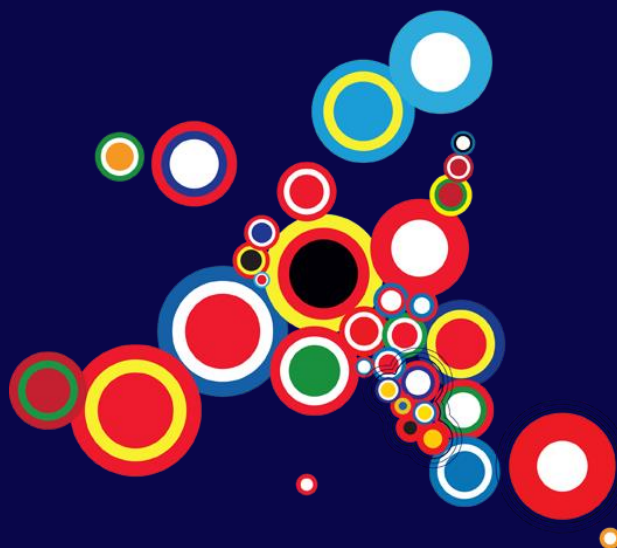




## INSTRUMENT FOR PRE-ACCESSION ASSISTANCE (IPA II) 2014-2020

**SERBIA**

**EU Support to the  
Environment Sector**



### **Action summary**

*The overall objective of Action is to improve environmental sustainability and is fully compatible with the Acquis regulating the sector. This will be achieved through improvement in solid waste, water and wastewater management in line with EU requirements. It is foreseen that the proposed activities will result in developed municipal solid waste source separation plans, recycling schemes and strengthened operational capacity for primary separation of solid waste in four regions with established and operational sanitary landfills; legal and operational framework for efficient and sustainable provision of water services developed and prepared for adoption and implementation; improved capacities of implementing bodies at central and local level to efficiently implement water and waste water infrastructure projects and PUCs to operate sustainably water and waste water infrastructure; as well as constructed and upgraded municipal waste water collection and treatment systems Brus – Blace and Kraljevo.*

<b>Action Identification</b>	
<b>Action Programme Title</b>	Annual Action Programme for Serbia for the year 2017
<b>Action Title</b>	EU Support to the Environment Sector
<b>Action ID</b>	IPA 2017/040-499.5/Serbia/ EU Support to the Environment Sector
<b>Sector Information</b>	
<b>IPA II Sector</b>	Environment, climate change and energy
<b>DAC Sector</b>	14022/14050
<b>Budget</b>	
<b>Total cost</b>	<b>38,740,000</b>
<b>EU contribution</b>	<b>28,600,000</b>
<b>Budget line(s)</b>	22 02 01 02
<b>Management and Implementation</b>	
<b>Management mode</b>	Indirect management
<i>Direct management:</i> <b>EU Delegation</b> <i>Indirect management:</i> <b>National authority or other entrusted entity</b>	Central Finance and Contracting Unit/Department (CFCU/D)
<b>Implementation responsibilities</b>	Ministry of Environmental Protection (MEP) and Ministry of Agriculture, Forestry and Water Management (MAFWM)
<b>Location</b>	
<b>Zone benefiting from the action</b>	Republic of Serbia
<b>Specific implementation area(s)</b>	Indicatively 17 (solid waste sector) and 23 (water and wastewater sector) municipalities
<b>Timeline</b>	
<b>Final date for concluding Financing Agreement(s) with IPA II beneficiary</b>	At the latest by 31 December 2018
<b>Final date for concluding delegation agreements under indirect management</b>	At the latest by 31 December 2018
<b>Final date for concluding procurement and grant contracts</b>	3 years following the date of conclusion of the Financing Agreement, with the exception of cases listed under Article 189(2) of the Financial Regulation
<b>Final date for operational implementation</b>	6 years following the conclusion of the Financing Agreement
<b>Final date for implementing the Financing Agreement (date by which this programme should be de-committed and closed)</b>	12 years following the conclusion of the Financing Agreement

<b>Policy objectives / Markers (DAC form)</b>			
<b>General policy objective</b>	<b>Not targeted</b>	<b>Significant objective</b>	<b>Main objective</b>
Participation development/good governance	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Aid to environment	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Gender equality (including Women In Development)	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Trade Development	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Reproductive, Maternal, New born and child health	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>RIO Convention markers</b>	<b>Not targeted</b>	<b>Significant objective</b>	<b>Main objective</b>
Biological diversity	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Combat desertification	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Climate change mitigation	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Climate change adaptation	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

## 1. RATIONALE

### PROBLEM AND STAKEHOLDER ANALYSIS

The Republic of Serbia has advanced in harmonising its legal framework with the EU environmental legislation in recent years and this sector can be considered as fairly well covered by strategic documents at the national level. At the operational level a single project pipeline of investments leading to implementation of the relevant environmental *acquis* was adopted. The capacity to develop and implement sustainable investment projects in the environment sector, namely in water, wastewater and waste management sectors remains low.

Modernisation of **waste management** by joining the transition towards a circular economy is a declared political objective. Although national legislation and strategic directions for proper waste management have been developed and defined over the last couple of years, the provision of well-developed and properly equipped waste collection systems remains one of the main challenges facing this sector.

As described in the Waste Management Strategy 2010 – 2019, and its revised version, Serbia's strategic approach for the implementation of EU *acquis* and Serbian standards for waste management is based on regional integrated waste management systems. Each regional system will be required to provide the services to contribute to compliance with the most demanding EU directives in this area including, but not limited to, the Waste Framework Directive, the Landfill Directive and the Packaging Waste Directive.

The Ministry of Environmental Protection is the key institution in the **waste sector**, responsible for policy making, legislation and control (permits) and assisted by the Serbian Environmental Protection Agency (SEPA). The autonomous province of Vojvodina has the responsibility to administer and control its own territory. Practical implementation of waste collection and management is vested with the Local Self Government units (provided by the Public Utility Companies (PUCs). The Ministry of Health and the health care facilities are competent authorities for health care waste management. The Ministry in charge of energy and mining also participates in work of the waste management sub-sector and is responsible for harmonization with Directive 2006/21/ EC on the management of waste from extractive industries.

Transposition of EU legislation in the **water management** sector in Serbia is reasonably advanced, but some fine-tuning of the legislation is required to ensure efficient implementation and full compliance with the *acquis*. According to the Post-Screening document from 2015, full transposition of water directives is expected through legal amendments to be finalised by the end of 2018. The Post Screening document also noted that the Water Management Strategy and the Water Management Plan required under the Water Law (Article 29 et seq.) have yet to be adopted. The Water Management Strategy was adopted on 23 December 2016.<sup>1</sup> Directive Specific Implementation Plans (DSIPs) for the Water Framework Directive (WFD), Drinking Water Directive and Urban Wastewater Treatment Directive and Nitrates Directive are to be developed with IPA II assistance. DSIPs and related supporting documents will be the basis for adjusting the timetable of implementation in specific cases of heavy investment directives.

Compliance with EU requirements in the water sector is variable, with relatively high level of compliance achieved with drinking water and low level of compliance with waste water requirements. Waste water treatment suffers a constant lack of investment, and a massive programme of constructing waste water collection systems and treatment plants needs to be launched.

The Republic Water Directorate in the Ministry of Agriculture, Forestry and Water Management (MAFWM) is responsible for issues related to strategic and policy formulation in the field of water management at national level, including water supply and protection from pollution, as well as monitoring the implementation of water management and water protection policy. Public Utility Companies are under the jurisdiction of the Ministry of Construction, Transport and Infrastructure and Law on Communal Activities.

Upgrade and development of **wastewater management** infrastructure remains a strategic priority for the country.

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<sup>1</sup> Document can be found on the web site of the Republic Water Directorate: [http://www.rdvode.gov.rs/doc/Strategija\\_FINAL.pdf](http://www.rdvode.gov.rs/doc/Strategija_FINAL.pdf)

**Strengthening capacity of institutions** in the water sector is a precondition for successful transposition and implementation of the water sector directives. The most important precondition for implementation of the Urban Wastewater Treatment Directive is restructuring of public utilities, improving cost recovery and dynamic alignment/increasing of tariffs to finance operation of developed infrastructure.

In terms of increasing the efficiency and effectiveness of PUCs it is necessary to consider and analyse the best solutions for reform applicable for Serbia: to keep the current system with its improvement to the required efficiency and effectiveness, to separate water services from other communal activities, etc. including additional consideration of regionalization as an opportunity for more effective implementation of the principle of cost recovery and affordability (economies of scale), creating better conditions for the preparation and implementation of business plans, establishing performance indicators and benchmarking. In this process it is of the utmost importance to involve all relevant institutions in order to develop the proposals for the most rational measures and solutions. All competent authorities have to cooperate in order to reach an agreement on understanding and accepting the obligations and responsibilities arising from the implementation of extremely costly and complex WFD, DWD and UWWTD.

Public Utility Company Reform and Tariff Regulation are politically sensitive and contentious issues. The Local Self Government Units (Municipal and City authorities) who have the overall responsibility for water service provision have serious concerns about the possible impacts of PUC reform. Nevertheless, there is increasing evidence of willingness at both the National and Local level to re-examine how the key sector challenges can be addressed.

The Ministry of Agriculture, Forestry and Water Management (MAFWM) prepared draft Decrees pursuant to Article 157 of the Law on Waters. Their adoption will result in the introduction of a methodology for the setting of tariffs for water services. The methodology under Article 157 needs to be accompanied and supported by a broader programme of reform and capacity building in order to achieve cost recovery principal targets.

Along with the analysis of the reform proposals it is necessary to prepare the modelling of the application of the tariff methodology at national level, with respect to the elements for determining tariffs, primarily business expenses, which may direct the reform proposals in terms of increasing the efficiency and effectiveness, full cost recovery and optimal affordability. In addition to this interaction, both activities also may affect the modality of regulation.

Assessment of the framework for water service provision in Serbia indicates that substantial efforts are needed to improve:

- Capacity of water service providers;
- Efficiency of service provision;
- Sector financing and cost recovery;
- Economic regulation and tariff setting;
- Performance monitoring.

According to the Post Screening document, the planned reforms to the water sector are:

- Development of legal basis for reforming Public Utility Companies by end of 2018;
- Reform of Public Utility Companies finishes by end of 2021
- Strengthening of administrative and implementation capacity at national, regional and local level by end of 2020.

In short, further substantial support is needed with the harmonisation and implementation of the *acquis* in the field of water management and waste water treatment.

## **OUTLINE OF IPA II ASSISTANCE**

IPA II assistance will contribute to improved environmental sustainability performance through the improvement of solid waste, water and waste water management in line with EU requirements. The following results are expected:

- A.** Solid waste source separation infrastructure introduced and made operational in 4 regions (Duboko, Pančevo, Srem-Mačva and Pirot) with established and operational sanitary landfills;
- B1.** Waste water collection and treatment systems improved in 3 municipalities;
- B2.** Increased capacity and expertise acquired by the PUCs (women and men) for sustainable operation of the waste water collection and treatment infrastructure;
- B3.** Strengthened efficiency of management of water services: water supply, collection and waste-water treatment, at central level, municipalities and PUCs;
- C.** Increased capability of MEP and MAFWM for the effective implementation of environmental projects.
- These results will be achieved through the implementation of proposed activities, as per the below table.

Activity <b>A 1.1</b>	Supply of equipment for <b>source separation schemes</b> (MEP)
Activity <b>A 1.2</b>	Organising and implementing informative, communication and visibility activities for the public regarding waste separation (MEP)
Activity <b>B 1.1</b>	Construction and upgrading of <b>municipal waste water</b> collection (sewage) and treatment system <b>Brus-Blace</b> ; (MAFWM)
Activity <b>B 1.2</b>	Construction and upgrading of <b>municipal waste water</b> collection (sewage) and treatment system in <b>Kraljevo</b> ; (MEP)
Activity <b>B 2.1</b>	Technical assistance and <b>Capacity Building</b> for the <b>Public Utility Companies (PUCs)</b> responsible for the operation and maintenance of the infrastructure investments (Activities <b>B1.1 and B1.2</b> ) – Financial and Operational Performance Improvement Plans (FOPIP); (MEP)
Activity <b>B 3.1</b>	Assessment of service provision situation and development of proposal on increasing efficiency of water sector services (MAFWM)
Activity <b>B 3.2</b>	Support for implementation of revised cost recovery requirements (including implementation of Tariffs Methodology) and establishment of water pricing regulatory system (MAFWM)
Activity <b>C 1.1</b>	Technical assistance to the IPA units of MEP and MAFWM in management and implementation of projects

## RELEVANCE WITH THE IPA II STRATEGY PAPER AND OTHER KEY REFERENCES

The Indicative Strategy Paper (ISP) sets out the priorities of EU assistance for the period 2014-2020. The objective of EU assistance is to align Serbian legislation with the EU environmental and climate change acquis and to strengthen institutional capacities for implementation and enforcement. A further objective is **to develop and improve environmental infrastructure**, especially in the areas of waste management, water management and urban waste water treatment. With respect to water management one of the key expected results is water management and municipal waste water collection (sewage) and wastewater treatment, including physical infrastructure, in the strategically most important agglomerations improved in line with the EU Directives.

The ISP notes that investment projects, implementing the Urban Waste Water Directive will be supported, concentrating on the largest and strategically most important agglomerations (densely populated and industrialised territories) and environmentally sensitive areas, where both national and local authorities demonstrate clear ownership and commitment for timely design and implementation as well as eventual maintenance of investments.

Under IPA II for 2017 this result will be met through investments in construction and upgrade of municipal wastewater collection and treatment systems in Brus-Blace and Kraljevo.

The issues of PUC reform in general and of **water services sector reform** in particular are not directly addressed in the ISP. However, key results identified in the Strategy (compliance with EU legislative requirements in the environment chapter including the water sector) are heavily dependent on two key pre-conditions: the operating entities having adequate capacity and an operating framework that is conducive to efficient and sustainable delivery of services. These preconditions will be supported by this IPA 2017 through support to water sector reform, support to PUCs receiving investments and providing technical assistance to relevant institutions to increase their capacities to efficiently and effectively support preparation, management and implementation of water sector infrastructure.

The ISP defines one of the expected results in the environment sector as “**waste management** improved in line with the EU requirements, including improved physical infrastructure and increased recycling rates in the largest waste collection areas”. Following that, IPA II assistance should concentrate, *inter alia*, on the establishment of collecting and recycling facilities for different waste categories. Under IPA II for 2017 this result will be met through the development of local waste policies supporting waste separation and supply of equipment for solid waste source separation for 17 municipalities in regions with established Regional Waste Management Centres (RWMCs), including awareness rising on primary source separation.

## **LESSONS LEARNED AND LINK TO PREVIOUS FINANCIAL ASSISTANCE**

ISP 2014 – 2020 for Serbia stressed that IPA II assistance will concentrate on the establishment of collecting and recycling facilities for different waste categories and facilities for the treatment of hazardous waste. Following that, IPA II unallocated envelope IPA 2013 specified one of the envisaged actions (to be announced in Q3, 2016) as “Support to Waste Management Policy”, covering specific support to the source separation and recycling infrastructure through the development of set of economic instruments to support source separation and recycling; and updating the regional and local waste management plans to reflect EU legal requirements pertaining to waste prevention, source separation and recycling.

ISP 2014 – 2020 for Serbia aims at developing and improving environmental infrastructure, especially in water management and urban waste water treatment. In relation to water management, the key expected result is “water management and municipal wastewater collection (sewage) and wastewater treatment, including physical infrastructure, in the strategically most important agglomerations improved in line with the EU Directives”. The infrastructure development will be supported in Brus-Blace and Kraljevo and will comprise of two elements for each location; works (construction); and services (design and supervision).

In addition to the construction of the water and waste water management infrastructure, efficient and effective operation and management of this infrastructure also requires:

- Adequate capacity within the entities responsible for service delivery: the “Public Utility Companies” (PUCs)
- A legal and procedural framework to regulate the quality, sustainability, efficiency and cost to consumers of service delivery including achievement of the cost recovery obligation specified in Article 9 of the EU Water Framework Directive

Analyses have been made of the extent to which these requirements are met in Serbia, including the State of the Sector Report prepared in 2015 by the Danube Water Program.

In view of the extensive investment needs, and the need for sector reform, it is proposed that development of the water services sector follow a “parallel” approach, whereby progress is made in respect of infrastructure, in respect of the operational capacity of the PUCs and in respect of the operational framework:

- Continued investment in infrastructure to improve water and waste water management, accompanied by capacity building for PUCs involved in investment projects
- Staged implementation of sector reforms including:
- Development, implementation and monitoring of the operational (regulatory) framework for water service provision throughout the country

- Capacity building for all PUCs providing water services

Finally, it is apparent that there have been difficulties in the preparation and implementation of investment projects in the environment sector and in the water sector in particular (bottleneck projects). Moreover, it is apparent that investment needs in the water sector are extensive and will take many years to implement.

Therefore, it is essential that there are adequate capacities of the implementing bodies to be able to effectively and efficiently manage the implementation of the infrastructure projects.

The capacity shortfalls in the implementing bodies, particularly sector specific bodies, will therefore also be addressed.

EU – IPA – interim evaluation and meta-evaluation of IPA assistance was done for environment sector in 2013. According to this evaluation, the IPA planned outputs were, in most cases, delivered; while the extent to which these are effectively turned into results (outcomes) is not as good as it should have been. Some of the efficiency problems stem from design deficiencies. In the case of air quality monitoring and horizontal issues, the insufficient capacity of the beneficiaries led to problems with implementation. In the area of water and waste infrastructure projects, cooperation between national, regional and local bodies to facilitate operation of the facilities constructed is low due to the lack of leadership and relies on the consultant drafting local level cooperation agreements. At the central level the Strategy for Restructuring of the Local Public Utility Companies and the necessary reforms and legislation are yet to be adopted.

A high level of aid effectiveness in the Environment and Climate Change sector was reported in policy development, capacity building and proportionately small supplies and works contracts (more specifically: IPA-financed TA to prepare the EAS; transposition of legislation; strengthening of environmental inspection, nuclear decommissioning and establishing systems for air quality monitoring). Effectiveness of medium term (5–7 years) environmental infrastructure projects varied to a great extent. Overall, effectiveness was proposed to be considered as medium to high, to reflect the full spectrum of sector interventions, which have ranged from the highly beneficial (meeting all objectives) to the partly successful (meeting some) and incomplete.

In the case of the institution-building activities targeted at developing a sector policy framework the efficiency of resource use was judged to be high: the immediate benefits (in terms of objectives met), and also longer-term benefits (assuming the outcomes are operationalized) are proportionately very good when compared with the inputs. Major infrastructure projects (including primarily, but not exclusively, water supply and/or wastewater networks, and/or waste management solutions) were considered to be less efficient, due to their higher costs in all project phases, inefficiencies stemming from the fact that often individual loans, or even entire lending programmes (such as water management), are approved before projects are selected, leading to problems in the absorption and disbursement of allocated funding because project documentation is often seriously under-developed. Overall, efficiency in the sector was proposed to be considered as medium.

Although the impact of specific development projects in this sector can be considered significant (for example: access to clean drinking water for households in medium-sized cities; reduced pollution from power plants as measured by a network of air monitoring stations; innovative waste management solutions), these localized innovations are rarely promoted on a systematic basis, county-wide, to other potential beneficiaries. Thus, the overall impact of aid in the Environment and Climate Change sector was proposed to be considered as low.

In October 2009 under the previous Municipal Infrastructure Support Programme (MISP) CARDS TA together with the working group consisting of the World Bank, European Bank for Reconstruction and Development, KfW and USAID, the EU supported the then Ministry of Economy and Regional Development (MoERD) in preparation of the draft of the Strategy for Public Utility Companies (PUC) Transformation (PUC Transformation Strategy). Further support for processing the Strategy, elaboration of the detailed action plan and its implementation was agreed with the MoERD under the IPA 2008 MISP TA project. MISP IPA 2008 started in January 2010. In September 2011, the Ministry opened the public consultations process. However no PUC transformation strategy was adopted by the end of 2011, as initially planned. No further progress was reported to the EU Delegation to date.

However, there is good evidence that the aspects of the Strategy pertaining to water services sector reform, in particular the introduction of cost recovery tariffs, are accepted as necessary in the immediate term. The



Government decided to proceed with the introduction of a methodology for cost recovery pricing as part of its 2016 Work Programme (Article 157 of the Water Law). With the assistance of the World Bank, two items of secondary legislation have been developed:

- Decree on the setting of the reference price of water and Decree on the establishment of criteria for the setting of the reference price of water;
- Decree on the establishment of a methodology for the calculation of the price of drinking water supply by means of a public water supply system, and the price of wastewater collection, evacuation and treatment by means of a public sewerage system.

The expected decrees will strengthen the framework for achievement of cost recovery in the water services sector, but further measures will still be required.

Sludge management is important part of waste water treatment sector and will have considerable impact on water tariffs. The project regarding sludge management framework will be developed through IPA 2013 Unallocated envelope which will include:

- National Sludge Management Strategy and the Implementation Plan;
- Guidance document on good operational practices for sludge management.

## 2. INTERVENTION LOGIC

### LOGICAL FRAMEWORK MATRIX

OVERALL OBJECTIVE	OBJECTIVELY VERIFIABLE INDICATORS (*)	SOURCES OF VERIFICATION	
Improving quality of life of citizens by raising environmental standards in Serbia to approximate EU levels	Population served with waste water treatment and benefitting from improved waste management	National Report on Status of Surface Waters Transposition and Implementation of Environmental and Climate Change Acquis – Ch.27: Status and Plans (2015) EUROSTAT Waste statistics	
SPECIFIC OBJECTIVE	OBJECTIVELY VERIFIABLE INDICATORS (*)	SOURCES OF VERIFICATION	ASSUMPTIONS
<p>A. To improve municipal solid waste management in line with EU standards and Serbian legislation.</p> <p>B. To improve water and wastewater management in line with EU standards and Serbian legislation.</p> <p>C. To increase the capabilities of Ministry of Environment Protection (MEP) and Ministry of Agriculture, Forestry and Water Management (MAFWM) for the effective implementation of projects</p>	<p>Recycling rate of municipal solid waste contributing to meeting the Waste Framework Directive (2008/98/EC), Article 11 standards</p> <p>Proportion of urban wastewater treated in line with the Urban Waste Water Directive (91/271/EEC).</p> <p>Proportion of employees with adequate qualifications in the PUCs and MEP and MAFWM</p>	<p>EUROSTAT Waste statistics</p> <p>EUROSTAT Waste water statistics National statistics</p> <p>MEP and MAFWM workload/performance assessment reports</p>	<p>Continued political support for harmonisation with the EU environmental acquis.</p> <p>Commitment to continuation of environment sector reform and increasing competitiveness of the sector.</p> <p>Serbian Government remains oriented towards improving environmental institutions and the enforcement of environmental legislation at all levels.</p> <p>Future allocation by the government of appropriate levels of human and financial resources.</p> <p>Active co-operation can be developed and maintained between national government and municipalities.</p> <p>Institutional setup in place.</p>
RESULTS	OBJECTIVELY VERIFIABLE INDICATORS (*)	SOURCES OF VERIFICATION	ASSUMPTIONS
Result/Output A			

<p>A. Solid waste source separation infrastructure introduced and made operational in 4 regions (provisionally: Duboko, Pančevo, Srem-Mačva and Pirot) with established and operational sanitary landfills</p>	<p>A.1. Number of operating municipal source separation schemes</p> <p>A.2. Proportion of waste separated by % of total waste in selected regions</p> <p>A.3. Rate of households and business (women and men) reached through awareness campaigns out of overall number of households in selected regions [%]</p> <p>A.4. Rate of households and businesses (women and men) stating they separate waste</p>	<p>Serbian Environmental Protection Agency annual reports</p> <p>Project reports</p> <p>Project reports</p> <p>Surveys provided by Public Utility Companies</p>	<p>Targeted regions have established and operational landfills, including separation lines or contracts in place for reselling the end products.</p> <p>Continued commitment by competent authorities to implement source separation plans and recycling schemes.</p> <p>Responsiveness of solid waste producers (households and businesses) to participate in source separation.</p>
<p><b>Results/Outputs B</b></p> <p>B 1.Waste water collection and treatment systems improved in Brus-Blace and Kraljevo</p>	<p>B.1.1. Proportion of generated urban waste water collected and treated in accordance with Urban Waste Water treatment Directive in municipalities</p> <p>B1.2. Waste water collection system coverage (proportion of population-woman and man of the municipalities connected to centralised waste water collection system)</p>	<p>Project progress reports</p> <p>Serbian Environmental Protection Agency annual reports</p> <p>Surveys provided by Public Utility Companies</p>	<p>Commitment of specific local authorities to implement investment projects, including commitment to the regional scheme (relevant for Brus &amp; Blace)</p> <p>City of Kruševac will contribute to the common tariff system after the construction of Brus-Blace WWTPs is completed.</p> <p>Adequate institutional capacity of relevant implementing bodies at central and local levels for management and implementation of environment sector infrastructure projects in Serbia.</p> <p>In particular, appointments of project coordinators made on the side of MEP, MAFWM and respective Municipalities and Public Utility Companies and the CFCU for coordination of tender documents preparation for the envisaged works contracts.</p>
<p>B 2 Increased capacity and expertise acquired by the three Public Utility Companies (PUCs) responsible for the operation and maintenance of the infrastructure operation/use</p>	<p>B2.1. Institutional set up and tariff models developed and adopted, including social subsidies for vulnerable groups, women and men</p>	<p>Municipal Assembly decisions</p>	<p>Commitment of local authorities to implement required water services tariff amendments (increases)</p>

<p>B 3 Strengthened efficiency of management of water services: water supply, collection and waste-water treatment, at central level, municipalities and PUCs</p>	<p>B.3.1 Plan of increasing efficiency, presenting the regional approach, for providing the water services is developed</p> <p>B.3.2. Water services regulatory system developed</p>	<p>Project report</p> <p>Type of reports to be defined (Ministry of Agriculture, Forestry and Water Management - Republic Water Directorate)</p>	<p>Implementation of the Article 157 of the Law on Waters through the adoption of the Decree on the reference price for water and the Decree on the Methodology for the setting of tariffs for water services.</p> <p>National institutions are cooperating and agree on responsibilities regarding coordination of water services.</p> <p>Commitment of Central and Local Authorities to make reforms in the water services sector including gender equality.</p> <p>Adoption of revised decrees on water pricing and calculation of water tariffs (as developed with the support of the World Bank).</p> <p>Willingness and commitment of PUCs to implement measures for increased efficiency.</p>
<p><b>Result/Output C</b></p> <p>C.. Increased capability of MEP, MAFWM and in particular the IPA units, in management and implementation of projects</p>	<p>C.1.1 Proportion of contracts successfully concluded</p> <p>C.1.2 Proportion of contracts implemented timely and within budget</p>	<p>Procurement Plans</p> <p>Project monitoring and closing reports,</p>	<p>Ministry has enough staff, based on Work Load Analysis, to absorb technical assistance.</p> <p>Other stakeholders in projects carry out their own responsibilities</p>

## **DESCRIPTION OF ACTIVITIES**

The overall objective of IPA II sector support in 2017 is to **improve the quality of life of citizens by raising environmental standards in Serbia to approximate EU levels**. This strategic objective is harmonized with overall objectives and priorities of the National Programme for Environmental Protection (NPEP) 2010-2019, National Environmental Approximation Strategy (2011), National Priorities for International Assistance (NAD) in the Republic of Serbia 2014 – 2017 with the projections to 2020 and the Indicative Strategy Paper (ISP) until 2020.

The above mentioned overall objective will be achieved through the achievement of the specific objective to **improve solid waste, water and wastewater management in line with EU requirements**.

This specific objective will be achieved through implementation of proposed activities, as follows:

### **Activity A 1.1 Supply of equipment for source separation schemes / under responsibility of the MEP**

The activity relates to the operation and capacity building of the RWMCs in four waste management regions (“Duboko”, “Piroć”, “Srem – Maćva”, and “Panćevo”) in order to strengthen technical and organizational capacities for source separation of waste.

Regions that will be supported have already established RWMCs, including regional landfills in line with EU requirements, however without primary separation established. Moreover, some of the RWMCs in covered regions are supplied with separation lines like in Duboko, and in Srem-Maćva are contracted and under construction phase. All regions are either planned or already provided recycling yards.

The requested equipment shall enable local waste operators (PUCs) to organize disposal of different fractions on site and systematic collection and transport of waste fractions from households to recycling yards. As a consequence, it is expected that the amount of recyclable waste in 17 municipalities will increase and that the quantity of landfilled waste will decrease, also proposed as one of the top priorities in the revised Waste Management Strategy.

According to the Article 53 of the Independent Articles of the Law on Amendments on Law on Waste Management (“Official Gazette of the Republic of Serbia” No 14/2016), local self-governments are obliged to introduce and implement selection and separate collection of waste for recycling not later than three years from the date of entry into force of this Law (Law came into force in 2016.) Also, source separation of waste at household level is considered an essential step to meeting EU Waste Framework Directive targets for recycling.

Source separation requires major behaviour change by citizens and a large increase in bins, containers and vehicles. Secondary separation is normally then carried out on a waste separation line. Rejected material goes to landfill.

**Status Report on Municipal Solid Waste Separation in 4 regions, together with fact sheets for each region we are sending attached to this Action.**

This activity shall be implemented as a **supply contract**.

Technical specifications for the equipment for source separation (waste collection trucks, bins and cans) that is going to be purchased under this activity, are going to be developed under Sida funded EISP 2 project.

### **Activity A 1.2. Organising and implementing informative, communication and visibility activities for the public regarding waste separation / under responsibility of the MEP**

The activity envisages the development of marketing tools in order to popularize primary separation respecting the rights of individual waste collectors. A Communication Action Plan is going to be developed in accordance with the Methodology for primary separation for each region (to be developed through the SIDA funded EISP 2 project). This plan, among other activities, would define interest groups, as the best information and dissemination sharing tool, etc. This activity shall be implemented under a **service contract**.

### **Activity B 1.1 Construction and upgrading of municipal wastewater collection (sewage) and treatment system Brus-Blace / under responsibility of the MAFWM**

This activity will contribute to the achievement of result 2, (namely, investment to construct and upgrade municipal wastewater collection and treatment system completed/operational).

The overall objective of the project is to improve the water quality of Blatašnica and Rasina rivers, and subsequently Čelije Lake, which is a water reservoir that provides potable water for 120,000 residents of Kruševac, Varvarin, Trstenik, Aleksandrovac and Čičevac. Project specific objectives are to develop wastewater collection and waste water treatment systems in the municipalities of Brus and Blace.

The project includes rehabilitation and extension of existing wastewater collection systems and construction of new waste water treatment plants for Brus (7,500 population) and Blace agglomerations (5,261 population) where waste water treatment plants are out of operation (Blace) or do not exist at all (Brus). Waste water is discharged directly into recipients and significant sections of the sewage network are deficient. Locations of project components are selected, and the land acquisition process is in progress (for Brus WWTP), or already settled completed (for Blace WWTP). Spatial plan for Blace was adopted in October 2016.

The affordability issue is of a concern, since as a result of this project the tariff will increase, exceeding the affordability constraint of 1.5% of the average household income. However, by sharing the full future wastewater costs of Brus and Blace with Kruševac, and applying a common cost per cubic meter, the project would be within the affordability limitations. There is a consensus on the principle of cost sharing between the polluters and the beneficiaries. City of Kruševac adopted the Decision on the City Assembly on 24.9.2015, to participate in cost sharing for waste water treatment in Brus and Blace with 0.8 Eur/household/month.

According to the GAP analysis, the total cost of the project is 11,650,000 Euros and the foreseen IPA contribution is 7,660,000 Euros (at 65.78%).

This Activity will focus specifically on the:

- Construction of wastewater treatment plants in Brus and Blace
- Reconstruction and construction of waste water collection network in Brus and Blace
- Reconstruction of existing and construction of a new storm water network
- Service contract for construction supervision

The Activity is to be implemented under **works and service contracts**.

### **Activity B1.2 Construction and upgrading of municipal wastewater collection (sewage) and treatment system in Kraljevo / under responsibility of the MEP**

This activity will contribute to the achievement of result 2 (namely, investment to construct and upgrade municipal wastewater collection and treatment system completed/operational).

The overall objective is to reduce the pollution of the local water sources by reducing discharges of untreated wastewater into the nearby Ibar River and reduction of pollution of surface waters including Ibar, Zapadna Morava and other downstream rivers.

The specific objective of the project is to upgrade and extend the communal wastewater collection system and to introduce adequate wastewater treatment for the Project area.

The project components include:

- Integration of the existing wastewater collection systems serving the agglomeration of Kraljevo into a single sewerage system discharging towards the WWTP location, rehabilitation of the existing sewers in the wastewater collection system, targeting critical, most problematic sections;
- Construction of the waste water treatment plant to ensure effluent quality in accordance with the relevant EU and national regulations.

The overall project will be implemented in two phases. This activity (B1.2) concerns the first phase of the project for 90.000 PE.

This activity will focus specifically to the:

- Rehabilitation of existing sanitary sewerage;
- Construction of new sanitary sewerage, including sewage pumping station(s)
- Construction of WWTP for Kraljevo
- Service contract for construction supervision.

The Activity is to be implemented under **works and service contracts**.

### **Activity B 2.1 Technical assistance and Capacity Building for the Three (3) Public Utility Companies (PUCs) responsible for the operation and maintenance of the infrastructure investments. (FOPIP Activities) / under responsibility of the MEP**

This activity will contribute to the achievement of result 3 (namely, PUCs have adequate capacity and expertise to operate sustainably the infrastructure).

The Activity will comprise of two related but distinct components:

- Ensuring the capacity of the PUCs to operate the specific investment infrastructure and
- Development and initial implementation of a Financial and Operational Performance Improvement Programme (FOPIP), addressing the whole range of operations undertaken by the PUC in the field of water services.

### **Activity B 3.1 Assessment of service provision situation and development of proposal on increasing efficiency of water sector services / under responsibility of the MAFWM**

The purpose of this activity is to support the revision of the existing system and to propose measures for improving organizational, managerial, financial and operational aspects in order to enable an effective and efficient management of the water supply, collection and waste-water treatment.

Particular attention at national level will be devoted to elaboration of the national level approach on how to better organise water services sector, including (1) assessing the potential and proposing the solutions for possible regions/services areas, (2) development of recommendations regarding separation/modality of separation of water and wastewater from other services provided by the PUCs, establishment of performance indicator/monitoring system of performance monitoring and the like. The project will support the development of the legal and organisational framework in order to support the implementation of proposed changes.

During implementation of the activity, attention will be paid to the assessment of the previous efforts in the public utility sector, in particular assessing the status of implementation and proposing a needed revision of the Strategy for Restructuring the Local Public Utility Companies in Serbia related to water services.

Another aspect analysed under this activity will be the assessment of the potential and possibilities for private sector involvement into the provision of water services.

### **Activity B 3.2 Support for the implementation of revised cost recovery requirements (including implementation of Tariffs Methodology) and establishment of a water pricing regulatory system / under responsibility of the MAFWM**

The purpose of this activity will be to support the implementation of revised requirements for cost recovery both at central and local level.

At central level activities will mainly focus on the water tariffs regulatory system and will include (1) assessing experience of other countries and proposing what kind of regulatory system can be applied in Serbia (for example, special/independent regulatory body, Ministry/ Republic Water Directorate function,

attached to the already established regulator), (2) proposing institutional set up and developing draft legal basis for the establishment of the selected option for the Regulator (including definition of functions and competencies (approving/ coordinating tariffs, providing guidance for municipalities on application of the Methodology, providing target values (benchmarks) for the planning period), (3) developing guidance documents for municipalities regarding the Regulators' responsibility areas, (4) providing training as required.

Special attention will be paid to support the Implementation of tariffs methodology at local level. It will be based on experience gained in 20 pilot municipalities (and their PUCs), representing various sizes and regions. Based on such experience, the project will develop guidelines for municipalities on the application of the Tariffs Methodology and provide training and sharing of information to all municipalities (based on the experience in pilots).

Activity B3.1 and B3.2 will be implemented by means of a **service contract**.

### **Activity C 1.1 Technical assistance to the IPA units of MEP and MAFWM in management and implementation of projects**

The purpose of this activity will be to support the IPA units of MEP and MAFWM to successfully perform their role for the management and implementation of the activities under this Action.

Through this activity medium term technical assistance will be provided to staff within above mentioned institutions designated to manage the projects to be financed under this Action.

This will particularly entail:

- A resident TA Consultant to provide hands-on assistance to the staff within the Ministries and support their project management activities including management of supervision and works contracts, which will entail analysis of requests of procurement, contractual, financial and technical nature, received from the Contracting Authority (CFCU);
- A pool of short term experts to help the resident TA Consultant to provide specific technical or legal opinions required during the implementation of the project;
- Support to the Ministries in the organisation of information campaigns and visibility actions to raise the EU profile and the long term sustainability of the actions financed through this Action.

MEP would be the beneficiary and the end recipients would be both IPA units: IPA unit of MEP and IPA unit of MAFWM.

### **RISKS**

The main risks associated with the interventions in the waste sector are:

- Low level of commitment by municipal authorities/public utility companies in targeted regions to implement source separation plans and recycling schemes;
- Lack of responsiveness of solid waste producers (households and businesses) to participate in source separation;
- Lack of human and organizational capacities at the local level (both in municipal authorities and PUCs);
- Delay in the development of local waste policies supporting waste separation (more specifically delaying the development of technical specifications for the equipment for primary source separation).

The main risks relating to the implementation of the waste water infrastructure projects are the following:

- Lack of finalisation of procedures relating to obtaining location requirements and land acquisition, relevant permits and approvals



- Lack of timely and high quality developed technical documentation and tender documentation

The main risks associated with the water sector reform are:

- Lack of political commitment at national level
- Lack of political commitment at local level

In particular, the main risk for the development of water sector reforms is the establishment of inter-ministerial communication and coordination at both political and working level. Therefore, before funds could be contracted under this activity, the establishment of an Inter-Ministerial Task Force for Water Sector Reform should be formalised.

## **MITIGATION MEASURES**

The above risks would be mitigated through:

- Improved communication on the importance of Environment and Climate Change Sector in the EU accession process through high level dialogue and channels;
- Clear and concise project conditionalities set and enforced before projects begin to ensure sustainability;
- All activities accompanied by capacity building actions.
- Relevant institutions for the water sector reform are encouraged, through high level policy dialogue and close cooperation with the Ministry for European Integration (MEI) to establish an inter-ministerial working group for the reform process, which would include, aside from sector level institutions and ministries also the Ministry of Finance in terms of budget sustainability.

## **CONDITIONS FOR IMPLEMENTATION**

In relation to the source separation schemes, before funds could be contracted, the choice of sites which will benefit from the programme must be approved by the EU Delegation, to ensure their readiness in line with the recommendations of the IPA Monitoring Committee.

## **3. IMPLEMENTATION ARRANGEMENTS**

### **ROLES AND RESPONSIBILITIES**

This Action under IPA II assistance will be implemented and managed in accordance with the rules and procedures under the Indirect management and in line with respective legislation and Manuals of Procedures.

Taking into account the complexity of proposed activities for the Action as well as the implementation modalities and monitoring arrangements, Steering Committee(s) shall be established in accordance with the relevant provisions of the applicable legal acts regulating IPA II.

In the context of the institutional framework for the sector, the Ministry of Environmental Protection and the Ministry of Agriculture, Forestry and Water Management are responsible for programming, implementation, monitoring and evaluation of the interventions foreseen under this actions document, as well as MEI as National IPA Coordinator (NIPAC) Technical Secretariat/Body responsible for coordination of programming, monitoring and evaluation (BCPME).

Other bodies and actors such as the CFCU as a Contracting Authority, NAO SO, NF, and the EU Delegation have specific roles in the programming and implementation process in line with respective legislation and procedures and depending on the determined modality of implementation (Indirect Management).

The Ministry of Environmental Protection and the Ministry of Agriculture, Forestry and Water Management are the final beneficiaries while the local self-governments are end recipients and will have Agreements signed with the Operating structure (End Recipient Agreement), defining their roles and responsibilities.

The Sector Working Group for Environment and Climate Change will ensure efficient coordination of activities related to programming and monitoring of EU funds, to propose relevant measures and activities in environment sector. Also, Steering Committees will be organised to oversee and ensure implementation through regular review of sector plan progress. The Steering Committees will be chaired by the Senior Programme Officers (SPOs) of the Ministry of Environmental Protection and the Ministry of Agriculture, Forestry and Environmental Protection, with the representative of CFCU of the Ministry of Finance. EU Delegation and will monitor progress, examine and approve annual Action's respective outputs.

#### **IMPLEMENTATION METHOD(S) AND TYPE(S) OF FINANCING**

The proposed activities will be implemented as service and works and supply contracts. The total cost of the Action is 38,740,000 EUR.

The following table presents the sequencing of contracts in quarters of 2019.

<b>Contract</b>	<b>Type</b>	<b>Q1</b>	<b>Q2</b>	<b>Q3</b>	<b>Q4</b>
Supply of equipment for source separation schemes	Supply	X			
Organising and implementing informative, communication and visibility activities for the public regarding waste separation	Service	X			
Water Services Reform Package	Service	X			
Municipal wastewater collection (sewage) and treatment system Brus-Blace - Construction	Works				X
Municipal wastewater collection (sewage) and treatment system Brus-Blace – Supervision, including FOPIP	Service		X		
Municipal wastewater collection (sewage) and treatment system in Kraljevo - Construction	Works			X	
Municipal wastewater collection (sewage) and treatment system in Kraljevo – Supervision, including FOPIP	Service	X			
Establishment of Implementation TA in ministry	Service	X			

#### **4. PERFORMANCE MEASUREMENT**

##### **METHODOLOGY FOR MONITORING (AND EVALUATION)**

In line with the IPA II Implementing Regulation 447/2014, an IPA II beneficiary who has been entrusted budget implementation tasks of IPA II assistance shall be responsible for conducting evaluations of the programmes it manages.

The European Commission may carry out a mid-term, a final or an ex-post evaluation for this Action or its components via independent consultants, through a joint mission or via an implementing partner. Both a mid-term and a final evaluation are foreseen and should be contracted during (mid-term) and after the closure of the programme for a total amount not greater than 580,000 EUR. The evaluations will be carried out as prescribed by the DG NEAR guidelines for evaluations. In addition, the Action might be subject to external monitoring in line with the European Commission rules and procedures set in the Financing Agreement.

## INDICATOR MEASUREMENT

Indicator	Baseline (2015) (2)	Target 2020 (3)	Final Target (2020) (4)	Source of information
CSP indicator (impact/outcome) (1)				
% of urban waste water treated nationally to EU standards compared to baseline year	1.2%	4%	5%	National Report on Status of Surface Waters Transposition and Implementation of Environmental and Climate Change Acquis – Ch.27: Status and Plans (2015)
Recycling rate, nationally, of municipal solid waste contributing to meeting the Waste Framework Directive (2008/98/EC), Article 11 standards	4% [2014]	8 %	50% [2030]	EUROSTAT Waste statistics
Proportion of urban wastewater treated in line with the Urban Waste Water Directive (91/271/EEC).	5.1%	6.8%	90-100% (2041)	EUROSTAT Waste water statistics National statistics
Number of operating municipal source separation schemes	0	17 municipal recycling schemes in place	17	Serbian Environmental Protection Agency annual reports
Proportion of waste separated by % of total waste in selected regions	1%	15%	15%	Project reports
Rate of households and business (women and men) reached through awareness campaigns out of the overall number of households in selected regions [%]	0%	100%	100%	Project reports
Rate of households and business (women and men) who state that they separate waste	0%	60%	60%	Surveys provided by Public Utility Companies
Proportion of generated urban waste water treated in urban agglomerations subject to this action in accordance with Urban Waste Water treatment Directive in municipalities	Collected: 75% Treated: 0%	Collected: 90% Treated: 90%	Collected: 100% Treated: 100%	Feasibility Studies Project progress reports Surveys provided by Public Utility Companies
Waste water collection system coverage (proportion of population – women and men –	75%	90%	100%	

of the in urban agglomerations subject to this action )				
Institutional set up and tariff models developed and adopted, including social subsidies for vulnerable groups, women and men	0	100%	100%	Municipal Assembly decisions
Plan of increasing efficiency, presenting the regional approach, for providing the water services is developed	0	1 (100%)	1 (100%)	Project report Type of reports to be defined (Ministry of Agriculture, Forestry and Water Management - Republic Water Directorate)
Water services regulatory system developed	0	1 (100%)	1 (100%)	
Proportion of contracts successfully concluded	N/A	100% (2021)	7 (2021)	Procurement Plans
Proportion of contracts implemented timely and within budget	N/A	100% (2024)	100% (2024)	Project monitoring and closing reports,

## 5. SECTOR APPROACH ASSESSMENT

### Strategic Framework

The Environment and Climate Change sector is well covered by strategic documents at national level. The **National Programme for Environmental Protection (NPEP) 2010-2019** is considered to be the sector framework strategy which sets out the overall vision for the sector and presents an overview of all the key problems being addressed and opportunities being seized. The NPEP details the existing laws, obligations, institutions and stakeholders within the sector and is based on a cross-cutting approach that encourages the integration of environmental protection into all national sector policies and provides the framework for the adoption of action plans to address specific environmental issues.

The general policy objectives elaborated in the NPEP are as follows:

- Adoption of strategic and planning documents in the area of environmental protection and sustainable use of natural resources;
- Full integration of environmental policy with economic and other sector policies, including the integration of environmental and energy efficiency principles into spatial and urban planning;
- Strengthening the institutional capacity for development and enforcement of sector and environmental policy.
- Upgrading the national environmental monitoring and enforcement system;
- Developing a comprehensive system of environmental legislation;
- Establishing an effective system of environmental financing and economic incentives;
- Improving formal and informal environmental and energy efficiency education.

The NPEP defines specific objectives, assigned to three time periods: (i) short-term objectives (2010-2014), focused on improving the legal framework, developing sector strategies and investment plans, and improving the monitoring system; (ii) ongoing objectives (2010-2019), concentrated on extension and modernization of environmental infrastructure, nature conservation and biodiversity; (iii) medium-term objectives (2015-2019) concerned with investment projects of lower priority from the viewpoint of pollution reduction and implementation of the less critical provisions of the EU environmental *Acquis*. The NPEP identifies funding sources and expenditures on an annual basis from 2010 to 2019 for each theme or 'sub-sector' (waste, mining, industry, water, noise etc.), summing to a total of 4,166 million EUR, also presented as a share of the GDP, and matched against the estimated costs of environmental degradation to the economy. The Ministry responsible for environmental protection is committed to prepare the action plan for its implementation, to be adopted by the Government for a period of five years.

The NPEP is complemented by the **Environmental Approximation Strategy (EAS) 2011-2019** which covers legislative, institutional and financial components and is the key document for the harmonization of legislation in the field of environmental protection in Serbia. The objectives of the EAS are to address the complexity of the challenge to apply EU environmental legislation in Serbia and to provide a sound basis for the accession negotiations on Chapter 27. In addition, the EAS contains an overview of economic instruments and financial mechanisms in the field of environment which are necessary for the support of domestic and foreign investment.

### Sector Lead Institution and Capacity

The **sector lead institution (SLI)** for the IPA II assistance in 2017 in environment will be **the Ministry of Environmental Protection**. It has the main responsibility of leading the relevant sector institutions in the process of elaborating, implementing, monitoring /reporting sector policies. The workload of SLI in coordinating the activities of sector institutions will be high. This also applies to management and implementation of IPA 2017 funds and furthermore coordination and management of number of institutions involved in sector that will represent the beneficiaries of IPA II sector funds.

Ministry of Environmental Protection (MEP) and Ministry of Agriculture, Forestry and Water Management (MAFWM) are responsible of leading the process of implementing, monitoring /reporting on the construction of municipal wastewater collection (sewage) and treatment system. In this regard Municipal wastewater collection (sewage) and treatment system in Kraljevo would be in implementation under MEP

and Municipal wastewater collection (sewage) and treatment system Brus-Blace would be in implementation under MAFWM.

For water service provision the sector lead institution (SLI) is the Ministry of Agriculture, Forestry and Water Management, in particular the Republic Water Directorate. However, the existing legal framework for communal services in Serbia also assigns substantial responsibilities to the Ministry of Economy and the Ministry of Construction, Transport and Infrastructure. The active involvement and strategic assent (buy-in) of these ministries and of other stakeholders including Local Self Government Units and the PUCs is an essential requirement for reform.

There is currently insufficient capacity in the Central Government institutions listed here. The capacity of the local entities is also insufficient. Development of capacity at both levels is a key target for the actions.

### **Sector and donor coordination**

The Aid coordination mechanism will be delegated to the MEI, which is responsible for ensuring the effective and efficient use of international assistance to support the achievement of national strategic development priorities, including monitoring of programme and project implementation, reporting to relevant bodies, the Government and international institutions on the implementation of projects financed.

The National IPA Coordinator (NIPAC) will be the main interlocutor between the Serbian Government and the EC and is responsible for ensuring the overall coordination of IPA assistance and its linkage to the EU accession process.

Considering the complexity of the Environment and Climate Change sector there is a strong need to further strengthen inter-institutional cooperation and coordination processes. In order to improve and coordinate activities related to the management of EU funds and other international assistance and to increase the efficiency and effectiveness of international assistance, additional mechanisms have been introduced, that is to say, the **Sector Working Group (SWG)** for Environment and Climate Change. The Sector for Planning, Programming, Monitoring and Reporting on EU Funds and Development Assistance (MEI) is responsible for coordination and ensuring the efficient functioning of all activities of SWG. Coordination and leadership of the SWG is supported by a Task force made up of representatives from the SLI, lead donor and MEI.

Increased coordination in the area of water services sector oversight and reform is essential. A “sub-group” of the Sector Working Group (SWG) for environment is considered a key initiative to be implemented as part of the action on water services sector reform. Such a “sub-group” would include the four Ministries referred to above, the Ministry of State Administration and Local Government, the Ministry of Finance, the Ministry for European Integration (MEI), the Standing Conference of Towns and Municipalities (SCGO) and the association of utility service providers (KOMDEL).

In order to enable more inclusive and transparent dialogue, consultation and communication with all relevant stakeholders in the respective sectors, MEI (former SEIO) established a consultation mechanism with the Civil Society Organisation (CSOs). This mechanism is based on a consultative process with the **Sectorial Civil Society Organisations (SECOs)** and serves as a platform that enables exchange of information and contribution of CSOs in relation to planning development assistance, IPA in particular. Members of SECO took part in the consultation processes at the SWG meetings and thus influenced the decision making process on CSP and further IPA II assistance.

### **Sector budget and medium term perspective**

One of the reforms of the Serbian budgetary process is taking place with the introduction of programme-based budgets (PBBs) for all direct budget beneficiaries since 2015. Programme Budgeting is in its infancy and this reform is initially directed towards the introduction of strategic budget planning at the individual institutional level rather than at sectoral level.

A Semi-annual Report for the First Half of 2016 on the Implementation of the Action Plan of the Public Administration Reform Strategy in the Republic of Serbia (2015-2017) reports that analysis, monitoring and control of programme budgeting and identification of recommendations for improvement of the programme budgeting methodology has been carried out and resulted in preparation of the draft amendments to the methodology which will be officially published after completion of the software for budget preparation.

In the Environment sector, Ministry of Environmental Protection, Ministry of Agriculture, Forestry and Water Management and Serbian Environmental Protection Agency currently implement the Program-based budget.

The Program based budget is structured through Programs and activities/projects. A programme budget is developed in line with medium-term beneficiaries' plans and other strategic documents that relate to their competencies. A programme is a set of measures undertaken by budget beneficiary in line with its key competencies and medium-term objectives. Each programme is made up of independent, yet closely interlinked components, activities and/or projects. Each programme and project has objectives. In addition, indicators have also been developed.

## **6. CROSS-CUTTING ISSUES**

### **GENDER MAINSTREAMING**

As the National Strategy for Improved Status of Women and Gender Equality Promotion (2009-2015) obliges for equal participation of women and men in decision making at all levels and in all policy areas, greater involvement of women in actions described, regarding policies and decision-making processes will be promoted. At activity level, it will be ensured that all interventions in the environment sector create opportunities for women's empowerment and gender equality. It will also be ensured that the same opportunities are available to women as well as men.

### **EQUAL OPPORTUNITIES**

Legislation in Serbia concerning working conditions and equal opportunities for women and men, for people with disabilities and for people belonging to minorities and other vulnerable groups as well as the improvement of the level of protection of the health and safety of workers, taking as a reference the level of protection existing in the EU. All proposed Activities within this Action and results to be achieved are neutral when it comes to equal opportunities and beneficial for both sexes.

### **MINORITIES AND VULNERABLE GROUPS**

#### **MINORITIES AND VULNERABLE GROUPS**

Respect of minority rights is embedded in all strategic documents of the environment sector. Labour market policy follows these principals as well. The link between activities envisaged in this AD and minorities and vulnerable groups is reflected primarily in the impact on the health and quality of living in Serbia. As regards minorities and vulnerable groups, this AD will ensure that all activities will be based on the principle of non-discrimination of minorities and vulnerable groups.

Activities mentioned under this AD will treat individual informal secondary waste collectors with special attention.

#### **ENGAGEMENT WITH CIVIL SOCIETY (AND IF RELEVANT OTHER NON-STATE STAKEHOLDERS)**

In order to enable a more inclusive and transparent dialogue, as well as a consultation and communication with all relevant stakeholders in the respective sectors, a consultation mechanism with the civil society organisation (CSOs) has been established in Serbia in 2011. This mechanism is based on the consultative process with Sectorial Civil Society Organisations (SECOs) and serves as a platform that enables exchange of information and contribution of CSOs in relation to planning development assistance, particularly programming and monitoring of the IPA. A sectorial civil society organization indicates a consortium of maximum three civil society organizations as partners, one of which is clearly indicated as leading partner. The SECO consortium for the environment sector actively contributes to the creation of recommendations within the network, influences official documents and provides recommendations to define priorities for financing from EU funds and development assistance.

#### **ENVIRONMENT AND CLIMATE CHANGE (AND IF RELEVANT DISASTER RESILIENCE)**

Activities envisaged under this AD focus on a number of environmental issues. The specific results of the action seek to improve solid waste, water and wastewater management in line with EU requirements and the degree of implementation of the EU acquis and standards. Whilst no specific climate change mitigation or adaptation actions are envisaged, the AD supports a strong focus on acquis alignment in the area of environmental and climate protection. All anticipated actions were designed to contribute to the environment and to have a positive impact on the “Rio markers”.

Furthermore disaster resilience will be taken into account based on the flood risk maps currently developed by the World Bank Trust Fund and managed by the Serbian Public Investment Management Office (PIMO).

## **7. SUSTAINABILITY**

The action will produce sustainable results since it is designed to support the already existing beneficiary institutions and structures that are already in place, but which require additional assistance in the complex process of the harmonisation with the Acquis and for the preparation for negotiations. This process is a key political priority to the Serbian Government, and the resources and attention of the national authorities are strongly geared toward achieving the steps needed for the opening and closing of the negotiation chapters, and for the achievement of all benchmarks in the process of EU accession negotiations. All of the capacities developed through this project will be used in the future period for further alignment as part of the accession, and they will be a crucial resource for EU integration. Sustainability is also envisaged in the fact that the support for legislative alignment results in the adoption of laws, by-laws, plans and policy documents by the Parliament, Government or governmental bodies, ensuring that these are part of the system, and not ad hoc interventions.

This action shall prepare adequate Actions for IPA II funding in order to strengthen the institutions and administrative capacity for the full application of the EU acquis in Serbia and will therefore improve the effectiveness of Serbia’s preparations for EU accession.

The SLI is committed to provide solutions for appropriate waste and water management and other environmental issues.

Social sustainability will be guaranteed by a continuous increase of public awareness about the importance of good environmental behaviour and its effects on the improvement of the quality of the environment and consequently of the quality of the life.

## **8. COMMUNICATION AND VISIBILITY**

Communication and visibility will be given high importance during the implementation of the Action. The implementation of communication activities shall be funded from the amounts allocated to the Action.

All necessary measures will be taken to publicise the fact that the Action has received funding from the EU in line with the Communication and Visibility Manual for EU External Actions. Additional Visibility Guidelines developed by the European Commission (DG NEAR) will have to be followed.

Visibility and communication actions shall demonstrate how the intervention contributes to the agreed programme objectives and the accession process. Actions shall be aimed at strengthening general public awareness and support of interventions financed and the objectives pursued. The actions shall aim at highlighting to the relevant target audiences the added value and impact of the EU's interventions and will promote transparency and accountability on the use of funds.

In terms of concrete outputs, the first outcome includes a specific activity A1.2 which aims at organising and implementing informative, communication and visibility activities for the public regarding waste separation. Waste separation projects in particular can generate positive visibility when accompanied by encouragement for citizens to participate. Wastewater collection (sewage) and treatment plants also have a high potential for positive visibility. An appropriate visibility strategy should ensure that this visibility potential is taken advantage of, but also to ensure that potential challenges to the projects are appropriately communicated.



