-accession support, especially when new types of assistance, such as IPA, are introduced. Serbia will also need to continue to invest significant effort in developing an IPA project pipeline. Efficient use of EU co-financing in a country is predetermined by the quality of its strategic programming. Lessons of structural funding and pre-accession funding (Phare, ISPA and SAPARD) highlight the importance of building the programming and management capabilities of administrations. This capacity building involves overall programming design, strategic and financial management, project development, project delivery as well as monitoring and evaluation.

### Need for further improvement of capacity

While a series of institutional building actions were undertaken under CARDS, the capacities of Serbian line ministries and state agencies remain relatively weak in terms of meeting the demands of EU funding. The capacity for identifying and preparing projects according to EU standards remains low. Line ministries and other government institutions involved in the IPA programming process are facing problems with the inadequate composition of documentation related to preparation, implementation and monitoring of IPA programmes. Projects tend to be prepared without a proper feasibility (cost benefit) assessment, environmental impact assessment (when necessary) and with limited strategic positioning.

At the same time, like other accession countries and new member states, Serbia is constantly battling with institutional memory loss, which has additionally been stimulated by government's decision to cut jobs in the public administration as an attempt to deal with the pressures of the global economic crisis.

A large number of institution building projects have been completed successfully in the form of TA and/or Twinning with the assistance of Member States' experts. The experience shows that this type of assistance has been particularly useful in meeting the needs of the accession process. This PPF project will provide Serbia with sufficient funds and TA support to be able to fulfil tasks related to further strengthening of the administrative capacity for the implementation of the *acquis*. However, it is of utmost importance to ensure synergy and coordination between several projects related to project preparation and DIS establishment that will be implemented in parallel.

In order to support efforts towards European integration and especially efficient and effective management and absorption of EU funds, key stakeholders need to be aware of different possibilities and experiences that will enable them to transfer know-how and good practice. By implementing this project key Serbian stakeholders will become familiar with new rules, main challenges, mistakes and positive achievements of new member states in management of EU funds which will lead to channelling of Serbian efforts towards the Structural funds and Cohesion fund.

#### 4 INDICATIVE BUDGET (amounts in EUR million)

Title: Project Preparation Facility and Support Measures			TOTAL EXP.RE	SOURCES OF FUNDING								
				IPA EU CONTRIBUTION		NATIONAL CONTRIBUTION					PRIVATE CONTRIBUTION	
ACTIVITIES	IB (1)	INV (1)	EUR (a) = (b) + (c) + (d)	EUR (b)	% (2)	Total EUR (c) = (x) + (y) + (z)	% (2)	Central EUR (x)	Regional/ Local EUR (y)	IFIs EUR (z)	EUR (d)	% (2)
Contract 1 (under project component I)	X		5.75 <sup>4</sup>	5.75	100							—
Contracts (under project component II)	X		2.05 <sup>5</sup>	2.05	100							—
TOTAL IB			7.8 <sup>6</sup>	7.8	100							
TOTAL INV												
TOTAL PROJECT			7.8	7.8	100							

<sup>4</sup> EUR 5,750,000

<sup>5</sup> EUR 2,056,810

<sup>6</sup> EUR 7,806,810



## **5 INDICATIVE IMPLEMENTATION SCHEDULE (periods broken down per quarter)**

Contracts	Start of Tendering	Signature of contract	Project Completion
Contract 1	T+1Q	T+4Q	T+12Q
Contracts under Component II	T+1Q	T+2Q – T+8Q	T+10Q

## **6 CROSS CUTTING ISSUES (WHERE APPLICABLE)**

Development Policy Joint Statement by the Council and the European Commission of 10 November 2000 establishes that a number of Cross-cutting Issues shall be mainstreamed into EC development co-operation and assistance.

Cross-cutting issues will be addressed in the project so as to comply with the best EU standards and practice in that area and in a way which demonstrates how they will be dealt with within the project's framework, its activities and outputs.

Cross-cutting issues will be addressed in a proactive manner, and will present a specific component of projects (at all levels of projects' development, starting from the project identification stage). Synergies between the projects and the objectives will be identified and developed. Also, the projects' objectives and activities need to be screened in order to ensure they won't impact negatively gender equality, minorities' inclusion and environment.

Finally, the beneficiary will make sure its objectives, policies and interventions have a positive impact on and are in line with the main principles of gender equality, minorities' inclusion and environment.

### **6.1 Equal Opportunity**

Throughout the duration of the project, steps will be taken to guarantee equal opportunity of access to project activities and benefits. Due attention will be paid to promoting the adoption of equal opportunities in the policy areas concerned. Finally, the concept of gender mainstreaming will be taken into account in all stages of project development so as to enable and encourage participation of women in all areas of policy development.

### **6.2 Environment**

The Environment will be considered a major cross-cutting issue in almost all segments of the future PPF, in particular in the areas of transport infrastructure, environmental protection, renewable energy, research & development, economic diversification of rural areas, development of cities and cooperation – cross-border, trans-national and interregional cooperation. Particular projects developed under this PPF will specifically be designed to improve the environment and all projects will be designed so that, as a minimum, they do not cause negative environmental impact.

### **6.3 Minorities**

Issues of minority rights constitute an integral part of this project and of the overall programme. Access to information, opportunities and support for members of national minority groups through this project will be encouraged. Furthermore, the project will promote developing project proposals which are related to and contribute to better integration of minorities and promotion of inter-ethnic dialogue and tolerance. All projects will be designed so that, as a minimum, they do not cause discriminate in any way against individuals on the basis of their ethnicity, religion, beliefs or race.

ANNEX I: LOGFRAME PLANNING MATRIX FOR Project Fiche			
Title: Project preparation facility and Support Measures		Contracting period expires 2 years after the signature of the Financing Agreement	Disbursement period: expires 5 years after the signature of the Financing Agreement
		Total budget : EUR 7,806,810	IPA budget: EUR 7,806,810
Overall objective	Objectively verifiable indicators	Sources of Verification	
Support and reinforce the capacities of the Serbian administration in the context of the EU pre-accession assistance under the in accordance with the EU procedures for programming, financial management and contracting and to improve the planning, programming and implementation of the Instrument for Pre-Accession Assistance (IPA) and to support mechanisms for an integrated EU accession process in Serbia.	Positive assessment on Serbia's management of EU funds by the EU	Progress Report MIPD	
Project purpose	Objectively verifiable indicators	Sources of Verification	Assumptions
<p>Component I:</p> <p>To support the creation of strategic and policy framework for pre-accession assistance and the creation of mature projects with a full set of project documentation in accordance with EU procedures for Programming and Procurement Rules.</p> <p>Component II:</p> <p>To allow project preparation and implementation to proceed in a</p>	<ul style="list-style-type: none"> <li>Approval of strategic and policy documents by the Government and the EC</li> <li>Number of projects in the pipeline and approval of prepared projects (in accordance with DG REGIO application forms, PRAG and</li> </ul>	<p>Government Decision and the EC Decision</p> <p>Approval rate data by EUD</p> <p>Self-assessments by relevant national institutions</p>	<p>Continued EU financial pre-accession/accession assistance for the</p> <p>Continued government commitment to the accession process</p> <p>DIS Accreditation obtained in</p>

Project purpose	Objectively verifiable indicators	Sources of Verification	Assumptions
quick and effective manner	<p>FIDIC rules)</p> <ul style="list-style-type: none"> <li>▪ Reduced level of rejection of procurement documentation / transactions submitted to the EC</li> </ul>		<p>accordance with DIS roadmap</p> <p>Candidate country status obtained in the due time</p> <p>Continuous support of line DGs and EU Delegation</p> <p>Individual line ministries and key stakeholders are committed to absorption of EU funds under the new financial perspective and to building up and maintaining the system of sound financial management of EU funds (including appropriate staffing levels)</p>
Results	Objectively verifiable indicators	Sources of Verification	Assumptions
<b>Component I:</b>			
<b>Result 1</b> - Drafted programming documents for IPA III and IV or equivalent components for the period after 2013	<ul style="list-style-type: none"> <li>▪ Prepared new Strategic framework and Operational document for its implementation.</li> </ul>	Decision of the Government	Government approves strategic and policy documents, as well as projects in a timely manner
<b>Result 2</b> - Government administration dealing with IPA trained and aware of possible changes in the pre-accession instrument after 2013.	<ul style="list-style-type: none"> <li>▪ Prepared Training Needs Analysis and Training Plan</li> </ul>	EU Delegation/DG REGIO reports	Ministry Staff fully available and willing for training

Strengthened capacity of the beneficiary institutions to prepare projects in accordance with the (pre) accession-fund programming process, as well as strengthened capacities of these stakeholder institutions that will manage and implement projects.	<ul style="list-style-type: none"> <li>Number of on the job and formal trainings performed, as well as number of civil-servants in IPA and other DIS unites trained.</li> <li>Line Ministries' positive reports on the usefulness of trainings provided.</li> </ul>	<p>Serbian Government reports</p> <p>Self-assessments by relevant national institutions</p> <p>Immediate impact questionnaires</p>	
<b>Result 3</b> – Financially viable projects for financing by EU pre-accession/accession assistance (and possibly by IFIs and/or other donors) developed and ready for implementation (e.g. feasibility studies, cost-benefit analyses, environmental impact assessments, application forms for major projects, etc).	<ul style="list-style-type: none"> <li>Number of projects and project documentation prepared and approved by the Serbian authorities and the EU Delegation/DG REGIO.</li> </ul>	Progress reports	Ensured national funds for co-financing of project preparation and project implementation
<b>Component II:</b>			
<b>Result 1</b> – Preparation of well justified and good-quality project proposals and tender documentation	<ul style="list-style-type: none"> <li>Number of projects and project documentation prepared and approved by the Serbian authorities and the EU Delegation</li> </ul>		
<b>Activities</b>	<b>Means</b>	<b>Costs</b>	<b>Assumptions</b>
<b>Component I:</b>			
<b>Activities related to Result 1</b>  1.1. Analysis of socio economic situation for setting up the strategic objectives which have to be in place and in line with EU	TA provided for preparation of relevant strategic and operational documents	<b>1 x service contract</b>  <b>IPA contribution:</b>	LMs remain committed to the development of capacity in relation to EU programming and retain trained staff for

<p>priorities for cohesion policy, community policy for pre accession assistance, as well as national priorities for socio economic development and European Integration</p> <p>1.2. Support to identification of areas for intervention in the coming period as well as preparation of relevant sectoral analysis needed for the preparation of relevant strategic framework and operational documents</p> <p>1.3. Support in preparation of relevant strategic and operational documents</p> <p>1.4 Support grounded, well argument-based debate on key priorities with participation of all concerned partners from civil society organisations</p> <p><b>Activities related to Result 2</b></p> <p>2.1. Review of existing or preparation of new Training Needs Analysis and accompanying Training Plan related to preparation of the Strategic framework and Operational programmes</p> <p>2.2. Provide training for relevant national authorities related to strategic and policy planning and project design, project documentation and tender documentation</p> <p><b>Activities related to Result 3</b></p> <p>3.1. Identification, screening and selection of potential projects for financing, based on: existing project pipelines, careful analysis of previous projects which would ensure complementarity and continuity</p>	<p>TA provided on the implications of on the programming of EU assistance in Serbia</p> <p>TA provided for the preparation of project documentation</p> <p>TA provided for the preparation of tender documentation in accordance with the EU requirements</p>	<p><b>EUR 5.75 million</b></p> <p>Training and seminars</p> <p>Visibility events</p> <p>TA provided for preparation of project and tender documentation</p>	<p>appropriate tasks and actively identify opportunities for staff development</p> <p>Good inter-ministerial cooperation, under the NIPAC/NIPAC TS and SCO coordination and leadership</p> <p>National Strategies and Plans are developed and continually updated</p> <p>Ensured efficient coordination with other relevant projects</p> <p>EU funds management - related organisational units (especially CFCU and NF) adequately staffed</p>
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<p>3.2. Support to project preparation and design of feasibility studies, cost benefit analyses, environmental impact assessments, etc. as well as all other needed documentation for institutional building, major and non major projects</p> <p>3.3 Preparation of mentioned project documentation will be accompanied by on the job training, counselling and advising</p>			
<b>Component II:</b>			
<p><b>Activities related to Result 1</b></p> <p>1.1. Drafting or assessment of sector strategies or multi-sector strategies for the harmonisation of national legislation and its implementation, or for the future use of EU pre-accession funds. The special focus of the strategies should identify “gaps” in compliance with the most recent Progress report;</p> <p>1.2. Drafting of (pre-)feasibility and impact studies and carrying out (pre-)investment studies (environmental impact assessments, business plans, market studies, economic and cost-benefit analysis, investment appraisals etc) for the upcoming investments;</p> <p>1.3. Carrying out or facilitating workshops for the stakeholder consultations for project preparation;</p> <p>1.4. Preparation of procurement documents (terms of reference, technical specifications, bills of quantities, guidelines for grant schemes and other supporting documents for tender dossiers);</p> <p>1.5. Providing training relevant to any of the above-mentioned activities;</p> <p>1.6. Preparation and implementation of Twinning light activities;</p>			

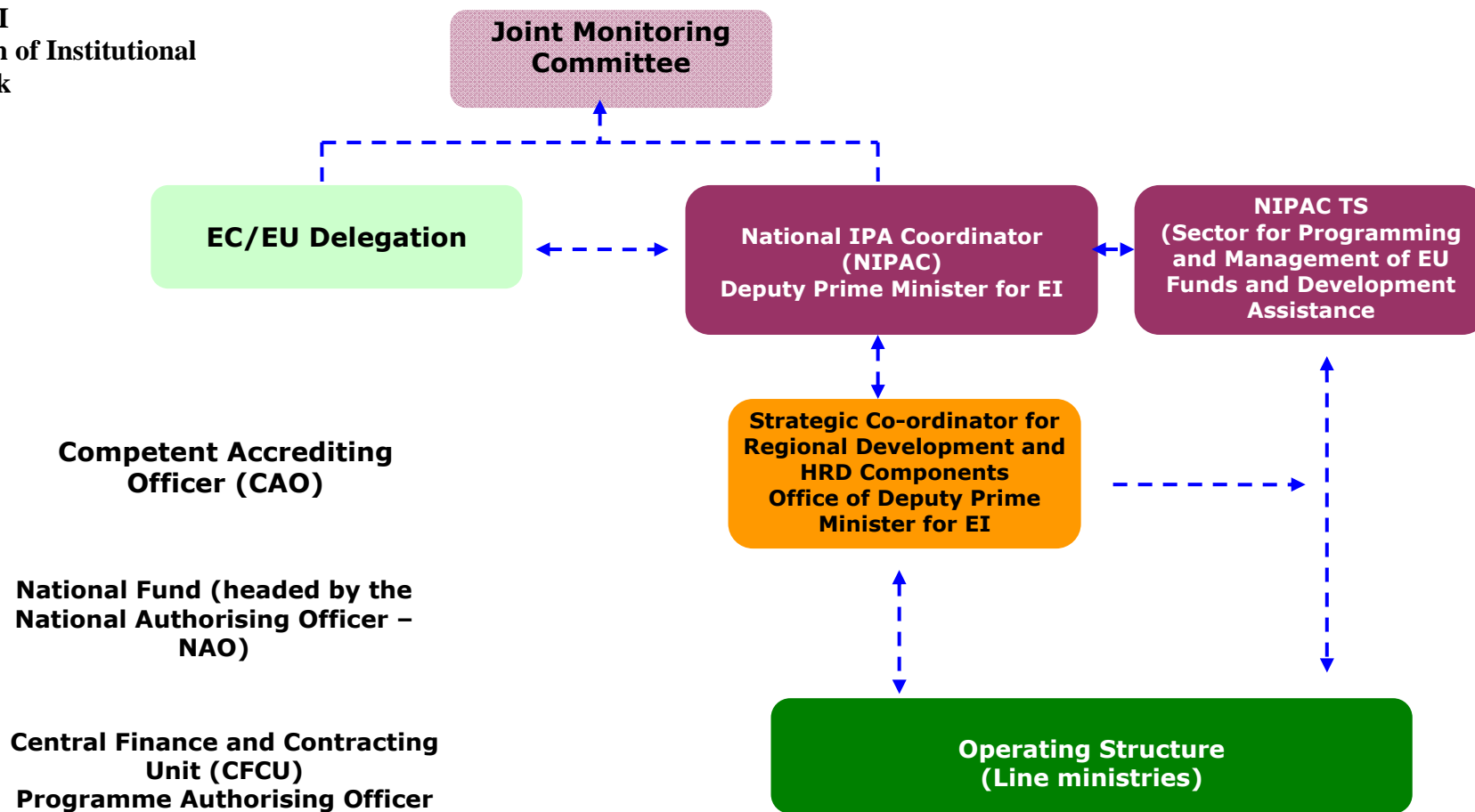
1.7. Drawing up analyses, conducting needs assessment and providing recommendations for further enhancement of capacities, systems and co-ordination mechanisms for establishment of DIS.			
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**ANNEX II: amounts (in EUR million) Contracted and disbursed by quarter for the project**

<b>Contracted</b>	Q1	Q2	Q3	Q4	Q5	Q6	Q7	Q8	Q9	Q10	Q11	Q12	TOTAL
Contract 1				5.75									<b>5.75</b>
Contracts under Component II		0.2	0.4	0.2	0.35	0.3	0.25	0.35					<b>2.05</b>
<b>Cumulated</b>		<b>0.2</b>	<b>0.6</b>	<b>6.55</b>	<b>6.9</b>	<b>7.2</b>	<b>7.45</b>	<b>7.8</b>	<b>7.8</b>	<b>7.8</b>	<b>7.8</b>	<b>7.8</b>	<b>7.8</b>
<b>Disbursed</b>	Q1	Q2	Q3	Q4	Q5	Q6	Q7	Q8	Q9	Q10	Q11	Q12	TOTAL
Contract 1				1.2		1.0		1.0		1.0		1.55	<b>5.75</b>
Contracts under Component II		0.2	0.4	0.2	0.25	0.2	0.25	0.35	0.1	0.1			<b>2.05</b>
<b>Cumulated</b>		<b>0.2</b>	<b>0.6</b>	<b>2.0</b>	<b>2.25</b>	<b>3.45</b>	<b>3.7</b>	<b>5.05</b>	<b>5.15</b>	<b>6.25</b>	<b>6.25</b>	<b>7.8</b>	<b>7.8</b>

**ANNEX III**  
**Description of Institutional**  
**Framework**



This picture presents institutional framework relevant for implementation of this project

## **ANNEX IV**

### **Reference list of relevant laws and regulations**

- Law on Ratification of the IPA Framework Agreement
- Law on Ministries
- Law on Budget System
- Memorandum of Budget
- Law on Public Debt
- National Action Plan for Programming of IPA, etc.

## **ANNEX V**

### **Details per EU funded contract (\*) where applicable:**

This project will be implemented under one service contract for its first component and an indicative number of 20 framework/service and 2-5 twinning light contracts.

The following services will be designed and delivered:

#### **Drafting of strategic documents**

Supporting key institutions and beneficiaries in drafting of the new strategic and policy framework

Carrying out surveys and other research - including market analysis

#### **Capacity building**

Provision of mentoring, informal and formal training to respective Line Ministry staff and other relevant agencies in the preparation of tender documentation

Development of organisational standards of performance

Development of staff procedures

It is expected that documentation for major works that will be developed will be prepared in accordance with FIDIC Conditions for major works.

#### **Preparation of project documentation**

Completion of necessary project documentation for chosen projects (pre-feasibility/feasibility studies; cost-benefit analysis; environmental impact assessments; etc.)

#### **Prepare tender documentation for services, supplies and works contracts**

Complete feasibility and pre-feasibility studies for works contracts

Prepare terms of reference for service contracts

Prepare technical specifications for supply contracts