



# Swiss Cooperation Strategy Serbia 2018–2021



Schweizerische Eidgenossenschaft  
Confédération suisse  
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Swiss Agency for Development and Cooperation SDC

State Secretariat for Economic Affairs SECO

## **Cover picture**

The start-up company Teodesk developed a workflow and project management software. This cloud-based software creates a unique network where one can share ideas, activities, start constructive debates, check project details and have an overview of employees' performance.

During summer 2017, Teodesk organized an internship program for three international students. With their knowledge and experience in the marketing sector, interns contributed to researching and working together on strategies how to best place Teodesk on the global market, with an accent on America, Europe, and Russia.

On the photo: Slobodan - Co-founder of start-up company Teodesk, Cristine - intern from Brazil and Fleur - intern from Netherlands.

Project: Science and Technology Park Belgrade

# Foreword

The stability and prosperity of the Western Balkan countries constitute a fundamental aim for Swiss foreign and security policy. Switzerland's engagement in the region was initiated in the 1990s, when it provided humanitarian assistance and refuge for many people. Switzerland and the Balkans have developed close ties over the years, best documented by a sizeable diaspora living in Switzerland and an intensive cooperation programme. Close to 200,000 residents of Switzerland have family ties to Serbia.

Starting with humanitarian assistance in 1991, Switzerland's cooperation with Serbia has grown into a large programme supporting the transition process. The new Swiss Cooperation Strategy 2018–2021 is rooted in the spirit of partnership between the governments of Switzerland and Serbia and reflects a strong commitment to further supporting the economic, social and political transition in Serbia, building on Switzerland's long-term presence in the country and earlier achievements. Today, Switzerland is among the four largest bilateral cooperation partners. Serbia has achieved substantial progress in political and macroeconomic stability. Switzerland is determined to support the country in addressing remaining challenges in line with the priorities defined by its government in specific areas. The overall goal of the Swiss Cooperation Programme is to contribute to the progress of Serbia on its path towards regional and European integration, fostering efficient and effective democratic institutions and processes as well as inclusive

and sustainable growth. Cooperation will focus on three domains: governance, economic development and employment, and sustainable energy and resilient cities. Switzerland has relevant expertise and experience in these areas and can make an effective contribution. The foreseen financial commitments for the 2018–2021 period amount to CHF 105 million.

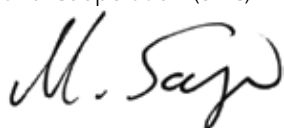
This document provides an overview of recent political and economic trends in Serbia and develops the rationale for Swiss-Serbian cooperation. Drawing on the achievements and experiences of past interventions, the new Swiss Cooperation Strategy 2018–2021 outlines the priorities and objectives for the upcoming period. It concludes with information about programme management, monitoring and steering.

The Swiss Cooperation Strategy 2018–2021 has been developed by the Swiss Agency for Development and Cooperation (SDC) and the State Secretariat for Economic Affairs (SECO), in close consultation with the Serbian government offices and civil society partners. Both institutions cooperate closely to coordinate in the implementation of their respective parts of the Cooperation Strategy.

We are confident that the goals and priorities set out in this strategy are highly relevant to Serbia's sustainable development and to the well-being of its people.

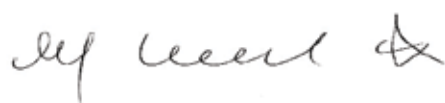
Bern, January 2018

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# Abbreviations and acronyms

ARI	Aggregated reference indicator
BEE	Business enabling environment
CHF	Swiss francs
COI	Common outcome indicator
CSO	Civil society organisation
DDLG	Democratisation, decentralisation and local governance
DRR	Disaster risk reduction
EBRD	European Bank for Reconstruction and Development
EEA	European Energy Award
EFK	Swiss Federal Audit Office
EU	European Union
EUR	Euro
GRB	Gender-responsive budgeting
IFIs	International finance institutions
IMF	International Monetary Fund
IPA	Instrument for Pre-accession Assistance
IT	Information technology
KfW	Kreditanstalt für Wiederaufbau
MERV	Monitoring System for Development-Related Changes
NGO	Non-governmental organisation
ODA	Official development assistance
OECD	Organisation for Economic Co-operation and Development
PEFA	Public Expenditure and Financial Accountability
PFM	Public finance management
RBM	Results based management
SCO	Swiss Cooperation Office
SCTM	Standing Conference of Towns and Municipalities
SDC	Swiss Agency for Development and Cooperation
SDG	Sustainable development goal
SECO	State Secretariat for Economic Affairs
SEM	State Secretariat for Migration
SIPRU	Social Inclusion and Poverty Reduction Unit
SMEs	Small and medium-sized enterprises
SNS	Serbian Progressive Party
STA	State Tax Authority
TRI	Thematic reference indicator
VAT	Value added tax
VET	Vocational education and training

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# 1. Executive summary

**Background:** With the start of EU accession talks in 2014, Serbia has made an important step towards European integration. The number of adopted reforms is considerable and progress has been made in view of reforming parts of the Serbian public administration and the regulatory economic framework. Still, the pace of implementation of adopted reforms is modest and the accession process is expected to be arduous, awaiting the further development of relations between Belgrade and Pristina on the one hand and slowed down by EU-internal challenges on the other.

Serbia's macro-economic outlook is generally positive. Good progress has been made with reducing the high budget deficit to 1.4% of GDP and slightly lowering the government debt to 70% of GDP. However, economic recession and the consequences of the floods in 2014 have slowed down improvements in living conditions. While modest GDP growth is projected, the fragile labour market and possible further government austerity measures are expected to put pressure on the well-being of Serbia's citizens. Poverty and inequalities show no signs of decreasing. The unemployment rate has slightly diminished, but remains high at around 16%, even reaching 25% in rural areas and 40% among young people. Serbia is a country with a high rate of emigration among highly-educated professionals, including young professionals.

On the bright side, recent reforms provide a promising framework for tackling unemployment and reforming part of the Serbian public administration. They are expected to improve public finance management, to introduce e-government and regulatory reforms, and to better regulate administrative procedures.

Switzerland has been a long-term partner with Serbia in transition cooperation and a valuable supporter of the Serbian reform agenda. It is now engaging in another four year period of cooperation and partnership with Serbia. The good bilateral relations are also helped by Switzerland's large Serbian diaspora (close to 200,000) and the presence of 570 Swiss financed companies in Serbia.

**Main goal of the Cooperation Strategy:** The overall goal of the Swiss Cooperation Strategy is to contribute to efficient and effective democratic institutions and processes as well as inclusive and sustainable growth by supporting Serbia's reforms and path to European integration for the benefit of all citizens. It focuses on three objectives:

*Democratic, efficient and effective governance for the benefit of all people in Serbia.*

*Inclusive and sustainable economic growth and increased quality employment for all.*

*Increased energy sustainability and improved resilience of cities.*

**Actors and aid modalities:** The Swiss Agency for Development and Cooperation (SDC) and the State Secretariat for Economic Affairs (SECO) are jointly responsible for transition assistance to Serbia. In addition to this, there is a Migration Partnership between the State Secretariat for Migration (SEM) and the Government of Serbia. The Swiss Cooperation Office, which is part of the Swiss Embassy in Serbia, is managing the Swiss Cooperation Programme. It maintains close working relations with the EU and other key donors. The implementation modalities will include contributions to important national actors (i.e. the Standing Conference of Towns and Municipalities and the Social Inclusion and Poverty Unit of the Serbian government), mandates with Swiss, international and local implementers, and cooperation with multilateral institutions (e.g. the UN, the IMF and the World Bank Group). The long-term goal (beyond this strategy) is to work primarily through the system in place in Serbia.

Today, Switzerland is among the four largest bilateral cooperation partners of Serbia and is well positioned to address key challenges at the central level, especially those related to economic reforms. Switzerland is also uniquely positioned in Serbia, being a non-EU country and strongly embedded at the local level. This gives Switzerland flexibility and a recognised knowledge of the challenges the country is facing, allowing it to develop tailor made responses and conduct evidence-based policy dialogue to influence reforms and their implementation, and to facilitate the dialogue between local and central government. Switzerland will also support

efforts to achieve the Sustainable Development Goals (SDG) in Serbia.

All three domains on which the programme focuses will address gender and good governance as transversal themes. The Strategy is designed to benefit all citizens in Serbia, but it will also emphasise the inclusion of disadvantaged groups. Switzerland will support the mainstreaming of migration issues in development planning. It will

support migration governance and management, prevention of irregular migration and reintegration of returnees.

**Resources:** For the second strategy in a row, Switzerland plans to increase its budget for cooperation with Serbia. For the 2018–2021 period, planned commitments amount to CHF 105m.



# 2. Country context

## 2.1. Political development

Serbia has declared EU membership a priority. In 2014, the largest and most populous (7 million people) of the former Yugoslav Republics entered into accession talks. However, the accession process is generally expected to be arduous because of the modest pace at which domestic reforms are being implemented and because relations between Belgrade and Pristina require further development, in addition to challenges within the EU. Serbia has so far opened 12 out of 35 negotiation chapters, and provisionally closed two. The coming years will be challenging for the Serbian government and citizens. The country will continue with democratisation while simultaneously dealing with a complex EU integration process.

Important progress has been made in view of reforming parts of the Serbian public administration. New laws, strategies and programmes are expected to improve public finance management (PFM), to introduce e-government and regulatory reforms, and to serve to better regulate administrative procedures, public salaries and the hiring of civil servants.

However, many state institutions are overstretched, further public sector reforms face numerous obstacles, there is insufficient consensus on decentralisation issues and the implementation of legislation is inconsistent. Regional development is still not high on the government's agenda despite significant regional

disparities: in 2016, 13% of rural inhabitants were living in absolute poverty compared with 4% in urban areas. At local level, municipalities lack financial and human resources. Management and planning capacities are limited, and there is a high turnover among decision-makers and staff.

An imbalanced system of checks and balances is an additional challenge, and independence of judiciary and freedom of the media<sup>1</sup> needs to be further improved. The legislative, oversight and representative functions of the National Assembly and local parliaments require strengthening, although efforts have been made to increase transparency. Serbia needs to step up the fight against corruption.<sup>2</sup> Genuine progress towards establishing an enabling environment for civil society and citizens' participation has yet to be made.

For now, the prospect of European integration is expected to ensure internal stability, and the international community continues to count on Serbia as a stabilising force within the Western Balkans. Serbia is trying to balance external relations with the EU, US, Russia and China, the four pillars of its foreign policy. A tendency towards regional instability could impact the status quo and spill over into Serbia, especially if paired with continued irregular migration flows from the Middle East.

Serbia is a secular state – three major religions (Serbian Orthodoxy 85%, Catholicism 5%, Islam 3%) enjoy equal rights and privileges before the state. The Serbian Orthodox Church is the most represented and influential.



1 According to Reporters Without Borders, European standards are still out of reach. Serbia ranks 66th in the 2017 World Press Freedom Index (of 180 countries) as opposed to 59th in 2016 and 67th in 2015.

2 In Transparency International's 2016 Corruption Perceptions Index, Serbia scored 42 on a scale of 0 (highly corrupt) to 100 (very clean); Albania and Bosnia and Herzegovina scored 39 and Macedonia 37.



## 2.2. Economic development

The Government of Serbia has pursued fiscal, structural and regulatory reforms. The number of adopted reforms is considerable, but their implementation is mired by competing priorities and weak coordination. Good progress has been made in key macroeconomic indicators; the budget deficit, currently estimated at 1.4% of GDP, is at the lowest level since 2005, inflationary pressures are low, and the current account deficit is improving. Moreover, government debt has fallen slightly to 70% of GDP, although it remains high and is above the legal thresholds. Assuming that further efforts will sustain achieved results, Serbia's macro-economic outlook is generally positive.

Serbia is an upper-middle income country. After a prolonged recession and negative growth rates, GDP growth picked up and was 2.8% in 2016; GDP per capita was EUR 4,700. Further progress has been made with a view to curbing the significant grey economy (30%) and developing a functioning market economy. In terms of economic integration, trade openness has increased and steps have been taken to ensure free movement of goods. The European Union is Serbia's most important economic partner by far: 60% of exports flow into the EU.

The Serbian government recognises the importance of and has prioritised an improved business-enabling environment. Accordingly, the domestic business environment and

competitiveness of Serbian small and medium-sized enterprises (SMEs) is improving<sup>3</sup>, although access to finance remains a challenge. A knowledge-based economy based on skilled labour and innovations has proven to have a particularly high potential. On the downside, weak rule of law could negatively affect investments; economic power and jobs are concentrated in only a few regions.

## 2.3. Social and human development

The economic recession and devastating floods in 2014 have slowed down substantial improvements in living conditions. A modest projected GDP growth<sup>4</sup>, a fragile labour market and possible further government austerity measures as part of fiscal consolidation are expected to put pressure on the welfare and well-being of Serbia's citizens.

At an average of EUR 380 per month, net salaries are among the lowest in Europe, reflecting a low labour productivity. Poverty-levels are high and show no signs of decreasing; one fourth of the population (2016) is at risk of poverty, especially unemployed persons, those with a low level of education and people living outside urban areas. Overall, 7.3%<sup>5</sup> (2016) live in absolute poverty.

The unemployment rate has slightly decreased but remains high at around 16%, even reaching 25% in rural areas and 40% among young people. On the bright side, recent reforms provide a promising framework for tackling unemployment. A National Qualifications Framework for Vocational and Higher Education is under development and a comprehensive Employment and Social Reform Programme – the first of its kind – has been initiated, constituting a significant step forward. The 2030 Agenda could serve to encourage a multi-stakeholder dialogue on socio-economic development and prioritisation of SDGs in Serbia with reference to the EU negotiation chapters.

3 Serbia ranks 47th in the 2017 World Bank Doing Business Index (of 190 economies) up from 86th place in 2013 (Macedonia: 10th; Albania: 58th; Bosnia: 81st). Its ranking in the WEF Global Competitiveness Index improved from 101st place in 2013–14 to 90th place (of 148 countries) in 2016–17 (Macedonia: 66th; Albania: 74th; Bosnia: 107th).

4 The Economist Intelligence Unit forecasts an average annual growth of 3.7% for 2017–21.

5 Due to changes in methodology, the percentage has decreased from 9% in 2014 to 7.3% in 2016. Real decrease for the period has been 0.3%.





### 2.3.1. Unaddressed emigration of highly-educated professionals

Serbia is a country with pronounced emigration of highly-educated professionals, including young professionals – 60,000 Serbian nationals in 2015 according to the Organisation for Economic Cooperation and Development (OECD). The difficult economic situation, high unemployment, poor career prospects and declining living standards are the main push factors. Even so, no specific national policy addresses labour migration or serves to promote brain gain and circulation of knowledge. The movements of people looking for work are highly uneven across the regions in Serbia and are characterised mainly by employment in the grey economy.

### 2.3.2. Persistent multi-dimensional inequality

Inequality in Serbia has a number of dimensions. Inequalities between rural and urban areas are high and lead to rural-urban migration. South and south-east Serbia, border areas and certain municipalities in western Serbia are particularly underdeveloped. Secondly, minority groups such as Roma (primarily rural Roma women) and persons with disabilities face discrimination. The financial and economic crisis significantly contributed to widening the gap between the winners and losers in reforms and the prolonged transition in Serbia. The poor are widely stigmatised in Serbia as being responsible for their own situation, making these citizens even more vulnerable. This is the

reason why the World Bank assessed that the potential distributional impacts of comprehensive structural reforms are likely to pose challenges to poverty reduction in the short term, requiring mitigating measures<sup>6</sup>. Furthermore, while there has been progress towards more wage equality, the labour market participation rate for women is still a key dimension of gender inequality.<sup>7</sup> Women's representation in local parliaments also needs some improvement to adhere to the 30% legal threshold.

As the new Prime Minister recently reiterated in her exposé, the Serbian government has shown commitment to reducing poverty and inequality, improving living standards and increasing social inclusion (raising the net income of social assistance beneficiaries, raising the minimum wage). Moreover, new institutions have recently been created, such as the Gender Equality and Roma Inclusion coordination bodies.

## 2.4. Energy and climate developments

Energy sources in Serbia are mainly coal (68%), crude oil and gas. With the exception of hydro-power, renewable energy is at an early stage: in 2014, Serbia reported a 23% share of energy from renewable sources, compared with 21% in 2009. Within the framework of international targets and EU requirements, Serbia is committed to increasing the share of energy from renewable sources to 27% by 2020, to saving 9% in energy consumption by 2018 compared with 2008, and to reducing greenhouse gas emissions by 9.8% by 2030 compared with 1990. Serbia's government is adapting the relevant policy and legislative framework, yet implementation is slow. The responsible central and local bodies are often understaffed and insufficiently coordinated, domestic and international funding is limited, the energy sector remains politicised, and there are few plans for large-scale investment.

6 Polarization and Populism, World Bank, 2016, <https://openknowledge.worldbank.org/bitstream/handle/10986/25341/9781464810091.pdf?sequence=5&isAllowed=y>

7 Serbia ranked 70th of 144 countries in the 2016 WEF Global Gender Gap Index 'economic participation and opportunity' sub-index (score of 0.670) (0.00 = imparity; 1.00 = parity). Albania 73rd; Macedonia 79th and Bosnia 113th.

# 3. Rationale for cooperation between Switzerland and Serbia

Cooperation with eastern Europe is an integral component of Swiss foreign policy and foreign economic policy. Switzerland's transition assistance in the region is founded on its tradition of solidarity with the poor and disadvantaged and on a mutual interest in inclusive socio-economic development, democratisation, regional stability and security, and European integration. As the economically strongest non-EU member of former Yugoslavia which borders on four of the former five Yugoslav Republics and Kosovo, Serbia and its citizens play an important role for the stability and integration of the region.

Switzerland has been a long-term partner with Serbia in transition cooperation and a valuable supporter of the reform agenda set by the Serbian government. Good bilateral relations are also a result of a large Serbian diaspora (close to 200,000) living in Switzerland and the presence of 570 Swiss financed companies in Serbia. Switzerland has provided uninterrupted humanitarian and transition support to Serbia since 1991, totalling CHF 350m. The SDC and SECO are jointly responsible for transition assistance to Serbia. With interventions covering all of its core competencies, the SECO portfolio in Serbia is its largest in the Western Balkans. In addition, through the Migration Partnership between Switzerland and the Government of Serbia<sup>8</sup>, the State Secretariat for Migration (SEM) is the third federal agency involved in this whole-of-government approach.

Cooperation in multilateral organisations complements Switzerland's bilateral cooperation

and fosters relationships with Serbia on another level. Serbia is a long-standing member of the Swiss-led constituencies in the Bretton Woods Institutions (World Bank Group and IMF) and the European Bank for Reconstruction and Development (EBRD).

Since January 2017, the Swiss Cooperation Office (SCO) has been part of an integrated Swiss Representation. Combined with excellent bilateral relations, future cooperation with Serbia builds on Switzerland's high credibility and recognised partnership approach as well as its support for inclusive local-level processes and complementary support for IPA funding schemes. The Swiss Cooperation Strategy 2018–2021 aligns fully with the Federal Dispatch on International Cooperation 2017–20<sup>9</sup>, the SDGs, EU-accession-related reforms and relevant Serbian laws, policies and strategies.

The EU shapes the Serbian donor landscape as the country's largest donor by far.<sup>10</sup> Together with the Serbian ministry in charge of EU integration and donor coordination, the EU plays a large part in setting the agenda for reforms. Switzerland's role has nevertheless increased along with more funding and the withdrawal of individual EU member countries. Switzerland is one of the most important bilateral donors together with Sweden, Germany and the United States.<sup>11</sup> The SCO maintains close working relations with the EU delegation, other key bilateral donors and IFIs on vocational education and training (VET), PFM, energy, and governance, including migration and inclusion.



8 Switzerland and Serbia initially entered into a Migration Partnership in 2009. This partnership has been also guided by the Swiss Migration Partnership Strategy for the Western Balkan <https://www.sem.admin.ch/dam/data/sem/internationales/internat-zusarbeit/bilaterales/keine-sr-nr/2016-2019-strategie-migpartner-WBALKAN-e.pdf>

9 Dispatch on Switzerland's International Cooperation 2017–20: <https://www.eda.admin.ch/deza/en/home/sdc/strategy/legalbases/message-international-cooperation-2017-2020.html>.

10 61% of total ODA of EUR 245m in 2015.

11 Each at 6 to 7% of total ODA in 2015.

# 4. Achievements and lessons learned 2014–2017

Under the overall goal to contribute to “strong democratic systems, inclusion and enhanced competitiveness of Serbia’s economy in support of European integration” Switzerland achieved tangible results in its three domains of governance, economic development, and energy efficiency and renewable energy. The 2016 audit by the Swiss Federal Audit Office (EFK) of Swiss transition aid to Serbia confirmed the relevance of these domains to the priorities of the EU accession agenda and national reform policies. Total disbursements under the four-year Cooperation Strategy 2014–2017 amounted to around CHF 71m.

## 4.1. Governance

In the domain of governance (CHF 33m; 44%), Switzerland has contributed considerably to the process of Serbia’s European integration. Switzerland worked with the National Assembly and ten local assemblies to promote domestic accountability and institutionalise checks and balances. Thanks to Swiss support, the National Assembly is able to effectively oversee government spending through a financial portal; the number of public hearings in and outside the parliament seat has risen. Switzerland also supported exchange and cooperation between higher and lower levels of government in collaboration with the Standing Conference of Towns and Municipalities (SCTM), the association of all local governments in Serbia, and an intermediary between the central and local government level.

To balance socio-economic opportunities and reduce inequalities, Switzerland supported local governments’ access to more resources. Furthermore, Switzerland helped local governments to provide better public services and become more accessible to all citizens, despite fewer resources due to austerity measures. Through capacity building, 100 municipalities (out of 145) were able to increase their own revenues and the quality of and access to public services for at least 358,000 people of which 9,000 from vulnerable groups. Six pilot municipalities began to implement PFM reform action plans based on Public Expenditure and Financial Accountability (PEFA) assessments by introducing financial management and control systems, aligning strategic documents with programme budgeting and capital investment planning. Through its support for local public finance reforms, Switzerland contributed to enhancing Serbia’s preparedness for opening EU chapter 32 on financial control.

In cooperation with the Social Inclusion and Poverty Reduction Unit (SIPRU), social inclusion was mainstreamed in several national strategies and six EU negotiating chapters. 98 municipalities improved their services for more than 113,000 children, applying integrated principles of quality, inclusiveness, non-violence and anti-discrimination (of which 80% from vulnerable groups). A national gender strategy and an Index of Gender Equality, in line with EU methodology, were introduced.

## 4.2. Economic development

The economic development domain (CHF 23m; 31%) emphasised macro-economic stability, an enabling business environment, sustainable trade and competitiveness, private sector development, and employment. Cooperation has greatly benefited from national ownership and leadership.

Switzerland contributed to the development and implementation of important national strategies – i.e. a PFM Reform Strategy, the Fiscal Strategy 2017–19 and a revised Public Debt Strategy. Furthermore, it facilitated the adoption and implementation of the Transformation Programme 2016–20 of the State Tax Authority. Tax revenue





increased as a result of more efficient collection of VAT, in itself an indirect indicator of a reduction in the grey economy in the country.

Improvements to the business environment were made through regulatory reforms and new legislation for insolvency resolution. The resolution of over 300 insolvency cases resulted in the liberation of CHF 110m in blocked funds. Furthermore, e-government was piloted at local level: 16 electronic registries with more than 1,100 simplified administrative procedures have increased transparency, access to information, legal security and efficiency of the local administration. These improvements in economic governance serve as a model for national reforms.

Switzerland has contributed to increased employment and income opportunities. 4,200 jobs (35% for women) and an additional income of CHF 52.75m were generated in collaboration with the Science and Technology Park Belgrade and in south and south-west Serbia in the tourism, furniture, horticulture and traditional products sectors. Support for the Science and Technology Park has resulted in an innovative environment bringing together 58 high-tech companies working to accelerate technological development, export high-tech products and services and drive knowledge-based economic growth. The Serbian government will now replicate the model of the Science and Technology Park in other regions in the country. In south and south-west Serbia, 1,740 small-scale producers (out of which 650 rural women) entered production value chains thanks

to financial and advisory support and secured market access. As a result, beneficiaries and their families also enjoyed social benefits – i.e. health, unemployment and pensions insurance.

Private sector-responsive skills development for youth employment was strengthened through a contribution to implementing the government's newly-adopted Employment and Social Reform Programme. Pilot models and curricula for private-sector-responsive skills development were developed in the furniture sector in partnership with private companies. They serve as demonstration projects for similar national-level initiatives and have influenced the Serbian vocational education system.

### **4.3. Energy efficiency and renewable energy**

Switzerland contributed to important progress towards improved energy supply, increased energy efficiency and the promotion of renewable energy sources.

The energy efficiency and renewable energy domain (CHF 12m; 15%) provided support to the Serbian government for modernising a thermo-electric power plant, leading to an estimated decrease in CO2 emissions by 135,000 tonnes per annum. In Belgrade, energy efficiency measures in 12 public buildings, including hospitals and schools for socially-vulnerable groups, were completed, reducing CO2 emissions by a total of 993 tonnes per annum. First steps were taken to improve energy management at local level and, together with KfW, to promote renewable energy, notably biomass and geothermal, for heating mostly in poorer Serbian municipalities.

### **4.4. Migration partnership**

Collaboration under the Migration Partnership between Switzerland and the Government of Serbia has been very relevant in the challenging context. Thanks to the established Migration Partnership, the Government of Serbia was better prepared to address the 2015 migration wave on the Western Balkan Route.

Switzerland contributed to strengthening the migration management capacities of national



institutions for crisis management and core migration governance<sup>12</sup>. It played a role in improving reception capacities and registration of asylum seekers and the endorsement of an innovative dweller-driven house upgrading model for vulnerable migrants.

## 4.5. Lessons learned

Overall, the three domains for Swiss cooperation proved pertinent, building on Switzerland's comparative advantages and producing tangible results at the level of institutions and citizens, although some will only pay off in the future. Among the lessons learned, it is acknowledged that the ultimate goal must be to work through existing systems in Serbia. However, finding ways to increase the use of national systems has been challenging because of persistent bottlenecks and weak absorption capacities. Using capacitated local-level systems is promising. On national level, supporting strong partners which are closely connected to the government is an alternative and mitigates the risk of political interference.

Policy dialogue has been the key to scaling up and replicating results in order to accelerate the pace and quality of reforms and their implementation, enhancing ownership by all stakeholders to encourage successful reform processes. Sub-national interventions generate important evidence to this end. Policy dialogue with middle management has been less affected by the high government staff turnover. Switzerland is also well positioned in Serbia to facilitate the dialogue between the local and the central level and to influence corresponding reforms and their implementation.

With regard to the SDC portfolio, the geographic focus on south and south-west Serbia is pertinent in terms of reaching disadvantaged populations; however, a more differentiated look and categorisation of municipalities would improve targeting.

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<sup>12</sup> Five building blocks for effective migration governance: 1) institutional capacity, 2) migrant rights, 3) safe and orderly migration, 4) labour migration management and 5) regional and international cooperation and partnerships, 2016 Migration Governance Index, Economic Intelligence Unit.

## 5. Implications for the new Cooperation Strategy 2018–2021



The new Cooperation Strategy is based on the understanding that **a sustained effort is required to accelerate the pace and quality of reforms and their implementation for the benefit of all.**

The way the reform process is managed will be crucial for stability. Governance and structural economic issues top the list of challenges. Switzerland, in its three domains of intervention, is well positioned to help Serbia overcome these challenges. By concentrating its activities on the same domains of intervention as in the previous strategy, Switzerland is reinforcing its position as a reliable and credible partner, standing for continuity and long-term engagement.

Swiss cooperation will continue to align with EU accession priorities, relevant Serbian laws and selected national strategies. In addition, Switzerland will promote a multi-stakeholder dialogue on a long-term vision for Serbia within the framework of the universal 2030 Agenda for Sustainable Development and the SDGs.

Implementing EU-required reforms and the 2030 Agenda challenges not only the national, but also the local level. In the years to come, Switzerland will make even better use of its advantaged status as one of Serbia's major bilateral donors and a non-EU country. It will emphasise targeted support for improving central-level framework conditions and continue to provide support for duty bearers and rights holders in the regions and municipalities. Switzerland is particularly well positioned to work at both, central and local

level, to find practical and tailor made solutions based on its long-term experiences.

A better structured and results-oriented policy dialogue on selected issues within domains of intervention, based on many years of experience in transition processes and development programmes, will play a substantially greater role for achieving desired results and contributing to national outcomes, especially with a view to establishing poverty reduction and inclusive economic growth as shared values.

Decentralised SDC interventions in governance and economic development will be implemented at regional and municipal levels with a specific geographical focus on south, south-west and south-east Serbia and on disadvantaged municipalities in other regions, including those with a considerable presence of minority groups. This has proved pertinent for reducing poverty and exclusion and for maintaining social peace.

Switzerland will support the government's efforts to increase economic growth, to reduce poverty, inequalities and exclusion, and to strengthen the national framework and mechanisms designed for these purposes.

In its programmes, work with and for the benefit of excluded groups will follow a differentiated approach – by intervention, location and sector. Distinct categories of excluded persons have been identified: women, youth, Roma, migrants and persons living with disabilities, especially in rural and high poverty concentration areas. Depending on specific contexts, and in consultation with municipalities, they will be at the centre of Swiss and especially SDC cooperation. Switzerland will continue to address gender inequality and the promotion of women systematically, supporting in particular women entrepreneurs and women's parliamentary networks lobbying for gender equality at the local level.

Compared with the previous strategy, the following portfolio adjustments are planned:

Civil society will play a stronger role with the aim of strengthening ties between civil society organisations (CSOs) and citizens to enhance their participation and ensure their voices are heard, especially outside Belgrade, including in a public dialogue on the SDGs with all layers of society.

Support for justice reform will not be extended given its limited influence and impact, the presence of larger donors and the need for a more targeted portfolio. In its place, access to justice for excluded groups at local level could be piloted from a social inclusion point of view.

Engagement in economic development and employment will increase given the great need for this and interest from the Serbian government. Contributions to local economic development will be fully embedded in this domain and the planned interventions related to trade promotion, youth employment, dual VET and private sector development will increase.

The former energy efficiency and renewable energy domain will put more emphasis on the institutional capacities of local-level actors to sustainably manage and plan their activities. The current focus on the energy sector will be broadened to cover urban development in general, making cities more resilient.





# 6. Strategic orientation and Swiss priorities for 2018–2021

## 6.1. Overall goal

The **overall goal** of the new Cooperation Strategy is for Switzerland to contribute to efficient and effective democratic institutions and processes as well as inclusive and sustainable growth by supporting Serbia's reforms and path to European integration for the benefit of all citizens.

## 6.2. Governance

In the domain of governance, support from SDC and SECO for local governments, for legislative powers at national and local levels, and for civil society will contribute to bringing decision-making processes closer to the people.

Overall objective for this domain: Democratic, efficient and effective governance for the benefit of all people in Serbia.

Swiss portfolio outcomes:

Outcome 1: **Responsive and accountable local governments for better services:** Local authorities improve their management capacities and provide better, inclusive services in response to people's and the private sector's needs and demands.

Outcome 2: **Strengthened institutional representation of all citizens and municipalities:** The National Assembly and local parliaments are

more responsive to the needs and interests of their constituencies and engage in informed and constructive debate. Local governments' interests are better taken into account in national policies.

Outcome 3: **Improved citizen and CSO engagement:** Informed citizens and CSOs engage in local decision-making, contribute to collaborative local governance initiatives and hold the government accountable.

Under Outcome 1, Switzerland will support capacity building of more local governments to generate and manage public resources in order to provide increased quality services in response to people's and the private sector's needs - e.g., through further e-governance solutions and improved budget planning. Local governments will also be supported to identify and target the specific needs of excluded groups.

Interventions under Outcome 2 aim to strengthen the representative and oversight roles of the National Assembly and local parliaments, and especially greater use of outreach and oversight mechanisms. Continued support for SCTM will further promote the interests of local governments in national laws and policies.

Finally (Outcome 3), Switzerland will build the capacities of local governments to consult and work with the civil sector. It will invest more in capacitating CSOs, especially those outside Belgrade, to better support and represent their constituencies vis-à-vis local governments.

## 6.3. Economic development and employment

Swiss engagement in economic development and employment will increase given the great need for this and interest from the Serbian government. In this domain, SDC and SECO cooperation aims to improve macro-economic institutions and framework conditions, and promote dynamic entrepreneurship, enhanced competitiveness, sustainable trade and market oriented skills development. These interventions will contribute to inclusive and sustainable economic growth and quality employment for all, in particular in rural areas.





Overall objective for this domain: Inclusive and sustainable economic growth and increased quality employment for all.

Swiss portfolio outcomes:

**Outcome 1: Strengthened macro-economic institutions:** Key national public finance institutions improve their capacities, the financial system is strengthened, and PFM at national level is improved.

**Outcome 2: Improved Business Enabling Environment:** National and local authorities are implementing measures to improve the business enabling environment and access to finance at national and sub-national levels and to promote local economic development.

**Outcome 3: Increased competitiveness:** Entrepreneurship has become more innovative and competitive; entrepreneurs create more sustainable and inclusive trade and value chains, creating more and better jobs.

**Outcome 4: Employability and employment:** Young people benefit from inclusive and improved market-oriented skills development, which results in employment.

In order to achieve transparent, efficient and accountable PFM, Switzerland will provide technical assistance and engage in policy dialogue and donor coordination in support of

macro-economic reform programmes (Outcome 1). Switzerland will support the development of capacities of key national public finance institutions<sup>13</sup> to drive and implement economic reforms, such as the Public Finance Reform Programme. It will provide technical assistance in the areas of public accounting, tax collection and management, government debt and risk management, disaster risk financing and governance finance statistics.

Under Outcome 2 in this domain, Switzerland aims to further improve the business environment and to promote national, regional and local economic development. To this end, Switzerland will support national reforms; it will strengthen national and local framework conditions and build local implementation capacities. Quality financial reporting in line with the *acquis communautaire* and good international practice, effective debt resolution, remittances management, access to financial services for underserved populations, and securing more discretionary funding for municipalities and rural areas will be at the centre of this portfolio.

Outcome 3 supports dynamic entrepreneurship, innovation, increased competitiveness and exports to Switzerland, the EU and regional markets. A focus will be put on strengthening value chains in the traditional agricultural products (e.g. raspberries), tourism and light processing industry sectors; sustainable trade, entrepreneurship in high-tech and innovation; income-generation by SMEs in rural areas (to reduce rural-urban migration); and on women's labour-market participation.

Finally (Outcome 4), Switzerland will engage in multi-sectoral policy dialogue, donor coordination and on-the-ground projects to support the development of evidence-based employment policies and to expand and improve formal and non-formal vocational education and training (VET) options that respond to actual market needs. Switzerland will work with partners to introduce active labour market measures and career counselling. Private sector engagement will play an important role throughout, as will the employability of young people and other excluded groups.

<sup>13</sup> Ministry of Finance, Tax Administration, Treasury, Public Debt Administration, Government Finance Statistics Office.

## 6.4. Sustainable energy and resilient cities

Enabling and piloting the use of renewable energy, supporting the implementation of energy efficiency measures and strengthening the capacities of selected municipalities to manage and plan their infrastructure will contribute to reaching national energy efficiency and renewable energy targets, thus further reducing CO2 emissions and improving the living conditions for Serbian citizens.

Overall objective in this domain: Increased energy sustainability and improved resilience of cities.

Swiss portfolio outcomes:

Outcome 1: **Increased energy efficiency:** Implementation of energy efficiency measures in public infrastructure and buildings in and by selected municipalities increases energy efficiency.

Outcome 2: **Increased use of renewable energy sources:** Energy providers / public utilities use more energy from renewable sources and innovative technologies, in particular for district heating systems.

Outcome 3: **Increased resilience of cities:** Improved planning and management of selected local self-governments, including targeted infrastructure measures, increases their resilience.

SECO will support rehabilitation and energy efficiency measures (Outcome 1) in selected public buildings, notably schools and hospitals, benefitting pupils, teachers, patients and medical staff. Infrastructure support will be complemented by creating greater awareness of the need to reduce energy consumption.

Under Outcome 2, Switzerland will implement investment projects to replace fossil fuels with renewable energy resources. Concretely, it will support selected district heating companies to switch to biomass and geothermal energy sources. Additional pilot projects will test and showcase alternative innovative technologies for future replication.

Outcome 3 is a new priority area. Capacity-building for municipal staff will improve their management capacities to sustainably implement infrastructure priorities. A focus will be on the energy sector with the introduction of the European Energy Award in four cities. Targeted infrastructure measures in disaster risk reduction and potentially urban development will also increase resilience of local self-government. Interventions will be complemented by activities implemented as part of SECO regional projects.



## 6.5. Transversal themes

Given their importance in the Serbian context and Switzerland's domains of intervention, the understanding of and work on good governance principles (in line with SDG 16) and gender equality (SDG 5) will be deepened and joint learning fostered.

Besides mainstreaming gender considerations throughout Swiss cooperation, gender gaps will be closed by way of targeted interventions – e.g., targeted vocational education and training for women, in particular young women, and support for women's leadership in sustainable energy.

All domains will address systemic governance gaps (including in economic governance) at multiple levels and in collaboration with multiple actors – e.g. improving regulatory and institutional conditions; promoting adherence to good governance principles; and contributing to the balanced distribution of the division of labour between different government levels. Importantly, Swiss interventions will contribute to the fight against corruption. Among other things,

Switzerland will support local anti-corruption plans and the work of the Serbian chapter of the Global Organisation of Parliamentarians against Corruption.

## 6.6. Migration Partnership

Furthermore, inclusion and migration are important contextual issues. Inclusion will be mainstreamed, as appropriate, as part of the non-discrimination good governance principle in response to stagnating reforms and increasingly disillusioned citizens. Within the framework of the Migration Partnership Strategy Western Balkans 2016–19, Switzerland will promote mainstreaming migration into development planning, including access to quality services and basic rights. It will support migration governance and management, prevention of irregular migration and reintegration of returnees, in addition to improving the efficiency of remittances payments. The SCO will continue to collaborate closely with the SDC Global Programme on Migration and Development.



# 7. Programme management and implementation

Efficient and effective processes with the Serbian government are a precondition for successful Swiss-Serbian cooperation. Switzerland will apply the following programme management and implementation modalities:

*Aid modalities:* Switzerland will actively contribute to strengthening national framework conditions and creating an enabling environment for more local implementation and use of country systems. For the SDC, the past mix of aid modalities – i.e., local contributions (28%), international contributions (36%), local mandates (17%) and international mandates (19%) – has proven adequate. However, new interventions will increase the use of country systems at local level. While the international slot (first and foremost UN agencies) has been larger than the national portfolio (mainly central ministries), it is worth noting that Switzerland's international partners also largely work through and aim to strengthen national and local counterparts and thus do not set up parallel structures.

*Donor coordination:* Scaling up and sustainability considerations deserve more attention in the preparation of new and current interventions. Good collaboration among the EU, multilateral organisations and key donors, aligned with national priorities, will be further exploited for more complementary and joint interventions and leverage. The SCO will continue to play an active role in selected formal donor coordination groups:

Switzerland is member of the public administration reform sector working group where the most influential donor is the EU

Switzerland leads the large and complex sector working group "Human resources and Social Development" where it promotes inter-ministerial and cross-cutting consideration of inclusion and gender equality

There is also a well-established donor coordination and dialogue with government institutions in VET, in which the SCO has played an important role

In the absence of government-led donor coordination, the SCO also informally coordinates with other donors, for instance in PFM and sustainable energy.

*Synergies:* Synergies across domains will be created through close cooperation on particular topics - e.g., as regards PFM reforms at local (governance domain) and national level (economic development domain), working to a large extent with the same local governments and, in some cases, with the same partners (e.g., SCTM and SIPRU).

*Communication:* Communicating Switzerland's engagement and accomplishments is important and will be strengthened. A joint communication strategy for the integrated Swiss Representation establishes coherent messages and serves to communicate democratic values. The SCO will more actively promote the Swiss profile, Swiss value added and results orientation in its considerable international contributions.

*Finances:* Activities under this Strategy will be financed through the Swiss framework credit 2017–2020 for transition aid and cooperation with Eastern Europe. Swiss commitments are expected to increase to CHF 105m. The budget allocation for sustainable energy will remain identical and for governance approximately the same, the budget for economic development and employment will increase substantially and will be the largest domain in monetary terms, thanks to higher contributions from both the SDC and SECO. One percent of the SDC's budget will be allocated to culture projects outside the capital city of Belgrade.

Despite an increase in budget, budget restrictions do not allow for the engagement of more human resources. It will therefore be extremely important for the SCO to concentrate its efforts on strategic priorities and wherever possible on fewer but larger programmes.

With generally decreasing donor aid and considerable financing needed to achieve the SDGs, leveraging alternative sources of financing is becoming more important. Stronger engagement with the private sector will therefore be piloted, including through diaspora investments and knowledge transfer, especially in the high-tech sector.

## 8. Strategic steering

The Cooperation Strategy monitoring system observes three dimensions: Swiss portfolio results, the country context and programme management. The purpose of the monitoring system is to provide crucial but selective information in a pragmatic manner and on a regular and timely basis to allow for informed programme steering decisions and corrective measures.

Monitoring against the expected results included in the domain results frameworks (see Annex 2) serves to assess the extent to which Swiss outcomes are being achieved and their contribution to selected country development outcomes. Monitoring data feed into annual reporting to SDC and SECO headquarters, thus ensuring transparency and accountability.

The monitoring system also offers an analysis of how the Cooperation Strategy adheres to the – evolving – country context, including the use of country systems, thus ensuring the Swiss portfolio's continued relevance, using the MERV (Monitoring System for Development-Related Changes) instrument.

Programme management monitoring focuses on the efficiency and effectiveness of the Swiss Cooperation Office. Management targets reflect the best use of human and financial resources for achieving anticipated results. For this purpose, operational plans with objectives and indicators are developed and reviewed annually.



# Annex 1: Results Framework Synopsis

## Overall Goal

Switzerland contributes to efficient and effective democratic institutions and processes as well as inclusive and sustainable growth by supporting Serbia's reforms and path to European integration for the benefit of all citizens

DOMAIN	<b>Governance</b>	<b>Economic Development and Employment</b>	<b>Sustainable Energy and Resilient Cities</b>
OBJECTIVES	Democratic, efficient and effective governance for the benefit of all people in Serbia	Inclusive and sustainable economic growth and increased quality employment for all	Increased energy sustainability and improved resilience of cities
OUTCOME STATEMENTS	<p><b>Responsive and accountable local governments for better services</b></p> <p>Local authorities improve their management capacities and provide better and inclusive services in response to people's and the private sector's needs and demands</p> <hr/> <p><b>Strengthened institutional representation of all citizens and municipalities</b></p> <p>The National Assembly and local parliaments are more responsive to the needs and interests of their constituencies and engage in informed and constructive debate. Local governments' interests are better taken into account in national policies</p> <hr/> <p><b>Informed citizen and CSO engagement</b></p> <p>Informed citizens and CSOs engage in local decision-making, contribute to collaborative local governance initiatives and hold the government accountable</p>	<p><b>Strengthened macro-economic institutions</b></p> <p>Key national public finance institutions improve their capacities, the financial system is strengthened, and public finance management at national level is improved</p> <hr/> <p><b>Improved Business Enabling Environment</b></p> <p>National and local authorities are implementing measures to improve the business enabling environment and access to finance at national and sub-national levels and to promote local economic development</p> <hr/> <p><b>Increased competitiveness</b></p> <p>Entrepreneurship has become more innovative and competitive; entrepreneurs create more sustainable and inclusive trade and value chains, creating more and better jobs</p> <hr/> <p><b>Employability and employment</b></p> <p>Young people benefit from inclusive and improved market-oriented skills development, which results in employment</p>	<p><b>Increased energy efficiency</b></p> <p>Implementation of energy efficiency measures in public infrastructure and buildings in and by selected municipalities increases energy efficiency</p> <hr/> <p><b>Increased use of renewable energy sources</b></p> <p>Energy providers/public utilities use more energy from renewable sources and innovative technologies in particular for district heating systems</p> <hr/> <p><b>Increased resilience of cities</b></p> <p>Improved planning and management of selected local self-governments, including targeted infrastructure measures, increases their resilience</p>
TRANSVERSAL THEMES	<b>Gender &amp; Good Governance</b>		
	<b>Migration partnership</b>		

# Annex 2: Results Framework

<p><b>Domain of intervention 1: Governance (SDC, SECO)</b></p> <p><b>Overall objective: Democratic, efficient and effective governance for the benefit of all people in Serbia</b></p> <p><b>Impact hypothesis:</b> Supporting local governments, legislative powers at national and local level and civil society brings decision-making processes closer to the people</p>		
<p><b>(1) Swiss portfolio outcomes</b></p> <p><b>Outcome statement 1: Responsive and accountable local governments (LG) for better services:</b> Local authorities improve their management capacities and provide better and inclusive services in response to people's and the private sector's needs and demands.</p> <p><b>Indicators:</b></p> <p><b>Provision of public services in line with people's and private sector's needs and demands</b> (modif. SDC DDLGN R19): LGs providing new or improved public services</p> <ul style="list-style-type: none"> <li>- Baseline (2018): 0</li> <li>- Target value (2021): 100 out of 168 LGs</li> </ul> <p><b>Access and use of public services:</b> No. of users benefiting from new or improved public services (gender disaggregated; disaggregated by excluded groups: rural women, Roma, people with disabilities and migrants) (SDC):</p> <ul style="list-style-type: none"> <li>- Baseline (2018): 0</li> <li>- Target value (2021): At least 10,000 out of which at least 2,000 from excluded groups; thereof 65% women, 35% men</li> </ul> <p><b>Improved budget resources for LGs:</b> No. of supported local authorities which have benefitted from increased budget resources due to local tax income and private investments (SDC ARI GO2)</p> <ul style="list-style-type: none"> <li>- Baseline (2017): 29 out of 168 LGs / additional to ARI: property tax volume for 40 partner municipalities (tbd in 2018)</li> <li>- Target value (2021): 69 out of 168 LGs / additional to ARI: property tax volume for 40 partner municipalities increase by 25% (tbd in 2018)</li> </ul> <p><b>Key indicators as per the PEFA framework in a selected set of municipalities</b> (SECO S12): Improvements in the following PFM areas: b) policy-based budgeting, c) predictability and control in budget execution, e) fiscal risk oversight, f) internal audit, g) financial management and control, h) local tax administration performance</p> <ul style="list-style-type: none"> <li>- Baseline: 2015 values for PEFA indicators PI-9, PI-12, PI-14, PI-18, PI-21, PI-24</li> <li>- Target value: Improvement in the corresponding 2018 PEFA indicators (PI-10, PI-16, PI-19, PI-20, PI-23, PI-26, PI-28)</li> </ul> <p><b>No. of municipalities that conducted (one or more elements of) a gender budgeting process</b> (SDC Gender TRI 14):</p> <ul style="list-style-type: none"> <li>- Baseline (2017): 3</li> <li>- Target value (2021): At least 80 LGs apply GRB</li> </ul>	<p><b>(2) Contribution of Swiss Programme</b></p> <p>LGs' capacities are built and/or strengthened for being accountable and efficient, for involving citizens in defining public spending priorities, and for fostering the conditions for local economic development. LGs are supported to build absorption capacities, enhance own resources from property tax and involve citizens' priorities in their decision making (cf. also Outcome 3).</p> <p>Local governments are informed about their role in realizing and monitoring SDG targets.</p> <p>All the above lead to more and better managed public resources at local level, better and inclusive public services for all men and women with particular attention for selected excluded groups in Serbia, and a conducive environment for local economic development.</p> <p>Since public finance management (PFM) reforms at national and local level are closely related, close cooperation between the interventions for Outcome 1 in Domain 1 (governance) and Outcome 1 in Domain 2 (economic development and employment) is required.</p> <p>Gender budgeting support is in the frame of Budget System Law binding for LGs (which does not entail social budgeting).</p> <p>Stakeholders (e.g. SIPRU) are supported to integrate notions of social inclusion in policy and law making processes, resulting in legislation that appropriately addresses services for and rights of excluded groups.</p> <p><b>Milestones:</b></p> <ul style="list-style-type: none"> <li>• Municipal Finance Law incentivizes property tax collection (LGs' performance taken into account in fiscal transfers).</li> <li>• Coordination mechanisms between central and local governments are strengthened.</li> <li>• Evidence of good governance is created through pilots.</li> <li>• Switzerland engages on establishing standards and qualitative indicators for municipal service provision.</li> </ul> <p><b>Assumptions:</b></p> <ul style="list-style-type: none"> <li>• National government is prepared to implement reforms on the local level.</li> <li>• The legal framework enables improvement of public services and its reorganisation (e-government, association, inter-municipal cooperation, joint services, etc).</li> </ul> <p><b>Risks:</b></p> <ul style="list-style-type: none"> <li>• Frequent staff turn-over and limited human resources in LGs.</li> <li>• Built up capacities are lost following elections.</li> <li>• Insufficient financial transfers to LGs.</li> </ul>	<p><b>(3) Country development outcomes</b></p> <p><b>Outcome statement 1: Improvement of organisational and functional public administration sub-systems.</b> Public Administration Reform Action Plan (PARAP) 2015-17 and follow up document; SCTM strategic plan 2018-2021; National Reports by SIPRU.</p> <p>SDGs 1.3, 16.5, 16.6 and 17.1</p> <p><i>PARAP is the ultimate government document operationalizing public administration reform strategy, including local government (LG) reforms. It also comprises public finance reform program 2016-2020 (relevant fields 4.2, 4.3, 4.4 and 4.6) and implementation of good governance principles (thoroughly elaborated for LGs in SCTM strategic plan 2018-2021).</i></p> <p><b>Indicator:</b> % of PARAP implementation annually</p> <ul style="list-style-type: none"> <li>- Baseline (2016): 30% implemented; 34% partially implemented; 36% not implemented (planned for 2016)</li> <li>- Target value (2021): 100% implemented (planned for 2020)</li> </ul> <p>Source: Ministry of Public Admin and Local Self-Government (MPALSG) report, EU progress report, SCTM report</p> <p><b>Indicator:</b> No. of users of social care services</p> <ul style="list-style-type: none"> <li>- Baseline (2016): 24.450</li> <li>- Target: no national targets</li> </ul> <p>Source: Republic Institute for Social Protection report</p> <p><b>Indicator:</b> % of increase in property tax collection</p> <ul style="list-style-type: none"> <li>- Baseline (2016): RSD 42.38bn</li> <li>- Target value (2021): to be assessed (no national target)</li> </ul> <p>Source: Ministry of Finance</p> <p><b>Indicator:</b> PEFA indicator (public expenditure and financial assessment)</p> <ul style="list-style-type: none"> <li>- Baseline (2015): PEFA Assessment 2015</li> <li>- Target value (2018): improved key PFM indicators in next PEFA Assessment</li> </ul> <p>Source: PEFA Assessment</p> <p><b>Indicator:</b> Gender budgeting (GB) (Budget System Law)</p> <ul style="list-style-type: none"> <li>- Baseline (2015): Gender budgeting in piloting phase</li> <li>- Target (2020): GB introduced in at least 30% of LGs</li> </ul> <p>Source: National Gender Equality Strategy 2016-2020</p>



<p><b>Outcome statement 2:</b> <b>Strengthened institutional representation of all citizens and municipalities:</b> The National Assembly and local parliaments are more responsive to the needs and interests of their constituencies and engage in informed and constructive debate. Local governments' interests are better taken into account in national policies.</p> <p><b>Indicators:</b></p> <p><b>Public perception of the National Assembly (SDC DDILGN R12):</b> Composite index of Public Perception of Parliament's Place and Role in Serbia (gender disaggregated): - Baseline (2015) %: positive 29, neutral 31, negative 40 - Target (2021) %: positive 34, neutral 29, negative 37</p> <p><b>Public perception of local parliaments (SDC DDILGN R12):</b> Local Assembly Accountability index: - Baseline (2016): 2.762 (average value of 25 LGs) - Target value (2021): 2.9</p> <p><b>Participatory reforms:</b> Public policies, legislation and reform programmes for decentralisation and local governance are increasingly developed through broad-based consultations with relevant stakeholders (modified SDC DDILGN R12) - Baseline (2017): The LG reforms have been initiated; however, there is no decentralisation strategy. Central government consults LGs on an ad hoc basis. The implementation of LG related laws is still limited. - Target value (2021): Set of new/improved policies and laws for LG reform prepared. LGs/SCTM continuously lead dialogue with the central government and relevant parliamentary committees, and participate in EU accession and IPA planning processes.</p>	<p>By strengthening representative institutions Switzerland contributes to implementing the laws and mechanisms of representation. Parliament is supported to hold the government accountable thus ensuring the system of checks and balances. Integrating people's interest in the work of local and national parliaments improves image and representation of people by these institutions. Supporting effective representation of LGs' interests in policy and law-making processes ensures more legitimacy, competencies and resources to LGs, where power is closest to the people. Local Assembly Accountability Index is composite and measures strength and ability of local parliaments to exercise oversight function and represent citizens in decision making processes. It also captures a gender dimension (however, not excluded groups).</p> <p><b>Milestones:</b></p> <ul style="list-style-type: none"> <li>• Policy dialogue is a key intervention measure.</li> </ul> <p><b>Assumptions:</b></p> <ul style="list-style-type: none"> <li>• Increased capacities of parliaments (at local and national level) lead to better representation of citizens.</li> <li>• More capacities of SCTM leads to better representation of municipalities' interests in national laws.</li> </ul> <p><b>Risks:</b></p> <ul style="list-style-type: none"> <li>• Frequent elections.</li> <li>• Without political will for electoral reforms unequal regional representation in the Parliament remains.</li> <li>• Executive power bypasses the legislative power by way of using urgent procedures.</li> <li>• Parliament does not exercise its function to call for accountability of the executive power.</li> </ul>	<p><b>Outcome statement 2:</b> <b>The National Assembly shall be the supreme representative body and the holder of constitutional and legislative power in the Republic of Serbia.</b> (Law on National Assembly) SDGs 5.5, 16.6, 16.7</p> <p><b>Indicator:</b> % of citizens declaring trust in the National Assembly - Baseline (2013): 24% - Target value (2021): to be assessed Source: UNDP public opinion poll (every two years)</p> <p><b>Local parliament shall be the supreme municipal body carrying out core functions of local government laid down by constitution law and municipal statutes.</b> (Law on Local Self-Government)</p> <p><b>Indicator:</b> no country indicator for performance of Local Assemblies.</p> <p><b>SCTM represents commonly established interests of its membership local governments during preparation of laws and policies for protecting, promoting and financing local governments' work.</b> (SCTM statutes)</p> <p><b>Indicator:</b> % of SCTM strategic plan implementation - Baseline (2017): SCTM has adopted strategy for 2018-2021 in a participative manner - Target value (2021): At least 60% of the strategy implemented Source: SCTM reports</p>
<p><b>Outcome statement 3:</b> <b>Informed citizens and CSOs engage in local decision-making, contribute to collaborative local governance initiatives and hold the government accountable.</b></p> <p><b>Indicators:</b></p> <p><b>Participatory budget processes:</b> % of municipalities that organize public hearings and debates (PDB) on budgets - Baseline (2015): 63/168 of all LGs organize PDB; 42/168 announce PDB in advance; 6/168 report to the public on PDB outcomes - Target value (2021): 84/168 of all LGs organize PDB on local budget; 25/168 organize PDB according to best practices</p> <p><b>Effectiveness of collaborative local governance initiatives:</b> No. of people within targeted LGs who benefit from services and initiatives provided by CSOs and/or through partnerships between CSOs and public entities - Baseline (2018): 0 - Target value (2021): At least 10,000 of which at least 2,000 from excluded groups; thereof 65% women, 35% men</p>	<p>By fostering local governments' capacities for carrying out public consultations, and by strengthening partnerships between CSOs and local governments, local and national parliaments, and CSO effectiveness, Switzerland contributes to increased participation of citizens in local policy making, access to basic rights and inclusive quality services. The notion "basic rights" covers: meeting all the legal preconditions for citizens to be able to access public services.</p> <p><b>Milestones:</b></p> <ul style="list-style-type: none"> <li>• Policy dialogue with LG on CSOs' function.</li> <li>• Law or bylaw (in preparation) on financing mechanism for CSOs through LG.</li> <li>• Ensure that local governments listen to CSOs.</li> <li>• Promote linkages between CSOs and the national/local parliaments concerning advocacy and accountability.</li> </ul> <p><b>Assumptions:</b></p> <ul style="list-style-type: none"> <li>• CSOs are an important entity to help citizens raise their voices.</li> <li>• CSOs operate in the interest of citizens.</li> </ul>	<p><b>Outcome statement 3:</b> <b>Increased citizen participation, transparency, improvement of ethical standards and responsibilities in the performance of public administration activities.</b> (PARAP 2015-17) enriched with draft amendments to the Local Self Governance Law, SCTM strategic plan 2018-2021, SIPRU national reports, Open Government Partnership Action Plan (OGP AP 2016-17) SDGs 5.5, 10.2, 16.6, 16.7</p> <p><b>Indicator:</b> % of PARAP implementation annually (part of PARAP relates to cooperation between public administration incl. LGs and CSOs) - Baseline (2016): 30% implemented; 34% partially implemented; 36% not implemented - Target value (2021): 100% implemented Source: MPALSG report (activity based)</p> <p><b>Indicator:</b> No. of LGs conducting public debates on local budgets – public debates on budget (PDB) - Baseline (2015): PDB 63/168 LGU; - Target value (2021): PDB 120/168 LGU; Source: Local Transparency Index (Transparency International); Good Governance Index</p>

<p><b>Effectiveness of civil society advocacy:</b> No. of CSO advocacy initiatives aimed at contributing to local decision-making and increasing accountability of government at national and local levels</p> <ul style="list-style-type: none"> <li>- Baseline (2018): 0</li> <li>- Target value (2021): 100</li> </ul> <p><b>Access to basic rights at the local level:</b> No. of people, including women and excluded groups using measures taken by public and civil society actors in targeted LGs to improve access to basic rights (modif: SDC DDLGN RI 5)</p> <ul style="list-style-type: none"> <li>- Baseline (2018): 0</li> <li>- Target value (2021): At least 5,500</li> </ul>	<p><b>Risks:</b></p> <ul style="list-style-type: none"> <li>• CSOs are donor dependent while government funding provided to CSOs is not transparent.</li> <li>• Diverging priorities of CSOs and LGs.</li> <li>• Possible tensions between service provision and advocacy function of CSOs.</li> </ul>
<p><b>(4) Lines of intervention (Swiss Programme)</b></p> <p>For outcome 1:</p> <ul style="list-style-type: none"> <li>• LGs are supported to apply good governance, social inclusion, gender equality and anti-corruption measures in regulations and service provision</li> <li>• Sub-national PFM supported (diagnostics, budget planning and execution, reporting and audits). LGs supported to better use own resources (property tax)</li> <li>• Policy dialogue supported between central and local levels on adequate division of labour and resources. Information-based policy making for LGs will be supported as well</li> <li>• Introduction of e-governance solutions will be supported</li> <li>• LGs supported to identify excluded groups, analyse their situation and factors preventing them to participate in society on equal terms and develop measures addressing exclusion</li> <li>• Migration councils at local level and other institutions targeting migrants will be offered support</li> </ul> <p>For outcome 2:</p> <ul style="list-style-type: none"> <li>• Parliaments at national and local levels are further supported to apply outreach and oversight mechanisms</li> <li>• If the Serbian government decides to pursue electoral reforms, better geographic representation in the National Assembly through new electoral legislation will be supported</li> <li>• SCTM assisted to promote LG interests in laws and policies, and implementation thereof in favour of LGs and its citizens. It will promote citizens' budget and public debates in LGs</li> <li>• Working groups of the parliament addressing excluded groups will be supported (primarily Roma, disabled persons, rural women and migrants)</li> </ul> <p>For outcome 3:</p> <ul style="list-style-type: none"> <li>• CSOs in local communities will be supported to develop and/or strengthen links with their constituencies, in particular outside of the capital</li> <li>• CSO capacities will be enhanced to identify and communicate needs and priorities of citizens. Policy platforms and consultations between CSOs and authorities will be supported</li> <li>• Government bodies will be supported to ensure ample capacity and room for consultation with the civil sector</li> <li>• CSO recommendations in policy and law making will be supported</li> </ul>	
<p><b>(5) Resources, partnerships (Swiss Programme)</b></p> <p><b>Tentative financial commitment:</b> CHF32.1m SDC and SECO</p> <p><b>Partnerships:</b></p> <ul style="list-style-type: none"> <li>- Line ministries: Ministry of Public Administration and Local Self-Government; Ministry of Finance (various departments); Ministry of Labour and Social Policy</li> <li>- Ministry of EU Integrations</li> <li>- National Assembly</li> <li>- SJPRU (Social Inclusion and Poverty Reduction Unit)</li> <li>- Local migration councils/ Commissariat for refugees and migration</li> <li>- SCTM and local governments countrywide</li> <li>- Civil Society Organisations</li> </ul>	
<p><b>(6) Management/performance results, including indicators (Swiss Programme), see chapter 6 of CS</b></p> <ul style="list-style-type: none"> <li>- Given the SCO's strong focus (but not only) on the local level, it is particularly well positioned to make the link between local and central levels and to contribute with evidenced-based policy recommendations, especially in the field of PFM and will participate actively in the sector working group on Public Administration Reform.</li> <li>- The human rights-based approach will be reinforced and a balance will be sought between support for duty bearers and rights holders. One measure envisaged is the development of a new project in support of civil society.</li> <li>- The SCO will put special emphasis on the coherence and sharpened focus of the governance portfolio. Some interventions will be restructured and synergies developed.</li> <li>- Excluded groups in the Governance domain shall be respectively Roma, rural women, disabled persons and migrants depending on outcomes targeting them and differentiated approach.</li> <li>- A new bilateral agreement with the Government of Serbia is found for the envisaged Swiss support to social inclusion and poverty reduction which allows to anchor the Social inclusion and poverty reduction unit within the national system.</li> </ul>	

<b>Domain of intervention 2: Economic Development and Employment (SDC, SECO)</b> <b>Overall objective: Inclusive and sustainable economic growth and increased quality employment for all</b> <b>Impact hypothesis:</b> Improved macro-economic institutions and framework conditions for dynamic entrepreneurship, enhanced competitiveness and sustainable trade, along with market-oriented skills development, contribute to inclusive and sustainable economic growth and quality employment for all, in particular in rural areas.		
<p><b>(1) Swiss portfolio outcomes</b></p> <p><b>Outcome statement 1:</b>  <b>Strengthened macro-economic institutions:</b> Key national public finance institutions improve their capacities; the financial system is strengthened, and PFM at national level is improved.</p> <p><b>Indicators:</b></p> <p><b>Quality of PFM at national level (SECO S11):</b> Measures for improving PFM in the following areas: public accounting, tax collection and management, government debt and risk management, disaster risk financing, government finance statistics</p> <ul style="list-style-type: none"> <li>- Baseline (2018): Insufficient measures to allow for a transparent, efficient and effective PFM system</li> <li>- Target value (2021): Improved/new measures to allow for a transparent, efficient and effective PFM system</li> </ul> <p><b>Key PFM indicators as per PEFA framework (SECO S12):</b>            Improvements in key PFM areas are achieved</p> <ul style="list-style-type: none"> <li>- Baseline (2018): According to PEFA Assessment 2016</li> <li>- Target value (2021): Improved key PFM indicators according to next PEFA Assessment</li> </ul> <p><b>Capacity development for key national public finance institutions (SECO S13):</b> Measures for improving capacity development in the following institutions: Tax Administration, Treasury, Public Debt Administration, Government Finance Statistics Office, Ministry of Finance</p> <ul style="list-style-type: none"> <li>- Baseline (2018): Lacking capacities at the Ministry of Finance and affiliated institutions to allow for a transparent, efficient and effective PFM system</li> <li>- Target value (2021): Improved capacities at the Ministry of Finance and affiliated institutions to allow for a more transparent, efficient and effective PFM system</li> </ul>	<p><b>(2) Contribution of Swiss Programme</b></p> <p>Switzerland will contribute to improved macro-economic stability by supporting the implementation of reforms and policy dialogue with respective key institutions (e.g. Ministry of Finance, Tax Administration, Treasury Administration, Public Debt Administration, National Statistics Office). Therefore, key national public finance institutions improve their capacity, which enables them to better implement national reforms. Switzerland engages actively in the informal PFM Donor Coordination Group and supports the establishment of the formal PFM Donor Coordination Group.</p> <p><b>Milestones:</b></p> <ul style="list-style-type: none"> <li>• Successful implementation of EU sector budget support.</li> </ul> <p><b>Assumptions:</b></p> <ul style="list-style-type: none"> <li>• EU sector budget support mechanism enforces implementation of PFM reforms by setting specific indicators.</li> </ul> <p><b>Risks:</b></p> <ul style="list-style-type: none"> <li>• IMF Stand-by Agreement expires in February 2018. If there is no follow up, there is a risk that the pace of reforms will slow down.</li> <li>• Lack of coordination among different stakeholders and insufficient guidance on reform prioritization hinder efficient and effective reform implementation.</li> <li>• Low human resource capacity of Ministry of Finance due to current legislative ban on hiring new staff in the public administration and the inability to attract highly-qualified finance experts due to low salaries in the public sector.</li> </ul>	<p><b>(3) Country development outcomes</b></p> <p><b>Outcome statement 1</b>  <b>Implementation of the national Public Finance Reform Programme leads to transparent, efficient and accountable PFM.</b> (PFM Reform Plan)</p> <p><b>Indicator:</b> Fiscal deficit as % of GDP</p> <ul style="list-style-type: none"> <li>- Baseline (2016): 1.4%</li> <li>- Target value (2019): 0.5%</li> </ul> <p>Source: Fiscal Strategy for 2017 with projections for 2018 and 2019</p> <p><b>Indicator:</b> VAT efficiency (C-efficiency) (an improvement in this indicator is an indirect indicator of decrease of grey economy in the country):</p> <ul style="list-style-type: none"> <li>- Baseline (2015): 72%</li> <li>- Target value (2021): 80%</li> </ul> <p>Source: Fiscal Council</p> <p><b>Indicator:</b> Public Finance Reform implementation</p> <ul style="list-style-type: none"> <li>- Baseline (2016): Situation addressed in PFM Reform Plan</li> <li>- Target value (2020): Successful implementation of PFM Reform Plan</li> </ul> <p>Source: PFM Reform Plan and Progress Reports of MoF</p>
<p><b>Outcome statement 2:</b>  <b>Improved Business Enabling Environment (BEE):</b> National and local authorities are implementing measures to improve the business enabling environment and access to finance at national and sub-national levels and to promote local economic development.</p> <p><b>Indicators:</b></p> <p><b>Improved rules and regulations and enhanced competitiveness for facilitating market access (SECO S114):</b> Extent to which insolvency legislation and corporate accounting and auditing standards are improved</p> <ul style="list-style-type: none"> <li>- Baseline (2018): The past insolvency legislation is no longer up-to-date and new insolvency legislation and corporate accounting and auditing standards are required</li> <li>- Target value (2021): New comprehensive and adequate insolvency legislation and corporate accounting and auditing standards are adopted</li> </ul>	<p><b>Outcome statement 2:</b>  <b>Improved business environment: An improved operating environment for doing business through evidence-based policies and regulatory simplification at national and sub-national levels.</b> (Economic Reform Program 2017-2019; Needs Assessment for International Assistance 2014-2017, with projections until 2020) SDG: 8.2</p> <p><b>Indicator:</b> % of GDP created by investments (thanks to improved rules and regulations)</p> <ul style="list-style-type: none"> <li>- Baseline (2016): 18%</li> <li>- Target value (2020): 30%</li> </ul> <p>Source: Serbia 2020-Concept of the development of the Republic of Serbia until 2020</p>	<p>Switzerland facilitates reforms aimed at creating a friendly business environment and promotes an institutional framework that further stimulates industry and entrepreneurship development by reducing or eliminating administrative and/or legislative barriers. This supports Serbia's efforts to achieve a functioning economy and a developed market. Switzerland contributes to improved rules and regulations, such as the new Insolvency Law and new corporate accounting and auditing standards, which will lead to increased investments. Switzerland builds capacities at sub-national level for Serbia to adequately implement national-level reforms. Local economic development and increased investments are promoted through strengthening local institutions and local framework conditions.</p>

<p><b>Direct compliance costs savings</b> (SECO S115): Cost savings in CHF by eliminating obstacles in the bankruptcy procedure, i.e. the value of liabilities administered by Insolvency Practitioners:</p> <ul style="list-style-type: none"> <li>- Baseline (2017): CHF110m</li> <li>- Target value (2021): CHF195m</li> </ul> <p><b>Local and regional economic development</b> (LED) (SDC): % of investments by local authorities from discretionary funding in local and regional economic development in 28 municipalities</p> <ul style="list-style-type: none"> <li>- Baseline (2014): 6.86%</li> <li>- Target value (2021): 7.55%</li> </ul>	<p><b>Assumptions:</b></p> <ul style="list-style-type: none"> <li>• Will of the national and local governments to improve the BEE exists.</li> <li>• Political will to continue towards European integration exists.</li> <li>• The need for reforms at the sub-national level is expressed.</li> </ul> <p><b>Risks:</b></p> <ul style="list-style-type: none"> <li>• Delays due to frequent premature elections at all levels.</li> <li>• Lack of understanding and resistance to change.</li> <li>• Lack of professional capacity to deal with reforms.</li> <li>• Lack of in-cash contributions of municipalities for conducting the reforms.</li> </ul>	<p><b>Indicator:</b> % of non-performing loans</p> <ul style="list-style-type: none"> <li>- Baseline (2017): 17%</li> <li>- Target value (2021): 7%</li> </ul> <p>Source: National Bank of Serbia</p> <p><b>Indicator:</b> Existence of sustainable regulatory mechanisms at sub-national level along with administrative capacities for increased attraction of investments</p> <ul style="list-style-type: none"> <li>- Baseline (2017): 16 municipalities</li> <li>- Target value (2021): 100 municipalities</li> </ul> <p>Source: Ministry of Public Administration and Local Self Governance, Ministry of EU Integration</p> <p><b>Indicator:</b> World Bank Doing Business ranking</p> <ul style="list-style-type: none"> <li>- Baseline (2017): 47</li> <li>- Target value (2021): 30</li> </ul> <p>Source: World Bank Doing Business Report</p>
<p><b>Outcome statement 3:</b> <b>Increased competitiveness:</b> Entrepreneurship has become more innovative and competitive; entrepreneurs create more sustainable and inclusive trade and value chains, creating more and better jobs.</p> <p><b>Indicators:</b></p> <p><b>Indicator 1A: Employment</b> (SDC adapted ARI E1): No. of people (M/F) employed in sectors of a) traditional agricultural products; b) tourism; and c) light processing industry</p> <ul style="list-style-type: none"> <li>- Baseline (2018): 0</li> <li>- Target value (2021): at least 3,500 out of which at least 40% women ( a) traditional agricultural products 2,220; b) tourism 700 and c) light processing industry 600)</li> </ul> <p><b>Indicator 1B: Jobs</b> (SECO S19): No. of jobs created and maintained in the sector of high-tech and innovation</p> <ul style="list-style-type: none"> <li>- Baseline (2018): 0</li> <li>- Target value (2021): at least 300 out of which at least 25% for women</li> </ul> <p><b>Income</b> (SDC ARI E1): Income generation in sectors of a) traditional agricultural products; b) tourism; c) light processing industry and d) small and medium enterprises (SMEs) in CHF</p> <ul style="list-style-type: none"> <li>- Baseline (2018): 0</li> <li>- Target value (2021): at least CHF10m</li> </ul> <p><b>High-tech export volumes</b> (SECO S118): Export volumes of sustainable goods and services (high-tech) (in millions of CHF)</p> <ul style="list-style-type: none"> <li>- Baseline (2018): 0</li> <li>- Target value (2021): at least CHF7m</li> </ul>	<p>Switzerland promotes economic growth, innovation and increased competitiveness of the economy, which are a realistic base for increased employment and improved living standards of the population.</p> <p>Switzerland supports the development of entrepreneurship in general and specifically in the high-tech sector, which will lead to increased competitiveness, employment and exports.</p> <p>Strengthening selected value chains will lead to economic growth based on more and higher quality exports and better productivity. Support for economic development in rural areas addresses rural to urban migration. Obstacles for women accessing and maintaining employment (gender-specific employment measures) are also addressed.</p> <p><b>Assumptions:</b></p> <ul style="list-style-type: none"> <li>• The diversification of value chains and sales channels, will lead to increased sales and thus contribute to increased employment</li> <li>• Improved skills (knowledge and information) and, high quality workforce, will increase sales to end markets.</li> <li>• Income generation contributes to inclusive economic growth and quality employment</li> </ul> <p><b>Risks:</b></p> <ul style="list-style-type: none"> <li>• Natural, climate hazards could influence performance of the selected sectors (traditional agricultural products tourism).</li> <li>• Migration from rural areas (traditional agricultural sector) and brain drain (for high-tech) will impede development of the targeted sectors.</li> <li>• Terms of trade may change, currency fluctuations and change of prices on the international markets.</li> </ul>	<p><b>Outcome statement 3:</b> <b>Dynamic entrepreneurship, increased competitiveness, export and innovation of enterprises within a well-functioning market economy.</b> (Economic Reform Program 2017-2019, Needs Assessment for International Assistance 2014-2017, with projections until 2020) SDG: 8.2; 8.3</p> <p><b>Indicator:</b> Unemployment rate</p> <ul style="list-style-type: none"> <li>- Baseline (2017): 16.0%</li> <li>- Target value (2020): 10.8%</li> </ul> <p>Source: National Strategy for Employment (2011-2020)</p> <p><b>Indicator:</b> Annual high-tech exports in EUR</p> <ul style="list-style-type: none"> <li>- Baseline (2017): EUR400m</li> <li>- Target value (2022): EUR1500m</li> </ul> <p>Source: Government of Serbia - Priority goals and activities for all government bodies for the purpose of improving the IT sector in Serbia (2017-2022)</p> <p><b>Indicator:</b> Export of tourism services (to foreign tourists) in EUR</p> <ul style="list-style-type: none"> <li>- Baseline (2017): EUR1.04bn</li> <li>- Target value (2020): EUR2.5bn</li> </ul> <p>Source: National Tourism Strategy (2016-2026)</p> <p><b>Indicator:</b> Raspberry (as one traditional agricultural product) exports in tonnes per annum</p> <ul style="list-style-type: none"> <li>- Baseline (2016): 88,000 tons</li> <li>- Target value (2021): 115,000 tons (30% increase)</li> </ul> <p>Source: Serbian Chamber of Commerce, Serbian Association of raspberry producers</p>

<p><b>Outcome statement 4:</b> <b>Employability and employment:</b> Young people benefit from inclusive and improved market-oriented skills development, which results in employment.</p> <p><b>Indicators:</b></p> <p><b>Vocational skills development and active labour market measures</b> (SDC ARI EV3): No. of youth (15-24 yrs) and adults (&gt;24 yrs) (M/F) who gained access to improved vocational training and labour market information, internship placement and career guidance services  - Baseline (2017): 0  - Target value (2019): 7,500, of which at least 50% are female</p> <p><b>Youth employment and employability</b> (Common Outcome Indicator COI 2) (SDC): No. of government policies using an evidence-based and results-oriented approach to market-oriented non-formal adult education and training  - Baseline (2017): 0  - Target value (2021): 3 (National Employment Action Plan 2018/19, Action Plan for Youth Strategy 2018/2020, Traineeship quality framework legislation 2018)</p> <p><b>Increased Employment</b> (SDC): No. of Swiss-supported non-formal adult education and training participants with employment contracts 12 months after completion of training programme (by gender and excluded groups)  - Baseline (2017): 0  - Target value (2019): at least 350, of which at least 50% women and up to 5% excluded persons</p>	<p>Switzerland supports improving and enlarging the offer of formal and non-formal training according to market needs.  By promoting the elements of work-based learning and through the improvement of active labour market measures and career counselling, Switzerland supports Serbia to reduce the unemployment of youth and job mismatch.  Swiss support to engagement of the private sector by facilitating the collaboration of training providers and companies contributes to increased youth employability.  Switzerland provides support at policy, institutional and operational level, fostering also the inter-ministerial collaboration. Exclusion factors are addressed and measures for better employability of excluded groups and youth are supported.</p> <p><b>Milestones:</b></p> <ul style="list-style-type: none"> <li>• Switzerland promotes donor coordination and a coordinated policy dialogue with the Serbian government related to VET reform, promoting a private sector-responsive legal framework for dual education and training.</li> <li>• Switzerland contributes to the implementation of the ESRP promoting evidence-based and results-oriented approaches for youth employment</li> </ul> <p><b>Assumptions:</b></p> <ul style="list-style-type: none"> <li>• Adequate response of the private and public sector in Serbia.</li> <li>• Adequate response to offered trainings by young people and trainers.</li> </ul> <p><b>Risks:</b></p> <ul style="list-style-type: none"> <li>• Position of SMEs may worsen especially in comparison to international companies that are benefiting of government subsidies for employment.</li> <li>• Migration from the targeted regions may continue.</li> </ul>	<p><b>Outcome statement 4:</b> <b>Improved status of youth in labour market.</b> (Employment and Social Reform Programme 2016-2020)  SDG: 4.3 4.4 8.6</p> <p><b>Indicator:</b> Youth unemployment (15-24) rate  - Baseline youth 15-24 (2016): 34.9%  - Target value youth 15-24(2020): 24.0%  Source: National Employment Strategy (2011-2020)</p> <p><b>Indicator:</b> Youth aged 15-24 not in employment, education or training rate:  - Baseline (2014): 20%  - Target value (2018): 15% (will be updated according to updated national targets)  Source: Employment and Social Reform Program</p>
<p><b>(4) Lines of intervention (Swiss Programme)</b></p> <p><u>For outcome 1:</u></p> <ul style="list-style-type: none"> <li>• Support to public accounting reform</li> <li>• Support to tax administration reform</li> <li>• Improve capacity for government finance statistics</li> <li>• Government debt and risk management</li> <li>• Disaster risk financing and insurance</li> <li>• PFM project at central level (to be developed)</li> </ul> <p><u>For outcome 2:</u></p> <ul style="list-style-type: none"> <li>• Enhanced investment climate by improving the institutional and technical capacity of supervisory authorities and professional accounting reporting in line with the acquis communautaire and good international practice.</li> <li>• Creation of a more effective debt resolution framework that will contribute to economic growth, rise in employment and increased wealth of the population.</li> <li>• Reduced cost of transferring remittances and increased percentage of remittances that are operated through formal channels along with extending basic financial services to formerly “unbanked” populations.</li> <li>• Support for rural and regional development policies to secure more discretionary funds for municipalities and rural areas.</li> <li>• Improved Framework for Local Economic Development (project to be developed)</li> </ul>		

<p><b>For outcome 3:</b></p> <ul style="list-style-type: none"> <li>• Local economic development is strengthened and rural migration is reduced by increasing employment and income opportunities, particularly for women and youth.</li> <li>• Support to knowledge based economic growth.</li> <li>• Better integration into world trade through strengthening the competitive position and facilitation of market access/exports of companies to Switzerland, EU and regional markets.</li> <li>• Strengthening the entrepreneurship ecosystem and individual actors through strengthening the business models of entrepreneurship organizations which are developing business start-ups and/or advancing growth enterprises; strengthening the pool of mentors; and identifying investment opportunities among start-up enterprises.</li> </ul> <p><b>For outcome 4:</b></p> <ul style="list-style-type: none"> <li>• On policy level to support the development of evidence-based employment policies.</li> <li>• At operational level, to develop and implement models of market-oriented non-formal and adult education and training programmes through active engagement of the private sector.</li> </ul>
<p><b>(5) Resources, partnerships (Swiss Programme)</b></p> <p><b>Tentative financial commitment:</b> CHF474m SDC and SECO</p> <p><b>Partnerships:</b></p> <ul style="list-style-type: none"> <li>- Ministry of Finance; Ministry of Economy; Ministry of Public Administration and Local Self-Government; Ministry of Agriculture and Environmental Protection; Ministry of Trade, Tourism and Telecommunications;</li> <li>- Ministry of Education, Science and Technological Development; Ministry of Labour, Employment, Veteran and Social Affairs; Ministry of Youth and Sports; National Statistics Office</li> <li>- Ministry of EU Integration</li> <li>- Serbian Chamber of Commerce</li> <li>- World Bank; IMF; IFC</li> <li>- European Delegation in Serbia</li> </ul>
<p><b>(6) Management/performance results, including indicators (Swiss Programme), see chapter 6 of CS</b></p> <ul style="list-style-type: none"> <li>- Programme interventions consider the needs of targeted excluded groups in a differentiated way in implementation and steering. The excluded groups in the domain are: youth; women; rural inhabitants and their households.</li> <li>- Gender-sensitive interventions, such as targeted education, will result in women's employment, which will bring additional social benefits for women and their families.</li> </ul>

<b>Domain of intervention 3: Sustainable Energy and Resilient Cities (SECO)</b> <b>Overall objective: Increased energy sustainability and improved resilience of cities</b> <b>Impact hypothesis: Serbian local and national governments and institutions are strengthened to reach national targets related to energy efficiency and renewable energy, by enabling and piloting the use of renewable energy, supporting the implementation of energy efficiency measures and strengthening energy management. Additionally, at municipal level, specific infrastructure investment measures linked with capacity development will enable local self-governments to further increase their resilience. Combined, this will lead to a reduction of CO2 emissions and improved living conditions for Serbian citizens</b>		
<p><b>(1) Swiss portfolio outcomes</b></p> <p><b>Outcome statement 1:</b>  <b>Increased energy efficiency:</b> Implementation of energy efficiency measures in public infrastructure and buildings in and by selected municipalities increases energy efficiency.</p> <p><b>Indicators:</b></p> <p><b>Energy efficiency</b> (SECO S12.4): Amount of kilowatt hours saved through energy efficiency measures  - Baseline (2015): 0  - Target value (2021): tbd after inception phase (MIEEMP)</p> <p><b>Greenhouse gas emissions</b> (SECO S12.3): Amount of CO2 saved  - Baseline (2018): 0  - Target value (2021): 3,352t CO2 (MIEEMP)</p> <p><b>Living and working conditions</b> (SECO): No. of people benefiting from energy efficiency measures in terms of improved living and working conditions in rehabilitated buildings.  - Baseline (2018): 0  - Target value (2021): 10,500 people (MIEEMP)</p>	<p><b>(2) Contribution of Swiss Programme</b></p> <p>Implementation of energy efficiency measures in selected public infrastructure leads to increased energy efficiency in Serbia. Accordingly, this contributes to Serbia's achievement of the EU requirements. The implemented energy efficiency measures, including rehabilitation of public buildings (schools and hospitals), benefit pupils, teachers, patients and medical staff.</p> <p><b>Milestone:</b></p> <ul style="list-style-type: none"> <li>• Create awareness in Serbia for the need of reducing energy consumption, in coordination with other donors.</li> </ul> <p><b>Assumptions:</b></p> <ul style="list-style-type: none"> <li>• Positive and proactive attitude of the government towards implementing energy legislation.</li> <li>• Besides the public sector, the private sector is also reactive.</li> <li>• Government creates an enabling environment for investment in energy efficiency.</li> </ul> <p><b>Risks:</b></p> <ul style="list-style-type: none"> <li>• Interventions are too small to make a significant difference across all sectors.</li> <li>• Most buildings needing energy efficiency measures are very old and wider reconstruction efforts are necessary.</li> </ul>	<p><b>(3) Country development outcomes</b></p> <p><b>Outcome statement 1:</b>  <b>Increased energy efficiency according to National Energy Efficiency Action Plan</b>  SDG 7.3, 9.4</p> <p><b>Indicator:</b> % of energy saved since 2008  - Baseline (2008): 0  - Target value (2018): 9% (the updated goal will be defined by the government in 2018)  Source: National Energy Efficiency Action Plan, in accordance with Directive 2006/32/ EC</p> <p><b>Indicator:</b> % of greenhouse gas emissions (CO2) reduced since 1990  - Baseline (1990): 0  - Target value (2030): 9.8%  Source: Serbian commitment in the frame of the Paris Declaration 2015</p>
<p><b>Outcome statement 2:</b>  <b>Increased use of renewable energy sources:</b> Energy providers/public utilities use more energy from renewable sources and innovative technologies in particular for district heating.</p> <p><b>Indicators:</b></p> <p><b>Renewable energy sources</b> (SECO S12.4): Amount of kilowatt hours additionally produced from renewable energy sources  - Baseline (2018): 0  - Target value (2021): tbd after inception phase (MIEEMP)</p> <p><b>Saved greenhouse gas emissions</b> (SECO S12.3): Amount of tCO2 saved and avoided  - Baseline (2018): 0  - Target value (2021): tbd after inception phase (MIEEMP)</p>	<p>With specific investment projects, fossil fuels are replaced with renewable energy sources. With pilot projects, innovative technologies will be tested and showcased to encourage replication and investments in similar projects. Altogether, these efforts increase energy production from renewable sources, resulting in an increased share of renewable energy in the final energy consumption of Serbia. In addition to heat production from renewable energy sources and energy efficiency measures, the electricity production from renewable energy sources must be increased as well in order to reach the national target for renewable energy share in the total final energy consumption.</p> <p><b>Milestone:</b></p> <ul style="list-style-type: none"> <li>• Create awareness in Serbia for the use of renewable energy sources by showcasing successful examples and innovative technologies to public decision makers.</li> </ul> <p><b>Assumptions:</b></p> <ul style="list-style-type: none"> <li>• Government creates an enabling environment for introduction of renewable energy sources.</li> </ul> <p><b>Risks:</b></p> <ul style="list-style-type: none"> <li>• Feed-in tariffs, as the existing mechanism to introduce renewable energy, might be changed to a less advantageous system.</li> </ul>	<p><b>Outcome statement 2:</b>  <b>Increased use of renewable sources.</b> (National Energy Sector Development Strategy 2025 with projections by 2030)  SDG 7.3; 9.4</p> <p><b>Indicator:</b> % of renewable energy in the Serbian energy portfolio  - Baseline (2009): 21 %  Source: National Energy Sector Development Strategy 2025 with projections by 2030  - Target value (2020): 27%  Source: National Action Plan for RES in accordance with Directive 2009/28/ EC</p>

<p><b>Outcome statement 3:</b> <b>Increased resilience of cities:</b> Improved planning and management of selected local self-governments, including targeted infrastructure measures, increases their resilience.</p> <p><b>Indicators:</b></p> <p><b>Beneficiaries of sustainable urban development</b> (SECO S121): No. of inhabitants benefitting from sustainable urban development projects (e.g., energy, disaster risk reduction)</p> <ul style="list-style-type: none"> <li>- Baseline (2018): 0</li> <li>- Target value (2021): estimated inhabitants 130,300 (Paracin 52,250 + Uzice 78,000 + Vrbas 48,900 + Krusevac 131,400) (MEEMP)</li> </ul> <p><b>Sustainable urban development and cities</b> (SECO S122): No. of cities with urban development measures (e.g., energy, disaster risk reduction)</p> <ul style="list-style-type: none"> <li>- Baseline (2018): 0</li> <li>- Target value (2021): minimum 4 (Paracin, Uzice, Vrbas and Krusevac)</li> </ul> <p><b>European Energy Award</b> (EEA): No. of EEA-awarded local self-governments</p> <ul style="list-style-type: none"> <li>- Baseline (2018): 0</li> <li>- Target value (2021): 4 (Vrbas, Paracin, Uzice and Krusevac)</li> </ul>	<p>Capacity development: municipal staff will improve their management capacities to sustainably implement infrastructure. In particular, the application of the European Energy Award approach leads to improvement of their general energy management capacities. Additional activities in disaster risk reduction (DRR) and potentially urban development will further increase the (climate) resilience of municipalities.</p> <p><b>Milestones:</b></p> <ul style="list-style-type: none"> <li>• Sensitize public administration staff for taking into account principles of good governance while planning and implementing infrastructure priorities.</li> </ul> <p><b>Assumptions:</b></p> <ul style="list-style-type: none"> <li>• Good cooperation between national and local level.</li> <li>• Positive attitude of municipality to implement energy legislation.</li> </ul> <p><b>Risks:</b></p> <ul style="list-style-type: none"> <li>• Delays due to decision-making processes in the relevant ministries and municipalities.</li> </ul>	<p><b>Outcome statement 3:</b> <b>Municipalities are accountable for improving energy management and increasing resilience.</b> (Law on Rational Use of Energy, National Program for Disaster Risk Management)</p> <p>SDG 11.3</p> <p><b>Indicator:</b> % of local self-governments that have appointed Energy Managers</p> <ul style="list-style-type: none"> <li>- Baseline (2018): 79</li> <li>- Target value (2020): 145</li> </ul> <p>Source: Law on the Efficient Use of Energy</p> <p><b>Indicator:</b> % of local self-governments that have a good understanding and assessment of risks related to natural and other disasters</p> <ul style="list-style-type: none"> <li>- Baseline (2015): 2%</li> <li>- Target value (2021): 25-30%</li> </ul> <p>Source: Law on Natural and Other Hazard Risk Reduction and Emergency Management</p>
<p><b>(4) Lines of intervention (Swiss Programme)</b></p> <p><u>For outcome 1:</u></p> <ul style="list-style-type: none"> <li>• MEEMP: energy efficiency measures at public buildings at 4 municipalities</li> <li>• Energy efficiency measures in the District Heating Systems</li> </ul> <p><u>For outcome 2:</u></p> <ul style="list-style-type: none"> <li>• KfW Biomass project: fuel switch to biomass in district heating companies of selected municipalities</li> </ul> <p><u>For outcome 3:</u></p> <ul style="list-style-type: none"> <li>• MEEMP: introduction of European Energy Award for selected municipalities</li> <li>• MDRRP: targeted interventions to increase the disaster risk resilience in two municipalities</li> </ul> <p><u>Regional Projects</u></p> <ul style="list-style-type: none"> <li>• Regional Capacity Development Network (focusing on the water sector)</li> <li>• ECA- PPP</li> </ul>		
<p><b>(5) Resources, partnerships (Swiss Programme)</b></p> <p><b>Tentative financial commitment:</b> CHF15m SECO</p> <p><b>Partnerships:</b></p> <ul style="list-style-type: none"> <li>- Ministry of Mining and Energy</li> <li>- Public Investment Management Office (PIMO)</li> <li>- City of Belgrade</li> <li>- Local self-governments</li> <li>- KfW</li> <li>- Civil Society Organisations</li> </ul>		
<p><b>(6) Management/performance results, including indicators (Swiss Programme), see chapter 6 of CS</b></p> <ul style="list-style-type: none"> <li>- During the absence of a proper functioning formal donor coordination, Switzerland will continue to be engaged in the informal donor coordination group and have a close exchange with other donors active in the sector to promote sustainable energy in Serbia.</li> <li>- Gender equality will be improved by creating a network of women active in the energy sector. Energy projects will be able to rely on this network, which can potentially also be used to influence policy and decision making processes.</li> </ul>		



<b>Management Performance Results (valid for all domains)</b>	
<b>Outcomes</b>	<b>Indicators</b>
In the absence of a national development vision, Switzerland promotes the SDGs in Serbia to sensitise for a transition process that leaves no one behind	<ul style="list-style-type: none"> <li>- Multi-stakeholder platform of think tanks, private sector and civil society is established and society also outside Belgrade understand why the SDGs matter for them</li> <li>- Issues of public concern and interest as well as values are brought up to the policy domain in a bottom-up approach</li> <li>- Complementarity of SDG agenda with EU reform policy is ensured</li> </ul>
The SCO fulfils its role as lead donor of the complex sector working group Human Resources and Social Development	<ul style="list-style-type: none"> <li>- Good coordination with the lead Ministries (Ministries of Labour, Employment, Veteran and Social Affairs and Ministry of EU Integration)</li> <li>- Improved inter-ministerial and cross-cutting consideration of inclusion and gender equality as way to ensure sustainable results and an inclusive development</li> </ul>
Partners capacities for transversal themes and results-based management (RBM) are ensured	<ul style="list-style-type: none"> <li>- Regular assessment of contextual, programmatic and institutional risk carried out and eventual mitigation measures implemented</li> <li>- Regular exchange with partners taking place and raised awareness on transversal theme, inclusion is addressed as part of the non-discrimination principle</li> <li>- Exchange with partners on RBM and improved reporting and steering decisions</li> </ul>
Effective policy influencing with a focus on specific topics where Switzerland has an added value (VET, PFM, inclusive reforms, local value chains) fosters a coherent and effective Swiss approach	<ul style="list-style-type: none"> <li>- Policy dialogue is an integral part of Swiss interventions</li> <li>- Swiss soft power and credibility are better used</li> <li>- Roles and responsibilities (Civil society, partners, SCO, Embassy) are clear and respective messages defined and constantly adapted</li> </ul>

# Annex 3: Budget Allocations

Disbursements planned 2018 - 2021					
Domain	SDC Mio CHF	in % of total	SECO Mio CHF	in % of total	Total SDC & SECO Mio CHF
Governance	32.2	52%	2.0	6%	34.2
Economic Development and Employment	25.0	41%	20.0	55%	45.0
Sustainable Energy and Resilient Cities	n/a	n/a	14.0	39%	14.0
Other interventions*	4.5	7%	n/a	n/a	4.5
<b>Total budget allocation 2018 - 2021</b>	<b>61.7</b>	<b>100%</b>	<b>36.0</b>	<b>100%</b>	<b>97.7</b>

Commitments planned 2018 - 2021					
Domain	SDC Mio CHF	in % of total	SECO Mio CHF	in % of total	Total SDC & SECO Mio CHF
Governance	34.8	52%	3.0	8%	37.8
Economic Development and Employment	27.7	41%	20.0	53%	47.7
Sustainable Energy and Resilient Cities	n/a	n/a	15.0	39%	15.0
Other interventions*	4.5	7%	n/a	n/a	4.5
<b>Total budget allocation 2018 - 2021</b>	<b>67.0</b>	<b>100%</b>	<b>38.0</b>	<b>100%</b>	<b>105.0</b>

\* Without office management costs, incl. small actions/global credit SCO. Estimated office management costs for the International Cooperation amount to CHF 1.5 million/year. In addition, SEM is planning to disburse CHF 2.0m during the period 2016-19. Serbia also benefits from regional and global initiatives financed by Swiss cooperation. When these measures are not earmarked to a specific country, they are not included in the financial projections for this strategy.

# Annex 4: Photo Legend

Photo	Location	Project
Page 5	Kosjeric	Private sector development in southwest Serbia: support to raspberry production in west Serbia
Page 6	Donja Kamenica	Oldest church in the country
Page 7	Knjazevac	Everyday life in Serbia
Page 8	Kikinda	Everyday life in Serbia
Page 9	Novi Pazar	European PROGRES: support to entrepreneurship: coffee shop
Page 10	Novi Sad	Strengthening the oversight function and transparency of the Parliament: debate on e-parliament initiatives
Page 11	Belanovica, Ljig	Private sector development in southwest Serbia: support to honey production in west Serbia
Page 12	Obrenovac	Support to migration management in Serbia: leisure activities in migrant reception center
Page 13	Novi Pazar	European PROGRES: support to entrepreneurship: textile school
Page 14	Belgrade	Strengthening the oversight function and transparency of the Parliament: National Parliament
Page 15	Arandjelovac	Reform of Local Finance Project (RELOF): enhancement of local finances planning workshop
Page 16	Kragujevac	From Education to Employment (E2E): apprentice training session in an engineering company
Page 17	Padinska Skela, Belgrade	Combined heat and power plant fuelled by biomass: energy efficiency measures in Hospital Dr. Laza Lazarevic
Page 18	Subotica	Prevention of irregular migration and support to reintegration of returnees in Serbia: returnees family participating in integration program
Page 20	Bobija Mountain	Hiking group enjoying the view

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