



ANNEX C1: Twinning Fiche

Project title: Strengthening of the institutional capacities of the National bank of Serbia (NBS) in the process of EU accession

Beneficiary administration: Republic of Serbia, **National bank of Serbia**

Twining Reference: SR 14 IPA FI 02 17

Publication notice reference: EuropeAid/158827/ID/ACT/RS

EU funded project

TWINNING INSTRUMENT

Acronyms and Abbreviations

BC	Beneficiary Country
CFCU	Department for Contracting and Financing of EU Funded Projects
CL	Component Leader
EC	European Commission
ECB	European Central Bank
ERP	Economic Reform Programme
ESCB	European System of Central Banks
EU	European Union
FX	Foreign Exchange
GDP	Gross Domestic Product
IMF	International Monetary Fund
IPA	Instrument for Pre-Accession Assistance
ISP	Indicative Strategy Paper
MoF	Ministry of Finance
MS	Member State
NA	National Assembly
NBS	National Bank of Serbia
NPAA	National Programme for the Adoption of the acquis
NPI	National Program for Integration
PAO	Programme Authorising Officer
PAR	Public Administration Reform
PL	Project Leader
PLAC	Policy and Legal Advice Centre
PP	Public Procurement
RS	Republic of Serbia
RTA	Resident Twinning Adviser
SAA	Stabilisation and Association Agreement
SOC	Security Operation Centre
SPO	Senior Programme Officer
TwF	Twinning Fiche

1. Basic Information

- 1.1 Programme: Annual Action Programme for Serbia (Under Instrument for Pre-Accession Assistance (IPA II))
- 1.2 Twinning Sector: Finance, Internal market and economic criteria
- 1.3 EU funded budget: 800.000,00 EUR

2. Objectives

2.1 Overall Objective:

The overall project objective is to support the NBS maintaining of sustainable macroeconomic and financial system stability through the harmonization of rules, policies and operations of the ESCB standards and best international practices.

The direct beneficiary of the project would be the NBS, but the entire financial sector (banks, financial institutions, clients, etc.) and the general public in Serbia would benefit in the long run from monetary and financial stability through the project's contribution.

2.2 Specific objective:

The project specific objective is to strengthen the institutional and human resources capacity of the NBS by aligning the NBS's functions and operations with EU regulations and international standards and thereby improve efficiency, accountability and safety of the entire financial sector in the RS.

2.3 The elements targeted in strategic documents

The implementation of the project would contribute to the realization of the priorities and objectives defined in the following documents:

Stabilisation and Association Agreement (SAA)

The SAA, among other priorities, emphasizes the importance of the cooperation between EU and Serbia in the field of Public Administration, Banking, insurance and other financial services, Current Payments and Movements of Capital, Approximation of Laws and Law enforcement and Competition rules.

When it comes to public administration, Serbia should ensure the development of an efficient and accountable public administration notably to support rule of law implementation and the proper functioning of the state institutions for the benefit of the entire population of Serbia and the smooth development of the relations between the EU and Serbia. In respect to banking, insurance and other financial services, further steps will be focused on establishing and developing a suitable framework for the encouragement of the banking, insurance and financial services sectors in Serbia. RS needs to create the environment of free movement of capital relating to direct investments made.

National Programme for the Adoption of the EU Acquis (NPAA) (2014-2018)

NPAA document has gone through a second revision which stipulates that all regulations should be aligned with the EU acquis by the end of 2018. NPAA defines reform targets and developments and emphasizes that in Serbia wide consensus has been reached in terms of macroeconomic stability. In part related to Macroeconomic outlook 2014-2018, the NPAA stresses out that the NBS remains committed to achieving medium-term price stability. It also envisages the need of NBS for strengthening the administrative capacities in terms of

Free Movement of Capital, Financial Services-Banking, insurance and Voluntary Pension Funds, consumer protection and education, Statistics Data Collection and Foreign Exchange Reserves Management. In order to achieve that goal, it is necessary to ensure a continuous professional development of the employees through various forms of trainings, workshops and seminars under technical assistance and cooperation with central banks of countries in the region and the EU.

Serbia 2016 EC Progress Report

The EC gave its observation and recommended in the Progress Report in terms of further steps in the Free movement of capital, Financial services, Economic and monetary policy, Statistics, Consumer and health protection and Financial control. On these fields NBS has to work on in the next couple of years before joining the EU. In order to carry out the EC recommendations, NBS staff has to broad their perspective through additional trainings and peer reviews in terms of preparation of first three chapters of the ERP document which is undertaken in close cooperation between the MF and NBS.

Indicative Strategic Paper 2014-2020

This strategy document envisages the assistance to RS with focus on supporting the public administration reform, in order to establish a more professional, depoliticised, accountable and fiscally responsible public administration. As being a part of the public administration, NBS is not an exception when it comes to further improvements of its staff. In order to keep up with new EU trends, NBS has to develop a training plan which will ensure the high professional level of the NBS staff.

3. Description

3.1 Background and justification:

The NBS¹, as the central bank of the RS, is an independent institution in its operations and subject to oversight by the NA, as guaranteed by the Constitution of the RS and by the Law on the NBS. The primary objective of the NBS is to achieve and maintain price stability, and in addition to contribute to the maintenance and strengthening of the financial system stability. Without compromising these objectives, the NBS should support the implementation of the Government's economic policy, which is conducive to sustainable economic growth. These objectives can be achieved through performance of the NBS main tasks relating to monetary and foreign exchange policies, foreign exchange reserves management, measures and activities aiming to protect and strengthen financial stability, and the supervision of banks, insurance companies, voluntary pension fund management companies and leasing providers, etc.

Organizational structure

The NBS performs its statutory tasks through its main organizational units, Supervision Administration, Institute for Manufacturing Banknotes and Coins – Topčider and branches of the NBS.

The NBS Organization chart is given in the Annex part of this document.

In the performance of its tasks, NBS works closely with the Government and other public sector institutions and without prejudice to the achievement of its objectives, undertakes measures within its scope of authority to promote that cooperation. For the purpose of pursuing its objectives and performing its tasks, NBS takes up membership in international financial institutions and engages in cooperation with foreign central banks, regulatory bodies and financial and credit institutions, of which it regularly informs the NA.

¹ <http://www.nbs.rs/internet/english/10/index.html>

The NBS plays a notable role in negotiations on EU accession. It assumed responsibility and the lead role under negotiation Chapter 17 (Economic and monetary policy) and Chapter 9 (Financial services), as well as co-chaired role for Chapter 4 (Free movement of capital). The NBS participates as a member under negotiation other chapters: Statistics, Consumer and Health Protection, Financial control, Financial and Budgetary Provisions, Competition, Company Law, Freedom of Movement for Workers and Right of Establishment and Freedom to Provide Services.

The NBS gives a significant contribution to the preparation of strategic documents that all candidate countries prepare in the process of EU integration: – NPAA and ERP, as well as Supplement of the Government of the RS to the Annual Report of the EC on Serbia (Progress Report). The NBS has an important role in the work of the bodies for the implementation of the SAA within the Subcommittee for Internal Market and Protection of the Competition and the Subcommittee for the Economic and Financial Affairs and Statistics. The NBS also participates in Intergovernmental Conferences where the NBS representatives attend annual meetings within the Ministerial Dialogue with Candidate countries.

NBS is considered as the pillar of monetary and financial stability contributing to the overall macroeconomic stability of the RS and plays a notable role in negotiations on Serbia's EU accession. Concerning Serbia's EU integration process there still have been many tasks to be completed related to the negotiation chapters and further harmonization with EU legislation and best practices, maintaining of sustainable macroeconomic and financial system stability as well as public administration reforms.

In that respect, NBS proposes the implementation of the Twinning Project – **“Strengthening of the institutional capacities of the National bank of Serbia (NBS) in the process of EU accession”**. The project's objective is to support the NBS maintaining of sustainable macroeconomic and financial system stability through the harmonization of rules, policies and operations of the ESCB standards and best international practices. Successful implementation of the project will enable NBS to get better prepared for the accession to the ESCB once Serbia meets the membership criteria for the EU and contribute to the strengthening of institutional capacities and increasing of its efficiency and effectiveness. In light of the NBS's competences and responsibilities, this project would contribute to further enhancing the capacity and functions of the NBS in the areas of economic analysis and research, FX reserve management, financial stability, supervision of financial services and insurance, financial services consumer protection, accounting and financial reporting, capital movements, statistics, IT reporting and governance and EU integration.

The existing domestic legal framework (legislation, directives, standards, decisions) which might affect or be affected by the project is presented in Anex - part of this document.

3.2 Ongoing reforms:

Public administration reform, together with rule of law and economic governance, is one of the pillars of the enlargement process. All three 'pillars' are closely linked, cross-cutting issues of fundamental importance for success in political and economic reforms and building a basis for implementing EU rules and standards. Serbia needs to increase efforts to improve public administration at all levels on the basis of the Public Administration Reform Strategy.

With the mentioned strategy, adopted in 2014, the reform process was extended to the entire public administration, which includes additional state bodies that perform administrative tasks and are the holders of public authority. The overall objective of this sector reform is to improve efficiency, accountability and transparency of public administration and the quality of service delivery and management of public finances.

Strengthening the institutional and technical capacity of the NBS is in line with this objective.

Although there is no specific *acquis* Chapter covering public administration as such, accession negotiations should also be used to encourage the necessary reforms. Key issues should be addressed through relevant Chapters — notably public procurement, financial control, judiciary and fundamental rights, taxation and economic and monetary policy and in the context of intergovernmental conferences where this is important for *acquis* implementation.

In line with the established dynamics, the first stage of the negotiation process, referring to the analytical overview and the assessment of the scope of harmonization of Serbian legislation with the EU *acquis communautaire*, i.e. screening, officially ended in March 2015, within all 11 negotiation groups in which the NBS participates.

As far as other chapters within the competence of the NBS are concerned, and after the Council reached an agreement that Serbia achieved a satisfactory level of harmonisation with EU *acquis*, Serbia was invited to propose the negotiating position for the following chapters: 4 - Free Movement of Capital, 9 - Financial Services, 17 - Economic and Monetary Policy, 2 - Freedom of Movement for Workers, 6 - Company Law and 33 - Financial and Budgetary Issues.

3.3 Linked activities:

The first technical assistance to the NBS was provided through the project “**Needs Analysis for the National Bank of Serbia**”, implemented by the ECB from September 2008 until May 2009. The project identified the gaps between the existing regulatory and operational framework of the NBS and standards of the ESCB. The project covered six areas of NBS’s operation. Apart from the ECB, the project involved 17 national central banks of the ESCB.

The project “**Strengthening of the institutional capacities of the National Bank of Serbia**” (IPA 2008) was implemented by ECB from February 2011 until December 2013 and it aimed at conducting operational preparations for the participation of the NBS in the ESCB, once the RS joins the EU. All project activities in 13 different areas have been successfully completed and all expected results have been fully met. More than 170 activities were implemented within project areas and more than 25 project deliverables were achieved in form of draft laws, strategies, gap analyses, action plans, internal guidelines, manuals, and economic models, supported with a number of capacity-building activities. Various experts from 21 central banks of ESCB and the ECB took their part in this project.

NBS also participated in the joint technical assistance project of the ECB for Western Balkan countries and Turkey “**Strengthening Macro and Micro-Prudential Supervision in EU Candidates and Potential Candidates**“. This was the EU-funded project implemented from January 2010 to January 2012. Apart from the ECB as the implementing agency, 14 national central banks from the EU were involved in the project and a number of partner institutions. Successful conclusion of the project marks an important step in strengthening prudential supervision in the region, at the same time reinforcing the stability of the banking sector as an important element of sustainable economic growth.

Bearing the importance of investing in personnel and developing human resources management policy, the NBS implemented project “**Capacity Development of Human Recourses in the NBS**” from November 2012 until June 2013 in cooperation with German and Czech central banks. The project facilitated a high degree of adjustment with the standards of human recourses management and practice of EU central banks.

Policy and Legal Advice Centre (PLAC) launched the PLAC II project – The Legal Support for Negotiations which aims to help Serbia to align regulations with the EU acquis. This project will last from 30 June 2016 until the end of December 2018. The total allocation for the projects account for EUR 2.6 million from IPA funds, which will be spent primarily on the experts’ fees who are supposed to assist RS in the alignment of regulations with the EU, preparation of plans for achieving compliance, but also in building capacities for development and implementation of legislation.

In relation to Chapter 9 the PLAC II project will help NBS under the field of financial services covering following activities: 1. Preparation of quantitative impact study of Solvency II requirements on the insurance sector in the RS in the process of transposition of the relevant EU Directives 2. Assistance in drafting the first version of new Draft Law on Financial Conglomerates; 3. Support in drafting amendments to the Serbian Law on Voluntary Pension Funds and Pension Plans, its bylaws and other relevant legislation as for the Chapter 4 – Free movement of capital and related to the area of payment systems, the assistance will be provided in drafting amendments to the Law on Payment Services and relevant by-laws.

Project named “Support to the EU Integration Process in the Republic of Serbia” assists the Government of Serbia in developing relevant structures and procedures for the EU accession negotiations and it is provided by the German Federal Enterprise for International Cooperation (GIZ). This project was implemented from 2012 till March 2015 and the second phase began in May 2015 and lasts for two years. It deals with strategic priorities at the coordination level and biggest needs of altogether 15 Negotiation Groups. For this, it cooperates closely with the relevant institutions in RS including the NBS.

The NBS proposed the following activities to be supported within Negotiating Group 17: strengthening capacities for the cooperation between the key institutions for the EU accession negotiations and developing methodological approach for setting up standard negotiations documents

Notwithstanding above mentioned positive outcomes, there are still remarkable needs in the different areas of the NBS’ s activities for the further technical cooperation, support and assistance of ESCB.

3.4 List of applicable *Union acquis*/standards/norms:

The list of applicable *Union acquis*/standards/norms is presented in Anex- part of this document.

3.5 Results (Components)

The main results (components) of the Project are:

Result 1 – Component 1: Improved sustainability and strengthening the framework of economic and monetary policy, foreign exchange reserve policy and financial reporting, with enhanced international relations of the NBS;

Result 2 – Component 2: Aligned regulations with the relevant EU regulations, applicable standards and best practice in the area of financial services, financial system stability, consumer protection and IT reporting and governance;

Result 3 – Component 3: Established legal and action framework for monitoring the effects of liberalization of capital movements.

3.6 Means/input from the EU Member State Partner Administration(s)*:

The project will be implemented in the form of a Twinning contract between the beneficiary country Serbia and EU Member State(s). The implementation of the project requires one Project Leader (PL) with responsibility for the overall coordination of project activities, one Resident Twinning Adviser (RTA) to manage project activities, relevant Component Leaders (CL) and the pool of short-term experts to provide support to the project leader and RTA in specific fields.

3.6.1 Profile and tasks of the PL:

Requirements:

- University level education
- High-ranking official/Senior civil servant
- Excellent knowledge of English language
- Computer literacy
- Minimum 3 years of professional experience within central banks of the ESCB
- Project management experience

Assets:

- Experience in institution building activities related to central bank of the ESCB
- Experience in development or organisation of trainings
- Experience in development of integrity strategy or integrity plan for central bank employees.

PL tasks:

- Overall management and coordination of the project with MS, beneficiary institutions, other partners and stakeholders
- Project reporting
- Ensuring backstopping and financial management of the project in the MS
- Ensuring timely, effective and efficient implementation of the project and achievement of results, through proposed activities
- Coordination of deployment of short-term experts
- Coordination (with the MS RTA) of the Project Steering Committee meetings
- Participation at the Steering Committee meetings (every three months)
- Assuring compatibility with EU requirements.

3.6.2 Profile and tasks of the RTA:

Requirements:

- University level education
- Minimum 3 years of professional experience within central banks of the ESCB
- Excellent knowledge of English language
- Computer literacy
- Experience in project management

Assets:

- Experience in institution building activities related to central bank of the ESCB
- Experience in development or organisation of trainings
- Experience in development of integrity strategy or integrity plan for central bank employees.

The duration of the RTA secondment is 24 months.

RTA tasks:

- Responsible for monitoring project implementation and proposing corrective management actions if required
 - Support and coordination of all project activities in BC in line with the agreed work program to enable timely completion of project results and delivery of the outputs
 - Advise on related EU policies and best practices, legislation and regulations
 - Establish and maintain cooperation with all beneficiaries involved in the implementation of the project and other related projects (ensuring the avoidance of overlapping), in close co-ordination with the Project Leader
 - Nomination, mobilization and supervision of the short-term experts, together with the Project Leader
 - Facilitation of the contacts with peer institutions in EU member states in order to stimulate a proper exchange of information and data
 - Organization of visibility events (kick-off and final event)
 - Responsible for organization of the Project Steering Committee meetings and reporting on the project progress in close cooperation with the Project leader
 - Identifying and reporting to the Contracting authority, at early stage, all difficulties that may jeopardize the implementation of the project and the achievement of its results.

3.6.3 Profile and tasks of Component Leaders for components 1-3:

Requirements:

- University level education
- Minimum 3 years of working experience within central banks of the ESCB
- Excellent knowledge of English language
- Computer literacy
- For component 1- experience in economic and monetary policy and/or financial reporting
 - For component 2- experience in financial services and/or IT reporting and governance in the central bank
 - For component 3- experience in the field of liberalization of capital movement

Tasks of the Component Leaders:

- Close cooperation with the Serbian experts in undertaking all activities
- Advance preparation and familiarization with relevant documentation
- Participating in relevant activities under the scope of the project in cooperation with other experts.

4. Budget

Maximum Budget available for the Grant

Strengthening of the institutional capacities of the National bank of Serbia (NBS) in the process of EU accession	IPA Community Contribution	TOTAL
Twinning Contract	100% 800.000 EUR	800.000 EUR

The total budget for this project amounts to EUR 800.000. The Beneficiary Institution will provide the MS twinning partner with adequate office space for RTA, CL and experts, meeting rooms and equipment necessary for relevant everyday activities and training foreseen in twinning fiche.

The budget shall also cover eligible costs for study visits for 47 employees from the relevant organizational units of the NBS and more than 30 visits of experts of central banks of the ESCB and other relevant EU institutions as envisaged for the implementation of activities under Results(Components) 1-3, and according to the Twinning Manual.

Partners in the project would be central banks from ESCB including ECB and the participants would be 30 experts of central banks of the ESCB and other relevant EU institutions and about 47 employees from the NBS.

The activities will take place in Serbia and in the EU. The activities would be conducted through expert visits from the ESCB and other relevant EU institutions to the NBS, as well as through study visits of the NBS employees to central banks of the ESCB and to relevant EU institutions and consultations with foreign experts in the relevant field.

The experts from the ESCB and other relevant EU institutions would carry out work in their respective countries in preparation for missions to the NBS. Expert visits and lectures would become available to a greater number of employees of the NBS who would be able to attend the expert visits and lectures, while the study visit would enable sharing of experiences on larger number of topics and provide detailed insight into the way of performing tasks related to the relevant subjects, as well as into the way the activities are carried out.

Through study visits employees would be able to directly and practically get familiar with the organization, procedures and systems relating to the implementation of the relevant subjects, while the expert visits would enable training of a large number of employees with emphasis on the theoretical approach to the area. In order to gain a better overview of the functioning of the relevant process, it is of great help to see how the process functions in another central bank or relevant institution and to hear the experiences of colleagues from those institutions. During study visits, a large number of experts are able to share their experience and it often happens that sessions are shortly attended by employees with special know-how who present their specific knowledge implemented into the process.

The activities for Result 1 – Component 1 would be conducted through visits of Component Leader cca 14 expert visits to the NBS and study visits of 18 NBS employees to the central banks of the ESCB or other relevant institutions.

In order to achieve Result 1 – Component 1, beside expert visits to the NBS, it is of great importance to organize study visits for employees through which they would be able to directly and practically get familiar with the relevant procedures, organization and systems

concerning the economic and monetary policy, foreign exchange reserve policy, financial reporting and international relations function of the central bank.

The activities for Result 2 – Component 2 would be conducted through visits of Component Leader cca 14 expert visits to the NBS and study visits of 24 NBS employees to the central banks of the ESCB or other relevant EU institutions.

In order to achieve Result 2 – Component 2, beside expert visits to the NBS, it is of great importance to organize study visits for employees through which they would be able to directly and practically get familiar with the relevant regulations, standards and best practice in the area of financial services, financial system stability, consumer protection and IT reporting and governance.

The activities for Result 3 – Component 3 would be conducted through visits of Component Leader, 3 expert visits to NBS and study visits for 5 NBS employees to the central banks of ESCB or other relevant EU institutions.

In order to achieve Result 3 - Component 3, beside expert visits to the NBS, it is of great importance to organize study visits for employees through which they would be able to directly and practically get familiar with the relevant regulations and best practice in the area of liberalization of capital movements.

At least two major visibility events will be organized in the course of the implementation of the project: Kick-off meeting at the start of the implementation process and the Final meeting at the end of project implementation activities.

5. Implementation Arrangements

5.1 Implementing Agency responsible for tendering, contracting and accounting (AO/CFCU/Head of CA/European Union Delegation/Office):

Ministry of Finance

Department for Contracting and Financing of EU Funded Projects (CFCU) -

3-5, Sremska Street

11000 Belgrade, Serbia

Mr Dušan Čarkić – Acting Assistant Minister/Head of Contracting Authority

Phone: +381 11 202 13 89

E-mail: dusan.carkic@mfin.gov.rs

Mr Darko Vasić, Twinning National Contact Point

Phone: +381 11 2021 412

E-mail: twinning@mfin.gov.rs

Senior Programme Officer (SPO)

Ms Verica Ignjatović, Acting Assistant Minister at the Ministry of Finance in the Department for International Cooperation and European Integration

20, Kneza Miloša Street

11 000 Belgrade, Serbia

5.2 Institutional framework

NBS's organizational unit directly involved in this project is the International Relation Department which is responsible for NBS coordination of activities related to the process of accession of the Republic of Serbia to the EU. In cooperation with the relevant state institutions and the EU the following activities are carried out: the identification of project ideas, implementation and monitoring of the implementation of projects financed by the EU funds, international development assistance, donations and other funds, as well as cooperation with the ECB and the central banks, members of the ESCB.

Implementation and achievement of results of the project will contribute to strengthening the institutional capacities of the NBS and the benefit of achieving the overall objective and the results will have the entire financial system and all citizens of the RS.

NBS will ensure project coordination and implementation throughout the project implementation and the progress of the project activities will be monitored on a regular basis.

5.3 Counterparts in the Beneficiary administration:

The PL and RTA counterparts will be staff of the Beneficiary administration and will be actively involved in the management and coordination of the project.

5.3.1 Contact person:

Ms Dragana Cerović, Project Manager, CFCU

5.3.2 PL counterpart

Mr Igor Savić, Deputy General Manager, International Relations Department

National bank of Serbia

17 Nemanjina

11 000 Belgrade, Serbia

5.3.3 RTA counterpart

Ms Olivera Nikolić, Advisor for Bilateral Financial Cooperation

National bank of Serbia

17 Nemanjina

11 000 Belgrade, Serbia

6. **Duration of the project**

Launching of the call for proposals (Date): November 2017

Start of project activities (Date): May 2018

Project completion (Date): May 2020

Duration of the execution period (number of months): 24 + 3 months.

7. **Sustainability**

The achievements of the project will be maintained as a permanent asset to the NBS, as well as to the entire financial sector and the general public in Serbia, which will benefit in the long term from the project's contribution to the macroeconomic and financial stability.

The project deliverables will be achieved in form of draft laws and by laws, amendments to the laws, strategies, new economic models for short term and medium term projections, economic analyses, new internal and external general acts, action plans, internal

guidelines, methodologies, education programs, new organisational structures, supported with a number of capacity-building activities.

The Twinning partners will ensure that mentioned project deliverables and the sustainability of mandatory results are best obtained by ensuring that legislative proposals and all other activities are backed up by at least basic relevant impact assessments and they are consulted with both internal and external stakeholders, as required by legislation of RS. Sufficient time will be allocated to this preparatory work during the project, and fast-track adoption procedures of legislation will be avoided, because they risk implementation and enforcement of future legislation.

During the Twinning project, the NBS's employees benefiting from the training by MS experts will be put in charge of subsequent training of their colleagues and they will be involved in follow-up activities.

Twining partners will ensure that training materials is of sufficient quality, professionally developed and accessible for later use.

Twining partners will organise a wrapping-up seminar at the end of the implementation of the project, presenting the concrete results and their practical implications for further follow-up by the NBS's employees.

In the final report, Twining partners will include concrete recommendations and strategies for safeguarding the achievement of the mandatory results in the NBS.

The obligation arising from the role of the NBS in negotiation on EU accession are to be taken into account and implemented. The impact of the project would be visible as successful implementation of the project will enable NBS to fulfil criteria for finalization the negotiation - Chapter 17 (Economic and monetary policy), Chapter 9 (Financial services), Chapter 4 (Free movement of capital), as well as chapters: Statistics, Consumer and Health Protection, Financial control, Freedom of Movement for Workers and Financial and Budgetary Provisions.

The project will also enable NBS to get better prepared for the accession to the ESCB once Serbia meets the membership criteria for the EU.

In light of the NBS's competences and responsibilities, this project will contribute to further enhancing the capacity and functions of the NBS in the areas of economic analysis and research, statistics, FX reserve management, accounting and financial reporting, international relations, financial stability, supervision of financial services and insurance, financial services consumer protection, IT reporting and governance, and monitoring the effects of liberalization of capital movements.

In order to ensure the sustainability and safeguarding the achievement of the project results, the NBS will obtain all necessary follow-up activities.

This presupposes that effective mechanisms will be put in place by the NBS to disseminate and consolidate the results of the project.

8. Crosscutting issues (*equal opportunity, environment, climate etc...*)

Based on the fundamental principles of promoting equality and combating discrimination, participation in the project will be guaranteed on the basis of equal access regardless of sex, racial or ethnic origin, religion or belief, disability, age or sexual orientation. Equal participation of men and women during the implementation of the project will be assured. The activities of the objective have no negative impact on the environment.

Equal Opportunities and non-discrimination

In the implementation of activities under this Twinning Fiche, the principles of equal opportunities and non-discrimination shall apply, so that participation in the project will be

guaranteed on the basis of equal access regardless of sex, ethnic origin, religion or belief, disability, age, etc. Gender equality incentives are incorporated particularly in activities concerning capacity building, as well as through the monitoring mechanism, whereby some of the indicators are structured so that data shall be disaggregated by gender, etc.

Environment and climate change

The activities under this Twinning Fiche do not have a direct global impact to the protection of the environment. For all the activities, however, recycling of paper and the reduction of paper-based activities is recommended.

Minorities and vulnerable groups

This Twinning Fiche does not deal with minorities and vulnerable groups in any direct manner, but as a general principle, sensitivity towards minorities and vulnerable groups, where meaningful, should be reflected in the improved provision of public services.

Civil Society/Stakeholders involvement

This Twinning Fiche did not involve civil society and other stakeholders since it was not programmed under the standard IPA programming process but rather through the IPA unallocated envelope.

9. Conditionality and sequencing

No conditionality or sequencing is envisaged that relates to this twinning contract whatsoever.

10. Indicators for performance measurement

Result 1 – Component 1: Improved sustainability and strengthening the framework of economic and monetary policy, foreign exchange reserve policy and financial reporting, with enhanced international relations of the NBS

Indicators for Result 1 – Component 1:

- Two new models for short-term inflation forecast and one new model for GDP projection developed; Parameters of the current macroeconomic model for medium-term projections developed and knowledge on the field of Bayesian estimation acquired;
- Document with recommendation for improvements of foreign exchange reserves portfolio management provided;
- New internal and external general acts on accounting and appropriate amendments to the Law on the National bank of Serbia drafted; Analysis of the effects of a clear and appropriate separation of realized and unrealized gains and losses and determining the accounting treatments prepared and launched an IT project in order to implement this calculation;
- Action plan for an optimization for data covering structure that is received from the banks and unifying reporting within the NBS;
- Guidelines for communication activities of the NBS related to the involvement of the NBS in EU integration process prepared; Action plan for aligning the NBS International Relations function with ESCB standards prepared

Result 2 – Component 2: Aligned regulations with the relevant EU regulations, applicable standards and best practice in the area of financial services, financial system stability, consumer protection and IT reporting and governance

Indicators for Result 2 – Component 2:

- Guidelines for operationalization/implementation of macro-prudential instruments - LTV limit, LTI limit, Leverage ratio and limitation of exposure to certain sectors or specific types of assets developed;
- Draft of the Insurance Law or Amendments to the Insurance Law implementing Solvency 2 requirements (Directive 2009/138/EC) and Directive on insurance distribution (Directive 2016/97/EU) produced; Draft Methodology for supervision of the Guarantee fund produced; Draft of the By-law supervision of insurance and reinsurance undertakings in a group produced;
- Guideline regarding process of acting in response to financial services consumer complaints prepared; Financial education programs for specific subgroups of financial services consumers and plans of activities related to the responsible borrowing and debt management produced;
- Internal acts regarding software quality prepared and adopted; Adequate ratio of the amount of processed data and the processing speed and the achieved level of safety protection of the shared data achieved and standards of format, necessary processing and safety procedures defined. The SOC at the NBS established and internal acts at the NBS on regular reporting on incidents adopted Internal acts on the established business processes and forming of committees and working bodies for the implementation and application of IT Governance & Business Relations adopted.

Result 3 – Component 3: Established legal and action framework for monitoring the effects of liberalization of capital movements

Indicators for Result 3 – Component 3:

- The action plan for monitoring the effects of liberalization of capital, including indicators and system for direct reporting prepared.

11. Facilities available

The NBS will dedicate all necessary human and institutional resources in order to guarantee an effective implementation of the respective project. In particular, the beneficiary institution will insure the availability of the following provisions:

- Adequately equipped office space for the RTA and the RTA assistants, Component Leaders and short-term experts for the entire duration of their secondment (in particular a desk, a telephone line, PC with e-mail account and internet access, possibility to use fax & copy services)
- Adequate conditions for the STEs to perform their work while on mission to the BC
- Training and conference venues as well as presentation and interpretation equipment
- Its active involvement in preparation of the Steering Committee meetings and participation of its members on the same
- The availability of the BC human resources (BC experts) during the implementation of the activities.

Overall objective	Objectively verifiable indicators	Sources of verification	
<p>The overall project objective is to support the NBS in maintaining of sustainable macroeconomic and financial system stability through the harmonization of rules, policies and operations of the ESCB standards and best international practices;</p>	<p>Macro-economic indicators:</p> <ul style="list-style-type: none"> • Inflation target of 3% ±1,5 p.p. by 2020 (inflation rate maintained in accordance with the NBS's Memorandum on Inflation targets until end-2020); • Level of FX reserves adequate and high enough for maintaining financial stability (in accordance with the NBS Foreign Exchange Reserve Management Strategy); • Stability of financial system; • Ability to repay the country's external debt. 	<ul style="list-style-type: none"> • Annual Progress Reports of the European Commission • IMF and World Bank reports • NBS quarterly Inflation Report • NBS monthly Statistical Bulletin 	
Specific objective	Objectively verifiable indicators	Sources of verification	Assumptions
<p>To strengthen the institutional and human resources capacity of the NBS by aligning the NBS's functions and operations with EU regulations and international standards and thereby improve efficiency, accountability and safety of the entire financial sector in RS</p>	<ul style="list-style-type: none"> • Extent to which the NBS role as central bank is executed in line with EU regulations and international standards in areas: economic analysis and research, FX reserve management, financial stability, supervision of financial services, accounting and financial reporting, financial services consumer protection, capital movements, statistics and support to EU integration; • Successful fulfilment of EC recommendations contained in annual Progress Reports 	<ul style="list-style-type: none"> • NBS Annual Reports submitted to the National Assembly • Report on the operations of the NBS, Report on the monetary policy and Report on the conditions in the banking and overall financial system of the country • EC annual Progress Report for Serbia • EC European 	<ul style="list-style-type: none"> • Maintenance of restrictive fiscal policy and tight monetary policy and acceleration of structural reforms • Authorities supportive to strengthening of NBS independence • Fulfilment of other Copenhagen criteria

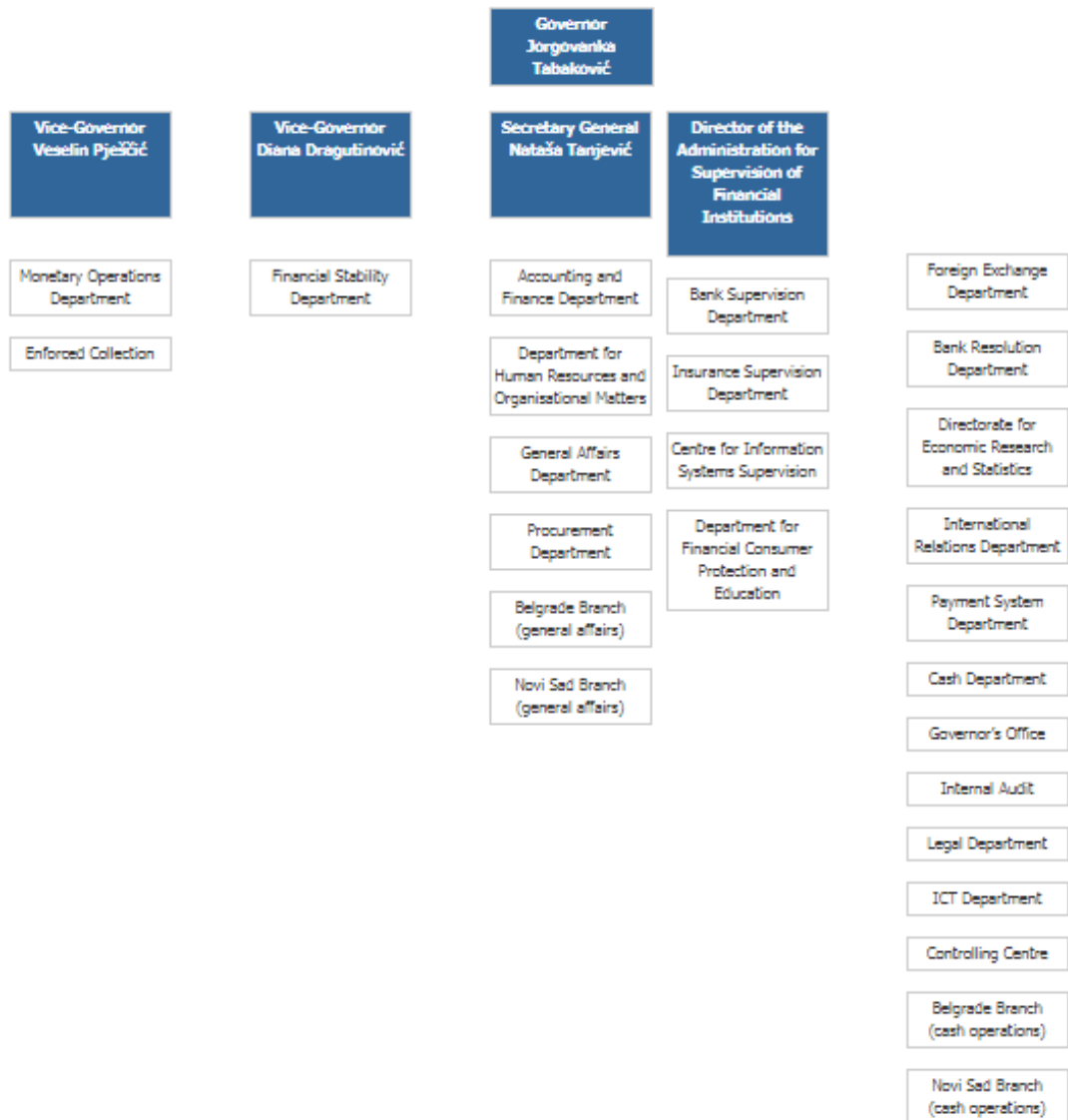
	Achievements relating negotiation chapters	Economy, Enlargement Papers <ul style="list-style-type: none"> Article IV Consultation – IMF Staff Report IMF’s Reports on the Observance of Standards and Codes (ROSCs)	
Results(Components)	Objectively verifiable indicators	Sources of verification	Assumptions
<p>1. Improved sustainability and strengthening the framework of economic and monetary policy, foreign exchange reserve policy and financial reporting, with enhanced international relations of the NBS</p> <p>2. Aligned regulations with the relevant EU regulations, applicable standards and best practice in the area of financial services, financial system stability, consumer protection and IT reporting and governance</p> <p>3. Established legal and action framework for monitoring the effects of liberalization of</p>	<p>Result 1 - Component 1:</p> <ul style="list-style-type: none"> Two new models for short-term inflation forecast and one new model for GDP projection developed; Parameters of the current macroeconomic model for medium- term projections developed and knowledge on the field of Bayesian estimation acquired ; Document with recommendation for improvements of foreign exchange reserves portfolio management provided; New internal and external general acts on accounting and appropriate amendments to the Law on the National bank of Serbia drafted in an inclusive and evidence-based process ; Analysis of the effects of a clear and appropriate separation of realized and unrealized gains and losses and determining the accounting treatments prepared and launched an IT project in order to implement this calculation; 	<p>Result 1 - Component 1:</p> <ul style="list-style-type: none"> NBS Annual Reports IMF, World Bank and EU Reports NBS publications NBS FX reserve middle-office assessments and reports; Expert’s reports EC Annual Reports <p>Result 2 - Component 2:</p> <ul style="list-style-type: none"> IMF, World Bank and EU Reports NBS Annual Reports NBS publications Expert’s reports EC Annual Reports Quarterly reports of the commercial 	<ul style="list-style-type: none"> Close cooperation with commercial banks, pension funds, insurance and leasing companies Sufficient human and technical resources allocated The recommendations, when accepted, passing in due course through either legislative or decision-making process Measure of objectivity of the reports produced by those involved in the implementation of the project Existence of

<p>capital movements</p>	<ul style="list-style-type: none"> • Action plan for an optimization for data covering structure that is received from the banks and unifying reporting within the NBS. • Guidelines for communication activities of the NBS related to the involvement of the NBS in EU integration process prepared; Action plan for aligning the NBS International Relations function with ESCB standards prepared <p>Result 2 - Component 2:</p> <ul style="list-style-type: none"> • Guidelines for operationalization/ implementation of macro-prudential instruments-LTV limit, LTI limit, Leverage ratio and limitation of exposure to certain sectors or specific types of assets developed; • Draft of the Insurance Law or Amendments to the Insurance Law implementing Solvency 2 requirements (Directive 2009/138/EC) and Directive on insurance distribution (Directive 2016/97/EU) produced in an inclusive and evidence-based process; Draft Methodology for supervision of the Guarantee fund produced; Draft of the By-law supervision of insurance and reinsurance undertakings in a group produced; • Guideline regarding 	<p>1 banks on the number and nature of the complaints</p> <ul style="list-style-type: none"> • Market research on the quality of financial services related queries <p>Result 3 – Component 3:</p> <ul style="list-style-type: none"> • NBS Annual Reports • IMF, World Bank and EU Reports 	<p>internationally recognized seminars</p> <ul style="list-style-type: none"> • Capacity of the NBS staff to accept new knowledge
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	<p>process of acting in response to financial services consumer complaints prepared; Financial education programs for specific subgroups of financial services consumers and plans of activities related to the responsible borrowing and debt management produced,</p> <ul style="list-style-type: none"> • Internal acts regarding software quality prepared and adopted; Adequate ratio of the amount of processed data and the processing speed and the achieved level of safety protection of the shared data achieved and standards of format, necessary processing and safety procedures defined. The SOC at the NBS established and internal acts at the NBS on regular reporting on incidents adopted Internal acts on the established business processes and forming of committees and working bodies for the implementation and application of IT Governance & Business Relations adopted. <p>Result 3 – Component 3:</p> <ul style="list-style-type: none"> • The action plan for monitoring the effects of liberalization of capital, including indicators and system for direct reporting prepared; 		
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List of relevant Laws and Regulations

- The Basis for Negotiations and Conclusion of the Treaty of Accession of Serbia to the European Union 337-8063/2013, adopted by the Government of Republic of Serbia on 23rd September 2013;
 - EU Directives;
 - The BPM6 methodology and the balance of payments VADEMECUM;
 - The relevant EU regulations - Regulation (EU) and Commission Regulation (EU) ECB statistics related securities
 - Guidelines of the ECB and Guidelines (EU); OECD Recommendations
 - Financial Services Consumer Protection Law (RS Official Gazette, No. 36/2011)
 - Law on Amendments to the Financial Services Consumer Protection Law (RS Official Gazette, No. 139/2014)
 - Financial Education Strategy of the National Bank of Serbia (2016-2020)
 - The Law on the National Bank of Serbia (RS Official Gazette, No.)
- The Law on Foreign Exchange Operations (RS Official Gazette, No.) and subsidiary legislation made under that Law;
- Strategic Guidelines for the Management of Foreign Reserves of the National Bank of Serbia;
- Foreign Exchange Reserve Management Strategy of the National Bank of Serbia;
- Macro prudential framework;
- NBS' s Memorandum on Inflation targets until end-2016;
 - ISO/IEC 9126 Standard (ISO/IEC 9126 Software engineering — Product quality)
 - ISO/IEC 25000 Standard (ISO/IEC 25000 Software engineering – Software product Quality Requirements and Evaluation)
 - Internal regulations in the NBS- IT Department:
- Quality measurement methodology and quality assessment software
- Information Security Policy in NBS (according to ISO 27000), Decision on Minimum Information System Standards for Financial Institutions,
 - National law and foundation of National CSIRT
 - ITIL standard,
 - Information Security Policy in NBS (according to ISO 27000),
 - Decision on Minimum Information System Standards for Financial Institutions,
- National law and foundation of National CSIRT
 - COBIT – Contro
 - 1 Objectives for Information and related Technology;
- ISO / IEC 38500;
 - ITIL - Information Technology Infrastructure Library;
 - ISO / IEC 20000;
 - ISO / IEC 27000th
 - Decision on the minimum standards of management information systems of financial institutions (2013)
 - NBS document - Decision on Minimum Information System Standards for Financial Institutions, Information Security Policy in NBS (according to ISO 27000),



ANNEXES TO PROJECT FICHE

1. Logical framework matrix in standard format (compulsory)
2. List of relevant Laws and Regulations (optional)
3. Organization Chart of the NBS