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COMMISSION STAFF WORKING DOCUMENT

Serbia

Accompanying the document

Commission Implementing Decision

**approving the Reform Agendas and the multiannual work programme under the
Reform and Growth Facility for the Western Balkans**

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EXECUTIVE SUMMARY

With the entry into force of Regulation (EU) 2024/1449 on 25 May 2024, the legal basis of the Reform and Growth Facility for the Western Balkans is now established. The implementation of the Facility has started swiftly, with the preparation and the submission of the Reform Agendas by the beneficiaries, which has followed an intense preparation process validated also by extensive consultations at national level.

The Reform Agendas are the cornerstone of the Facility: they set an ambitious pattern for growth focusing on necessary socio-economic reforms coupled with fundamental reforms, including rule of law and targeted investments. They also represent the mechanism through which payments are decided, hence offering both a monitoring tool and effective policy dialogue instrument between Serbia and the Commission.

This document presents the assessment of the Commission of the Reform Agenda submitted by Serbia, performed in line with Article 14 of the Regulation, and with specific attention to the elements summarised below.

The Reform Agenda of Serbia is consistent with the general objectives and preconditions of the Regulation as, in line with the Regulations objectives, it is designed to support the enlargement process by accelerating the alignment with Union values, laws, rules, standards, policies and practices (*'acquis'*) through reforms in the framework of its future Union membership, accelerate economic integration and progressive integration into the Union and especially socio-economic convergence with the EU and the EU single market.

Serbia's Reform Agenda is consistent with the EU policy framework, due to its strong focus on enlargement fundamentals, including the rule of law, anti-corruption, the fight against organised crime and fundamental rights. It will contribute to Serbia meeting the Copenhagen criteria, as it will increase the stability of institutions guaranteeing democracy, notably the judiciary, the rule of law, and human rights. It will also contribute to developing a functioning market economy and to Serbia's ability to cope with competitive pressure and market forces within the EU. It will enhance Serbia's ability to take on the obligations of membership, and increase its capacity to effectively implement the rules, standards and policies of the EU *acquis*.

Notwithstanding the transformative potential of the Reform Agenda, it is important that the policy framework and results-based financing mechanism of the Facility are not interpreted as a comprehensive response to the requirement of the accession process. The Facility has neither the financial leverage nor the policy scope necessary to address every obligation stemming from the accession process. The negotiating framework and the other non-financial and financial instruments deployed by the Commission to accompany Serbia towards membership remain valid and complementary to the Facility.

In this regard, the Reform Agenda is complementary with IPA III bilateral and multi-country assistance, with regard to its focus on human capital, green agenda, energy, education, environment, migration, and several infrastructure investments supported under WBIF.

In conclusion, the Commission has assessed that the Reform Agenda submitted by Serbia is relevant, comprehensive and appropriate to fulfil the objectives of the Facility.

While this Staff Working Document makes a formal assessment of the reforms, steps and related timeline proposed in the Reform Agenda, it does not constitute an endorsement of any unilateral statement contained in the narrative part of the document prepared and submitted by the Western Balkans beneficiary.

Introduction

Insufficient socio-economic convergence between the Western Balkans and the EU has been a long-standing issue, exacerbated by the economic impact of Russia's unprovoked and unjustified war of aggression against Ukraine and before that by the COVID-19 pandemic. The Western Balkans' level of economic convergence in terms of GDP per capita in purchasing power standards is at between 30% and 50% of the EU average and is not progressing fast enough. It is essential for the Western Balkans, for the European Union and for the accession process that this rate of convergence accelerates, since a higher level of convergence will greatly facilitate the integration of the Western Balkans into the EU.

To reduce that disparity, the Commission in its Communication of 8 November 2023, titled 'New Growth Plan for the Western Balkans' set out a New Growth Plan for the Western Balkans based on four pillars: (a) increasing integration with the EU's Single Market; (b) boosting regional economic integration, based on EU rules and standards, by fully implementing the existing Common Regional Market Action Plan; (c) accelerating fundamental reforms, including on the fundamentals cluster, supporting the Western Balkans' path towards EU membership, deepening reforms aiming at accelerating growth in the region, promoting economic convergence and strengthening regional stability; and (d) establishing a new financing instrument: the Reform and Growth Facility ('the Facility') for the Western Balkans.

The implementation of the New Growth Plan for the Western Balkans requires increased funding under the dedicated new financing instrument, the Facility, to assist the region in implementing reforms for sustainable economic growth, regional integration and the Common Regional Market. With the entry into force of Regulation (EU) 2023/0397 on 25 May 2024, the legal basis of the Reform and Growth Facility for the Western Balkans is now established.

The implementation of the Facility builds on the 'Reform Agenda', a coherent and prioritised set of targeted reforms prepared by each beneficiary, in consultation with relevant stakeholders, including beneficiaries' parliaments, local and regional representative bodies and authorities, social partners and civil society organisations. The Agenda provides a framework for boosting inclusive sustainable socio-economic growth, clearly articulated and aligned with Union accession requirements and the fundamentals of the enlargement process.

The Reform Agendas will reward performance of the beneficiaries, as the disbursement of Union support will be conditional on measurable progress in the implementation of the reforms therein.

The payment conditions take the form of a set of qualitative and quantitative steps with a related timeline for disbursements linked to specific socio-economic reforms to stimulate growth, put beneficiaries on a sustainable convergence path and orientate them towards specific reforms related to fundamentals of the enlargement process including rule of law, fight against corruption and organised crime. Macro financial stability, sound public financial management, transparency and oversight of the budget are general conditions for payments that have to be fulfilled for the release of funds.

Payments will occur according to a fixed semi-annual schedule, based on duly justified requests for the release of funds submitted by the Beneficiaries and following the verification by the

Commission of the achievement of the relevant payment conditions, of the principles for financing under the Reform Agendas, including the general conditions mentioned above as set out in Art. 12 and of the pre-conditions stipulated in Art. 5 of the Regulation. In case these conditions are not met, the Commission will suspend or deduct a corresponding amount from the payment.

In order to ensure uniform conditions for the implementation of the Regulation, implementing powers have been conferred on the Commission to approve the Reform Agendas. Those powers should be exercised in accordance with Regulation (EU) No 182/2011 of the European Parliament and of the Council. The Commission will duly take into account Council decision 2010/427/EU and the role of the European External Action Service (EEAS), where appropriate, and in particular when monitoring the fulfilment of the relevant pre-conditions for Union support. The Commission implementing decision referred to in the Regulation should at the same time constitute a work programme within the meaning of Article 110(2) of the Financial Regulation in respect of the amount of non-repayable financial support under this Regulation.

This Staff Working Document provides the Commission's assessment of the relevance, comprehensiveness and appropriateness of the Reform Agendas submitted to the European Commission on 9 July 2024 by Serbia, in compliance with the provisions stipulated in Article 14 of Regulation (EU) 2023/0397.

The document is structured in two parts, the first being the analysis of the compliance of the Agenda with the objectives of the Facility, with the overall EU Policy Framework including the Economic Reform Programme, the Joint Policy Guidance and the Enlargement Policy framework, and with key policy sectors that have been selected for accelerated socio-economic growth. Part one contains also the detailed assessment of the key policy areas of the Reform Agendas, their reforms and most significant qualitative and quantitative steps. It elaborates on the general conditions for payments and provides a brief analysis of the indicative list of investments that Serbia has preliminarily selected for support from the Facility under the Western Balkans Investment Framework.

Part two provides an assessment of the general issues contributing to the preparation and future implementation of the Facility: its complementarity with the on-going and future activities supported under the Instrument for Pre-accession Assistance, the beneficiary's consultation process leading to the preparation of the Agenda, the monitoring, evaluation and control systems that should be set up and the communication and visibility measures.

Part 1: Assessment of the Reform Agenda

1.1 Assessment of the relevance and coherence of the Reform Agenda

1.1.1 Consistency with the Objectives of the Western Balkans Facility

Serbia's economy is performing well with economic growth having averaged around 4% per year between 2014 and 2023 despite two consecutive crises (COVID-19 pandemic and the energy crisis). However, the current average level of growth is not conducive to convergence with the EU average, while the presence of longstanding structural challenges remain across the economy. This is particularly the case in the areas identified in the Serbian Reform Agenda: business environment and private sector development, the digital and green transition, human capital development and the fundamentals. Addressing relevant reforms in these areas have the potential to unlock accelerated levels of growth that could lead to productivity gains and increased private investments.

In the area of the business environment and private sector development, although improvements have taken place over the past years, primarily through the digitalisation of administrative procedures, there is still much room for improvement. The state continues to play a major role, particularly through state-owned enterprises (SOEs) that dominate key sectors like energy. Measures to improve the management of state-owned enterprises are lagging behind, while high levels of corruption remain across the economy distorting competition and contributing to the high level of the informal economy. Structural challenges also remain for State aid, competition and public procurement, where the legislative framework is often in place but not implemented consistently. There are also deficiencies in the transparency, assessment, and prioritisation of public investment. Businesses continue to be affected by a lack of transparency and predictability in the way business-related legislation is adopted. Serbia should invest further in greening the economy. In agriculture, significant growth potential is hindered by challenges such as climate change, poor rural infrastructure, low competitiveness, and fragmented producer holdings.

The energy sector, heavily dominated by SOEs and with a significant weight on the state budget, is not properly regulated, and is polluting and inefficient. Transformation of the energy sector is necessary and will be facilitated by reforms and investments in the digital and green policy area and efforts to realise comprehensive decarbonisation. Electricity and gas prices in Serbia are slowly increasing but have been too low for too long and do not incentivise investment in energy efficiency and energy savings. Major investment is still needed to modernise the country's energy infrastructure and lower carbon emissions with a view to accelerating the green transition in a socially just and inclusive manner and reduce the impact of the forthcoming EU Carbon Border Adjustment Mechanism. Additionally, Serbia's reliance on Russian energy and its exposure to Russian control of strategic energy assets threatens its strategic autonomy and energy security.

In view of these challenges, Serbia has chosen to focus on the following Facility objectives (Article 3, (EU) 2024/1449) in the Serbian Reform Agenda: business environment and private sector development, the digital and green transition, human capital development and the fundamentals. These areas propose a relevant, comprehensive, coherent and adequately balanced response to the objectives of the Facility (Art 14.4 (a)). Relevant reforms in these

areas have the potential to lead to improved transparency, increased productivity gains and increased private investments and thus unlock sustainable growth and convergence with the EU. The reforms aim to further address fiscal risks, improve budget efficiency, and secure level-playing field and opportunities for all economic actors, and particularly to small and medium enterprises (SMEs), while also contributing to address deficiencies on the labour market including brain-drain. The reform agenda will reinforce the fundamentals of the enlargement process, including the rule of law and fundamental rights, and the functioning of the democratic institutions, most notably with the reform of the electoral system, reforms in the area of the judiciary, the fight against corruption and organised crime and respect for human rights obligations.

Serbia's ambitious reform agenda, together with its participation in the implementation of other objectives of the Growth Plan should contribute to the country's progressive alignment with the EU's Common Foreign and Security Policy (CFSP). The implementation will make the country more resilient and less reliant on economic, trade, and ultimately political, relations with third countries, including Russia and China. With the reforms foreseen in the energy sector concerning gas, the Reform Agenda will reduce Serbia's dependence on imports of gas from Russia and its vulnerability vis-a-vis Russia. This is of utmost importance in view of Serbia's EU accession process, to reduce potential upcoming risks to Serbia's gas supply, to reduce potential upcoming associated fiscal risks, and to remove any potential obstacle to progressive alignment with CFSP, including sanctions against Russia. The revision of media legislation and foreseen reforms in the media sector will bring the country in line with the EU *acquis*, including as regards media ownership safeguards, and support Serbia's efforts to close space for foreign interference and information manipulation, including disinformation from foreign malign actors. Implementation of cybersecurity reforms will lead to alignment with the EU *acquis* in this crucial area. Serbia's commitment to constructive engagement in the EU-facilitate Dialogue on normalisation of relations with Kosovo* is also of relevance to reduce Serbia's vulnerability vis-a-vis certain third countries.

The Reform Agenda proposed represents a relevant, comprehensive, coherent and adequately balanced response to the objectives of the Facility in line with Art 14.4 (a).

The proposed reforms have also been screened against potential risks in compliance with the preconditions and payment conditions. No risks have been identified.

By way of addressing a number of longstanding structural challenges that hamper Serbia's growth potential, reforms across the areas of the Reform Agenda submitted by Serbia are expected to have a positive impact on the economic performance and competitiveness of the Serbian economy while boosting inclusive sustainable socio-economic growth in line with Article 14.4 (c) of the Facility. The Reform Agenda is therefore expected to accelerate Serbia's progress towards bridging the socio-economic gap between Serbia and the Union.

1.1.2 Relevance with the general EU policy Framework

Serbia's Reform Agenda is consistent with the EU enlargement policy framework. It has a strong focus on the fundamentals of the accession process, notably the rule of law, anti-corruption, the fight against organised crime and fundamental rights. The reforms will also

* This designation is without prejudice to positions on status, and is in line with UNSCR 1244/1999 and the ICJ Opinion on the Kosovo declaration of independence.

contribute to the fulfilment of Serbian obligations in the area of State-aid, while moving forward with meeting opening benchmarks in the same area.

Reforms in the area of the business environment, human capital development, digital transition and to a certain extent also green transition will contribute to Serbia's advancement in complying with the **economic criteria** of the accession process. This is notably expected concerning the capacity to cope with competitive pressure and market forces within the Union through reforms related to the labour market and education, public investment management and the green transition. Important progress is also expected on the existence of a functioning market economy through reforms on State-owned enterprises.

Reforms in the area of the fundamentals will consolidate Serbia's efforts to meet **the political criteria** of the accession process, and to fulfil interim benchmarks under chapters 23 and 24 within cluster 1, including reforms regarding fundamental rights, media freedom, fight against corruption and organised crime, visa policy alignment and strengthening the judiciary. In addition, reforms under the business environment related to public investment management and public procurement will contribute to make progress on public administration reform.

As regards **specific chapters** of the accession negotiations, the reforms within the Reform Agenda will contribute to advancing Serbia in 17 chapters: chapter 5 (Public procurement), chapter 8 (Competition policy), chapter 10 (Digital transformation and media), chapter 11 (Agriculture and rural development), chapter 12 (Food safety, veterinary and phytosanitary policy), chapter 14 (Transport), chapter 15 (Energy), chapter 16 (Taxation), 17 (Economic and monetary policy), chapter 19 (Social policy and employment, chapter 20 (Enterprise and industrial policy), chapter 23 (Judiciary and fundamental rights), chapter 24 (Justice, freedom and security), chapter 25 (Science and research), chapter 26 (Education and culture), and chapter 27 (Environment and climate change). The reforms will also contribute to improving Serbia's alignment with EU Common Foreign and Security Policy, which is key for progress under chapter 31 (Foreign, Security and Defence Policy).

Serbia's Reform Agenda is consistent with the **Economic and Reform Programme 2024-2026** as it directly addresses a number of structural challenges identified concerning the competitiveness of the agricultural sector, the management of State-owned Enterprises, improved conditions for enabling and attracting research and innovation, the production of renewable energy and the efficiency of the energy sector and addressing the skills mis-match on the labour market. Furthermore, reforms foreseen for State-owned Enterprises address in part the Joint Policy Guidance agreed within the **Economic and Financial Dialogue** on 14 May 2024. Overall, implementation of the Reform Agenda will have a positive impact on the economic performance of Serbia by addressing longstanding structural challenges.

Consistency with the **Economic and Investment Plan** has also been ensured primarily concerning the flagship areas clean energy, digital agenda, and human capital development.

In terms of compliance with Serbia's own growth strategies, most notably the industrial strategy, the Smart Specialisation Strategy, the Strategy of State Ownership and Management of Business Entities owned by the Republic of Serbia for the period 2021-2027, the Public Financial Management Reform Programme 2021-2025, the Program for Combating the Grey Economy 2023-2025, the Strategy for the Development of the Start-up Ecosystem of the Republic of Serbia 2021-2025, the Artificial Intelligence Development Strategy 2021-2025, the Scientific and Technological Development Strategy of the Republic of Serbia 2021-2025, the Action plan developed for the opening of Cluster 4 for Energy, Climate and Transport, the National Traffic Development Strategy for the period 2023-2030, the Action Plan for Chapter 19, the Youth Guarantee Implementation Plan, and the Education Development Strategy.

1.1.3 Fundamentals of enlargement including Rule of Law, fundamental rights, fight against corruption and fight against organised crime

As regards **democracy**, the proper functioning of Serbia's democratic institutions is at the core of Serbia's EU accession process. The reforms in this area put forward by Serbia aim to improve the electoral framework and implement recommendations issued by OSCE/ODIHR and Council of Europe bodies. This is key to improve the electoral process and enhance public trust in the functioning of democratic institutions. Serbia has set ambitious deadlines for these reforms, which respond to OSCE/ODIHR and Council of Europe standards that reforms should be initiated and completed well in advance of the next elections. Serbia will need to demonstrate strong political will, maintain this level of ambition throughout the process and ensure a constructive and inclusive dialogue across the political spectrum.

As regards **fundamental rights**, the reforms put forward by Serbia will support the effective protection of vulnerable individuals, including members of national minorities. It will notably support the fight against gender-based violence through legislative improvements and the establishment of central records on all forms of violence. The Reform Agenda will promote de-institutionalisation through the development of community-based services. It will also contribute to the reform of juvenile justice and to the protection of procedural rights of suspects, accused persons and victims. In the area of **media freedom**, the Reform Agenda will support full alignment of the media laws with the EU *acquis* and Council of Europe standards as well as the enforcement of the new media legislation, notably as regards the work of the media regulator.

Regarding the **fight against organised crime**, the Reform Agenda will support Serbia to address key recommendations from the 2023 enlargement report, including through strengthening of the legislative framework in line with the EU *acquis* in this area. Serbia has committed to amend the Law on internal affairs to make the police fully autonomous from the Ministry of the Interior and accountable only to the Prosecutor's Office during pre-investigation and investigation phases. Moreover, the Reform Agenda will contribute to increasing Serbia's track record in the fight against organised crime through the implementation of new action plans to fight trafficking in human beings and for the control of small arms and light weapons. Extra assurance in this process is provided by the Commission's statistical data tool, the Organised Crime and Corruption Track Record platform (OCCTR), which was launched earlier this year with national data already made available. This platform ensures the use of a standardized methodology for calculating accurate baselines, based on the average performance from the previous three years. The platform enables proper tracking of performance during the implementation period of the facility and ensures quality control of data. Where necessary, the Commission will take into account relevant qualitative aspects when assessing the track record.

On **security and migration**, Serbia's intention to align with the EU visa policy in the case of at least three additional countries by the end of 2024 is an important step forward, which should lead to continuous efforts towards full visa policy alignment. In addition, Serbia has identified a series of measures to be taken if an increased influx of nationals of countries with visa-free regimes with Serbia, who entered the EU through Serbia, is observed and if this influx raises (security) concerns. Serbia's Reform Agenda also foresees strengthened capacities in the prevention and fight against terrorism. Following the expiry of the 2017-2021 national strategy, Serbia will adopt a new strategic document and accompanying action plan on counter terrorism and all forms of radicalisation and violent extremism fully aligned with the EU policies. On

migration management, several EU programmes are either ongoing or planned, aiming to strengthen Serbia's capacity to effectively manage its borders. IPA III support in migration management is deemed sufficient and therefore not included in the Reform Agenda. Since 2021, over EUR 300 million worth of IPA support has been adopted for the Western Balkans region for migration and border management, including over EUR 70 million for Serbia in bilateral support.

Serbia's Reform Agenda will help **repress and prevent corruption**, including in high-level cases. Serbia has committed to adopt and implement a new anti-corruption strategy and action plan for 2025-2028. Serbia has committed to fill all vacant positions for prosecutors and judges in anti-corruption departments and to increase its track record of effective and efficient investigations, prosecutions, final judgements, seizure, and final confiscations in corruption, including high-level corruption, cases. The Commission's statistical data tool OCCTR will provide extra assurance in this process. The Commission expects Serbia to continue efforts to implement reforms in areas not included in the Reform Agenda. In particular, to implement the recommendations of the Commission's annual reports on Serbia and in addressing shortcomings identified in the Rule of Law report to effectively prevent and repress corruption in areas vulnerable to it.

While corruption remains a significant risk in Serbia, the Government of Serbia and its justice and rule of law institutions are implementing a number of mitigating measures. In terms of preventive measures, Serbia has existing systems and procedures in place designed to prevent irregularities, fraud, and corruption. The Agency for prevention of corruption is a dedicated, autonomous corruption prevention body with competences in areas such as public officials' conflicts of interest, asset declarations, political party and campaign finance and oversight of the implementation of the new National Anti-Corruption Strategy. Financial and economic control of the use of public funds is implemented by the autonomous State Audit Institution, which is accountable to the National Assembly. Training in the areas of anti-fraud and corruption prevention is in place for the judiciary, law enforcement and for the civil service. Serbia's legal and regulatory framework supporting preventive measures is in line with international standards. Serbia has adopted an overarching policy document for fighting corruption for the period until 2028 and an accompanying Action Plan. Prior to adoption, the Commission has been consulted on the new Strategy and provided its assessment. The Strategy addresses the main pillars of anti-corruption, namely prevention, detection, sanctioning and awareness raising, aiming at improving the legislative framework, strengthening competent institutions, promoting transparency, cementing integrity and raising awareness. A majority of anti-corruption related interim benchmarks for Chapter 23 and a majority of GRECO recommendations from the 4th and 5th rounds of evaluation have been included in the documents. Serbia was also requested to demonstrate that it can appropriately respond to any gaps in the strategy and address them, either via the regular action plans or via a mid-term review or similar. Moreover, any lessons learned should be taken up and processed to be included in a future strategy. Serbia is expected to fully implement all GRECO recommendations as per the interim benchmarks for chapter 23. As such, one of the expected effects of the new Strategy is to contribute to fulfilling the interim benchmarks related to anti-corruption.

In terms of detection and investigation mechanisms, Serbia has dedicated specialised institutions in place. The Criminal Police Directorate includes the Anti-Corruption Department which has also geographical sections across the territory of Serbia. The Public Prosecutor's Office for Organised Crime is the main prosecutorial body in charge of high-corruption cases. In addition, there are regional prosecution offices and specialised courts. The Reform Agenda

includes the steps toward the filling of all of the positions systematised in these repression institutions, in accordance with the Annual Schedule of Judges adopted by the High Judicial Council and the Decision of the High Prosecution Council on the number of public prosecutors, and their training. Whilst the step to fill all vacancies in anti-corruption departments is an ambitious and positive measure, Serbia should ensure that all four specialised departments for combating corruption have one financial forensic expert. The Anti-Corruption Strategy includes measures that aim to strengthen the administrative capacities and financial resources of state authorities in charge of anti-corruption, including the Anti-Corruption Council. It is a longstanding recommendation of the Commission that Serbian government establishes a more constructive relationship with the Council and that its budgetary resources and staff capacity are strengthened. Furthermore, the Reform Agenda is goal oriented and focuses on the consistent improvement of the track record of effective and efficient investigations, prosecutions, final judgements, seizure, and final confiscations in corruption, including high-level corruption cases.

In the area of the **judiciary**, Serbia will take concrete steps to increase the number of appointed judges and prosecutors and decrease the disposition time of first instance cases in the Administrative Court by at least 55%. The first step is expected to contribute to further improving the efficiency of Serbia's justice system in a sustainable manner. The second step will contribute to addressing the increasingly large number of backlog administrative cases by reducing disposition time and to contribute to establishing a positive trend in the decrease of the case backlog. The Commission expects Serbia to take concrete, decisive and systemic measures to address this issue and will monitor this backlog also through the indicators of other justice related steps, and the indicators under the IPA III Sector Reform Performance Contract for Justice Reform. In parallel, Serbia is expected to continue and step up efforts to improve the functioning of the judiciary, including completing implementation of the constitutional reform to strengthen judicial independence, address the large number of backlog cases and operationalise a uniform and centralised case management system. In this regard, support will continue to be provided by the EU via technical and financial support mechanisms. The Reform Agenda has been designed to complement to the extent possible ongoing EU interventions in Serbia. In particular, the Reform is complementary to IPA-funded actions such as *Facility supporting the strengthening of the Rule of Law in the Republic of Serbia with focus on anti-corruption & fundamental rights, Technical capacity facility for the implementation of Action Plans for Chapters 23 and 24 and Sector Reform Performance Contract for Justice Reform.*

With regards to anti-corruption measures, the abovementioned actions contribute to the strengthening of both preventive and repressive measures through support provided to key anti-corruption bodies in Serbia such as the Agency for Prevention of Corruption and the Anti-Corruption Council. Support focuses on institutional strengthening of relevant departments of beneficiary institutions to ensure effective application of the regulatory framework, policy advice, including support to the development and revision of strategic documents, legal advice, including revision of the existing laws and bylaws, and capacity building of key target groups through peer-to-peer exchange of information, best practices, and know-how *in line with EU acquis, European/International standards.* This support will assist implementation of the Reform Agenda, in particular to improve the track record of effective and efficient investigations, prosecutions, final judgements, seizure, and final confiscations in corruption, including high-level corruption cases.

Furthermore, the Commission will continue to monitor Serbia's progress in the fight against corruption through the various instruments available, including the annual Enlargement Package. In particular, the Commission will follow up on the issue of insufficient follow-up to

the findings and limited financial and human resources of the Anti-Corruption Council. The Commission further expects Serbia to continue to implement the GRECO recommendations stemming from the fourth and fifth evaluation rounds.

1.1.4 Climate and environmental objectives and "do no significant harm"

The Reform and Growth Facility for the Western Balkans states in Art 2.10 that “do no significant harm” means not supporting or carrying out economic activities that do significant harm to any environmental objective, where relevant, within the meaning of Article 17 of Regulation (EU) 2020/852. This article defines what constitutes ‘significant harm’ for the six environmental objectives listed under Article 9 of the Taxonomy Regulation, which are 1) climate change mitigation, 2) climate change adaptation, 3) sustainable use and protection of water and marine resources, 4) circular economy, 5) pollution prevention and control, 6) protection and restoration of biodiversity & ecosystems. Only activities or assets assessed as not significantly harmful to any of the mentioned environmental objective can be considered compliant with the DNSH principle. During the implementation of the Reform and Growth Facility, the Western Balkans shall be guided by this principle and shall support its application – for instance by conducting Environmental Impact Assessments at the policy and strategy planning stages, and public consultations ahead of key development projects and investments – to ensure that reforms and investments do not cause significant harm to environmental objectives within the national environmental legal framework.

Serbia’s Reform Agenda will significantly contribute to the country’s green transition. It will transform the country’s energy sector by implementing the Third Energy Package for gas, it will bring Serbia a decisive step closer to electricity market integration with the EU, it will increase energy efficiency and energy saving through an increased rate of renovation while ensuring affordable electricity supply, and it will result in an increased uptake of renewable energy such as solar and wind in Serbia’s energy mix. Moreover, the proposed reforms will support a just transition by establishing a Just Transition Fund aimed at tackling energy poverty and by implementing reskilling and upskilling policies in regions traditionally reliant on coal.

1.1.5 Digital transformation

The aim of the digital reforms in the Reform Agenda is to lead to convergence between Serbia’s and the EU’s digitalisation agendas. Serbia has put forward a set of ambitious reforms in this area that are expected to increase the coverage and security of digital networks; to digitalise more public services; to increase adult digital literacy; to increase cyber resilience; and to establish an interoperable, cross border digital wallet.

Serbia has committed to adopt and implement legislation in line with the EU’s new Gigabit Infrastructure Act, which aims to ensure faster, cheaper, and simpler rollout of Gigabit networks installation. Moreover, Serbia aims to move at the same speed as the EU on the implementation of a Digital Identity Wallet, in line with the new EU Digital Identity Regulation, and to participate in a cross-border, interoperable regional identity wallet as a driver of regional integration. The steps proposed by Serbia are expected to ensure user friendly and cross-border interoperable digital public service delivery. In addition, Serbia has committed to developing and integrating new digital public services, both for the benefit of businesses and citizens,

through the completion of at least 30 new business episodes. Similarly, there is a concerted effort to increase the digital literacy of its adult and rural population through the establishment of permanent digital corners in at least 50 municipalities, which will provide training in basic digital skills.

On cybersecurity, Serbia faces increasingly complex and frequent cyberattacks and has therefore proposed important reforms to align with the EU's cybersecurity framework. This includes alignment with the EU's NIS 2 Directive, which introduces measures for a high common level of cybersecurity across the Union. Serbia's reforms include measures to establish a centralised Office for Cybersecurity with the necessary administrative capacity and technical expertise, and with the required level of certification and accreditation for its cybersecurity bodies. These measures are expected to make Serbia's cyber resilience stronger.

The EU has recently adopted legislation to regulate the framework for artificial intelligence and Serbia has indicated its commitment to follow suit. As part of its proposed reforms, Serbia has committed to adopting and implementing legislation on Artificial Intelligence that follows the EU's high-risk approach, which regulates AI systems according to their level of risk, for example to fundamental rights, health and safety, and the protection of critical infrastructure. At the same time, Serbia's national supercomputing platform will be expanded to at least 380 GPUs.

Crucially, Serbia has also taken steps to ensure the security of its 5G networks, which will be rolled out once the legal framework and technical preparations have been concluded. Specifically, Serbia has committed to adopting and implementing legislation that will fully transpose the EU's 5G Cybersecurity Toolbox, which will in turn help to mitigate the risks to critical infrastructure. In addition, Serbia aims to roll out 5G networks and services to cover at least 40% of the country's households in the lifespan of the Reform and Growth Facility. It is important for Serbia to ensure that the provisions of the 5G Cybersecurity Toolbox are implemented by the time operators are chosen to roll out their 5G networks.

Finally, Serbia has committed to reforms concerning the Intelligent Transport System and e-freight. The implementation of the ITS frameworks and standards for road and rail, the legislative alignment with and implementation of the electronic freight transport information (eFTI), and the deployment of traffic data collection and road user information systems will lead to more efficient, transparent and safe transport services, both for users and operators, while it is expected to result in significantly lower costs, reduced administrative burden, faster processing times and potentially better management of traffic flows.

1.1.6 Business environment and Private sector development

Serbia's Reform Agenda in the business environment and private sector development aims to address some of the most important challenges to doing business in Serbia.

The reforms identified in this area will notably improve the level playing field by promoting equal treatment of businesses, in particular through increased transparency in public procurement processes and public investment management, granting state-aid based on criteria in line with EU rules, and increased participation of businesses in consultation on new legislation. Together with improved governance of State-owned enterprises, these reforms are

expected to contribute to a more transparent and cost-effective budgeting and reduce unnecessary fiscal risks. Furthermore, a robust process for transparent appraisal and selection of public investment projects is foreseen. The reforms on state-aid are expected to help Serbia fulfil opening benchmarks 1, 3 and 4 for chapter 8 in the accession negotiations and contribute to making progress under the economic criteria.

The reforms on research and innovation will allow Serbia to further develop its science and innovation system, existing businesses to expand and new ones to enter the market. The inclusion of a reform to improve the ranking of Serbia in the European Innovation Scoreboard should imply action to promote cooperation between academic institutions and industry in support of the green and digital transitions, or directly address the promotion of local industries.

Reforms in the agricultural sector will reduce the inefficiency and boost the competitiveness of Serbia's farming sector and help prepare Serbia for its participation in the Common Agricultural Policy upon EU accession. The reforms will move Serbia towards meeting EU obligations on food safety, veterinary and phytosanitary regulations, strengthening the authorities in those areas, and will lead to important steps towards the consolidation of agricultural landholdings.

1.1.7 Education, training, employment, social objectives and leave no one behind

The Reform Agenda will help improve Serbia's labour market in particular for youth, through concrete steps to implement Serbia's Youth Guarantee. Serbia has committed to adopt legislation on traineeships in line with the EU *acquis* and to quantifiable targets on the inclusion of NEETs (not in education, employment or training) in Youth Guarantee measures, including disaggregated data for women and Roma. Together with reforms aimed at improving the quality of education, the quality of teaching and inclusive access to education and training ranging from the level of early childhood education and care to secondary education and vocational training, the Reform Agenda addresses a number of structural challenges of a socio-economic nature. The Reform Agenda is expected to reduce the skills mis-match on the labour market and to help reduce brain-drain which remains an important concern for businesses, weightening on the Serbian growth potential. Specific targets for women and Roma for several of the reforms promote the leave no one behind principle in line with Article 14,4 (f) of the Facility.

1.1.8 Gender equality

The Reform Agenda is contributing to the objectives set in Serbia's Strategy on Gender Equality and Strategy against violence against women and domestic violence, in line with the principles stipulated by the Serbian Constitution. By promoting a reinforcement in the implementation of relevant legislation, the Reform Agenda contributes to the progressive alignment of Serbia with the EU *acquis* and relevant international standards promoting Gender Equality and the eradication of Gender Based Violence and Domestic Violence, furthermore following the principles established by the Gender Action Plan III.

In line with such principles and priorities, targeted reforms are foreseen in certain areas in line with relevant key thematic areas of engagement outlined in GAP III and with national priorities,

having identified the most pressing factors directly contributing to gender inequality in the country.

In particular, reforms in the Fundamental Rights area will target the adoption of necessary legislation in the prevention and prosecution of gender-based violence and the establishment of central records on all forms of violence covered by the Istanbul Convention.

Moreover, in line with the GAP III objectives, Serbia plans to integrate a gender perspective in the implementation of reforms across different policy areas, namely Business Environment and Private Sector Development, Digitalisation and Human Capital Development. For example, in the process of the appointment of the representatives of the Republic of Serbia in management bodies of SOEs, balanced gender representation will be taken into consideration.

In addition, gender equality has been mainstreamed throughout the Reform Agenda by including sex-disaggregated data, notably in the reforms under “human capital”, such as the share of women in NEET (not in education, employment or training) benefiting from the Youth Guarantee or the share of women certified in the system of informal education.

1.1.9 Indicative investments under the Western Balkans Investment Framework

The Commission takes note of the list of indicative investment projects foreseen for possible co-financing through the Facility. To benefit from the leverage of Union financial support and attract additional investments, infrastructure investments supporting the Reform Agendas will be implemented through the Western Balkan Investment Framework (WBIF) following positive opinion of its Operational Board.

For that reason, Serbia will have to submit detailed applications in response to dedicated calls for investment proposals to the Commission which will be assessed for their maturity, relevance and eligibility of co-financing under the Reform and Growth Facility, including compliance with its Article 4(7) of the Regulation that excludes support for measures, which are incompatible with Serbia’s Energy and Climate Plan, the Nationally Determined Contribution under the Paris Agreement, promote investment in fossil fuels, or that cause significant adverse effects on the environment, the climate or biodiversity.

For Serbia’s consideration before eventually submitting their final proposals to the WBIF, the Commission also recalls the obligation under Article 19(4) of the Regulation that at least 37% of the non-repayable financial support channelled through the WBIF shall account to climate objectives, and which will also be taken into account for the purpose of the above-mentioned assessment.

Serbia’s indicative WBIF pipeline is relevant and in line with the core priorities defined under the Economic and Investment Plan for the Western Balkans as well as the eligibility criteria under the WBIF. However, Serbia will need to prioritize the investments under the WBIF as the current proposed investment plan exceeds the allocation available to the country.

In the area of transport, the indicative list covers all priority investments in the railway sector, including the Rail route 4 between Serbia and Montenegro, the Vrbnica railway line which benefits from substantial WBIF support since the 2015 Connectivity Agenda, the Rail route 10 connecting Serbia with Kosovo, and finally the fully mature proposal for the rehabilitation of the Corridor X section Stara Pazova - Šid, currently submitted under the WBIF.

Concerning the energy sector, the indicative list includes rehabilitation of the hydro power plant Potpeć, electricity interconnectors, as well as the gas interconnector between Serbia and North Macedonia, currently being developed by WBIF Technical Assistance support.

The the indicative list for investments in the digital sector includes the already submitted Rural Broadband Phase III. Serbia is further encouraged to identify additional digital sector investments that could be matured with the available Technical Assistance under the WBIF.

Serbia also intends to propose an innovative project BIO4 Campus aiming at a construction and equipping of a complex dedicated to life sciences (biotechnology, biomedicine, bioinformatics, and biodiversity). This project falls under the Human Capital Development and directly contributes to the reforms Serbia proposed under the Reform Agenda.

1.2 Assessment of the reforms and investments and the linked qualitative and quantitative steps

The policy area **Business environment and Private Sector Development** covers a diverse set of reforms and concern improved procedures, including increased transparency, improved legislation on public investment management, public procurement, State-aid, consultation procedures, public revenues, the governance of State-owned Enterprises and conditions for investments in research and innovation. A number of steps concern specifically the efficiency and improved performance of the agricultural sector.

Reforms related to public investment management, public procurement, State-aid, consultation procedures, taxation as well as State-owned Enterprises will address longstanding structural challenges. Many are of a complex nature, their inclusion in the Reform Agenda is significant and the level of ambition is considered sufficient. The reforms in these areas should improve the level playing field by ensuring a more equal treatment of businesses irrespective of their size and origin, in particular through increased transparency in public procurement processes and public investment management, granting state-aid based on criteria in line with EU rules, and increased consultation of business on new legislation. Moreover, it is expected that reforms in this area will contribute to reducing the risk of corruption.

Two steps have been identified for public investment management to improve and render more transparent the legislative framework and practices and promote a unified mechanism to prioritise investments.

Four steps have been put forward to improve the governance of State-owned enterprises, which have a particularly heavy footprint in the Serbian economy. These reforms are linked to increasing the level of transparency and professionalism in how those enterprises covered by the new law on State-owned enterprises are managed, operate and perform.

As regards State-aid, three steps have been introduced including the drafting of an inventory and an action plan to align non-aligned State-aid schemes with the EU *acquis*.

On public procurement, two steps have been identified to increase the transparency of inter-governmental agreements and to remove all derogations from Serbian public procurement

legislation to ensure its proper implementation. These are major structural challenges to the efficient use of public resources.

Two steps have been put forward to increase transparency and the responsiveness of the public administration, by increasing the share of legislation that undergoes public consultation and to enable the online payment of tax and other administrative fees.

Concerning research and innovation, four steps have been identified that will increase the level of private investments, alignment with EU legislation, funding for researchers and innovative companies through the National Innovation System and promote higher scoring on the European Innovation Scoreboard.

Finally, 8 steps concern the efficiency and performance of the agricultural sector through a combination of contracting infrastructure projects for rural communities, implementing policy reforms in the field of food safety, veterinary and phytosanitary regulation and taking steps that will consolidate Serbia's fragmented agricultural landholdings.

Concerning **the energy sector transformation, under the Green and digital transition** policy area, Serbia's reforms will implement the Third Energy Package for gas. They ensure the unbundling and certification of the gas sector and shall guarantee third party access and allocation of capacities at Horgos and at the Bulgaria – Serbia gas interconnector (IBS) border points in a transparent and non-discriminatory manner in line with the Energy Community Treaty and EU law. Here, the Commission also recalls that promotion of investments in fossil fuels is excluded under Article 4(7) of the Regulation and consequently any indicative pipeline investments proposed that imply an investment in fossil fuels are considered as ineligible under the said provision. Moreover, the reforms in the electricity market, implementing the EU electricity legislation under the Energy Community Treaty, including the Electricity Integration Package, are a decisive step towards Serbia's integration in the EU electricity market, inter alia, by participating in relevant Regional Cooperation Centres, calculating and allocating capacity at all bidding zone borders, and fulfilling the requirements for intra-day and day-ahead market coupling with the EU. Serbia is expected to ensure explicit capacity allocation covering all bidding zone borders until the market coupling process is functional, in line with its commitments under the Energy Community Treaty. The reforms will increase the uptake of renewable energy such as solar and wind by expanding renewable energy capacities to a minimum of 1,5GW. Moreover, the reforms bring forward the adoption and implementation of legislation that align Serbia with the EU *acquis* such as the Energy Efficiency directive, the RED II directive, the Energy Performance of Building directive, and the Electricity directive when it comes to setting electricity prices for households. Reforms under the green transition will also lead to the rolling out of a Just Transition governance, while Serbia will also establish a Just Transition Fund. Crucially, important reforms under the just transition include pilot projects for two major coal regions and focus on the re-skilling and up-skilling of the workforce.

Serbia's **digital** reforms present an ambitious plan to strengthen cyber resilience by adhering to EU standards and legislation as set out in the NIS 2 Directive. Serbia has proposed steps that will lead to full adherence to the 5G Cybersecurity Toolbox of risk-mitigating measures, which will in turn ensure the security of 5G networks from non-trusted vendors. Serbia aspires to adopt a robust regulatory framework for artificial intelligence by implementing the EU approach that will protect fundamental rights. Serbia has committed to aligning its legislation with the EU *acquis* to facilitate the rollout of faster, cheaper, and simpler Gigabit networks, is proposing to further digitalise public services for businesses and citizens alike and to roll out

permanent digital training centres in more than 50 municipalities. Serbia also proposes to comply with the EU digital identity regulation and to implement a Digital Identity Wallet that is inter-operable with a regional and with the EU Digital Identity Wallets, as well as to implement the ITS frameworks and standards for road and rail, the electronic freight transport information (eFTI), and deploy traffic data collection and road user information systems.

These reforms will reduce administrative costs and burden and increase connectivity across the country benefitting economic activity in rural areas and improving business competitiveness. Improved digital skills and literacy will, together with reforms under the area of human capital development, lower the mis-match of skills on the labour market and contribute to reduce brain-drain which remains an important concern for businesses.

In the area of **Human capital development**, the reforms will improve labour market conditions, in particular for youth. Serbia has committed to qualitative and quantitative steps to implement the Youth Guarantee, such as the adoption of legislation on traineeships in line with the EU *acquis* and the inclusion of NEETs (not in education, employment or training) in Youth Guarantee measures. Reforms in the field of education and skills mainly target the quality of education, the quality of teaching and access to education and training ranging from the level of early childhood education and care to secondary education and vocational training and are expected to mainstream the inclusion of women, minority and vulnerable groups including migrants.

Concerning the **fundamentals**, reforms will help improve the predictability of the business environment and should boost investor confidence. On **democracy**, the reforms are aimed at addressing the OSCE/ODIHR and Council of Europe recommendations through a transparent and inclusive process built on broad political consensus, involving all relevant stakeholders, including political groups and civil society organisations. Serbia has committed to address two longstanding issues related to trust in elections and level playing field for candidates - the accuracy of the unified voter register and access to media. The reforms extend to improving the professional capacity of the election administration. As regards **fundamental rights**, Serbia has committed to implement action plans on gender-based violence, de-institutionalisation and national minorities and agreed on quantifiable steps for the effective protection of the procedural rights of suspects, accused persons and victims. Reforms include improved legislation on juvenile justice. In the area of **media freedom**, Serbia has committed to fully align its media laws with the EU *acquis* and Council of Europe standards and to ensure full implementation of the new legislation, notably as regards the handling by the media regulator (REM) of complaints and fairer procedures for the award of public co-funding of media content. On the **fight against organised crime**, Serbia will adopt a new strategic document and action plan for the control of small arms and light weapons, and further align its legislative framework with the EU *acquis* on trafficking of human beings and on weapons and ammunition. Serbia will strengthen its track record in the fight against organised crime through implementation of relevant action plans. Serbia will further align its **visa policy** with the EU, committing to remove at least three countries from its visa-free regime in line with that of the EU by the end of 2024. As regards the **fight against corruption**, Serbia will implement a new strategy and action plan for 2025-2028, which will strengthen Serbia's track record in fighting corruption, including in high-level cases. Serbia will also fill all vacant positions for prosecutors and judges in anti-corruption departments, and train them. Serbia has committed to address the issue of vacancies in the **judiciary** and will increase the number of appointments of both prosecutors and judges. Serbia has also committed to reducing the disposition time of first instance cases in the Administrative Court by at least 55% by 2027.

In line with **Article 24.1** of the Facility, a number of reforms concerning public finance management and internal control, fight against fraud, justice, corruption and organised crime as well as State aid control have been frontloaded to the extent possible. However, considering the complexity of certain reforms as well as the baseline scenario, it has not been possible to frontload all reforms in these areas. In some areas, reforms build on each other, in which case the intention has been to frontload as much as possible the first step. This is for example the case on state aid, where the completion of the first step on the inventory will be finalised in December 2024, whereas the implementation of the following two related steps is foreseen towards the end of the Facility. The same approach has been taken for public procurement.

Part 2: Assessment of horizontal aspects

2.1 Complementarity with IPA III

IPA III bilateral and multi-country assistance has been programmed for the years 2021-2024 and implementation is ongoing. The complementarity with existing and planned IPA assistance has been considered throughout the design of the Reform Agenda.

Under the bilateral Annual Action Programmes for Serbia (2021-2024), a total of EUR 532.71 million has been committed, most of which has been already contracted. The use of IPA III funds covers a broad spectrum of areas aligned with the programming guidelines and IPA III strategic response for Serbia. IPA 2021 focused on green agenda, sustainable economy, agriculture and rural development and health care systems. IPA 2022 targeted fundamental rights, green agenda, social services provision and education with two budget supports on the field of justice and public administration reform. Both annual programmes 2021 and 2022 included EU Integration Facility actions (EUIF) to support further alignment with the EU *acquis* and institutional capacity building. IPA 2023 prioritised the Energy Support Package budget support in response to the Russian war of aggression against Ukraine. Finally, IPA 2024 plans for additional EU support for the rule of law, good governance, the EU green agenda and a budget support to the education sector, along with EUIF.

Additionally, multi-annual operational programmes on environment and climate change, as well as employment and social policy, are being programmed for EUR 340 million for 2024-2027. Also, these support areas have been taken into account when drafting the Reform Agenda. The Reform Agenda proposes crucial measures to enhance the impact of these IPA investments and programmes.

Future IPA III funds programming for 2025-2027 will need consider the state of the accession process, ongoing actions from previous years, and the focus of the Reform and Growth Facility to ensure full complementarity and additionality.

During the preparation and the negotiations of the Reform Agendas, the Commission systematically addressed the issue of potential double-funding, by checking the proposed steps and reforms against the financial support already provided or in the pipeline of new programmes under the Instrument for Pre-accession Assistance (IPA) and against the activities funded by other partners in the Region. The Commission will continue to monitor the complementarity of the two financing instruments also during the implementation of the Reform and Growth Facility.

2.2 Monitoring, reporting and evaluation

The arrangements proposed in the Reform Agenda are adequate to ensure effective implementation, monitoring and reporting of the agreed reforms and related steps. The monitoring and reporting require robust monitoring and reporting frameworks involving all relevant stakeholders. In this regard, Serbia has committed to making use of existing governmental structures, and monitoring and reporting will be undertaken in cooperation, whenever relevant, with other actors involved or affected by the agreed reforms, such as bilateral donors, international organisations, international financial institutions and other stakeholders, for instance civil society and private sector organisations.

The monitoring of the implementation of the of the Reform Agenda will be coordinated by the Serbian Ministry of European Integration, which will report to the Government of Serbia at least twice a year on the implementation of the Reform Agenda before the submission of semi-annual report for on the fulfilment of the Reform Agenda's payment conditions.

Serbia has committed to establish a robust monitoring system to track progress, adhering to the rules and modalities outlined in the Facility Agreement. Serbia has also agreed to improve and increase human resources for the monitoring of reforms.

Serbia has developed, in conformity with the requirements under IPA programmes and with their support, a framework that allows for providing relevant, accurate and timely monitoring and analysis of data and concerning progress of reforms across each policy area. Serbia is implementing its relevant legislation for policy planning.

Moreover, Serbia has pledged to ensure that these monitoring and evaluation systems are independent, thereby providing effective accountability and transparency in implementing the Union budget. The established monitoring process will thus guarantee an effective assessment of progress towards the objectives set by the European Commission.

The baselines and verification sources for all reforms and their individual steps, provided by the Beneficiary in Annex 1 to the Reform Agenda, constitute key elements in the monitoring, reporting and evaluation process. While adequate information has been provided for the majority of the reform steps, some few of the proposed verification sources and baselines are at this time either not comprehensive enough or not fully adequate to be used for evaluating whether the step has been achieved in its entirety. In such cases, Serbia will be required to present to the Commission and agree on additional verification sources or baseline information by 31 October 2024.

Apart from the proper organisational structures of the control system, the deployment of adequate competences and human resources will be needed for a successful and timely implementation of the Reform Agenda.

2.3 Control and audit systems

Serbia's Reform Agenda describes the strategic, legal and methodological framework for internal control and audit thoroughly, confirming that with the public financial management programme 2021-2025, and the Budget System Law and financial management and control and internal audit rulebooks Serbia has the adequate strategic and legal basis to implement internal control and audit in the public sector. The Central Harmonisation Unit (CHU) in the Ministry

of Finance ensures harmonisation of approaches and oversees implementation of common standards across the public administration, including through quality reviews of implementation of internal control and internal audit. The Budget Inspection Law regulates the role of the centralised budget inspection of the Ministry of Finance to conduct inspections in budget users. As concerns the protection of the EU's financial interests, the legislative framework is closely aligned with the EU *acquis*, and the anti-fraud coordination service (AFCOS) and the AFCOS network are in place

The Reform Agenda highlights the main areas for internal control and audit development for the coming period. The main focus will be on improving implementation of internal control and internal audit, based on the identified weaknesses and recommendations made by the CHU in the annual reports and the European Commission in the annual enlargement reports, including further development of managerial accountability and risk management practises in public sector institutions. The amendments to the implementing legislation on internal audit and certification, adopted in October 2023, aim to address the shortage of internal auditors in the public sector and improving their training and certification.

The Reform Agenda also highlights that irregularity management will be improved by putting in practice the guidelines on irregularity management throughout the public sector and through the increased role of the centralised budget inspection to supervise the execution of public procurement contracts.

In the Reform Agenda, several steps are directly related to audit and internal control systems, mainly in the area of public procurement and fight against corruption. The Reform Agenda includes a reform on State-owned Enterprises, which have been at most risk of fraud and corruption, and includes a step that all of those SOEs obliged by the new law on the governance of State-owned enterprises need to establish an Independent Internal Audit function in line with the Budget System Law. Finally, in terms of the compliance with State-aid rules, the Reform Agenda commits Serbia to align its state-aid schemes covered by the Stabilisation and Association Agreement with the EU *acquis*. The assessment shows that there is sufficient demonstrated dedication within Serbia's systems to prevent, detect, and correct irregularities, fraud, and corruption, including high-level corruption and conflicts of interest, as well as to enforce State-aid control rules.

Furthermore, Serbia has committed to adopt necessary legal acts concerning specifically the management of funds from the Growth and Reform Facility, including a Regulation on the management of funds from the Facility, which will detail the rights and obligations of state administration bodies and other entities and institutions involved in the preparation of the Reform Agenda and bear responsibility for its implementation, ensuring the protection of the financial interests of Serbia and the European Union. In addition, Serbia will issue an interinstitutional agreement to further regulate the relationships and responsibilities of institutions tasked with implementing and monitoring the implementation of specific reform measures and associated quantitative and qualitative steps, as well as the support provided for the realization of infrastructure projects through the WBIF.

Finally, Serbia will issue a Decision appointing a National Coordinator and Coordinators for individual policy areas, whose responsibilities will include monitoring the implementation of the reforms set out in the Reform Agenda and preparing relevant reports while establishing an appropriate internal control system. This includes the preparation of a Declaration of Assurance confirming that the data in the report are accurate, verified, reliable, and accurately reflect the level of achievement of the listed steps, and that the established internal control system and measures taken to improve it confirm its content.

The Commission has a longstanding cooperation with Serbia to develop the internal control and audit systems and ensure protection of the financial interests of the Union in line with the international standards, including with the support of EU funds. In the light of the description, under Chapter 16 of the Reform Agenda, of the arrangements under Article 13(1)(l) of the Regulation (EU) 2024/1449, as complemented by the reforms supported by IPA funds in the context of the enlargement negotiations, the Commission considers that the necessary strategic, legal and methodological framework in place is in line with the requirements under Article 14(4)(i) of the Regulation. The Commission further considers that the established national structures for programming of assistance, including Commission ex ante verification, ensures that there is no double funding from the Facility and other Union programmes.

To improve systems further, Serbia should prioritise reforms related to the accession negotiation Chapter 32 on financial control in the first years of the implementation of the Facility. The Commission will support this process by undertaking a systems review of the functioning of the internal control in the context of the Facility no later than 2025. Serbia will be expected to address the recommendations through an action plan. The Commission will regularly monitor the adequacy of the control and audit systems as part of the assessment of the general conditions for payments, each time Serbia submits a request for the release of funds, including the timely implementation of the action plan.

In conclusion, the described systems together with the proposed reforms and complementary measures under IPA can be considered adequate to ensure protection of the financial interests of the Union in line with Art 23(1) of the Regulation (EU) 2024/1449.

2.4 Consultation process

The Government of Serbia has adhered to the required consultation procedures as stipulated by national law. The approval of the Loan and Facility agreements will follow the required legal procedures and Parliamentary oversight over their implementations is stipulated. Non-state actors, including civil society and private sector organizations, have been informed about the main aspects of the Reform Agenda. Upon adoption, these entities will participate in relevant policy dialogue meetings to ensure transparency regarding the Reform Agenda and its implementation progress.

2.5 Communication and visibility plan

The submitted outline of Serbia's national communication strategy is aimed at ensuring public awareness of the Union funding and sets out how it plans to communicate on the Reform and Growth facility. The submitted outline fulfils the minimum requirements.

Beyond this outline, the Beneficiary shall provide a fully-fledged communication and visibility plan (as per Art. 13, 1(n) of the Reform and Growth Facility regulation) by 31 October 2024, for agreement with the Commission. The preparation of the plan should be closely coordinated with the EU Delegation.

Communication and visibility plan shall focus on how the EU-related reforms will enable the Beneficiary to progress with EU integration, on the benefits that the reforms and investments

will bring to the citizens, on explaining the functioning of the Facility as well as on ensuring visibility of EU financing.

The communication and visibility plan shall be comprehensive and shall describe the objectives, chain of command and internal division of responsibilities, coordination with the EU Delegation and WBIF, key messages, target audiences, communication channels, planned budget, and monitoring and evaluation.

The Beneficiary is requested to regularly report on implementation of the communication and visibility plan as part of their request to the Commission for the release of funding. This report will be part of the regular assessments.