

Competitiveness and Jobs Project

IBRD RBM Landing Operation

Project ID: P152104

Project Progress Report

January – June 2017

Updated till November 2017 *

Public Policy Secretariat, Republic of Serbia
for

Inter-Ministerial Working Body for
Competitiveness and Jobs Policy Planning,
Monitoring and Coordination

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Abbreviations

CIIP	Competitive Industries and Innovation (Trust Fund/Project)
DLI	Disbursement-Linked Indicator
IBRD	International Bank for Reconstruction and Development
IF	Innovation Fund
IMWB	Inter-Ministerial Working Body (for PPMC in competitiveness policy area)
KPI	Key Performance Indicator
MoE	Ministry of Economy
MoESTD	Ministry of Education, Science and Technological development
MoLEVSA	Ministry of Labor, Employment, Veteran and Social Affairs
NES	National Employment Service
PAD	Project Appraisal Document
PIU	Project Implementation Unit
POM	Project Operations Manual
PPMC	Policy Planning, Monitoring and Coordination
PPS	Public Policy Secretariat
RS	Republic of Serbia
WB	World Bank

(*) Note: Changes within the Government (29.06.2017.), as a consequence of the Presidential election (2.04.2017.), shifted governmental priorities related to the Project's PDOs and caused changes of key Governmental Officials, in that number some of members of the Project's Inter Ministerial Working Body IMWB. It influenced the Project implementation, in terms of postponing/slowing down of some activities, speeding up, and revisioning the others, and reassessing of the operational settings and priorities. Since this change occurred at the end of the official semiannual reporting period of 2017 and coincided with initiating of the eventual loan restructuring assessment and mid-term review period, it was decided to extend reporting period in order to capture all key changes and to provide more accurate and relevant basis for forthcoming analysis of the Project's progress and performance. This alteration of the reporting period will be applied only on the present report.

Project Progress Report

This Project Progress Report for the period January - June 2017 is structured in two parts:

- I. Summary Progress report per subject of reporting (DLIs, EEPs, Procurement and Finance summary), and*
- II. Progress Report per Project components and subcomponents.*

I. Summary report

1. Project Overview

Republic of Serbia was granted a loan of the International Bank for Reconstruction and Development (hereinafter the Bank) to improve the competitiveness and employment in the amount of 100 million dollars (89.5 million euros), implemented through Competitiveness and Jobs project (hereinafter: the Project). The main goal of the Project is to improve the efficiency and coordination of selected public programs to alleviate constraints for competitiveness and job creation, including investment and export promotion, innovation, active labor market programs, employment mediation and activation of users of social assistance. The project is structured in two interconnected parts:

- 1) Part A - which uses a results-based financing modality. Results, or a part thereof, achieved in four thematic components: A.1. Policy planning, monitoring, and coordination; A.2. Investment and Export Promotion; A.3. Innovation; A.4. Labor, and the execution of the Eligible expenditure Programs (EEPs) are precondition for withdrawal of funds from the loan for Part A;
- 2) Part B - includes technical support in Project management and implementation, including the procurement of goods, consulting services, non-consultant services, Training and Operating costs. Part B consists of two components: B.1. Support to the Public Policy Secretariat (hereinafter PPS) in the name and on behalf of PPS, the Ministry of Economy (MoE) and Ministry of Education, Science and Technological Development (MoESTD), both at the level of individual institutions, and the level of the overall Project through Project Implementation Unit (PIU); B.2. Support to the Ministry of Labor, Employment, and Social Affairs (MoLEVSA) through engagement of appropriate experts for project implementation and management, and consulting services. The withdrawal of funds from the loan for Part B of the Project involves the submission of Statements of expenditure (SoE).

Part A consists of the following components:

A.1. - Policy planning, monitoring, and coordination (hereinafter: the PPMC) will support the implementation of the program of the Republic of Serbia for planning, monitoring and coordination of public policies, through developing and piloting an inter-ministerial PPMC system in support of competitiveness and jobs reforms;

A.2. - Investment and Export Promotion will support program of the Republic of Serbia for investment and export promotion through development and adopting of a strategic framework and overall action plan for investment and export promotion, including restructuring the MoE investment and export promotion agencies, and improving the Republic of Serbia investment and export promotion programs and services;

A.3. - Innovation will support program for innovation through support of the operations of the Innovation Fund (hereinafter: the IF) and it's Matching Grants Program (hereinafter: MGs program); support to the Technology Transfer Facility (hereinafter: TTF) service lines and operations at the IF; and undertaking strategic planning for the reform of the public research and development sector.

A.4. - Labor will support the implementation of the reform program in the field of labor through enhancing the effectiveness of the National Employment Service (hereinafter: the NES) labor intermediation services for employers and the unemployed; improving the effectiveness of the active labor market programs (hereinafter: the ALMPs); and facilitating the transition of social assistance beneficiaries into formal jobs.

The central institution responsible for coordination of the project is PPS with the assistance of PIU. PPS coordinates the gathering and processing of the results of monitoring, reporting, fiduciary functions and safeguard procedures in close cooperation with the institutions participating in the Project. PPS also acts as the technical secretariat of the Inter-Ministerial Working Body for policy planning, monitoring and coordination in competitiveness policy area (PPMC IMWB). Director of the PPS Chairs the PPMC IMWB.

2. Major Milestones

In the reporting period, after the establishment of project implementation infrastructure and institutional framework in 2016, meaning, engagement of experts who will support activities of the institutions, as well as other necessary elements for efficient operational management of the Project, beneficiaries started to implement project activities.

Key results within reporting period are:

- PPMC IMWB regularly had meetings during reporting period, discussing development of the Project and other topics related to implementation of reform process and improvements of the PPMC system. Regular cooperation, communication, exchange of information and reporting between IU, PPS/PIU and PPMC IMWB are maintained;
- Law on Planning System, Regulation on Public Policy Management, Policy and Regulatory Impact Assessment, and Content of Individual Public Policy Documents and Regulation on Mid-Term Planning has been drafted and adoption procedure initiated. Expected adoption of the Law will significantly contribute to implementation of the Policy Planning, Monitoring and Coordination system in Republic of Serbia;
- Based on revision of the Procurement Plan approved on February 6th 2017, Public Policy Secretariat contracted three individual experts for Innovation Based Entrepreneurship and four individual experts for the position Analytics and Data Specialist for Monitoring and Evaluation, which conducted training for civil servants. .
- During reporting period one disbursement request related to Part A of the Loan has been submitted and funds has been received, EUR 6,75 million has been disbursed based on achievements reported in Progress report for period June - December 2016. In addition, related to Part B, as advance EUR 280,979.04 was drawn to fund technical activities and operational expenses of the Project Executive summary

3. Executive summary

In order to provide more comprehensive overview of the Project status, in this Chapter are taken into consideration also developments per component in the period July-October 2017, namely:

Component 1

- Law on Planning System have passed Governmental procedure, and at the present is to be adopted by the Parliament, scheduled for the session in the same package with Law on the State Budget. Drafts of planning regulations (Regulation on Public Policy Management, Policy and Regulatory Impact Assessment, and Content of Individual Public Policy Documents, and Regulation on Mid-Term Planning) are adjusted in accordance of the version of the Law approved by the Government, and will be adopted by the Government immediately after Law adoption by the Parliament, in order to enable full regulatory package implementation;
- APIGP is updated (priorities revised, coherency improved, aligned with most important on-going interventions including C&J Project, implementation structure improved) and adopted by the Government, providing coherent policy framework for the further PPMC System development. Alignment with C&J intervention is undertaken on the Project initiative, and it is developed in accordance with recommendations of analytic Working Paper (Annex 14 of Progress Report) prepared by the C&J Team in cooperation with the APIGP Team;
- Coordination role of the central C&J management structure is shifted towards stronger management of the Project, in order to improve Project's efficiency and effectiveness, while function of coordination itself is gradually transferred to APIGP structure in the process of harmonization and optimization of the two processes (top-to-down and bottom-up) of building coherent public policy coordination system. Additional reason for this approach was to enable more efficient "troubleshooting" on C&J Project (on Components 3 and 4, but also as a general mechanism) and to improve Project's efficiency and effectiveness in whole. In accordance to that, role of IMWB was revised and its role (exercised on 14th Meeting and on additional 3 thematic sessions) is shifted towards decision making one, while thematic sessions are transformed into ad-hoc thematic panels with broader participation of key stakeholders, defined in accordance with concrete session topic. By this testing of adjusted functions and tools is ensured improved feedback and consequently relevance of the actions, which leads to improvements towards more coherent RBM approach and set of tools for the Project and PPMC/APIGP implementation.

Component 2

- Sectoral industrial policies (Value-chain analyses and Action Plans for selected sectors) – both set of documents will be finalized until the end of the year, thanks to the additional efforts invested in the improving process' efficiency and effectiveness. In that course are held 3 additional IMWB thematic sessions in the form of ad-hoc thematic panels, introducing participatory approach in the process of the evidence based policy making, and building a base for further improvement of the Component's relevance. This exercise was also used to explore of potentials of strengthening RBM based project implementation functions and tools and shifting from coordination to management within the policy management paradigm.

Component 3

- Within the period July-October 2017 the major breakthrough on the Project occurred on the Component 3. For the long period of time lagging process of drafting and adoption of Action Plan (AP) for Strategy of Scientific and Research Development for 2016-2020 and Infrastructure

Road Map is re-launched and accelerated, and at the present it is expected that the both documents will be adopted by the Government until the end of the year approximately. Within the current draft of AP, a role of the C&J Project is precisely defined, taking into consideration significant potential for the improvement of the Project's relevance in this sector, and providing coherent ground for revision of the Component 3 towards increasing of its relevance and effectiveness. AP is developed and drafted in accordance with prepared Public Policy legal package, applying foreseen methodologies and evidence based policy making approach.

Component 4

- In order to restart activities on the Component 4 implementation, which have been halted in the period June-October 2017 is undertaken a "troubleshooting" exercise, based on existing set of the C&J Project PAD and POM, but with shift from coordination towards more coherent and centralized Project Management. In that course, MoLEVSA and PPS agreed to transfer MoLEVSA PIU functions to the PPS PIU, while the MoLEVSA will keep implementation functions. This process includes development of a provisional AP for overcoming 5 months long time span of halted activities on Component 4, in order to improve efficiency and effectiveness of the Project implementation, as well as revision of the planned activities in order to improve its relevance and alignment with APIGP (eventual revision of the DLI 9 and strengthening focus on other sub-components, and alignment of remaining actions with results of value-chains analyses and APs for sectoral industrial policies developed under Component 2).

The overview of the Project progress toward defined indicators is summarized in following table:

Table 1: Overall project performance

I. Overall project performance								
Total Loan proceedings for achieved results:	85.00	million EUR						
	Baseline	Targets						Total
	2015	2016 semi-annual	2016	2017 semi-annual	2017	2018 semi-annual	2018	
Overall scoring of progress in achieving Project KPIs*:	n/a	n/a	n/a	0.00%	0.00%	0.00%	0.00%	n/a
Overall scoring in fulfilling obligations:	100.00%	50.46%	45.94%	59.66%	0.00%	0.00%	0.00%	56.06%
Value of executed EEPs*:	€ 84,586,824	€ 35,120,819	€ 81,081,172	€ 40,958,012	€ 0	€ 0	€ 0	€ 206,626,008
Executed EEPs against committed:	97%	84%	99%	97%	0%	0%	0%	98%
Estimated Loan disbursement for the period:	€ 5.37	€ 11.09	€ 26.85	€ 9.89	€ 25.96	€ 10.78	€ 26.85	€ 42.11
Actual Loan disbursement enabled:	€ 5.37	€ 5.59	€ 12.34	€ 5.90	€ 0.00	€ 0.00	€ 0.00	€ 23.61
Undisbursed available Loan proceedings**:	€ 0.00	€ 5.49	€ 14.52	€ 3.99	€ 25.96	€ 10.78	€ 26.85	€ 67.32

* Note: Acceptable semi-annual values for KPIs and EEPs is set on 40% of their annual value.

** Note: The total amount of available Loan proceedings presented in the table regards only disbursements relative to result (Part A). The total amount available includes also eventual residue from Part B of the Project and contingencies, and is less than total Loan amount for the front-end fee value which is paid from Loan proceedings.

PDO and Intermediate indicators were defined by the Project documentation. This report will contain overview of the progress achieved toward those indicators. In cases where those indicators coincide with DLIs defined for the Project, such indicators will be a subject of specific chapters of this report.

Table 2: Project Development Objective Indicators*

Indicator Name	Baseline	2016			2017			2018
		Target	June 30 th	December 31 st	Target	June 30 th	December 31 st	Target

New investor leads generated by the reformed investment promotion agency (Number), annual	20	22	12	23	25	15		30
<i>Note: this indicator is the KPI defined for Component A.2</i>								
Participants in export promotion programs that engage in new export activities (Number), annual	85	90	71	188	95	77		100
<i>Note: this indicator is the KPI defined for Component A.2</i>								
New collaborations facilitated between research organizations and the private sector (Number)	3	8	N/A	14	31	N/A		34
NES registered unemployment cases transitioning into formal job (Number), annual	232.280 (2014)	245.000	132.940	215.712	260.000	131629		280.000
<i>Note: this indicator is the DLI defined for Component A.4</i>								

* Description (indicators definition), frequency and responsibility for data collection is available in PAD (pages from 28 to 32)

Source: PAD and Participating institutions

Progress in fulfillment of obligations defined as Disbursement Linked Indicators (DLIs) has been measured comparing the amount of Loan proceeds which should be disbursed for results achieved and reported in this Performance review, and the amount which could be disbursed in the same period in case all the results, foreseen to be reached in the reporting period, are achieved. Average success rate for the period January 2015- June 2017 is 56%, while for this reporting period it is 60 %, which is assessed as still partially satisfactory, but significantly improved, compared with the previous reporting period (which scored 46%). Some of the catching-ups, especially the one connected to DLI 3, forecasted in the last Progress report, did happen during 2017. That resulted in the above average progress in this period.

Eligible Expenditure Programs¹ (EEPs)) execution rate in total is 98 % and for the reporting period 97 %, comparing with the amount committed in the Budget of Republic of Serbia. PPMC IMWB considers the EEP execution as **satisfactory**. If success of Project implementation is monitored through comparison between execution of EEPs (97% in this reporting period) and level of fulfillment of obligations on the Project (60% for the reporting period) due to the fact that the execution of project activities by participating institutions is in delay, execution of obligations is lagging behind execution of EEPs in the same period. Completion of some activities planned for 2016 has not yet occurred in 2017. (Related to DLI 2 and 8), but it can be expected till the end of a year. Having in mind that the level of EEPs for 2017. is the same as for 2016. this imbalance is partially leveled in 2017.

¹Eligible Expenditure Programs, as defined in the Loan Agreement, represent the salary costs that Republic of Serbia has for MoE employees, research and development institutes (within the budget of MoESTD) and NES staff. EEPs are considered the cost of Republic of Serbia for the implementation of the reforms in the subject of this Project.

Based on progress in achievement of results and fulfillment of the obligations on the Project, the PPMC IMWB suggest submission of Disbursement request for the Part A of the Project in total amount of 5,902 million EUR, for results achieved under:

- DLI 1 – 0.224 million EUR,
- DLI 3 – 1.193 million EUR,
- DLI 4 – 2,685 million EUR,
- DLI 6 – 0, 9 million EUR,
- DLI 7 – 0, 9 million EUR.

PPMC IMWB considers the overall Project implementation as **partially satisfactory**. It is still evident that activities within and between participating institutions could have been performed and coordinated more efficient, but the initial lags are lessened, with a prospect of further decrease.

All activities are in progress with the exception of DLI 5. related to reform of public RDI sector.

It is necessary to intensify project activities in order to compensate the delays and overcome recorded constrains, which is, in fact, one of the major, if not the most important goal of the Project. Regarding DLI 3, necessary budget has been secured for 2017. so there are preconditions for conduct of planned activities. It is yet to be decided, in mutual agreement with the Bank, what will happen with the undisbursed amount reserved for 2016. As for delayed activities in other DLIs, current status of the project implies that they will be completed till the end of next reporting period in June 2017. At this point it seems that the whole project may be postponed for one semester from the originally planned completion times.

Detailed information on progress in each component is presented in following chapters of the report.

4. Summary report on DLI achievement (fulfillment of obligations on the Project)

III. Fulfilment of obligations - DLI values and possible disbursement per year:								
	2015 total	2016 partial payment	2016 total	2017 partial payment	2017 total	2018 partial payment	2018 total	Total:
Component 1: Policy planning, monitoring and coordination								
DLI 1 value:	3.58	million EUR						
DLI 1: Policy planning, monitoring and coordination system piloted (in support of competitiveness and jobs reforms)	0.90	0.22	0.90	0.22	0.90	0.22	0.90	3.58
<i>Disbursement conditions met - disbursement expected:</i>	0.90	0.22	0.90	0.22				2.01
Component 2: Investment and export promotion								
DLI 2 value:	19.69	million EUR						
DLI 2: MoE investment and export promotion programs restructured		2.69	7.16		6.27		6.27	19.69
<i>Disbursement conditions met - disbursement expected:</i>		2.69	2.69					2.69
Component 3: Innovation								
DLI 3 value:	10.74	million EUR						
DLI 3: Enterprise innovation supported via Innovation Fund Matching Grants Program		1.19	3.58	1.59	3.58	1.59	3.58	10.74
<i>Disbursement conditions met - disbursement expected:</i>		0.00	0.00	1.19				1.19
DLI 4 value:	8.95	million EUR						
DLI 4: Technology transfer and commercialization facilitated via the Innovation Fund Technology Transfer Facility		0.90	2.69	2.69	2.69	3.58	3.58	8.95
<i>Disbursement conditions met - disbursement expected:</i>		2.69	2.69	2.69				5.37
DLI 5 value:	11.64	million EUR						
DLI 5: Public research sector reforms designed and adopted	2.69	2.69	2.69	1.79	3.58	2.69	2.69	11.64
<i>Disbursement conditions met - disbursement expected:</i>	2.69	0.00	0.00					2.69
Component 4: Employment								
DLI 6 value:	7.16	million EUR						
DLI 6: Effectiveness of NES labor intermediation services delivered to clients (employers and unemployed) improved		0.90	2.69	0.90	1.79	0.90	2.69	7.16
<i>Disbursement conditions met - disbursement expected:</i>		0.00	2.69	0.90				3.59
DLI 7 value:	8.95	million EUR						
DLI 7: Case load management in NES branch offices improved	0.90	0.90	2.69	0.90	2.69	0.90	2.69	8.95
<i>Disbursement conditions met - disbursement expected:</i>	0.90	0.00	2.69	0.90				4.48
DLI 8 value:	8.95	million EUR						
DLI 8: Effectiveness of ALMPs improved through statistical evidence	0.90	0.90	2.69	0.90	2.69	0.90	2.69	8.95
<i>Disbursement conditions met - disbursement expected:</i>	0.90	0.00	0.00					0.90
DLI 9 value:	5.37	million EUR						
DLI 9: Transition of social assistance beneficiaries into formal jobs facilitated		0.70	1.79	0.90	1.79		1.79	5.37
<i>Disbursement conditions met - disbursement expected:</i>		0.00	0.70					0.70
Potential total disbursements per reporting period:	€ 5.37	€ 11.09	€ 26.85	€ 9.89	€ 25.96	€ 10.78	€ 26.85	€ 85.03
Disbursement conditions met - disbursement expected:	€ 5.37	€ 5.59	€ 12.34	€ 5.90	€ 0.00	€ 0.00	€ 0.00	€ 23.61
Total potential disbursements per reporting period against total loan proceedings:	6.32%	13.04%	31.58%	11.63%	30.53%	12.68%	31.58%	100.00%
Overall scoring in fulfilling obligations (DLIs) per reporting period:	100.00%	50.46%	45.94%	59.66%	0.00%	0.00%	0.00%	56.06%

Note: Partial payments at mid-year does not effect total available annual amount per DLI. In case partial disbursement is made at mid-year, the annual amount is reduced for such payment. In case annual DLI is not met, its value is attributed to the next semester.

Overall progress toward fulfillment of Project obligations – achievement of defined results in the reporting period can be assessed as **partially satisfactory**.

Only DLI 4 has been fully achieved within the reporting period, as it was the case in 2016.

DLI 1, due to the fact that report has to be written after the reporting period is expected to be fulfilled and included in disbursement request, as it was the practice established with previous reports.

DLI 2. delayed since the end of 2016, is in the final stage of completion, regarding the development of sector policies, and reasonably expected to be achieved till the end of 2017. That means the conditions for disbursement of 4.475 million EUR will be met. Additionally, DLI 2.3. which refers to increased number of documented investors interests is achieved on the level of 63% in mid-year and should certainly be achieved fully, till the end of a year.

DLI 3. That had the greatest underperformance in the last year, is progressing as planned in this year. There are no indications that there will be considerable obstacles for its fulfillment.

DLI 5. is in serious delay. It is obvious that it will not be achieved in planned deadlines, not even on the level foreseen for 2016. The only feasible solution of this problem seems to be a non-cost extension of the project.

DLI 6 and DLI 7 are considered achieved

DLI 8 and DLI 9 are in serious delay. It is obvious that it will not be achieved in planned deadlines

The main deviation from the plan is still related to Component 3 – Innovation, but Component 4 is also highly problematic.

5. Summary report on EEPs execution

Table 4: Performance against Eligible Expenditures

IV. Performance against Eligible Expenditures								
Eligible Expenditure Programs (EEP)*								
	2015	2016 semi-annual	2016	2017 semi-annual	2017	2018 semi-annual	2018	Total
EEP committed:	€ 87,094,401.85	€ 41,813,923.17	€ 82,201,947.17	€ 42,351,327.59				€ 211,647,676.61
MoE	€ 1,300,831.26	€ 941,355.02	€ 1,879,871.49	€ 803,683.94				€ 3,984,386.69
MoESTD	€ 72,515,505.31	€ 34,938,380.63	€ 68,471,594.58	€ 35,627,894.54				€ 176,614,994.43
NES	€ 13,278,065.28	€ 5,934,187.52	€ 11,850,481.11	€ 5,919,749.11				€ 31,048,295.50
EEP executed:	€ 84,586,824.14	€ 35,120,818.83	€ 81,081,172.00	€ 40,958,012.09				€ 206,626,008.22
MoE	€ 1,230,461.78	€ 759,305.63	€ 1,526,753.01	€ 756,878.01				€ 3,514,092.80
MoESTD	€ 71,065,806.50	€ 29,232,538.42	€ 68,254,552.15	€ 35,051,244.23				€ 174,371,602.88
NES	€ 12,290,555.86	€ 5,128,974.78	€ 11,299,866.83	€ 5,149,889.85				€ 28,740,312.53
Executed EEPs against committed:	97.12%	83.99%	98.64%	96.71%				97.63%
KPI performance against executed EEPs:	n/a	n/a	n/a	n/a				n/a
DLI performance against executed EEPs:	102.96%	60.07%	46.57%	61.69%				57.42%

Note: EEPs - Eligible Expenditure Programs have been defined only for MoE, MoESTD and NES.

Executed EEPs in amount of EUR 42,35 million are higher than total potential Disbursement Request for the period of EUR 9,89 million (EUR 5, 9 million are expected to be requested based on this Progress report at mid-year). It satisfies established rule, defined, among other documents, in POM under section 8.9 Loan Withdrawal, that total amount of EEPs executed by all institutions in the period January –

December 2016 is higher than total amount of requested withdrawal, across all DLIs, for which payment is requested.

6. Procurement

During reporting period procurements for the Project has been executed based on Procurement Plan defined during negotiation of the Project and revised during April 2016 and January 2017.

First post review on the Project has been conducted by the World Bank in November 2016. PPS has received the post review report from the World Bank, in which no irregularities were found.

Certain delays that were recorded in procurement of technical assistance during 2016 were partially caught up in the reporting period. Level of execution based on number of procurements conducted under Part B1 and Part B2 is presented in following table:

Table 5: Realized procurements in 2016.

	Realized procurements in 2016			Realized procurements in 2017		
	Planned	Realized	%	Planned	Realized	%
Total number of procurements	34	24	70%	16	8	50%
Part B1						
TA for Component A1	6	5	83%	6	4	67%
TA for Component A2	9	9	100%	/	/	/
TA for Component A3	4	1	25%	5	0	0%
implementation support	9	6	67%	3	3	100%
Part B2						
TA for Component A4	6	4	67%	2	1	50%

PART B1

TA Component 1 – total number of procuring packages as of June 30, 2017 is 10. The contract for the position 1A.1.3. Lead impact evaluation expert with the originally contracted consultant has been terminated and the consultant has been contracted for the position B.1.1.-rebid PIU Head. The rebid process for the position 1A.1.3. Lead impact evaluation expert has been initiated in May and the selected consultant has been contracted in June 2017. The contract with the consultant for the position 1A.1.5. Impact evaluation specialist (a) has been mutually terminated in January 2017. So far, under the TA Component 1 for following two positions the selection process is not initiated: 1A.1.5. Impact evaluation specialist (a) and 1A.1.5. Impact evaluation specialist (b). Depending on the project needs, the selection process will be initiated.

TA Component 2 – All procurement packages has been conducted and contracted in 2016.

TA Component 3 - Five procurement packages has been planned to be conducted in first half of 2017. So far, only the selection process has been initiated for the position 3A.3.1. Design and supervision of RDI self-assessment methodology through developing the Terms of Reference for which the World Bank provided comments.

Implementation support – All procurement packages has been finalized and contracted by June 30, 2017. The PIU faced with the changes of staff in the reporting period. Namely, the originally contracted PIU Head (position B.1.1) and the PPS mutually agreed to terminate the contract as of February 01, 2017. The Single Source Selection has been conducted for new PIU Head (position B.1.1-rebid) and the contract has been signed on February 28, 2017.(see text above for TA Component 1). In addition, originally contracted consultant for the position B.1.4. Finance Specialist and the PPS mutually agreed with to terminate the contract starting from July 10, 2017. The rebid process for the position B.1.4-rebid Finance Specialist has been initiated in May 2017.

PART B2

TA Component 4- The selection process for the position 4A.4.3.-rebid Evidence based program design of ALMPs is not finalized in the reporting period. The contract with the consultant for the position 4A.4.4 Improving work incentives of social assistance beneficiaries, has been signed in the reporting period.

7. Finance

Financial report of the Project for 2016 has been prepared and presented with the report as Annex 3.

During reporting period one disbursement request related to Part A of the Loan has been submitted and funds has been received., EUR 6,75 million has been disbursed based on achievements reported in Progress report for period June - December 2016. In addition, related to Part B, as advance EUR 280,979.04 was drawn to fund technical activities and operational expenses of the Project.

All regulatory reporting to Ministry of Finance, Treasury, Public Debt Administration and National Bank of Serbia has been timely and correctly done. One audit of the Project financial statements, as required by POM has been performed. . An official report from the audit firm recorded no findings.

II. Progress report per Project Component

8. Component A.1: Policy planning, monitoring, and coordination

This Project component supports the implementation of the program of the Republic of Serbia for improvement of PPMC system, and directly addresses the two main challenges in the policy development process in the RS: 1) weak strategic evidence-based planning, and 2) policy coordination. It is implemented through development and piloting of inter-ministerial system for planning, monitoring and coordination of policies in area of competitiveness and jobs, through establishment and functioning of PPMC IMWB.

During reporting period PPS actively worked on reform of Policy Planning, Monitoring and Coordination system and coordination of Project activities. Details are presented in PPMC system implementation report as a separate document. However, activities that are most important were:

- Law on Planning System, Regulation on Public Policy Management, Policy and Regulatory Impact Assessment, and Content of Individual Public Policy Documents and Regulation on Mid-Term Planning has been drafted and adoption procedure initiated. Due to appointment of the

new Government in June, part of procedure was prolonged, but, in September 2017 Government passed the Law to the National Parliament for adoption. , Expected adoption of the Law will significantly contribute to implementation of the Policy Planning, Monitoring and Coordination system in Republic of Serbia;

- In November 2016, after election of the new Government, in cooperation with the World Bank which provided methodological support APSPV (Action Plan for Implementation of Government Program) was adopted. APSPV is an instrument meant to achieve the same goals as the Project, by using the same RBM methodology. Practically, it is a spillover of the Project on the rest of the public administration. Crucial influence that it has on the Project is described in detail in a separate annex 14 of this report.
- PPS and Ministry of Finance coordinated all ministries and National Bank of Serbia in formulation and implementation of Economic Reforms Program for period 2017 – 2019. which Government has adopted on April 3rd 2017. Formulation was done in consultations (January 2017) with other relevant entities. It is important to mention that all reforms are aligned with APSPV and this Project as well, so that these three documents represent a coherent set founded on result based management principles. In May 2017 series of meetings was held in Brussels, with representatives of EPC and ECOFIN, regarding the recommendations for the next cycle of ERP development.
- PPS participated in development and implementation of Program for improvement of results on Doing Business. In 2016 Republic of Serbia achieved significant improvement, moving from 59th to 47th place. In the reporting period no significant activities in this area were conducted.
- PPS organized and provided trainings for civil servants, in the area of analytics and data collection and processing. Total of 59 participants were included. The trainings covered topics such as: basics of statistics, measuring, types of indicators, establishment of reporting system. These competences were developed in order to improve the implementation of APSPV and, in general, to be used in the process of improving readiness for introduction of RBM system in public sector.
- Process of development of Smart specialization strategy on national level is being initiated in close cooperation of MoESTD and PPS. This strategic document, when adopted, will further strengthen connections between research and innovation institutions and national economy. It will help inclusion of Serbian research and innovation sector into European and global research trends and financing programs. Other important feature of this Strategy is that it implies very broad scope of consultations with all stakeholders in order to discover regional comparative advantages and focus resources on areas with greatest innovative potential. Inter-ministerial working body tasked with development of this document was formed in November 2016. PPS, MoESTD, MoLEVSA and MoE are members of this body. Being that this process is complementary to the Project, and that it includes same participants (among many others) it can be seen as additional instrument of introduction of PPMC in the public sector. In the reporting period, PPS provided expert support to the working body in creation of Activity plan and Guidelines for analytical and operational teams of the Working body.
- PPS also prepared, with support from the World Bank, The Competitiveness Monitor, report on competitiveness and economic development of the Republic of Serbia. Purpose of this report is to provide to policy makers the insight regarding achieved results and to show the opportunities and necessary actions for further economic growth and development. Content of this report is based on presumption that economic growth and development is determined by: 1) global competitiveness of national economy, and 2) Market and price parameters as well as national development policy. First edition of the Report was distributed to governmental institutions in December 2016. Second edition is in preparatory phase. The Report is planned to be published on semi-annual basis.

Analyses in this report present a base for evidence based policy making and also give insight into effects of the interventions implemented within the Project.

- All of the activities listed above, most of all APSPV, directly contribute to incorporation of result based management in public policy system, so the planning and coordination could be based on continuous monitoring of set of data, representing transitional results during achievement of priorities defined in planning documents.

In performing its coordinating role in the Project, PPS managed the Project through coordination of the activities:

- Four sessions of IMWB has been held to discuss operational activities and make decisions from IMWB area of responsibility; In addition to that, one thematic session initiated by MoE was held in April, dedicated to development of sector policies under leadership of Ministry of economy. On that session, consultancy firms presented an outline of sector policies and value chain analyses for the four selected sectors of industry to the members of the IMWB and other stakeholders. As result of discussion on that thematic session, draft documents were further amended and improved.
- Organization, execution and supervision over public procurements related to the Project;
- Organization of financial management and payments for the Project;
- Reporting to the World Bank, Ministry of Finance and all other recipients about Project progress and achievements;
- As previously stated, one thematic session has been held, which is lower result then planed. Execution of the Plan of thematic sessions has been effected by delay in development and adoption of the strategic documents that should have been developed during 2016, since those documents were primary topic to be discussed on thematic sessions;

Besides developing and implementing reforms in PPMC system – embedded in the Component 1 of the Project, PPS is also in charge for overall project technical aspects through Component B of the Project.

Based on undertaken activities, and with the PIU established to provide support to participating institutions, it could be concluded that results expected under Component 1 were mostly achieved in the reporting period, so progress toward Project objectives is **satisfactory**.

Table 7: Component A.1 - Intermediate Result and Key Performance Indicators²

**Component 1: Policy Planning,
Monitoring and Coordination**

Intermediate Results Indicators defined in
Project Appraisal Document*

Indicator Name	Baseline	2017		
		Target	June 30 th	December 31 st
Annual performance reviews of pilot policy planning, monitoring, and coordination system (to support competitiveness and jobs reforms) <i>Note: this indicator is the DLI defined for Component A.1</i>	0	2	1	

² KPIs will be addressed separately in the performance review

Component A.1 – DLI achievement report:

This component, as defined by the Loan Agreement (LA), encompasses **DLI 1 – Policy planning, monitoring, and coordination (“PPMC”) system (in support of competitiveness and jobs reforms) piloted.**

This DLI, when expected results for 2017 are concerned (as well in the following years of the Project), includes:

DLI 1.2: Piloting of the PPMC system through semi-annual Progress reports and annual Performance reviews based on the reports prepared and submitted by participating institutions.

Expected result with Verification Protocol:	Status/description of achievement:	Source of verification:
<p>DLI 1.2 statement: PPMC WG publishes on the PPS website one semi-annual progress report and one annual performance report of the PPMC system with inputs from each Participating Institution.</p> <p>Verification protocol for DLI 1.2 :</p> <p>1. Adequate content of the semi-annual Progress report for each institution contains:</p> <p>1.1. KPIs baseline values at project inception, progress, and targets for the following 2 years;</p> <p>1.2. Identification of the relevant budget lines and activities associated with each indicator;</p> <p>1.3. Reports are prepared in line with the reporting protocols established with IMWB meeting minutes;</p> <p>1.4. Publicly available – published on the PPS website.</p> <p>2. Adequate content of the annual Performance review for each institution contains:</p> <p>2.1. Discuss performance problems in each KPI;</p> <p>2.2. Budget adequacy, and performance improvement measures (both planned and taken);</p> <p>2.3. Publicly available – published on the PPS website.</p>	<p>1.1 Achievement of this annual DLI is not applicable at mid-year.</p> <p>1.2 Partial DLI 1.2.1 is PARTIALLY ACHIEVED.</p> <p>1.3 and 2.1. KPIs baseline values at project inceptions, progress, and targets for the following 2 years has been developed by Internal PPMC units of participating institutions. KPI performance and related problems were discusses and conclusions were integrated in the PPMC system implementation report;</p> <p>1.4 and 2.2. Identification of the relevant budget lines and activities associated with each KPI has been done where applicable. For those identified, adequacy and performance improvement measures have been discussed and integrated in the report. Some budget lines could not be determined and in some cases more than one budget line corresponds with one KPI. In order to enable full monitoring of the budget adequacy and reform costs against performance, the improvement of KPIs will be undertaken based on analysis presented in PPMC system implementation report. In case needed, relevant procedures provided with POM will be adjusted;</p>	<p>Attachments to this report:</p> <p>1. <i>Print Screen from PPS web site on which Progress Report for July – December 2016 and 2016 Annual Performance Report of the PPMC System has been published</i></p> <p>This report will be published upon acceptance of the WB.</p>

- 1.5 On session held on March 28th, 2016, after obtaining No Objection from the WB, IMWB adopted POM which establishes Reporting procedures. In accordance with those protocols Progress Report for period July-December 2016 has been made;
- 1.6 and 2.3. Verification protocol 2.3 could not be applied as defined, since this report could not be published within the period on which it refers, but fulfillment is expected in one month period after adoption by PPMC IMWB.
- 1.7 Due to restructuring of the Government at the end of the semi-annual reporting period in 2017 and consequent revising some of the key Governmental priorities related to the Project, it was decided to postpone releasing of the Semi-Annual Progress Report, in order to provide more relevant and accurate analytical base for eventual restructuring decision

Note: Performance Review is not yet formally accepted by the Bank, thus DLI is still considered partially achieved. Reimbursement request for achievement of partial DLI will be submitted after Bank's confirmation that annual report is accepted.

9. Component A.2: Investment and Export Promotion

This Project component supports reforms lead by the MoE regarding restructuring and improvement of the functioning of institutional framework and programs and services for investment and export promotion. Through this reform MoE will strengthen the strategic framework for investment and export promotion, including identification of the priority industrial sectors and development of initiatives for sector-specific value chains, which would provide better focus of the support programs, in line with the national development priorities.

Key activities performed within Component 2 - Investment and export promotion:

- Development of Sector Policies and Strategies for Selected Manufacturing Sectors (DLI 2.1) - draft of the overviews with SWOT analyses were submitted timely. The Ministry of Economy did not formally approve these drafts requiring additional harmonization with the findings and documents related to sector performance and value chain analyses developed by the consortium consisting of CEVES and PKS. Consultative meetings have been conducted aiming at harmonization of documents developed by

the two consortia. Then, on 25 and 26 April 2017, a two-day meeting of Inter-Ministerial Working Group (MRT) was conducted in order to present findings of the studies developed in line with the contract requirements. Upon these meetings, revised overviews with SWOT analyses of all four selected sectors of manufacturing industry were submitted to the Ministry of Economy. The Ministry of Economy approved these revised documents. However, the remaining activities on sector policy development (development of action plans in a participative manner by organization and implementation of a series of public events with business and academia communities, as well as a final conference) were not implemented in line with the timeframe defined by the contract (the contract completion date was 8 June 2017). Therefore the contract and timeframe for implementation of the remaining activities was extended by the end of December.

This activity, planned for 2016, was delayed from the start, due to prolonged procurement process. When the experts were finally hired, there was a methodical request to finish value chain analysis as a precondition for approval of sector policies. This fact additionally postponed completion of the activity.

- In spite of the fact that that Strategic Framework and overall action plan for investment and export promotion is timely adopted in December 2016, verification protocol for this DLI is not fulfilled completely, because this document does not contain Sector policies. Strategic Framework and overall action plan is being implemented and monitored, which is a DLI for 2017, and will be discussed in the annual report.
- Serbian Development Agency (RAS) was founded in January 2016, before the effectiveness of this Project, by means of merging SIEPA and NARD. It presented the base for restructuring of investment and export promotion programs, being that Strategic Framework and overall action plan for investment and export promotion, that constitutes DLI 2.1. is in practice Strategic Framework and Action Plan of the RAS, with special focus on activities related to export and direct investment attraction improvement. It was developed in the first year of Project implementation and approved by the Minister of Economy in December 2016. In line with this document, a new organizational structure for RAS, appropriate for efficient performance and activity implementation, is developed in the first quarter of 2017. The databases/platforms/portals previously developed by SIEPA and NARD have been put in use in the reporting period. Part of the formation process were some personal changes on the top management level of the RAS, namely, it had succession of three different directors in the course of one and a half year. The managerial structure is now consolidated, which will have positive impact on deliverance of project results.
- Training Needs Assessment of RAS staff per sectors has been completed in the reporting period. TNA identified several different training programs needed by RAS staff, such as:
 - 1) Project Management Cycle – basic and advanced
 - 2) Development of scope of works for external consultants
 - 3) Public procurements (general introduction, types of procurement, procedures, etc.)
 - 4) Program budgeting
 - 5) Interpretation and analysis of financial reports

- 6) Business plan analysis and appraisal
- 7) Development of tailored project proposals
- 8) Identification and development of performance indicators for monitoring and evaluation plans
- 9) Data and business modeling analysis
- 10) Development and use of databases for decision-making
- 11) English Language courses (intermediate and advanced levels)

In the first half of 2017, RAS staff participated in a series of trainings, some of which covered the above-mentioned thematic areas:

- ✓ Aftercare and Investor Outreach, 21-22 March 2017 – William Mutt, World Bank
- ✓ EU Projects from A to Z, 27-31 March 2017 - EU Projects
- ✓ Design of Enterprise Competitiveness and Export Instruments, 13 April 2017 – Melissa Metz, World Bank
- ✓ EU Project Development, 3-5 May 2017 – EU Projects
- ✓ Management and Adaptation to Company's Growth Cycle, 5 – 7 June 2017 – PSD Project, USAID
- ✓ Capacity Building: Branding, 12-14 June 2017 - PSD Project, USAID
- ✓ Designing SME and Export Programs, 19-22 June 2017 – Melissa Metz, World Bank
- ✓ Work with Business Register's Agency – Simka Zivkovic

Law on Administrative Procedure – Sanja Popovic

- RAS initiated activities in order to increase transparency and communications with its audiences. PR & Communications Plan was developed. The web site has been re-designed in order to enable better access via mobile devices as per international standards. Also, activities on social networks(Facebook, Instagram, YouTube) have been initiated in this period. RAS Newsletter was published in May 2017
- Speaking of direct investment attraction in the first half of 2017, the aftercare function within the Sector for Strategic Investments in RAS was established in order to create an institutionalized dialogue with the companies that had already made investments in Serbia and use their presence to the maximum for further economic development of Serbia in several ways: new investment by extension of the existing ones, engagement of domestic suppliers to substitute raw material and other components import, and prevention of investors abandoning the country by early detection and resolution of issues burdening their business operations. Establishment of the aftercare function within this Sector included trainings of the staff for performance of aftercare visits and reporting, development of aftercare visit plan together with all documents necessary for implementation of aftercare activities, including visit scheduling, meeting notes, meeting conclusions and dissemination of information to stakeholders and other departments within RAS.. Plan of aftercare activities was developed in 2017 with supporting documentation. Until November, aftercare visits were conducted in 13 companies, out of 20, scheduled for 2017.
- Company Manual is developed containing key information for new employees enabling them to better understand the organization they work for and their role in its further

development. Meetings with representatives of Local Economic Development and Investment Attraction units were organized in cooperation with the Standing Conference of Towns and Municipalities (SCTM) in order to establish two-way communications. Models for evaluation of investment effects on public revenues, export balance, GDP and unemployment decrease were developed. These models measure very precisely the effects of future investments and provide a background for correction of investment attraction incentives policies and measures.

- Upon completion of activities related to increase of competitiveness and export promotion in 2016, specifically related to qualitative and quantitative mapping of clusters with export potentials, further development of cluster databases and questionnaires for their mapping, in early 2017 and a detailed analysis of export incentives program in 2016 was completed. The Analysis of export incentive programs in 2016 incorporated a detailed analysis of the Internationalization Program in 2016, as well as an analysis of applications and activities related to export support implemented within the Program of Business Institutional Infrastructure and within a Standardized Set of Services. In addition, development plans of business entities and their needs for support provided by RAS are identified, too.
- Development of Performance and value chain analysis - Draft of the analyses was submitted in line with contractual requirements. Yet, the Ministry of Economy did not formally approve these drafts requiring additional harmonization with the findings and documents related to sector policy developed by the consortium consisting of Maxima Consulting and UPS. Consultative meetings have been conducted aiming at harmonization of documents developed by the two consortia. Then, on 25 and 26 April 2017, a two-day meeting of Inter-Ministerial Working Group (MRT) was conducted in order to present findings of the studies developed in line with the contract requirements. Upon these meetings, revised overviews with SWOT analyses of all four selected sectors of manufacturing industry were submitted to the Ministry of Economy. The Ministry of Economy approved these revised documents.
- Set of documents recommending and identifying programs for incentives and improvement of SMEE sector competitiveness are developed in the first half of 2017. The set includes Evaluation of the Year of Entrepreneurship in 2016 and Plan of the Year of Entrepreneurship for 2017. Development of the monitoring and evaluation plan for the Year of Entrepreneurship 2017 has been initiated in this reporting period to be completed and implemented by the end of 2017.
- Gap Analysis of Institutional Capacities and Capabilities Relevant for Internationalization of Serbian Economy, which identifies existing and potential gaps relevant for international economic relations of Serbian and foreign trade within the institutional arrangements was conducted. In line with this Analysis, a grouping of the identified gaps was done as a key starting point for drafting the Action Plan for the Establishment of an Institutional Framework for the Process of Internationalization of the Serbian Economy to be completed in the second half of 2017.

In order to successfully and timely implement the Project, the Ministry of Economy has developed detailed and elaborated Operational Plan consisting only of the Project Activity Plan as the Procurement Plan was entirely implemented in the first Project year.

Major part of activities has been implemented in line with the Operational Plan with timely completion of activities and development of relevant documents/deliverables. The exception are activities related to **sector policy development and analysis of sector performance and value chains for the selected manufacturing sectors, which are prolonged till the end of 2017, as well as activities related to establishment of RBM and monitoring and evaluation system within the MoE and its agencies, which are in delay so significant that their continuation is under reconsideration. Contracts of specialists for foreign direct investments attraction and increasing export and positioning on foreign markets expired in September. All their tasks were fulfilled completely and timely.**

The proposal for additional public procurements in 2017 was developed in line with available unspent contingency funds aiming at supporting efficient implementation of the Serbian Development Agency Action Plan by planning the activities on revision of Industrial Development Strategy of Republic of Serbia and engagement of experts in the fields of entrepreneurial training, strategic marketing, human resource management and monitoring and evaluation. However, the proposal was not approved by the Inter-Ministerial Working Group for planning, monitoring and coordination of policies relevant for competitiveness and jobs (MRT).

Progress is in general **satisfactory. Although full achievement of DLI 2 result for 2016** is in certain delay, having in mind all activities undertaken by institution and remaining activities till the end of the Project, could be expected that planned achievements will be reached within duration of the Project.

Table 9: Component A.2 Intermediate Result and Key Performance Indicators³

Intermediate Results Indicators defined in Project Appraisal Document*

Indicator Name	Baseline	2017		
		Target	June 30 th	December 31 st
MoE investment and export promotion programs restructured <i>Note: this indicator is the DLI defined for Component A.2</i>			Not achieved	

³ KPIs will be addressed separately in the performance review

Number of documented interests by investors (Number), annual <i>Note: this indicator is the DLI defined for Component A.2</i>	61	74	47	
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Source: PAD and Participating institution

Component A.2 – DLI achievement report:

This Project component, as defined in the LA, encompasses **DLI 2 – MoE investment and export promotion programs restructured.**

This DLI, when expected results in 2017 are concerned, includes:

DLI 2.1: Development and adoption of the strategic framework and action plan for investment and export promotion with adequate content;

Expected result with Verification Protocol:	Status/description of achievement:	Source of verification:
<p>DLI 2.1 statement: Strategic framework and overall action plan for investment and export promotion (“Action Plan”) prepared and adopted by the MoE.</p> <p>Sectorial policies and sector-specific implementation plans adopted for target sectors identified in the strategic framework.</p> <p>Verification protocol for Partial DLI 2.1:</p> <ol style="list-style-type: none"> 1. Strategic framework and action plan contain initial identification of the targeted industrial sectors and specific policies for targeted sectors; 2. Strategic framework and action plan contain performance targets for 3 years and monitoring mechanisms; 3. Strategic framework and action plan contain measures for improvement of existing or development of new programs and services; 2. Action plan is time bound, with costs and stages defined; 5. Contain reform/restructuring of one or more agencies/organizations within MoE portfolio, responsible for investment and export promotion (SIEPA, Development fund, AOFI and/or NARD), where restructuring may include the combination of existing or creation of new agencies; 6. Action plan contain measures for strengthening governing structure in selected agencies/organizations; 	<p>DLI 2.1 is NOT ACHIEVED</p> <p>All activities related to development of Strategic Framework and Action Plan for investment and export promotion with initial identification of selected sectors and specific policies for these selected sectors were implemented in 2016. and the Minister approved the Strategic Framework and Action Plan of Serbian Development Agency. However, activities related to development of sector policies started late than planned due to administrative procedures. This is the reason why the second part of activities related to realization of the DLI and relevant for development and adoption of sector policies were supposed to be completed in line with the contract signed with the consortium assigned with the task by the end of the 2017.</p>	<p>Attachments to this report:</p> <ol style="list-style-type: none"> 1. Acceptance Certificate on Sector Overview and SWOT Analysis of the 4 Selected Sectors of Manufacturing Industry (annex 5) 2. Acceptance Certificate on Sector Performance and Value Chain Analysis of the 4 Selected Sectors of Manufacturing Industry (annex 6.)

7. Sector specific policies (contained in the strategic framework) include:

7.1. Policies for investment and export promotion and value chain strengthening in the identified targeted sectors;

7.2. Performance targets and monitoring mechanisms;

7.3. Sector specific actions plans;

7.4. Sector policies aligned with the revised Industrial Strategy 2011-2020.

8. Strategic framework, action plan and sector specific policies are officially endorsed in the letter signed by the minister of economy and are acceptable to the Bank.

DLI 2.2: Implementation, monitoring and update of the Action Plan (2017 – 2018)

Expected result with Verification Protocol:	Status/description of achievement:	Source of verification:
<p>DLI 2.2 statement: Action Plan for year 2017 implemented, monitored, and updated.</p> <p>Verification protocol for DLI 2.2:</p> <ol style="list-style-type: none"> 1. Semi-annual progress reports (at mid-year and year-end) contain overview of the progress towards performance targets defined with the action plan; 2. Reports demonstrate changes in the governing structure of agencies/organizations within MoE portfolio (such as revision of the legal basis for performance of the tasks and/or internal operative procedures); 3. Reports contain proofs of funding and cost-benefit analysis of the new and/or improved programs and services; 4. Progress reports at year-end contain update of the performance targets for the following 3 years and update of the action plan for the following year (as needed to improve performance). 	<p>Achievement of this annual DLI is not applicable at mid-year.</p> <p>Level of realization: Implementation is in progress in line with the plan and will be realized within the given timeframe</p>	

DLI 2. 3: Increase in the number of documented interests by investors for at least 10% per year in comparison to the previous year (2017 – 2018)

Expected result with	Status/description of achievement:	Source of verification:
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Verification Protocol:

DLI 2.3 statement Number of investment leads generated increased by at least 10 percent from previous year.

Achievement of this annual DLI is not applicable at mid-year.

Level of realization:

Implementation in progress in line with the plan and will be realized within the given timeframe

Verification protocol for DLI 2.3:

- 1.** Increase of number of documented interests of investors by at least 10% in comparison with the previous year;
- 2.** That on the baseline value for 2017 and 2018 and achieved new contacts (for each year) exist official note/record, whose copies are submitted together with the report;
- 3.** As of 2017, majority of new contacts with investors corresponds with the goals and/or priority sectors set forth with the strategic framework and action plan for investments and export promotion;
- 4.** The MoE (coordinating and supervising function of MoE over agencies) approves the report of agencies/organizations on progress towards this DLI.

10.Component A.3: Innovation

This Project component supports the implementation of the RS program for strengthening business innovation, enhancing technology transfer and improvement of the performance of the research sector towards economy and society. This component is implemented through 3 compatible subcomponents:

A.3.1: Supporting the operations of the Innovation Fund and its Matching Grants Program (MGs Program);

A.3.2: Supporting the Technology Transfer Facility (TTF) service lines at the Innovation Fund, and

A.3.3: Undertaking strategic planning for institutional reform of the public research and development sector.

Activities included in Subcomponent A.3.2: Facilitate technology transfer and commercialization activities are ahead of the plan and by the mid-year annual plan to deploy at least one new TTF service has been achieved. However, there are major restrictions in achieving subcomponent 3.1 Support enterprise innovation due to insufficient funds in Budget for 2016 and 3.3- Design and adoption of public research sector reforms due to delay in adoption of documents that have to follow Strategy in order to successfully implement reforms of research sector.

Although, the activities on design of Action Plan for implementation of Strategy and Infrastructure Road Map were expected to be intensified, as well as execution of the Procurement Plan and procurement

of consulting services which should have supported the defined reform, no significant results could be reported. No procurement procedures have been executed In the reporting period. Engagement of external consultants to support development of methodology for RDIs self-assessment and for data gathering and analysis, and RDI performance audit practically did not start within reporting period.

Within sub-component 3.1 required funds of financing MG program and operating budget of the IF in 2017 were included in the budget for 2017, so DLI 3.1 is achieved. On IMWB session held on January 20th, 2017 it was concluded that committing of the allocated budget will be closely monitored during 2017, in order to explore possibilities to compensate achievement planned for 2016.

Although DLI 4 has been achieved in full on mid-year, progress in other required elements of this Project Component indicates that annual results will be achieved with significant delay, therefore progress is **not satisfactory**.

Table 11: Component A.3 Intermediate Result and Key Performance Indicators⁴

Component 3: Innovation

Intermediate Results Indicators defined in Project Appraisal Document*

Indicator Name	Baseline	2017		
		Target	June 30 th	December 31 st
Private financing catalyzed through IF support programs (Amount USD)	(2014) 0.3 m	1.4 m	0	
Enterprises and startups financed through matching grants (Number)	(2014) 11	30	0	
Enterprises and startups financed with female owner (Number - Sub-Type: Breakdown)	(2014) 1	4	0	
Innovative products or services developed by MG beneficiary firms (Number)	(2014) 16	17	0	
Innovative products or services launched by MG beneficiary firms (Number)	(2014) 3	3	0	
Technology transfer: IF TTF service lines deployed (Number)	0	5	7	
Technology transfer: transactions initiated (Number)	0	3	3	

⁴ KPIs will be addressed separately in the performance review

R&I strategy and action plan and public research sector reforms designed and adopted <i>Note: this indicator is the DLI defined for Component A.3</i>			DLI was not achieved	
Citizen engagement: Innovation matching grant beneficiary annual survey (Number of surveys)	0	1	0	

* Description (indicators definition), frequency and responsibility for data collection is available in PAD (pages from 28 to 32)
Source: PAD and Participating institutions

Subcomponent A.3.1: Support enterprise innovation

The focus of this component is the support to the implementation of the Matching Grants (MGs) program that demonstrated success in the past in the improvement of the innovation in young companies, in development and sales of new innovative products/technologies/services and creation of demonstration effects that attract additional risk financing for early-stage ventures. Registration of national and international patents, trademarks, intellectual property rights and establishment of the multiple international partnerships represent as well significant indicators of the success of this program. The Innovation Fund (IF) will also launch broader visibility and promotion efforts. The most important aspect is communication with stakeholders and supporting institutions in order to improve the innovation entrepreneurship environment in Serbia.

This subcomponent encompasses **DLI 3 – Enterprise innovation supported via the Innovation Fund Matching Grants Program** which, when expected results for 2017 are concerned, includes:

DLI 3.1: Allocating in the Republican Budget at least EUR 0.72 million annually for the IF operating budget and at least EUR 2.7 million annually for enterprise innovation matching grants (MGs) each year in the period 2016-2018;

DLI 3.2: Committing at least 80% of IF MGs annual budget using IF's international peer review and investment committee selection process, including adequate procedures in each year during the period 2016-2018.

DLI 3.1 is annual, but it is possible to request partial payments in case of achievement on mid-year, which did happen. Adequate budget funds were allocated for the IF.

DLI 3.1: Allocating in the Budget of Republic of Serbia at least EUR 0,72 million annually for the IF operating budget and at least EUR 2,7 million annually for enterprise innovation matching grants (MGs) each year in the period 2016-2018

Expected result with Verification Protocol:	Status/description of achievement:	Source of verification:
<p>DLI 3.1 statement: At least Euro 0.72 million allocated for IF's 2017 operational budget. At least Euro 2.7 million allocated to MGP in the Borrower's 2017 budget for IF. Verification protocol:</p>	<p>DLI 3.1 is ACHIEVED</p> <p>Activities within reporting period: On March 3rd, 2017. MoESTD and Innovation Fund signed the Financial Contract on deployment and use of</p>	<p>Attachments to this report:</p> <ol style="list-style-type: none"> 1. Excerpt from the Budget that show allocation of the funds for 2017, (annex 7) 2. Confirmation letter of the responsible manager of IF,

<p>Each year Mo ESTD, together with the semi-annual project report submits to the PIU the excerpt from the Budget Law of the RS (or other comparable document) for that year, with clear indication of budget line, confirming that:</p> <p>1. The operational budget of IF is allocated in appropriate amount, as well as that the allocated budget is available to the IF. Together with the excerpt from the Budget Law, a signed letter of the responsible manager of the IF is submitted confirming the allocation of the funds.</p> <p>2. The budget for implementation of the MGs program is allocated in the appropriate amount, as well as that that the funds are available to the IF. Together with the excerpt from the Budget Law, a signed letter of the responsible manager of the IF confirming the allocation and availability of funds is submitted.</p>	<p>budgetary funds allocated for financing of operative costs of the IF and financing of enterprise innovation matching grants.</p>	<p>confirming the allocation and availability of the funds, (annex 8)</p> <ol style="list-style-type: none"> 3. Financial contract between MoESTD and IF,(annex 9) 4. Conclusion of the Government on the Program of usage of funds for subventions to public non-financial organizations (annex 10)
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DLI 3.2: Committing at least 80% of IF MGs annual budget using IF's international peer review and investment committee selection process, including adequate procedures in each year during the period 2016-2018

Expected result with Verification Protocol:	Status/description of achievement:	Source of verification:
<p>DLI 3.2 statement: At least 80% of 2017 IF MGP budget committed using IF's international peer review and investment committee selection process.</p> <p>Verification protocol: 1. At least 80% of MGs annual budgets is committed; 2. The commitment of grant funds was done using IF's international peer review and investment committee selection process; 3. In accordance with the Loan Agreement, MGs programs are implemented in line with the MG Manual which is acceptable to the Bank in form and content, is adopted by the IF, and which determines the procedures for selection, evaluation and approval of project and for monitoring and control of the implementation of the projects financed under MGs program, and which describes basic principles and acceptable procedures including, inter alia: 3.1. Criteria for eligibility and amounts within MGs, and 3.2. Mandatory provisions that:</p>	<p>DLI 3.2 is NOT ACHIEVED</p> <p>Activities within reporting period: <i>On June 1st, public call for Mini grants and Matching grants was announced. Deadline for application is 1st September.</i> MG Manual which is acceptable to the Bank in form and content, is adopted by the IF on May 9th 2017.</p>	

- No civil works shall be financed by the MGs program;
- No land acquisition or involuntary resettlement shall occur in connection with the provision of any matching grant;
- Beneficiaries of the matching grants shall not award contracts to their subsidiary or affiliated companies unless there is an established arms-length arrangement;
- Matching grants will be provided and implemented in accordance with the ESMF and any applicable EMP thereunder; and
- International peer review and investment committee mechanisms are used for grant selection.

Environmental (and Social) Compliance

Contracted Environmental and Social Management Specialist (ESMS) followed POM⁵ procedure and applied⁶ the Environmental and Social Management Framework (“ESMF”)⁷.

Environmental and Social Management Specialist, responsible for ensuring that all outputs of the technical assistance on the Project are consistent with the Bank’s safeguards, performed environmental and social screening of projects that were short-listed for the latest round of Mini and Matching Grants programs (32 projects were screened in total – 23 Mini Grants and 9 Matching Grants). It should be noted that in addition to reviewing ESQ submitted by the applicants, ESMS reviewed the applicant’s Business Plan to ensure the project activities conform to environment and social status. In some cases, additional explanation and clarification were required and consequently requested by the ESMS.

The list of environmental and social screened projects is given bellow, with project Category assignment, and notes, if any.

Mini Grants: 23 projects

No	Project ID	Project Name	Applicant	Category assigned after Environmental and Social Screening	Notes
1	679	Immersive4Learning	Immersive4	C	Additional clarification requested; Applicant provided statement that testing will be performed with consent of school

⁵ Section 7.8.1 of the POM

⁶ as requested by Section I.A.3 of Schedule 2 of the Loan Agreement

⁷ Environmental and Social Management Framework (ESMF) draft was disclosed in English and Serbian via the Public Policy Secretariat (PPS) website (<http://www.rsjp.gov.rs/okvirni-plan-zaupravljanje-zivotnom-sredinom-i-socijalnim-pitanjima/t>) and at the World Bank Infoshop on April 3, 2015. A public consultation meeting was held in accordance with the requirements of the World Bank on April 21, 2015. The final ESMF document was re-disclosed locally and at the World Bank Infoshop on May 11, 2015.

					and cement factory (social aspect)
2	703	Motivate to Move (MOTIMOVE)	3F-Fit Fabricando Faber doo	C	
3	722	Sava Event Management Platform	SpiceFactory doo	C	
4	753	CreditHub: cloud- based platform for POS consumer financing	Partner Finance DOO	C	Additional clarification requested
5	760	Embedded Mobile Application Platform	Pygmy Titan d.o.o.	C	
6	764	STAS chair desk	STAS Furniture	B	EMP requested and approved
7	785	Couch Coach	CCS Solutions	C	
8	794	SMART DIAGNOSTICS OF MITRAL VALVE PROLAPSE	Flipping FRP doo	C	Additional clarification requested
9	808	SwiftBuild	Swiftty DOO	C	
10	809	Mainflux IIoT System	MAINFLUX TECH D.O.O.	C	Additional clarification requested
11	836	Publitio API	Publitio	C	
12	865	< DEVELOPMENT OF NEW MATERIALS FOR PREFABRICATED CONCRETE ELEMENTS FOR BUILDING CONSTRUCTION IN TROPICAL CLIMATIC CONDITIONS	Ultimo Gradjevinska Hemija d.o.o.	B	EMP requested and approved
13	871	IMPLEMENTATION OF COMPUTATIONAL INTELLIGENCE IN FOUNDRIES IN SERBIA - ICIFS	RALBING DOO	C	Additional clarification requested
14	875	Derail Valley	Altfuture DOO	C	
15	880	Development of disposable EPS products multifunctional handling unit as EPS molding machine extension	Airpop doo	B	EMP requested and approved
16	884	INNOVATIVE PLUSH TOYS WITH NATURAL BEESWAX	Bizbaz d.o.o.	B	EMP requested and approved

17	912	Hyperwelder	Hyperwelder d.o.o.	C	
18	920	New forged-quality Al/Cu bimetallic electrical connectors	VEMID DOO	B	EMP requested and approved
19	936	ARXITEKT	Future Reality Systems DOO	C	
20	938	SmartBlot	SmartResearch	B	EMP requested and approved (pending public consultation outcome; approved before the final decision by the Investment Committee)
21	954	Solagro Smart Recycler 2.0	Solagro Smart Recycling doo	C	
22	960	Tino Space	Tino Space, LLC	C	Additional clarification requested
23	966	Surveillance and Communication System "Kvazar"	Tehnologije Budućnosti doo	C	

Matching Grants: 9 projects

No	Project ID	Project Name	Applicant	Category assigned after Environmental and Social Screening	Note
1	662	Slow food for the modern times	EKOFUNGI doo	B	EMP requested and approved
2	781	NEW SYSTEM FOR ELECTRO-OPTICAL CAMERA STABILIZATION	VLATACOM INSTITUT DOO BEOGRAD	C	
3	784	CarboLastic - anti-abrasive alloy	BSK DOO OBRENOVAC	B	EMP requested and approved
4	838	FamilyPay	INGSOFTWARE DOO	C	
5	847	Intensified day/night digital camera with image enhancement	HARDER DIGITAL SOVA D.O.O NIS	C	
6	881	PRUNO - fraud detection tool	LimundoGrad doo	C	
7	887	Development of a three-dimensional	Research and development center for bioengineering	C	

		visualization tool for GAME of BALANCE disorders, diagnostic and therapy			
8	910	Development of active pharmaceutical packaging	Uniplast DOO	B	EMP requested and approved
9	933	Cloud-based digital citizen Identity	Netset Global Solutions doo	C	
No	Project ID	Project Name	Applicant	Category assigned after Environmental and Social Screening	Notes
1	662	Slow food for the modern times	EKOFUNGI doo	B	EMP requested and approved
2	781	NEW SYSTEM FOR ELECTRO-OPTICAL CAMERA STABILIZATION	VLATACOM INSTITUT DOO	C	
3	784	CarboLastic - anti-abrasive alloy	BSK DOO	B	EMP requested and approved
4	838	FamilyPay	INGSOFTWARE DOO	C	
5	847	Intensified day/night digital camera with image enhancement	HARDER DIGITAL SOVA D.O.O	C	
6	881	PRUNO - fraud detection tool	LimundoGrad doo	C	
7	887	Development of a three-dimensional visualization tool for GAME of BALANCE disorders, diagnostic and therapy	Research and development center for bioengineering	C	
8	910	Development of active pharmaceutical packaging	Uniplast DOO	B	EMP requested and approved
9	933	Cloud-based digital citizen Identity	Netset Global Solutions doo	C	

Out of the 32 short listed projects reviewed and screened:

- Category C projects totaled 23;
- 9 projects were designated as Category B projects and additional documentation in the form of Environmentally Monitoring Plan (EMP) was requested and approved by the ESMS before the final decision of the Investment Committee;
- No short listed projects were designated Category A (subject of rejection due significant environmental and social impacts).

Contracted Environmental and Social Management Specialist will continue to supervise (through EMPs implementation) sub-projects/grants financed under MGs program, in order to ensure: 1. compliance with the World Bank Group (IFC) exclusion list; 2. that no sub-projects with significant impacts of a Category A type are supported; 3. that subprojects/ grants will not necessitate involuntary land acquisition, and 4. that no safeguard policy of the Bank, except OP/BP 4.01 on Environment protection assessment, is activated.

Subcomponent A.3.2: Facilitate technology transfer and commercialization activities

Activities to be implemented by the MoESTD, in cooperation with the IF, under this subcomponent are:

- (a) Design and deployment of one or more TTF service lines, which includes allocating at least EUR 0,9 million annually in the Government’s 2017 and 2018 budgets to the IF;
- (b) Initiating a minimal number of technology transfer transactions;
- (c) Evaluation of the TTF program;
- (d) Preparation of a Government or donor proposal for scaling-up technology transfer activities.

This subcomponent encompasses **DLI 4 – Technology transfer and commercialization** facilitated via the IF TTF. This is the only DLI that was achieved fully on mid-year. In addition to conditions from verification protocol, total of 7 service lines were deployed since 2016. In the reporting period, the following service lines were deployed: Funding the proof of commercial readiness, Providing commercialization strategy and tactics, Executing the commercialization strategy and Identifying potential commercial partners.

DLI 4 for 2017 includes:

DLI 4.2 - Allocation of at least EUR 0.9 million annually in the RS budget in 2017 and 2018 for TTF needs;

Expected result with Verification Protocol:	Status/description of achievement:	Source of verification:
<p>DLI 4.2 statement: At least Euro 0.9 million allocated in the Borrower’s 2017 budget to TTF operations and services</p> <p>Verification protocol for DLI 4.2: Each year the Mo ESTD submits to PIU the excerpt from the Budget Law of the RS (or other comparable document) with clear indication of the budget line containing the budget for TTF functioning in appropriate amount (EUR 0,9 million), and confirmation that the funds are available to the IF.</p>	DLI 4.12 is ACHIEVED	<p>Attachments to this report: DLI 4.2:</p> <ol style="list-style-type: none"> 1. Excerpt from the Budget that show allocation of the funds for 2017, 2. Confirmation letter of the responsible manager of IF, confirming the allocation and availability of the funds, 3. Financial contract between MoESTD and IF, (annex 9)

Together with the excerpt from the Budget Law a signed letter form the responsible manager of the IF is submitted, confirming the allocation of such budget to the IF.

4. Conclusion of the Government on the Program of usage of funds for subventions to public non-financial organizations (annex 10)

DLI 4.3 - Initiation of a minimal number of TT transactions in the period 2017-2018 (3 in 2017, and 7 in 2018 cumulative with previous year);

Expected result with Verification Protocol:	Status/description of achievement:	Source of verification:
<p>DLI 4.3 statement: at least 3 technology transfer transactions initiated.</p> <p>Verification protocol for DLI 4.3: At the end of 2017 and 2018, the MoESTD submits to PIU contracts or other acts, which determine the conditions for TT transactions with individual beneficiaries, as a proof that TT transactions have been initiated.</p>	DLI 4.3 is ACHIEVED	<p>Attachments to this report: <i>DLI 4.2:</i></p> <ol style="list-style-type: none"> 1. <i>SCJP Monitoring Report 2017 Q1.pdf (annex 11)</i> 2. <i>SCJP Monitoring Report 2017 Q2.pdf (annex 12)</i>

Subcomponent A.3.3: Design and adopt public research sector reforms

The goal of this subcomponent is aiming at improving the structure and composition of financing of the public research sector, creating incentives for both excellence and relevance of research for the industrial sector, including commercialization and focus on integrating into European and global research trends and financing programs.

Thus, this project will support the design of the reform of research sector with the focus on creating necessary incentives on individual and institutional level, as well as the design of possible reform scenarios at the research sector level and development of financing mechanisms based on performance at researcher and RDI level.

The DLIs planned for 2016 that were not achieved yet (5.2, 5.3 and 5.4.) were the preconditions for achievement of DLIs for 2017. Extension of the project regarding this subcomponent seems to be inevitable. As for the DLI 5.3. Adoption of the time bound action plan to implement R&I Infrastructure roadmap and its Action plan, membership of the RI Roadmap Working Group has been renewed in the reporting period. A draft simplified RI Roadmap has been completed (according to the EU comparator country model) and is about to be circulated to the Working Group for comments. It is planned by MoESTD to adopt Roadmap by mid 2018.

This sub-component regards **DLI 5 – Public research sector reforms designed and adopted** which, when expected results in 2017 are concerned, includes:

DLI 5.5: Completing performance audits of at least 20 RDIs carried out by international experts

Expected result with Verification Protocol:	Status/description of achievement:	Source of verification:
<p>DLI 5.5 statement: Performance audits of at least 20 RDIs carried out by international experts.</p> <p>Verification protocol:</p> <ol style="list-style-type: none"> 1. At least 20 RDI performance reviews has been completed by international experts; 2. Performance reviews build upon the 2016 piloted reviews. 	<p>DLI 5.5 is NOT ACHIEVED</p> <p>Activities within reporting period: <i>Since the procurement of external consultants has not been finished yet, no audits were carried out. Procurement procedure has been initiated by the MoESTD</i></p>	

DLI 5.6 - Designing and adopting RDI sector reform program, including performance based financing schemes, and their deployment timeline

Expected result with Verification Protocol:	Status/description of achievement:	Source of verification:
<p>DLI 5.6 statement: RDI sector reform program adopted by the Borrower, including performance based financing schemes, and deployment timeline.</p> <p>Verification protocol: Conditions for recognition of achievement of this DLI is that the MoESTD submits the RDI sector reform program which:</p> <ol style="list-style-type: none"> 1. Contains financing schemes based on performance on individual and institutional level; 2. Contains a timeframe for operationalization of the financing schemes. 	<p>DLI 5.2 is NOT ACHIEVED</p>	

11.Component A.4 Labor

The focus of this project component is the improvement of the capacities and services of the NES, more specifically of labor market intermediation services, provision of support programs which would increase job seekers prospects for employment (ALMPs) and support to activation of social assistance beneficiaries, which are characterized by low competitiveness on labor market, could expect only low-paying jobs, and their inclusion into the formal labor market.

This component is implemented through three sub-components:

- (a) Enhancing the effectiveness of the NES labor intermediation services for employers and the unemployed;
- (b) Improving the effectiveness of the RS active labor market programs, and
- (c) Facilitating the transition of social assistance beneficiaries into formal jobs.

Internal Unit of MoLEVSA regularly held meetings to discuss and coordinate project activities within ministry and between ministry and NES. On some of the meetings representative of PIU was present in order to gather information about the realization of the project activities and to additionally support institutions.

During reporting period, one of two planned procurements were realized. The other, Evidence based program design of ALMPs was subject of rebid and for that reason delayed. Since external consultant needed to support realization of DLI 8 was not engaged till the end of reporting period, and external consultant needed to support realization of DLI 9 was engaged with significant delay, it effected execution of planned activities.

Apart from the activities directly encompassed by the project, ministry actively worked on definition of ALMPs for the next year in coordination with all relevant and interested parties. It resulted with adoption of ALMPs for 2017 in November 2016. In January 2017 it was additionally improved and updated.

Based on report presented, although execution of two DLIs within reporting period is in delay, progress could be assessed as **partially satisfactory**.

Table 13: Intermediate Result and Key Performance Indicators⁸

Component 4 Labor

Intermediate Results Indicators defined in Project Appraisal Document*

	Indicator Name	Baseline	2017		
			Target	June 30 th	December 31 st
1	Share of total NES staff that is operating as certified case worker (Percentage)	0 (2014) 0 (2015)	0	42,44%	
	<i>Note: this indicator is the DLI defined for Component A.4</i>				
2	Number of employers contacted per year by the NES (Number)	15.927 (2014) 19.093 (2015)	20.000	12860	
	<i>Note: this indicator is the DLI defined for Component A.4</i>				
4	NES registered female unemployment cases transitioning into formal job (Number), annual	122,491 (2014)	130	N/A	
	<i>Note: this indicator is incorporated in the DLI defined for Component A.4</i>				

⁸ KPIs will be addressed separately in the performance review

6	Standard Deviation of mean case load per branch office over all branch offices	381 (2014)	350	295	
	<i>Note: this indicator is the DLI defined for Component A.4</i>	489 (2015)			
9.1	Net placement rate of NES start-up support program for self-employment 6 months from completion (Percentage)	37 (2013)	37	N/A	
9.2	Net placement rate of NES hiring subsidy program for new employment 6 months from completion (Percentage)	41 (2013)	41	N/A	
	Number of new or re-designed ALMPs in the NES	0	0	N/A	
	<i>Note: this indicator is the DLI defined for Component A.4</i>				
	Average effective tax rate for social assistance beneficiary with two children and nonworking spouse transitioning to a half-time minimum wage job	100%		N/A	
	<i>Note: this indicator is the DLI defined for Component A.4</i>				
	Citizen engagement: Number of employers reached by client satisfaction and needs survey	0	1.000	N/A	

Subcomponent A.4.1: Enhancing the effectiveness of the NES labor intermediation services for employers and the unemployed

Reforms supported through this subcomponent encompass three elements:

1. Increasing the quality of labor intermediation services offered by the NES to employers in order to increase the number of job opportunities for registered unemployed, and the quality of matches for employers;
2. Improving the quality of case management the NES provides to active job seekers, through development of a new training and certification system for its case workers, and
3. Evening out the caseload per caseworker across NES branch offices and focus caseworkers on active jobseekers.

Subcomponent A.4.1 consist of DLI 6 and DLI 7 which determine following expected results for 2016:

DLI 6 - Effectiveness of NES labor intermediation services delivered to clients (employers and unemployed) improved

DLI 6.2: Certification of at least 85% of NES caseworkers (2017) with **Partial DLI 6.2.1:** Certification of at least 40% of NES caseworkers

Expected result with Verification Protocol:	Status/description of achievement:	Source of verification:
<p>DLI 6.2 statement: 85% of the total number of NES case workers as of December 31, 2017 are certified according to newly adopted standards under NES Action Plan</p> <p>Verification protocol for Partial DLI 6.2.1: In 2017 EUR 0.9 million can be disbursed once at least 40% of caseworkers (based on the number of case workers employed as of June 30, 2017) are certified, in accordance with the certification criteria defined with Verification protocol for DLI 6.2.</p>	<p>PARTIAL DLI 6.2.1 is ACHIEVED In the reporting period 42% of NES caseworkers were certified</p> <p>Verification:</p> <ol style="list-style-type: none"> In line with the NES Action plan, adopted on 30.11.2016. Program of vocational training and education that includes training Working with employers was adopted. The Rule Book on vocational training and education and inclusion of employees of the National employment service into the job was amended in order to proscribe internal certification of case workers Minimal standards for certification, as well as certification questionnaire were defined. 	<p>Attachments to this report:</p> <ol style="list-style-type: none"> NES report on activities in realization of Competitiveness and Jobs project (annex 13)

DLI 7 – Caseload management in NES branch offices improved

DLI 7.3: Decrease of standard deviation of mean case load per branch office to 300 or less in 2017, and 250 or less in 2018 with **Partial DLI 7.3.1** Decrease of standard deviation of mean case load per branch office to 350 in 2017

Expected result with Verification Protocol:	Status/description of achievement:	Source of verification:
<p>DLI 7.3 statement: Standard deviation of mean case load per branch office is 300 or less.</p> <p>Verification protocol: The conditions for recognition of achievement of this DLI by the Bank are:</p> <ol style="list-style-type: none"> Mean case load per branch office is computed as active jobseekers (to be defined in DLI 8) per case worker in each branch office; The standard deviation of mean case load is computed across the mean of all branch offices; Report on standard deviation is verified through periodic reports of the NES monitoring unit; 	<p>PARTIAL DLI 7.3.1 is ACHIEVED</p> <ol style="list-style-type: none"> The standard deviation of mean case load is 295, according to the report received from NES <p>Verification:</p> <ol style="list-style-type: none"> Mean case load per branch office is computed as active jobseekers, (according to present methodology, having in mind that activities from DLI 8 have not been conducted yet) per case worker in each branch office All branch offices were included into calculation 	<p>Attachments to this report:</p> <ol style="list-style-type: none"> NES report on activities in realization of Competitiveness and Jobs project (annex 13)

<p>4. Value of standard deviation achieved in 2017 is 300 or less, and 250 or less in 2018.</p> <p>Verification protocol for Partial DLI 7.3.1: In 2017 EUR 0.9 million can be disbursed once the standard deviation of mean caseload per branch office has been reduced to 350 (compared to targeted 300). Conditions for recognition of achievement of this Partial DLI are the same as for the DLI 7.3</p>	<p>3. Data on standard deviation is received through official report, signed by the director of NES</p> <p>4. Value of standard deviation achieved in June 2017 is 295, as calculated in the report.</p>
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Subcomponent A.4.2: Improving the effectiveness of the Borrower’s active labor market programs

Improvement of the effectiveness of the Active Labor Market Programs (ALMPs) requires reforms in two areas:

1. The way the ALMPs are targeted to beneficiaries, and
2. The way ALMPs are piloted, monitored, and evaluated.

Introduction of the methods to profile unemployed on the labor market will enable their better segmentation according to the real needs from the NES, by which, the reduction of risk of spending scares resources of ALMPs on those unemployed which can autonomously find employment and stronger focus on those unemployed whose goal is not only the social assistance but actual assistance in finding the job, are achieved.

Subcomponent A.4.2 relates to **DLI 8 - Effectiveness of ALMPs improved through statistical evidence**

DLI 8 encompasses following expected results in 2017:

DLI 8.3: : Implementation of profiling of unemployed according to the long-term unemployment risk (2017) with partial **DLI 8.3.1:** Risk profiles determined for at least 25% of unemployed as of June 30, 2017

Expected result with Verification Protocol:	Status/description of achievement:	Source of verification:
<p>DLI 8.3 statement: 50% of unemployed individuals registered in NES as of December 31, 2017 have a risk profile according to the new methodology.</p> <p>Verification protocol for DLI 8.3:</p> <ol style="list-style-type: none"> 1. Risk profiles have been determined for at least 50% of unemployed individuals registered in NES as of December 31, 2017; 2. Risk profile has been determined based on the methodology acceptable to the Bank, in accordance with the DLI 8.2. 3. Report is based on the periodic reports of the NES monitoring unit. <p>Verification protocol for DLI 8.3: In 2017 EUR 0.9 million can be disbursed once 25% of unemployed as of June 30, 2017 have a risk profile determined. Conditions for recognition of this Partial</p>	<p>DLI 8.3 is NOT ACHIEVED</p>	

DLI are equal to those determined with the Verification protocol for DLI 8.3.

Subcomponent A.4.3: Facilitating the transition of social assistance beneficiaries into formal jobs

This subcomponent supports enhancing the activation of social assistance beneficiaries by designing and piloting a program to decrease work disincentives for a select group of social assistance beneficiaries.

This subcomponent, as defined in the Loan Agreement, encompasses **DLI 9 - Transition of social assistance beneficiaries into formal jobs facilitated**

This DLI includes following expected results for 2017:

DLI 9.2: Carrying out the study in order to design a program to reduce disincentives to enter formal jobs for social assistance beneficiaries and improve activation of social assistance beneficiaries through improved services (2016) with **Partial DLI 9.2.1:** Development of the description of the pilot program design.

Expected result with Verification Protocol:	Status/description of achievement:	Source of verification:
<p>DLI 9.2 statement: <i>Implementation of the pilot program to support formal employment of a select group of beneficiaries of social assistance and/or child allowance</i></p> <p>Partial DLI 9.2.1 statement: <i>Development of the description of the pilot program design</i></p> <p>Verification protocol:</p> <ol style="list-style-type: none"> 1. The pilot program is based upon the findings of the prior study (see DLI 9.1); 2. The pilot program is established by adequate regulations, adopted by competent body <p>In 2017 EUR 0.7 million can be disbursed based on the description of the pilot design. The description of pilot program design should be based on the findings of the prior study (see DLI 9.1).</p>	<p>DLI 9.1 is NOT ACHIEVED.</p> <p>Activities within reporting period: <i>Execution of the DLI was effected by contracting external consultant. Procurement process was finished on 1st February 2017. Activities from 2016. (carrying out of the study) have not been completed yet, which are the precondition for fulfillment of DLI 9.2.</i></p>	

III. Other PPMC related issues

Within reporting period, five sessions of PPMC IMWB has been held. PPMC IMWB discussed Project related matters within the scope of its responsibilities and made conclusions, recommendations and decisions, as defined in its Rules of Procedures. Key results of PPMC IMWB in reporting period:

- Since number of personal changes occurred after presidential elections in 2017 and appointment of new Government, further changes were initiated in order to adjust membership of the IMWB;
- During December 2016, based on actual realization of Procurement Plan and necessity to adjust Plan to Project needs second revision of the Procurement Plan has been initiated. Proposal of the revised Procurement Plan was approved on February 6th 2017.
- Semiannual Progress Report for period July – December 2016 and 2016 Annual Performance Report of the PPMC system have been adopted by IMWB and accepted by the Bank.

Analysis of influence of previously elaborated contextual developments on the Project's effectiveness and efficiency, as well as on the effectiveness and efficiency of the developing PPMC System, leads to following conclusion:

- RBM based Project operational structure and applied PPMC System model enabled responsiveness and adjustability of the Project to the occurred environmental/contextual changes and maintaining of satisfactory level of Project effectiveness;
- There is a room for further improvements and therefore is recommendable to revisit and eventually adjust initial principles/approaches of the PPMC System development, in order to maintain or even increase Project's and PPMC System efficiency and effectiveness.

Comparing with the results and conclusions from the previous reporting period, elements of the developing PPMC System model, as well as the model in whole, are changed/improved as follows:

- Participation in the APIGP was successfully utilized for improvement of horizontal coordination and general coordination within the Project, with the room for further improvements;
- Feed-back functions and interconnections within PPMC System are strengthen, and new functions and instruments tested, in order to ensure M&E results feeding to evidence based policy making process, and in advance aligned with the mechanism defined within the new regulation package;
- Regular monitoring and analysis of the overall system gaps and needs (policy, legal, institutional, functional, capacities and instruments) in order to enable timely interventions and ensure sustainability of built PPMC System model still could be improved, especially by utilization of the mechanism built through the APIGP process, but for that purposes it is necessary to improve alignment between two processes;
- Although the APIGP process and the Project's PPMC process alignment with it significantly improved participants' awareness on importance and role of the policy coordination for overall Governance, capacities within participating institutions are still unevenly developed, which implies that further capacity building actions should be planned partially as joint, for all participants, and partially tailor-made in accordance with findings from on-going processes, while most of the feed-back within the modeling process could remain based on capacities already developed through PPMC System development under the Project;
- Quality of the present M&E framework elements, especially KPIs remained as less satisfactory, due to initial lack of capacities and instruments necessary for their proper defining, but with significant room for improvement through their incorporation into the overall M&E Framework, developing within the on-going APIGP, as well as through introduction of the new regulations and establishment of the planned Informational System.

Having in mind above elaborated developments and findings, in accordance with RBM principles and lessons learned from implementation of the C&J Project up to date, it is highly recommendable to revise the Project on the Component (DLI) level towards improvements in the area of:

- **Relevance**

Component 1 - divide cycles of building of the PPMC System between APIGP and C&J interventions, where APIGP assumes a leading role in a process of modeling system in whole, while C&J Project shifting focus on implementation and M&E/testing developed model on a more detailed model on the Project/sectoral level, providing feedback for further iteration. It means revision of DLI1 towards formulation focused on monitoring and providing evidence within the modeling process.

Component 2 - revision of the activities on the implementation of developed sectoral industrial policies, with focusing on feasible sectoral measures within analyzed value-chains and dissemination/coordination of horizontal measures between components.

Component 3 - Revision of the activities on implementation of the Action Plan for Strategy of Research and Science Development 2016-2020 in accordance with adopted AP.

Component 4 – Exclusion/revision of the DLI9, with refocusing on and strengthening of the active labor measures sub-component in accordance with results from the Component 2

- **Efficiency and effectiveness**

Project coordination – shift coordination towards stronger centralized management (lessons learned from Component 2, 3 i 4 troubleshooting exercises) based on RBM principles. It includes management structure with one central PIU, exclusively decision making IMWB, introduction of instrument of the ad-hoc thematic panel instead of thematic session of the IMWB, and consequent revision of the POM and other implementation documents and RoPs;

Revision of the overall TA per Component - strengthening RBM and M&E TA in Component 1, export TA in Component 2, TA supporting implementation of AP in Component 3, reshaping TA in Component 4 in accordance with changes in subcomponents and management. It includes consequent revision of the Procurement Plan;

Time extension – having in mind just a number of elections affected Project's implementation (up to date and in immediate future) that caused uneven dynamic of targets achievement, it is necessary to reconsider time-line of the Project, and eventually agree over time-extension of at least two years.

IV Annexes

Annex 1 – Progress Report and forms fulfilled and submitted by Internal Units of participating institutions:

1.1 – PPS

1.2 – MoE

1.3 – MoESTD and IF

1.4 – MoLEVSA and NES

Annex 2 – Updated Procurement Plan revised and approved on February 6th, 2017

Annex 3 – C&J Project Financial report for January-June 2017

Annex 4 – Print Screen from PPS web site on which Progress Report for July – December 2016 and 2016 Annual Performance Report of the PPMC System has been published

Annex 5 – Acceptance Certificate on Sector Overview and SWOT Analysis of the 4 Selected Sectors of Manufacturing Industry

Annex 6 – Acceptance Certificate on Sector Performance and Value Chain Analysis of the 4 Selected Sectors of Manufacturing Industry

Annex 7 – Excerpt from the Budget that show allocation of the funds for 2017,

Annex 8 – Confirmation letter of the responsible manager of IF, confirming the allocation and availability of the funds

Annex 9 – Financial contract between MoESTD and IF,

Annex 10 – Conclusion of the Government on the Program of usage of funds for subventions to public non-financial organizations

Annex 11 – SCJP Monitoring Report 2017 Q1

Annex 12 – SCJP Monitoring Report 2017 Q2

Annex 13 – NES report on activities in realization of Competitiveness and Jobs project

Annex 14 – Working paper Reorganization of the CJ project

Annex 15 - Overview of M&E Framework and KPIs_07.11.17

Annex 16 -DELOITTE Auditing report 2016