6. The accession negotiations in the area of EU Regional Policy: a view from Serbia

6.1. Preparation of Serbia for the EU regional policy and negotiations in Chapter 22: Regional policy and coordination of structural funds

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6.1.1. Introduction

Chapter 22 encompasses legislation that pertains to the planning and implementation of cohesion policy through the utilization of structural and investment funds, delineating the cohesion policy for the period 2021-2027, detailing the available funds (European Fund for Regional Development, European Social Fund, and Cohesion Fund), activities (infrastructural projects, education and professional development, research, innovation, entrepreneurship), as well as the strategic and institutional framework (MEI 2024)[1]. The funding allocated for cohesion purposes constitutes over 35% of the EU budget for the period 2021-2027 (Epis 2023)[2], while in the 2014-2020 EU budget, approximately 960 billion euros were available for cohesion (Mirić, Knežević 2015, 3)[3].

Considering this, it represents a significant area of interest for candidate countries aspiring to become future members of the European Union, particularly in the context of preparing their systems to absorb the funds (BOŠ 2015)[4]. And vice versa: the EU institutions need to be persuaded that the future member state has the capacity to participate in the allocation of these resources. If inadequately prepared, the country might end up contributing more to the EU budget than benefiting from cohesion funds. Meanwhile, pre-accession funds such as those available under IPA and IPARD support the decentralized use of financial resources as a practice for future management of EU cohesion funds.

The de jure commencement of accession negotiations between Serbia and the EU was formally initiated on 21 January 2014 during an intergovernmental conference in Brussels (De Facto, 2015)[5]. The 2015 screening report revealed that Serbian legislation was partially aligned with the EU cohesion policy and legislation, namely in domains of competition policy, state aid, public procurement, anti-discriminatory practices and gender equality, environment and traffic; it also referred to the need to adapt and establish institutional capacities for decentralized management of funds, as well as to invest in human (administrative) resources required for the aforementioned fields (MEI 2015, 3-6)[6]. The report issued a recommendation to open the negotiating chapter following the presentation of Action plan, with a detailed timeline of activities, determining goals and dynamics for fulfilling EU criteria in that regard (MEI 2015, 7)[7]. However, it took Serbia four years to fulfil that benchmark by submitting to the European Commission the Action plan for fulfilling obligations in domain of EU cohesion policy (2019), indicating difficulties in planning,

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enforcing and identifying obstacles in that field. As there are no formal benchmarks remaining for opening this chapter, Serbia should focus on further adapting its legislative and institutional settings to meet the requirements of this policy.

As of 2023 Progress report, Serbia remains moderately prepared (numerical value: 3) to meet EU membership obligations in the area of regional policy and coordination of structural instruments, with "limited progress" (numerical value: 2) observed comparing to 2022 Progress report (EC 2023, 142)[8]. Whereas the overall preparedness level remains moderate, the 2023 report identifies a slight improvement comparing to the 2022 report which noted no progress in terms of alignment with the recommendations for that chapter (EC 2022, 129-130)[9], which was also recorded in 2021 comparing to 2020 (EC 2021, 120)[10]. The European Commission in 2023 recommended that the country should urgently implement the action plan on cohesion policy and ensure the timely implementation of IPA III multiannual operational programmes under indirect management; develop capacity for indirect management of IPA programmes, including operational programmes, and ensure sustainable human resources in that regard; and, make sure that all instruments are aligned with EU requirements in terms of programming and partnership principles and factor in the requirements of the future structural/cohesion funds in the institutional set-up (EC 2023, 142)[11].

This paper aims to reflect on the developments, achievements, and challenges for Serbia in the context of preparations to meet EU membership obligations regarding Chapter 22. The analysis is focused on the main domains identified by the European Commission, namely: legislative framework, institutions, administrative capacities, and programming. The paper is divided into several subchapters: the normative framework, the institutional framework for managing the cohesion policy, the political perspective, and the concluding remarks, including recommendations.

6.1.2. Legal framework

Establishing a system for managing funds/programs in the function of the overall development of the member state is crucial, involving significant challenges such as planning/programming, implementation, monitoring, evaluation, and financial management and control to ensure effective, efficient, and transparent use of funds for economic and social development (EUIC 2015, 28)[12]. According to the 2023 Progress report, Serbia is yet to adopt a legal framework for cohesion policy, but work on the law has reached an advanced stage (EC 2023, 142)[13]. Whereas multiannual budget planning is regulated through the Law on the budget system, and national co-financing for EU pre-accession programmes persists at project level, Serbia needs to systematically address the co-financing and enforcement of multiannual operational programmes (EC 2023, 142)[14]. The decree providing the legal basis for the functioning of the Audit Authority under IPA III was adopted in 2023, which signals some development in that regard.

6.1.2.1. Regional Development Law

Regional Development Law was adopted in 2009 (Paragraf.rs 2009)[15]. This marked a decisive change in the domain of regional development, perceiving it as an instrument to achieve overall socio-economic sustainable development, reduce inter-regional and intra-regional inequalities, address negative demographic trends, promote competition, and encourage more efficient use of goods and natural resources (Petrović 2020, 50)[16]. Apart from setting the standards in differentiating between more and less developed parts of Serbia, this act delineated the competences of various institutions in the domain of regional development, introduced new ones, and proclaimed the five statistical regions in its Article 5: Vojvodina, Belgrade, Šumadija and Western Serbia, Southern and Eastern Serbia, and Kosovo-Metohija (Paragraf.rs 2009, Article 5)[17]. Relying on this act, the Regulation on the nomenclature of statistical territorial units in 2010 recognized two NUTS-1 level units: Serbia – North and Serbia – South[18]. When it comes to the NUTS-2 level, these are the following: Belgrade and Vojvodina (situated in Serbia – North) and

Šumadija and Western Serbia, Southern and Eastern Serbia, and Kosovo-Metohija (situated in Serbia – South). These acts have enabled a greater focus, and insights, into the specificities of each region. As per the 2022 Census, the overall majority of the population was concentrated in the two northern NUTS-2 regions (51,5% or 3.421.635 in Serbia – North out of 6.647.003 for the entire territory of Serbia, compared to 3.225.368 for Serbia - South) (Popis 2022)[19].

The Regional Development Act also envisaged the adoption of the National Regional Development Plan (Article 15), Regional Strategy (Article 16) and programs for financing regional development (Article 17) (Paragraf.rs 2009)[20]. Once defined, the National Regional Development Plan is expected to last 10 years, while regional development strategies (for each NUTS-2 region) – 5 years (RAS, 2023)[21]. Meanwhile, both Strategy for sustainable development (2009-2017) and Strategy for regional development (up to 2012) expired. The National Convent urged in 2023 to urgently adopt the Development Plan of Serbia, the Investment Plan, alongside adopting the Law on the establishment and functioning of the cohesion policy management system (NCEU 2023, 83-86)[22].

However, the IPA fund management system, serving as an operational instrument/practicing tool for the future cohesion funds system, does not currently appear to rely on the Regional Development Law. The Action Plan for Chapter 22 does not provide detailed elaboration on the actual roles of various bodies (regional development councils, regional development agencies, etc.) in the process of using or managing those funds (MEI 2019)[23]. In the current stage, there seems to be a discrepancy between the formal existence of a legal framework and institutions, while on the other hand, managing EU funds does not seem to rely much on these provisions or bodies. Some of these issues are linked to underdeveloped human/administrative capacities and insufficient planning in that regard. However, that is not the sole problem, as will be further discussed in this paper.

On the basis of the Regional Development Law, National Regional Development Agency (NRDA) was established in 2009. However, its work was discontinued in 2016, when it was replaced by the more broad Development Agency of Serbia - DAS (RAS, 2023)[24]. DAS primarily aims to attract FDI (foreign direct investments), while taking into account regional and economic development; its accredited regional subsidiaries exist in 16 cities across Serbia (Ibid). The goal is to attract foreign investments in the economically underprivileged regions and thus contribute to a more balanced regional development. Pjanić and Mitrašević find that foreign direct investments play a crucial role in the country's strategic development, and that Serbia has been relatively successful in that regard (Pjanić, Mitrašević 2021, 263)[25]. However, while this institution is, among other things, likely envisioned as a partner body to support actions and meet the criteria under Chapter 22, it is challenging to determine the actual role and specific effects of that institution in the aforementioned EU integration context, especially considering its broadly-set competences and aims.

When it comes to rural development, Directorate for Agrarian Payments represents a responsible agency for relevant IPA component – IPARD (Instrument for Pre-accession Assistance in Rural Development). First established in Šabac, it was later moved to Belgrade in order to adequately meet the accreditation demands for managing EU pre-accession funds in that regard. Serbia did not manage to use the funds available under IPARD II (2014-2020) even by 2023, so another extension was granted by the European Union to use the remaining IPARD II funds during 2024 (Tanjug/RTV 2023)[26]. Meanwhile, IPARD III (2021-2027), worth 288 million EUR – 65% more than IPARD II – has been initiated (EC 2024)[27]. Considering the aforementioned, it could be stated that Serbia, even 12 years after obtaining EU candidacy and beginning to prepare for using the funds for rural development, still does not succeed in making full use of these funds – which are much lower compared to actual EU funds in that regard. To illustrate this, while during 2021-2027, Serbia has at its disposal 288 million EUR, Croatia has several billion EUR under different actions and programs (EC 2022)[28]. Considering the importance of the agrarian sector in Serbian economy (Statista, 2024)[29] and the fact that hundreds of thousands of people directly depend on agriculture for their livelihoods, it is of uttermost significance that the country absorbs as much of the pre-accession funds as possible in order to secure a smoother transition to the much more diverse and larger EU funds.

6.1.2.2. Other important acts

The Law on the Fund for the Development of the Republic of Serbia (adopted in 2009, last amendment in 2015) regulates the position, financing methods, tasks, management, work control, supervision, and other issues relevant to the operation of the Fund for the Development of the Republic of Serbia (Article 1), with headquarters in the city of Niš (Article 3). Although its competences include the promotion of balanced regional development and the development of underdeveloped areas (Article 2, paragraph 1)[30], these aspects are not regulated in greater detail by that legal act. For instance, before its EU accession, Croatia had had the "Regional Development Fund" which promoted balanced regional development (Godec 2009, 56)[31]. On the other hand, as of 2022-2023, Serbia had the Ministry in charge of balanced regional development.

Financial framework partnership agreement between the European Commission and the Republic of Serbia on specific arrangements for implementation of Union financial assistance to the Republic of Serbia under the instrument for pre-accession assistance (IPA III) was officially included in Serbian legislation in December 2022 (MF 2022)[32]. The agreement applies to all sectoral and financial agreements concluded between the European Commission and Serbia, regulating cooperation in the implementation of financial assistance provided under IPA III, and it establishes rules for the indirect management of EU funds while specifying the authorities and bodies that Serbia needs to establish (Baletić 2022)[33].

6.1.3. Institutional framework for managing cohesion policy in Serbia

6.1.3.1. Introductory remarks

Chapter 22 – „Regional Policy and Coordination of Structural Instruments", is one of the negotiating chapters in which the building of institutional and administrative capacities plays a substantial part in the overall alignment process. This means that the country is expected to establish a structure involving national and subnational levels of government capable of managing the European structural and investment (ESI) funds with institutions and bodies acquiring clearly defined tasks and responsibilities (from planning, programming, and contracting to implementation, monitoring, review and audit). The whole structure needs to include a wide and strong coordination mechanism involving different ministries and institutions as well as non-state actors in all phases of the process. There are bodies that are obligatory to be established, such as the managing authority, certifying authority and audit authority, and bodies that are optional, like coordinating body and intermediate bodies (Regulation (EU) 2021/1060)[34].

As explained before, in 2014/2015, the bilateral and explanatory screenings of Chapter 22, resulted in one opening benchmark for Serbia – to adopt an Action plan detailing the clear objectives and dynamics for fulfilling the demands of the Cohesion policy.

The country was only about to start with the building of the institutional and administrative capacities and mechanisms for planning, managing, and implementing the European investment and structural funds. The harmonization of the relevant legislation and setting up of the institutional and administrative mechanism was planned to be finished by the moment of the accession. The plan was to use the experiences gained in building and managing the indirect system for managing the IPA funds, which was established only a few years earlier[35] and already got off to a slow start with difficulties in contracting the first set of projects and suspension of funding in 2015 due to the lack of capacities of the Governmental Audit Office of EU Funds established in 2011 (Mirić, Knežević 2015)[36].

Despite the possible knowledge and experiences to be gained through the setting up of IPA management mechanisms that could be helpful, the management of European cohesion funds demands some specific new arrangements but also further improvement of more general institutional and administrative capacities as well as legal harmonization. According to the screening report, Serbia was expected to align with the specific EU regulations governing the implementation of the European structural and investment funds, set up an easily accessible digital management information system and build the capacities for valorisation and review. More generally, Serbia needed to establish an efficient system of financial management and control, an indispensable condition for implementing the EU structural funds (MEI 2015)[37]. As a stable and sufficient number of trained civil servants for implementing EU funds is a *conditio sine qua non* for establishing and maintaining an efficient system, Serbia was supposed to develop a training strategy and a sustainable system of recruiting and retaining human resources, including the efficient and attractive career planning and remuneration policy.

A fully developed institutional structure for managing the ESI funds was not expected from the countries before they became EU member states, as only the member states have been eligible beneficiaries of these funds. Nevertheless, judging by the experience of the most recent EU member states, in order to be able to absorb EU funds quickly and efficiently, early preparation would be more than welcome.

There are various models for structuring the institutional framework to manage the ESI funds (Mirić, Knežević 2015)[38]. The EU member states have been modelling their mechanisms in accordance with their own needs, taking into account many different factors, such as the existing institutional structure, territorial structure of the country (vertical division of powers), etc. This means that the countries are more or less free to choose their own optimal solution and what works best for them. In the following section, we will analyse the solution that Serbia has chosen and what is the current state of affairs in establishing the mechanism for managing the ESI funds. In the first phase of the process, the country develops its program (one or more) which needs to correspond with the priorities and objectives set in the Partnership Agreement between the country and the European Commission. Program(s) defines priorities, ways and conditions for financing, the available amounts, and potential beneficiaries. These document(s) can be related to the national or regional (local) levels or one or more policy areas (sectors). So, a country's institutional structure for managing the ESI funds depends also on the number of operative programs (OPs) that the country chooses to frame. As already mentioned, the relevant EU regulation envisages several bodies (obligatory and optional) that need to be established to successfully prepare, manage and review the use of ESI funds[39]. Their roles and responsibilities are also defined by this Regulation.

6.1.3.2. Brief overview of the institutional setup

The institution in charge of Serbia's EU affairs is the Ministry for European Integration (MEI), which is also tasked with duties related to the ESI funds. The Law on the Ministries set the MEI's competencies in the "…establishment and development of a system for the use of structural and cohesion funds of the European Union; preparation of documents defining development goals and priorities for financing from structural and cohesion funds of the European Union; monitoring of implementation, evaluation and reporting on the implementation of program documents financed from structural and cohesion funds of the European Union; … managing the operational structure and national body for cross-border and transnational cooperation programs; participation in joint committees for monitoring and directing the work of joint committees for program monitoring, as well as the work of joint technical secretariats for cross-border cooperation programs on the territory of the Republic of Serbia."[40] With regard to Serbia's cohesion policy institutional structure, the plan is to make the Ministry a coordinating body and even a managing authority for one of the OPs and also for the European Territorial Cooperation (ETC). A relevant unit within the Ministry of Finance will play the role of the certifying authority while the audit authority will be allocated to the current Governmental Audit Office of EU Funds (MEI 2019, 36)[41].

According to the Action Plan, Serbia has chosen to establish a centralized and concentrated institutional model, meaning that the ESI funds will be managed by the central level institutions (ministries) and with a limited number of sectoral, operative programs (probably up to three) and managing authorities. Some ministries will even act as intermediate bodies for specific parts of OPs. As the 2016 mapping process of institutional capacities showed the existence of "considerable capacities outside the ministries", there's a chance that these actors might be given some roles in managing and implementing the ESI funds once Serbia becomes an EU member state (MEI 2019, 48)[42].

According to the Action Plan, by 2023, Serbia was supposed to appoint the institutions and bodies for implementing the cohesion policy, prepare the organisational development strategies for the bodies involved in managing the OPs, prepare the draft rules of procedures for managing the OPs, and determine the bodies which will manage the OPs. Apart from identifying the institutions and bodies for implementing IPA III, which will be used later on for managing the ESI funds, other mentioned goals have not been started nor completed.

Apart from already mentioned institutions and bodies, according to the mentioned EU's Regulation, EU member states are expected to establish a monitoring committee for reviewing the program performance (one or more). The monitoring committee(s)' work is coordinated by the managing authority, and the partners (CSO, local authorities, etc.) need to be involved in its work.

When it comes to the task of monitoring and evaluating the management and implementation of ESI Funds, Serbia's public administration still lacks capacities and developed procedures. According to the Action Plan, Serbia should have fulfilled several goals to that end by 2021 and develop the operational information system for the management of ESI funds by 2025. Some of those goals are the assessment of readiness for monitoring and evaluation in accordance with the requirements of the legislative framework for cohesion policy, developing a plan for establishing a system for monitoring and evaluating the implementation of the cohesion policy, or developing a comprehensive strategic and methodological framework for monitoring and evaluation for the purposes of implementing the cohesion policy. In addition, the establishment of the monitoring committee/committees was planned for 2024.

There is no doubt that Serbia needs to enhance its administrative capacities for planning and managing the ESI funds. The experience gained from managing the IPA funds shows that Serbia has a shortage of civil servants, primarily due to the policy of restricting new employment (MEI 2023, 64-65)[43]. Additionally, the policy for retaining and motivating the already employed staff needs further improvement. The Workload analyses show that the existing employees are already overburdened and thus less efficient and less satisfied with their jobs (MEI 2019, 45)[44].

Training and education of civil servants in managing IPA and ESI funds/cohesion policy is mainly done through the National Academy for Public Administration, while the training programs for partners and potential beneficiaries have been organized by the Ministry for European Integration.

Since Serbia plans to use the established institutional capacities developed under the IPA management system for managing the ESI funds once these become available, the European Commission has been evaluating the use and management of IPA funds (IPARD included) under Chapter 22 (Cluster 5) section in its annual reports, especially the institutional and administrative aspects of it. In the 2021 report, the Commission found that Serbia is ready to open Chapter 22. Nevertheless, since then, each year, the Commission has detected only moderate preparedness and limited or no progress (in 2022) on implementing last year's recommendations. In its latest report (2023), the Commission listed three groups of recommendations for further improvement, where Serbia should:

- "urgently implement its action plan on cohesion policy and ensure the timely implementation of IPA III multiannual operational programmes under indirect management;
- improve capacity for indirect management of IPA programmes, including operational programmes, and guarantee that key positions are permanently filled and key staff retained, and;
- ensure that all instruments are compliant with EU requirements in terms of programming and partnership principles and factor in the requirements of the future structural/cohesion funds in the institutional set-up" (EC 2023, 142)[45].

The Commission has detected that in the previous year, "progress has been made with regard to the institutional framework for cohesion policy" since Serbia identified the relevant institutions and bodies for managing the IPA III. These institutions are expected to remain in charge of the ESI funds after Serbia joins the EU and their capacities further improve.

6.1.3.3. Underdeveloped administrative capacities

The Commission has notified the continued "weaknesses … in the administrative capacity of key institutions managing EU funds". There is a concern about the uncertainty created by the ongoing practice of appointing acting personnel to key managerial positions, and frequent staff turnover in crucial institutions that has resulted in the loss of experienced staff. Furthermore, understaffed institutions and bodies responsible for managing the multiannual operational programs have added to the problem.

These issues pose a risk not only to the establishment of a functional and efficient institutional structure for future management of ESI funds but also to the loss of current IPA opportunities. In Chapter 11 (Agriculture and Rural Development), for example, the lack of administrative and technical capacities resulted in the insufficient absorption of IPARD funds (EC 2023, 138-139)[46].

There are similar capacity issues in other negotiation chapters, not just within Cluster 5, which are critical for the functioning of administrative and institutional structures within the cohesion policy, e.g., public procurement (Chapter 5), statistics (Ch. 18) and financial control (Ch. 32). Overall, the public administration reform, despite being one of the fundamentals, remains with limited progress and limited political support (Ibid, 16). In the last Commission's report, some of the key issues found in this area prevent the more effective establishment and functioning of institutional mechanisms needed for EU funds planning, management and implementation. Of particular importance in that regard are the issues of human resources management (e.g. the mounting of acting positions in senior management positions, lack of transparency in recruiting senior civil servants, or inadequate policies of recruiting, retaining and motivating staff) and public financial management (e.g., the lack of a single mechanism for prioritising investments of all types and funding sources). Weak administrative capacity is noticed at the local self-government level (Ibid, 15), which might also pose a threat to the successful programming, planning and implementing of EU funds.

6.1.4. Political aspects – the stagnation extends beyond the cohesion policy

In 2019, Serbia finally submitted the Action plan for fulfilling obligations in the domain of EU cohesion policy (2019), thus formally fulfilling the technical requirements for opening Chapter 22. However, as of 2024, the Council has not yet invited Belgrade to present its negotiating position for that chapter. The obstacles in that regard appear to be of intergovernmental nature. According to the Minister of European Integration, Tanja Miščević, some member states have not yet accepted the Action Plan, which is a necessary step for developing the negotiating position for Chapter 22 (FoNet 2023)[47].

It is unfamiliar (at least to the broader public) whether or to what degree this protraction has to do with the conditions in that specific chapter or is perhaps related to some bilateral issue or dissatisfaction with the country's performance in some other domains. Namely, since the Croatian accession process, the primary focus of negotiations was placed on the fulfilment of criteria in chapters 23 (Judiciary and Fundamental Rights) and 24 (Justice, Freedom and Security). However, in the case of Serbia, the "veto" areas also include Chapter 35 ("Other Issues: Relations with Kosovo*"). On top of that, since the invasion of Ukraine, Chapter 31 also assumed a prominent place (Foreign, Security and Defence Policy – where Belgrade has been backsliding or stagnating at a very low level of alignment due to reluctance to introduce restrictive measures on Russia, because of the latter's support to the Kosovo claim in international forums) (Petrović, Kovačević and Radić Milosavljević 2023, 213)[48].

Considering the overall stagnation in terms of Serbia's preparedness to meet membership criteria in the short term (also characterized by the occasional subtle progress/regression), the aforementioned chapters may have some influence in the perception of readiness to begin negotiations through Chapter 22 (despite the fact that these domains are formally unrelated). Actually, as per Negotiating Framework for Serbia, "an overall balance in the progress of negotiations across chapters should be ensured", specifically through the lenses of chapters 23, 24 and also 35, whereas ahead of EU accession "Serbia will be required to progressively align its policies towards third countries and its positions within international organisations with the policies and positions adopted by the Union and its Member States" (Consilium 2014)[49]. In other words, the balance clause might (un)officially be already in use to disable the opening of further chapters until convincing progress in some of the abovementioned areas is achieved.

The so-called new methodology for accession negotiations (EC 2020)[50] was introduced to bring a more dynamic and more credible accession process. To that end, the new methodology introduces the possibility of "phasing-in" – allowing access to certain programs and policies of the EU even before membership. Such programs could either be the existing ESI funds, now available only to member states, or newly developed instruments for socio-economic convergence that might require planning, managing, and implementing mechanisms similar to those needed for ESI funds. Initiating the Growth Plan for the Western Balkans in November 2023 is a step in this direction opening the possibility for progressive integration into the EU internal market before accession and making available new financial support additional to IPA fund.

The proposal for a Growth Plan for the Western Balkans aims at increasing the region's socio-economic convergence since it's now approximately 30-50% of the EU's level (in terms of the GDP per capita) (EC 2023b)[51]. Thus, the Plan should help bring „the Western Balkan partners closer to the EU through offering some of the benefits of EU membership to the region in advance of accession" (EC 2023c)[52]. As part of the Plan, the Commission proposed the Reform and Growth Facility (RGF) for the Western Balkans, a new €6 billion financial instrument for the period 2024-2027. The instrument comprises grants and concessional loans for the countries of the region, whose dispersion will be conditional upon the socio-economic and fundamental reforms in the beneficiary countries and the successfully prepared Reform Agendas. Apart from the new financial instrument, the Plan should help accelerate the fundamental reforms, it offers progressive integration of the Western Balkans in the EU internal market even before membership, and fosters regional, Western Balkan integration by supporting the Regional Common Market. The Plan should also accelerate the implementation of the Economic and Investment Plan for the Western Balkans.

If the Plan is successful, it will have multiple benefits. Firstly, it will increase the capacity for absorbing and managing the ESI funds in the future. Secondly, it will raise the GDP of the countries in the region. This will be important in determining their future share of available cohesion funds. The fulfilment of criteria for using the new Facility will be a sort of additional training for planning and programming the ESI funds as Serbia (and other WB countries) will have to draft the Reform Agendas containing the plans for socio-economic reforms and targeted investments, which will be scrutinized by the Commission. In addition, the Reform Agendas will contain „if required, the reform of the audit and control systems of the Beneficiaries … as part of the reforms" (EC 2023, 4)[53] as well as „the systems to prevent, detect and correct irregularities, fraud, corruption and conflicts of interests, when using the funds provided under the Facility"[54]. As a result, the new Growth Plan should be an incentive for the establishment of a functioning institutional and administrative structure for the efficient absorption of EU funds in an earlier stage, even before accession.

6.1.5. Recommendations and concluding remarks

The main recommendations of the National Convention on the European Union (2023, 83-86) to the Government of Serbia for 2023 concern the need for adoption of numerous acts (the Law on the Establishment and Functioning of the Cohesion Policy Management System; the Development Plan of Serbia, the Investment Plan, the National Sustainable Development Strategy and the Regional Development Strategy); inputs regarding the Smart Specialization Strategy (S3) in the domains of programming and elevating administrative capacities; and also inputs for the Ministry of European Integration, particularly regarding the need for an active consultation process with other stakeholders, an inclusive approach, and transparency regarding the composition of legal acts, as well as the use of funds (NCEU, 2023)[55].

On its end, the Ministry of European Integration (MEI) has identified several main thematic activities. In terms of the planning and programming phase, it plans to make decisions on the structure of the Programme and the number of multi-sectoral activities (up to 3 on the national level) (Milenković Bukumirović 2023, 40)[56]. Additionally, it aims to introduce a coordination mechanism for the preparation of program documents and the selection of partners. For the implementation stage, MEI envisions the establishment of the institutional framework for the implementation of cohesion policy and institutional capacity building at the local, regional, and national levels. Finally, it also plans to set up a mechanism for tracking and evaluation[57].

Regardless of the current lack of political endorsement from the Member States to initiate negotiations in Chapter 22, likely tied to the balance clause (regarding chapters 23, 24, 31, and 35), and despite the (probable) fulfilment of formal benchmarks for opening these chapters, Serbia should concentrate on further adapting its legislative and institutional settings to meet the requirements of this policy. In addition to the necessity of adopting the aforementioned acts, Serbia must also ensure capacities for the absorption of EU funds, primarily through IPARD, which has proven to be problematic over the previous years. This also involves the need to attract and retain administrative personnel capable of meeting the strict bureaucratic demands of EU institutions.

In parallel to improving the legislative, institutional and administrative capacities within Chapter 22, Serbia should work harder on fulfilling the requirements in other chapters belonging to Cluster 5, thus creating the enabling conditions for the potential EU's decision to open this cluster for negotiations. A balanced progress in other chapters relevant to the efficient and appropriate use of ESI funds (e.g., „the fundamentals" – public procurement, financial control, public administration reform and the rule of law issues, or environment and competition policies) should be secured. Backsliding or stagnation in key policy areas, such as the rule of law, democratic institutions, and more recently the foreign policy alignment, might lead to the suspension of the already available EU funds and endanger the already achieved progress in setting up the normative and institutional/administrative structures.

When it comes to the EU, aside from further progress towards formally opening Chapter 22[58], additional aspects should be taken into account. The 2024 Report of the High-Level Group on the Future of Cohesion Policy (for consideration by the European Commission) notes that with the further accession of EU candidates, economic, social, and territorial disparities would increase within the EU. This necessitates a robust cohesion policy, as expressed in the upcoming Multiannual Financial Framework(s) or MFFs (EC DGRUP 2024, 40)[59]. It also requires, apart from the financial support, further development to upgrading the administrative capacity and institution building, in order to meet the criteria for managing the funds (Ibid). Considering that the cohesion policy aims to reduce disparities and contribute to a more balanced development across the vast EU territory, Brussels should be aware of the specificities tied to the Western Balkan situation to be more adequately prepared to cooperate with those countries, including Serbia.

The proposal for a Growth Plan for the Western Balkans that the European Commission presented in November 2023 could yield multiple benefits in terms of increasing the capacity for absorbing and managing ESI funds in the future, as well as fostering regional GDP growth. Both aspects are crucial for projecting the use of cohesion funds in the future. Additionally, it would serve as additional training for planning and programming ESI funds. Serbia will be required to draft a Reform Agenda outlining plans for socio-economic reforms and targeted investments, subject to scrutiny by the Commission. The disbursement of funds would be contingent on the realization of activities and progress in that regard. Considering these aspects, this initiative could enhance Serbian capacities to absorb EU funds in both the short and long term. Nevertheless, Serbia already needs to start preparations and planning for the use of these funds as they cover a short period (till 2027) and the beneficiary countries will be required to submit the Reform Agendas soon after the entry into force of the Regulation.

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