

Competitiveness and Jobs Project

IBRD RBM Landing Operation

Project ID: P152104

Project Progress Report

January – Jun 2016

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

Project Progress Report

This Project Progress Report for the period January-June 2016 is structured in two parts:

- I. Summary Progress report per subject of reporting (KPIs, DLIs and EEPs), 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 its Matching Grants Program (hereinafter: MGs program);

support to the Technology Transfer Facility (hereinafter: TTF) service lines 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, representing in the same time the first six months of the Project implementation, participating institutions intensively worked on establishment of project implementation infrastructure and institutional framework, meaning, engagement of experts who will support activities of the institutions aimed at implementation of the reforms and achievement of expected results, detail planning of future activities and establishment of the communication, coordination, monitoring and reporting system, as well as other necessary elements for efficient operational management of the Project.

Key results within reporting period are:

- All preconditions for Project effectiveness have been achieved in due date, and effectiveness of the Loan has been confirmed by the WB on March 31st, 2016;
- PPMC IMWB has been established and three sessions has been held within reporting period (and fourth on July 8th, 2016);
- IMWB adopted Rules of Procedure for their work, Project Operational Manual (POM) that, determines detailed reporting protocols among other procedures related to the Project;
- Internal Units (IU) within all participating ministries, including National Employment Service (NES) and Public Policy Secretariat (PPS) have been established;
- PIU within PPS has been formed, in compliance with Loan Agreement and POM;
- Within Component 4, technical support unit for MoLEVSA and NES is enabled and provides defined technical assistance, including reports to PPS/PIU, so they can be consolidated on the Project level;
- Regular cooperation, communication, exchange of information and reporting between IU, PPS/PIU and PPMC IMWB are established;
- During March and April, participating institutions on the Project - beneficiaries of services, have revised Procurement Plan and received no objection from the World Bank on May 4th, 2016. So far, procurement are realized on satisfactory level, mostly within scheduled time-frame (Annex 2).
- First disbursement of the Loan proceeds in amount of EUR 5,37 million has been executed, based on results achieved under Part A, presented in Implementation Status Report for 2015. Additionally, EUR 500.000 has been drawn as advance for technical support under Component

B and all due liabilities have been settled, after establishing payment procedure with World Bank, National Bank of Serbia and Treasury (Ministry of Finance) (Annex 20 – IFR H1 2016);

- Reporting templates have been defined and used for preparation of this Progress Report (Annex 1.1 – 1.4).

3. Executive summary

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

I. Overall project performance								
Total Loan proceedings for achieved results:	85,00	million EUR						Total
	Baseline	Targets						
	2015	2016 semi-annual	2016	2017 semi-annual	2017	2018 semi-annual	2018	
Overall scoring of progress in achieving Project KPI	n/a	n/a	0,00%	0,00%	0,00%	0,00%	0,00%	n/a
Overall scoring in fulfilling obligations:	100,00%	50,46%	0,00%	0,00%	0,00%	0,00%	0,00%	66,62%
Value of executed EEPs*:	€ 84.586.824	€ 35.120.819	€ 0	€ 0	€ 0	€ 0	€ 0	€ 119.707.643
Executed EEPs against committed:	97%	84%	0%	0%	0%	0%	0%	93%
Estimated Loan disbursement for the period:	€ 5,37	€ 11,09	€ 26,85	€ 9,89	€ 25,96	€ 10,78	€ 26,85	€ 16,46
Actual Loan disbursement enabled:	5,37	5,59	0,00	0,00	0,00	0,00	0,00	10,96
Undisbursed available Loan proceedings**:	€ 0,00	€ 5,49	€ 26,85	€ 9,89	€ 25,96	€ 10,78	€ 26,85	€ 79,66

* 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.

Key Performance Indicators (KPI) for all components of the Project have been defined by participating institutions, as well as relevant budget lines. Majority of KPIs used is equal to those used for national program budget, so additional obligations are not imposed to participating institutions. Some inconsistencies of budget indicators with the nature of this RBM project have been noted, which do not permit to present the overall progress toward KPI achievement in the table above. However, progress toward individual KPIs is presented under sections dedicated to each Component of the Project. KPIs will be, based on preliminary analysis, additionally improved so they can be fully implemented in frame of PPMC system foreseen by the Project. Assessment of KPIs, which is foreseen during the annual performance reporting will be implemented earlier in the process, so improved KPIs can be used for the next national program budget. This way, the Project will seek to contribute to development of program budget.

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

TABLE 1: PROJECT DEVELOPMENT OBJECTIVE INDICATORS*

Indicator Name	Baseline	2016		2017	2018
		Target	June 30 th	Target	Target
New investor leads generated by the reformed investment promotion agency (Number), annual <i>Note: this indicator is the KPI defined for Component A.2</i>	20	22	12	25	30

Participants in export promotion programs that engage in new export activities (Number), annual <i>Note: this indicator is the KPI defined for Component A.2</i>	85	90	71	95	100
New collaborations facilitated between research organizations and the private sector (Number)	3	8	N/A**	31	34
NES registered unemployment cases transitioning into formal job (Number), annual <i>Note: this indicator is the DLI defined for Component A.4</i>	232.280 (2014)	245,000	133,000	260,000	280,000

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

**Gathering data and data processing is still in progress

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 Progress report, 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 2016 is 66,6%, while for this reporting period it is 50,5%. It should be mentioned that this success rate is achieved because one 2016 annual DLI has been achieved at mid-year.

Eligible Expenditure Programs¹ (EEPs) execution rate in total is 93% and for the reporting period 84%, comparing with the amount committed in the Budget of Republic of Serbia. Budgeted funds for 2016 were divided by two and compared with actual amount paid in period January – Jun. Based on this indicator, PPMC IMWB considers the Project implementation as **satisfactory**. Determination of success in project implementation of the Project based on comparison of execution of EEPs and level of achievement of KPIs is not possible, due to above mentioned inconsistencies in KPIs, however if success of Project implementation is monitored through comparison between execution of EEPs (84% appertaining to this reporting period) and level of fulfillment of obligations on the Project (50,46% for the reporting period) it can be considered that the participating institutions started execution with delay, so execution of obligations is lagging behind execution of EEPs in the same period. However, according to the reports received by participating institutions, achievement of majority of DLIs will catch-up by the end of the year.

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 5,594 million EUR, for results achieved under:

- DLI 1 – 0,224 million EUR,
- DLI 2 – 2,685 million EUR and
- DLI 4 – 2,685 million EUR.

PPMC IMWB considers the overall Project implementation as **broadly satisfactory**, having in mind delay in start of implementation of two months due to administrative procedures needed to be fulfilled as

¹ Eligible 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.

preconditions and Parliamentary election period overlapping with start of the Project and reporting period. All activities are in progress with the exception of DLI 3 related to execution of Matching Grants due to lack of budget funding.

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

4. Summary report on KPI achievement

Key Performance Indicator (KPI) list for all components of the Project have been defined by participating institutions. For all of the four thematic components of the Project, 21 Key Performance Indicator (KPI) has been identified in a way required by PAD and POM and they are presented in this report. For each of them, baseline and annual target values have previously been defined, and consequently their relevant budget lines. Later on, list will be, based on this preliminary analysis, additionally improved so it could be fully implemented in frame of Policy Planning, Monitoring and Coordination (PPMC) system.

In this point of project execution, it would be early to present overall progress towards KPI target values, since the analysis done up to the reporting cut-off date, could not confirm reliability to a level sufficient to be published. The overall progress towards KPI target values per participating institutions is presented in this report just for the illustrative purposes. However, in most cases due to certain methodological issues the achieved percentage of average overall KPIs progress per participating institutions cannot be used as a measurement of overall progress within the observed Project component.

Several obstacles were noticed in the current setup of Key Performance Indicators (KPI) which prevents implementation of genuine concept of Result Based Management (RBM) and proper setup of KPIs. The most common obstacles are related to the: issues with setting the proper and stimulatory KPIs target values, KPI's relevance and its low informative value. Additionally, a serious methodological constrain was noticed regarding identification of relevant budgetary lines for the selected KPIs. This methodology issue is systemic in its nature and refers to the program budgeting of the Republic of Serbia.

All of the above mentioned issues regarding the current setup of KPIs requires its reevaluation and further improvements in order to fulfill the purpose of introducing the concept of RBM and KPIs.

Within the Project Component A.1, Policy planning, monitoring and coordination, the average overall progress in achieving annual KPI's target values by June 30th 2016 was on the level of 29,9%. However, due to incomplete data set, the above mentioned percentage of average overall KPIs progress cannot be used as a measurement of overall progress within the component A.1

Within the Project Component A.2, Investment and export promotion, the average overall progress in achieving annual KPI's target values by June 30th 2016 was on the level of 61.7%. Most of the six observed KPIs within the Component A.2 have a really high percentage of realization of KPI's annual target values. In one case, the target value for 2018 has been already achieved at the end of June 2016. Having in mind such a good results in just six months of the year, it is necessary to reevaluate the presently established KPIs and its target values, in order to make them more demanding and simulative for the Ministry of Economy (MoE) and also to fulfill the purpose of introducing the concept of KPIs.

Within the Project Component A.3, Innovation, the average overall progress in achieving annual KPI's target values by June 30th 2016 was on the level of 115.6%. However, there is a need for further analysis to determine whether such a good result in achieving annual KPI's target values is the result of the real improvement in innovation sector, or a consequences of the deficiencies which some of the observed KPIs have manifested in the process of its analysis. All of this requires reevaluation of the choice of KPIs and their further improvement to successfully fulfill the purpose of introducing the concept of KPIs.

Within the Project Component A.4, Labor, the average overall progress in achieving annual KPI's target values by June 30th 2016 was on the level of 83.1%. The above mention result is a consequence of the certain characteristics of the selected KPIs which prevents us to make reliable measure achieved overall KPI's progress. There is a need for further analysis of result in achieving annual KPI's target values, before conclusion on improvement of the capacities and services of the National Employment Service (NES) is made. All of this requires reevaluation of the choice of KPIs and their further improvement to successfully fulfill the purpose of introducing the concept of KPIs. Additionally, 5 KPIs defined by MoLEVSA that were not included in this report due to the fact that they are defined to follow activities that will start during 2017 and 2018 will be analyzed, as well, so they could be used in course of the Project properly.

During the preparation of the Progress report a serious methodology issue was noticed that could have a significant impact on the process of defining relevant budgetary lines for the selected KPIs. This methodology issue is systemic in its nature and refers to the program budgeting of the Republic of Serbia.

The Republic of Serbia has introduced program budgeting as a concept (rolled out in 2015), but it didn't embrace it completely. In other words Serbia is formally using program budgeting, but essentially the whole process of introducing genuine program budgeting is still work in progress. **Among others, the program budgeting should classify budgetary expenses according to the narrowly defined responsibilities and program activities of the budget users, which was not the case in the Law on Budget of the Republic of Serbia for the year 2016.** As a result of this gap between current model of program budgeting in the Republic of Serbia and the sheer model of program budgeting, there is a methodology constrains that affects process of identifying relevant budgetary lines for selected KPIs.

The main issue, in the context of defining relevant budgetary lines for the selected KPIs, is the formulation of the scope of programs and its associated budgetary expenses in the Law on Budget of the Republic of Serbia for the year 2016. **These programs and their associated budgetary expenses are defined too broadly compared to the activities and associated expenses necessary for achieving the previously defined targets within the observed KPIs.** This inconsistency prevents accurate identification of relevant budgetary lines that would reflect real KPI's related expenses.

As a consequence of this methodology issue it is not possible to establish reliable conclusions regarding the absolute efficiency of the implemented programs. The only methodologically correct conclusion that can be drawn, regarding the question of the efficiency, is the one that refers to some aspects of the relative efficiency of the implemented programs.

Progress in achieving annual KPI's target values per separate Project Component is presented in sections of this report related to each Project component.

5. 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						1,12
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
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
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
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						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						0,00
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						0,90
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						0,90
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						0,00
Potential total disbursements per reporting period:	€ 5,37	€ 11,09	€ 26,85	€ 9,89	€ 25,96	€ 10,78	€ 26,85	€ 85,03
<i>Disbursement conditions met - disbursement expected:</i>	€ 5,37	€ 5,59	€ 0,00	€ 0,00	€ 0,00	€ 0,00	€ 0,00	€ 10,96
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%	0,00%	0,00%	0,00%	0,00%	0,00%	21,49%

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.

Note: Disbursement conditions in regards partial achievement of DLI 1 and DLI 2 will be met after WB's acceptance of PPMC report (annex 21) and signed contract for position 2A.2.5.2. Reimbursement request will be submitted after Bank's confirmation of acceptance.

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

For six out of nine DLIs, possibility of partial achievements has been defined for this reporting period. Other three are defined only on annual base. Partial achievements, defined with the Loan agreement, give the possibility to draw certain amount of the Loan proceeds in case of satisfactory semi-annual progress in execution of annual obligations.

Apart from partial achievement at mid-year there is also a possibility to draw Loan proceeds in case annual DLIs have been achieved at mid-year. In this reporting period, annual obligations related to DLI 4 within Component 3 – Innovation, has been achieved in full at mid-year, while semi-annual obligations have been partially achieved for DLI 1 and DLI 2 (Component 1 and 2, respectively), and for remaining six DLIs under Component 3 and 4, although activities are in progress, preconditions for partial disbursement were not met during reporting period. The rate of success at mid-term was improved with the achievement of annual DLI at mid-year by the Innovation fund.

Full realization of activities within Component 4 (DLI 6, 7, 8 and 9) is conditioned by engagement of relevant consultants. Procurement will be performed in accordance with revised and approved Procurement Plan. Participating institutions (NES and MoLEVSA) adjusted ToRs for procurement of these consultants with planned due dates in order to reach annual results. It is not likely that delay in procurement will endanger achievement of the mentioned DLIs till the end 2016.

The main deviation from the plan is related to Component 3 – Innovation. Insufficient funds allocated in the Budget for 2016 for operational activities of Innovation Fund and lack of funding for MGs program put in question execution of DLI 3. Lacking allocation and disbursement of these funds in 2016 budget, endangers withdrawal of EUR 3,9 millions of Loan proceeds in 2016 and 2017. It is necessary to intensify activities, insure execution of the activities in progress and prepare the base for successful implementation of the reforms after overcoming identified constrains.

6. Summary report on EEPs execution

IV. Performance against Eligible Expenditures							
	Eligible Expenditure Programs (EEP)*						
	2016 semi-annual	2016	2017 semi-annual	2017	2018 semi-annual	2018	Total
EEPs committed:	€ 41.813.923,17						
MoE	€ 941.355,02						
MoESTD	€ 34.938.380,63						
NES	€ 5.934.187,52						
EEPs executed:	€ 35.120.818,83						
MoE	€ 759.305,63						
MoESTD	€ 29.232.538,42						
NES	€ 5.128.974,78						
Executed EEPs against committed:	83,99%						
KPI performance against executed EEPs:	n/a						
DLI performance against executed EEPs:	60,07%						

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

During reporting period execution of EEP was on satisfactory level. Value of committed EEPs at mid-year refers to the half of budgeted funds, and percentage of execution in the corresponding period was 83,99%.

Executed EEPs in amount of EUR 35,1 million are higher than potential Disbursement Request of EUR 5,59 million. 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 – June is higher than total amount of requested withdrawal, across all DLIs, for which payment is requested.

II. Progress report per Project Component

7. 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. Within the PPMC system, participating institutions developed KPIs and their hierarchy in area of competitiveness and jobs, and will monitor and evaluate the progress, as well as contribute to the development and improvement of the policies.

During reporting period, under Component 1 of the Project, PPS actively worked on reform of PPMC system and management, by preparing set of regulations composed of Draft Law on Planning System, Draft regulation on medium term planning as well as Draft regulation on public policy management, policy and regulatory impact assessment and content of individual public policy documents.

Draft regulation on public policy management, policy and regulatory impact assessment and content of individual public policy documents encompasses examples of good practice of management and decision making process. It is very important for all reforms and it will be used as a tool for definition of quality policy making and decision based on arguments and relevant data. Adoption of the said Regulation is planned within first 100 days of new Government. Simultaneously procedure of adoption of new Law on Planning System in Republic of Serbia will start through number of public debates coordinated with Ministry of Finance.

Adoption of Law on Planning System will be a significant milestone in development of public policy management and results-based management system in RS public sector. This law addresses identified weaknesses in area of policy planning and coordination, clearly in line with the objectives of this Project. It will establish a solid regulatory base for all further improvements in this area, including a spillover of results-based management system to other government entities, based on results and experiences gained in this Project.

PPS also prepared The Competitiveness Monitor that contains data and analysis sorted in various areas of economy's competitiveness. It may support beneficiaries of the Project and help in overcoming analytical challenges that will occur in the Project, especially in development and monitoring of performance indicators and their interdependences. The Competitiveness Monitor is in final stage of development and will soon be published on PPS website.

Closely related to reforms encompassed by the Project are activities that are being implemented through Economic Reform Program (ERP), Government document that is used for coordination of economic policy with EU. ERP encompasses all three reforms supported by the Project. Having in mind that new three-year cycle of program preparation has begun, mutual coordination and compliance of

planning and reporting will be ensured and PPS effective coordination will be enabled. PPS was in charge for coordination of preparation of the part of the ERP related to structural reforms.

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.

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. During Q2 2016, establishment of PIU has been finalized. Since procedural and organizational framework of the Project is, by that completed, solid base for acceleration of the Project activities and achievement of defined results has been established and visible results are expected in following period.

In order to successfully and timely implement Project objectives, PPS appointed Internal Unit responsible for Project execution, even though not required by the Loan agreement. With support of CIIP² project, detailed and precise Operational plans for all institutions have been developed. Operational plans consist of Procurement Plan, Project Activities Plan (per component of the Project and Plan of common obligations on the project (regarding reporting requirements and schedules). All Operational plans were developed in MS Project and MS Outlook format, in order to make them more user friendly for participating institutions.

Two out of four procurements under component 1.A, envisaged by the procurement plan, are finalized during the reporting period, one after the reporting period, and one is in progress. In addition to that, within component B, all four of the planned procurements were finalized in the reporting period, with slight delays.

Based on undertaken activities, and with the PIU established to provide support to participating intuitions, it could be concluded that results expected under Component 1 will be achieved in 2016, so progress toward Project objectives is **satisfactory**.

TABLE 2: INTERMEDIATE RESULTS INDICATORS: COMPONENT 1*

Indicator Name	Baseline	2016		2017	2018
		Target	June 30 th	Target**	Target**
Component 1: Policy Planning, Monitoring, and Coordination					
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	1	N/A***	2	3

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

** Target values are cumulative

² Competitive Industries and Innovation Project financed from the Trust fund – a parallel grant program in support to the Competitiveness and Jobs Project.

***The analyzed indicator is defined on the annual level, thus, the annual performance review for 2016 cannot be produced at mid-year. However, annual Project Status and Progress report for 2015 has been adopted and published on PPS website in this reporting period.

Source: PAD and Participating institution

Component A.1 - KPI achievement report:

TABLE 3: OVERALL PROGRESS OF ALL OF THE SELECTED KPIS WITHIN THE COMPONENT A.1 OF THE PROJECT

	Targets						Total
	2016 semi-annual	2016	2017 semi-annual	2017	2018 semi-annual	2018	
Component A.1 average overall KPI's progress	29.2%						4.9%
Component A.1 average distance from 2018 Target value:							
<i>Component description: Policy planning, monitoring and coordination</i>							

Source: Author's calculations

For the component A.1, PPS has established 4 KPIs which are observed and analyzed in this report. The average overall progress in achieving annual target values for all four selected KPIs by June 30th 2016 was on the level of 29.2%. Due to incomplete data set, the recorded percentage of average overall KPIs progress cannot be used as a measurement of overall progress within the component A.1 (see Table No. 3).

In further text a progress in achieving annual KPI's target values per individual KPI within the Project Component A.1 is presented.

The KPI A1.1, Number of convened sessions of the PPMC Inter-Ministerial Working Body.

Having in mind that the PPMC IMWB was established in the beginning of 2016, and therefore there was no meeting held in 2015, the baseline value is zero. As an annual target value for 2016, PPS has established a total of 6 meetings of PPMC IMWB. By June 30th 2016 three meetings of IMWB was held, which represents a 50% of target value realization (see Table No. 4).

TABLE 4: PROGRESS OF THE KPI A1.1: NUMBER OF CONVENED SESSIONS OF THE PPMC IMWB

	Baseline value (2015)	2016 semi-annual	2016	2017 semi-annual	2017	2018 semi-annual	2018	Total
KPI A1.1 - score:	0	50.0%	0.0%	0.0%	0.0%	0.0%	0.0%	8.3%
KPI A1.1 - target:		6	6	8	8	8	8	
KPI A1.1 - achieved:		3						
Overall KPI A1.1 progress against Baseline value:								
Achieved KPI A1.1 value against target value for 2018:		37.5%						
<i>KPI description: Number of convened sessions of the IMWB</i>								

Source: Public Policy Secretary (PPS)

The KPI A1.2, Ratio between number of planned and convened thematic sessions of the PPMC IMWB

Thematic sessions are defined in POM and IMWB Rules of Procedure as IMWB tool to enable discussion on specific topics within PPMC framework and Project components, better coordination and support in the process of preparation analyses or studies, strategies, programs and other elements of the reforms supported by the Project, consideration of the options and the choice of optimal solutions to achieve expected results. Thematic sessions are initiated by Members of IMWB, representatives of participating institutions, supported by PPS.

Having in mind that the PPMC IMWB was established in the beginning of 2016, and therefore there was no meeting held in 2015, the baseline value is zero. As an annual target value for 2016, the PPS has established the ratio of 90% between sessions convened and sessions planned (see Table No. 5). By June 30th the Plan for thematic sessions of the IMWB was not formalized yet, which means that thematic sessions were not held in the first half of the 2016. However, the agreement of participating institutions on general Plan of thematic sessions for the 2016-2018 period, and timeline for thematic sessions during 2016 are expected to be achieved before presentation of the Disbursement request

Table 5: Progress of the KPI A1.2: Ratio between number of planned and convened thematic sessions of the PPMC IMWB

	Baseline value (2015)	2016 semi-annual	2016	2017 semi-annual	2017	2018 semi-annual	2018	Total
KPI A1.2 - score:	0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
KPI A1.2 - target:		90.0%	90.0%	90.0%	90.0%	90.0%	90.0%	
KPI A1.2 - achieved:		0.0%						
Overall KPI A1.2 progress against Baseline value:								
Achieved KPI A1.2 value against target value for 2018:		0.0%						

KPI description: Number of convened thematic sessions of the IMWB

Source: Pubic Policy Secretary (PPS)

The KPI A1.3, Satisfaction of the participants with Project coordination, was design to illustrate the satisfaction of Project participants with overall management of the project by the PPS. It is planned that the participating institutions would rate PPS performance as a project coordinator by submitting its grades on the scale between 1 and 5.

So far, by June 30th 2016, the survey regarding PPS performance as project coordinator was not performed.

TABLE 6: PROGRESS OF THE KPI A1.3: SATISFACTION OF THE PARTICIPANTS WITH PROJECT COORDINATION

	Baseline value (2015)	2016 semi-annual	2016	2017 semi-annual	2017	2018 semi-annual	2018	Total
KPI A1.3 - score:	1.0	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
KPI A1.3 - target:		4	4	4	4	4	4	
KPI A1.3 - achieved:								
Overall KPI A1.3 progress against Baseline value:		0.0%						
Achieved KPI A1.3 value against target value for 2018:		0.0%						

KPI description: Satisfaction of the participants with project coordination

Source: Pubic Policy Secretary (PPS)

The KPI A1.4, The fulfilment of all planned Disbursement Linked Indicators (DLI), was designed to measure the overall progress in fulfilling all of the DLIs requirements by all the of the participating institutions. The ratio between cumulative withdrawn funds from the loan by June 30th 2016 and the total value of eligible funds for withdrawing by June 30th 2016 was chosen as the indication of fulfillment of all planned DLIs.

As a baseline value PPS has established zero percentage of fulfilment of all planned DLIs. As an annual target value for 2016 the PPS has established the fulfillment of 100% of planned DLI on this project. Cumulatively, by June 30th 2016, participant institutions fulfill the requirements which allows them to withdraw in total of 11 million EUR out of eligible 16.5 million EUR by June 30th, which represents a 66.6% out of the maximum amount of loan funds which are at their disposal by June 30th 2016 (see Table No. 7).

TABLE 7: PROGRESS OF THE KPI A1.4: THE FULFILMENT OF ALL PLANNED DISBURSEMENT LINKED INDICATORS (DLI)

	Baseline value (2015)	2016 semi-annual	2016	2017 semi-annual	2017	2018 semi-annual	2018	Total
KPI A1.4 - score:	0.0	66.6%	0.0%	0.0%	0.0%	0.0%	0.0%	11.1%
KPI A1.4 - target:		100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	
KPI A1.4 - achieved:		66.6%						
Overall KPI A1.4 progress against Baseline value:								
Achieved KPI A1.4 value against target value for 2018:								
<i>KPI description:</i>								

Source: Public Policy Secretary (PPS)

Four KPIs have been established under the Project Component A.1. It was possible to determine budget lines for 3 out of 4 suggested KPIs (see Table No. 8).

Two budget lines were identified which finance all or some of the activities related to the first two observed KPIs and possibly some activities which are not directly related to the observed KPIs (see Table No. 8). Because of the methodological restrictions concerning the program budgeting, which is already explained at the beginning of this segment of report, it was not possible to identify accurate separate budget lines for those KPI. For the next to the last KPI (see Table No. 8) it was not possible to identify relevant budget line at this point, due to the formulation of the KPI. The relevant budget line for the last KPI (see Table No. 8) represents total amounts of every relevant budget line for every KPIs from every component of this Project.

Above mentioned methodology constrains have a negative impact on the quality of information and conclusion that can derive from this segment of analysis.

As the most relevant, to the extent to which it is possible, for the first two selected KPIs budget lines which are used for financing Regulatory Impact Assessment and Quality management policy have been used.

For the implementation of all activities on achievement of the targeted values of the first two KPIs a total of 66,715,000 RSD was allocated in the budget of the Republic of Serbia. By June 30th, 2016 budget funds executed for all activities for the first two selected KPIs amounted to 24,834,993 RSD. The budget execution is on the average level of 37.25% (see Table No. 6) Sum of all budget lines from every Project component amounts to 17,507,027,000 RSD and the executed budget funds on June 30th amounted to 8,439,703,730 RSD. The budget realization is on the average level of 48.21% (see Table No. 8).

TABLE 8: RELEVANT KPI'S BUDGET LINES -COMPONENT A.1, POLICY PLANNING, MONITORING AND COORDINATION

No.	KPI	Particle	Chapter	Program No.	Function	Program Activity/ Project No.	Economy classification	Allocated Budget funds (RSD)	Executed Budget funds by 30 th June 2016 (RSD)	Budget realization (in %)
1.	Number of convened sessions of the IMWB	33	30.1	0610 ³	110	0005 ⁴	411 ⁵ ;412 ⁶	33,112,000	12,436,008	37.6%
		33	30.1	0610	110	0006	411;412	33,603,000	12,398,985	36.9%
2.	Number of convened thematic sessions of the IMWB	33	30.1	0610	110	0005	411;412	33,112,000	12,436,008	37.6%
		33	30.1	0610	110	0006	411;412	33,603,000	12,398,985	36.9%
3.	Satisfaction of the participants with project coordination	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
4.	The fulfilment of all planned DLI	Sum of all budget lines from every project component						17,507,027,000	8,439,703,730	48.21%

Source Budget Law of the Republic of Serbia for the year 2016 ("Official Gazette of the Republic of Serbia", No. 103/2015) and Public Policy Secretariat

³The development of public policy

⁴Regulatory Impact Assessment

⁵ Salaries, allowances, and compensation of employees (wages)

⁶ Social contributions paid by the employer

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 2016 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>Partial DLI 1.2.1 statement: Publishing of the semi-annual Progress reports at mid-year.</p> <p>Verification protocol for Partial DLI 1.2.1 :</p> <ol style="list-style-type: none"> 1. Adequate content of the semi-annual Progress report for each institution contains: <ol style="list-style-type: none"> 1.1. KPIs baseline values at project inception, progress, and targets for the following 2 years; 1.2. Identification of the relevant budget lines and activities associated with each indicator; 1.3. Reports are prepared in line with the reporting protocols established with IMWB meeting minutes; 1.4. Publicly available – published on the PPS website. 	<p>Achievement of this annual DLI is not applicable at mid-year.</p> <p>Partial DLI 1.2.1 is PARTIALLY ACHIEVED.</p> <ol style="list-style-type: none"> 1.1 KPIs baseline values at project inceptions, progress, and targets for the following 2 years has been developed by Internal PPMC units of participating institutions; 1.2 Identification of the relevant budget lines and activities associated with each KPI has been done where applicable. 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 before the drafting of the RS budget for 2017, i.e. even before the Performance Report when KPI improvement is foreseen. In case needed, relevant procedures provided with POM will be adjusted; 1.3 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 January – Jun 2016 has been made; 1.4 Verification protocol 1.4 could not be applied as defined, since 2016 Progress report could not be published within the period on which it refers, but fulfillment is expected in one month period after adoption of PPMC IMWB. 	<p>Attachments to this report:</p> <ol style="list-style-type: none"> 1. KPI baseline and target values, hierarchy and relevant budget lines are resented in this report for each Project component. 2. IMWB Meeting Minutes from the session held on March 28th, 2016 and POM (already submitted and approved by the WB) 3. Print Screen from PPS web site (Annex 3) on which Implementation Status Report for 2015 has been published and linkhttp://www.rsjp.gov.rs/malod_rvo/brosure/Implementation_Stat_us_and_Results_Report_-_2015.pdf. Also, the First semi-annual report in 2016 will be published upon approval of the WB. 4. Draft of Progress report on performance of PPMC (Annex 21)

Note: Draft of the progress report on performance of the PPMC system is presented in the Annex 21 to this report. Final version and Provisional Operational Plan for further development of PPMC system will be presented to the PPMC IMWB in early September 2016, after consultations with the WB. Reimbursement request for achievement of partial DLI will be submitted after acceptance of PPMC semi-annual report by the Bank.

8. 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. The reform of the investment and export promotion support policy can be related either to the institutional arrangements underpinning those activities, or to the substance of implementation of the respective activities. In such a way, better conditions can be created for bigger return on investment of public resources.

In order to successfully and timely implement Project objectives, MoE appointed Internal Unit responsible for Project execution, and with support of CIIP project it has defined detailed and precise Operational plan that consist of Procurement Plan, Project Activities Plan and the Plan of common obligations on the Project. All procurements that should support execution of planned activities have been determined and MoE defined process of procurement, including steps, responsible persons and due dates. Evaluation Committees for each procurement have been appointed. Project Activities Plan defines activities divided on thematic groups, specific tasks for each group, time frames, responsible institutions and persons. Additionally, draft Training plan has been defined.

All ToR documents necessary for contracting external consultants for the Project execution were defined and no objection from the World Bank was obtained. Five contracts have been concluded and for the remaining four, selection process is in progress. Immediately after engagement of specialist specified in Procurement Plan, following activities were initiated:

- In April 2016, development of Strategic Framework and Action Plan of Serbian Development Agency started. First draft has been defined and it contains strategy for the Agency, operational goals and indicators, detailed description of functional model for operations, organizational structure, division of authorities and responsibilities within Agency;
- In April 2016, analysis of industry sectors started in order to identify and pre-selected priority sectors for which sector-strategies will be defined in 2016. It started by examination and analysis of existing documents about various industry sectors potential. On Jun 6th, MoE organized consultations with representatives of business community in Serbian Chamber of Commerce in order to take into consideration all relevant opinions during identification of priority sectors;
- One of the key activities represents the development of the policies which will contribute to increase of export and positioning of SMEE on foreign markets, by improvement of existing and creation of new support programs. Activities started by identification and mapping of relevant clusters with export potential and definition of appropriate support through Serbian Development Agency (SDA), monitoring of SDA employees in relation with SMEE sector projects and export promotion;
- Development of new and improvement of existing programs and services for investors in order to attract and increase FDI through enhancement of SDA resources and capacities. Analysis of investment potentials is in progress based on available reports and data from 2016, definition of criteria for incentives, development of investment proposals and marketing plan and monitoring of SDA employees in relation with investment attraction activities;
- Analysis of MoE readiness for implementation of RBM system was done in November 2015. Implementation of Result Based Management system started in period May – Jun 2016 by, definition of Key Performance Indicators of MoE and RBM Methodology;
- Analysis of legal context and support to SDA in development of necessary internal by-laws, and MoE in relation with various legal topics, has been performed.

Progress is **satisfactory** and there are no indications that planned achievements will not be reached.

TABLE 9: INTERMEDIATE RESULTS INDICATORS: COMPONENT 2*

Indicator Name	Baseline	2016		2017	2018
		Target	June 30 th	Target	Target
Component 2: Investment and Export Promotion					
MoE investment and export promotion programs restructured <i>Note: this indicator is the DLI defined for Component A.2</i>			Partial DLI achieved		
Number of documented interests by investors (Number), annual <i>Note: this indicator is the DLI defined for Component A.2</i>	61	67	36	74	82

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

Source: PAD and Participating institution

Component A.2 – KPI achievement report:

TABLE 10: OVERALL PROGRESS OF ALL OF THE SELECTED KPIS WITHIN THE COMPONENT A.2 OF THE PROJECT

	Targets						Total
	2016 semi-annual	2016	2017 semi-annual	2017	2018 semi-annual	2018	
Component A.2 average overall KPI's progress	61.7%						10.3%
Component A.2 average distance from 2018 Target value:	49.7%						

Component description: Investment and export promotion

Source: Author's calculations

Six KPIs have been established for the component A.2 Investment and export promotion in coordination with the Ministry of Economy (MoE), which are observed and analyzed in this report. The average overall progress in achieving annual target values for all six selected KPIs on June 30th 2016 was on the level of 61.7%. At the end of June 2016 the MoE has achieved almost in average of 50% of the target values for the 2018 (see Table No. 10).

In the further text a progress in achieving annual KPI's target values per individual KPI within the Project Component A.2 is presented.

The KPI A2.1 - the number of new jobs, was designed to follow and to illustrate the progress in creating new job opportunities as a result of the implemented support programs for economy. It is measured as number of new jobs included into investment attraction incentives agreements concluded in period from January 1st to June 30th 2016.

In 2015 3,918 workers found a new job thanks to the investments support programs that was implemented in the economy, which in the same time was established as a baseline value for this KPI. As a target value for 2016 the MoE set 4,300 newly created jobs as a result of the direct support of programs design to support the economy through incentives for investors, which represents an increase of 9.7% compared to the baseline value (see Table No. 11).

As of June 30th 2016, as a result of the direct support of programs design to help the economy 7,321 workers managed to find an employment. This means that achieved result from the support programs exceeds significantly the previously set annual target for the KPI. The progress is also significant

compared to the baseline value, and the most important fact is that by the mid of 2016 the target value for 2018 has been achieved (see Table No. 11).

TABLE 12: PROGRESS OF THE KPI A2.1: THE NUMBER OF NEW JOBS (EMPLOYEES)

	Baseline value (2015)	2016 semi-annual	2016	2017 semi-annual	2017	2018 semi-annual	2018	Total
KPI A2.1 - score:	3,918	170.3%	0.0%	0.0%	0.0%	0.0%	0.0%	28.38%
KPI A2.1 - target:		4,300	4,300	4,950	4,950	5,450	5,450	
KPI A2.1 - achieved:		7,321						
Overall KPI A2.1 progress against Baseline value:		186.9%						
Achieved KPI A2.1 value against target value for 2018:		134.3%						

KPI description: The number of new jobs (employees)

Source: Ministry of Economy (MoE)

The KPI A2.2 - total value of new direct investment, was designed to measure to what extent the implemented support programs stimulate economic growth through attracting direct investments. The total value of new direct investment was calculated by adding the values of investments defined in Investment agreements on subsidies to attract investment signed in the period from January 1st – June 30th, 2016.

According to the data from the MoE in 2015 the total value of investments that have occurred as a result of the implemented investment attraction support programs was on the level of 139 million EUR. This value of realized direct investments in Serbian economy was used as a baseline value. As an annual target value for 2016 the MoE set the value of direct investments in the amount of 150 million EUR, which represents the increase of 9.7% compare to the base value (see Table No. 12).

In the first six months of 2016, total value of realized direct investments in Serbia, as a result of the implemented programs, amounted to 100 million EUR, which represents 66.7% of the annual target value. Having in mind the percentage of realization we can reasonable assume that the annual target value will be achieved by the end of 2016 (see Table No. 12).

TABLE 12: PROGRESS OF THE KPI A2.2: TOTAL VALUE OF NEW DIRECT INVESTMENT

	Baseline value (2015)	2016 semi-annual	2016	2017 semi-annual	2017	2018 semi-annual	2018	Total
KPI A2.2 - score:	139	66.7%	0.0%	0.0%	0.0%	0.0%	0.0%	11.11%
KPI 2.2 - target:		150	150	172.5	172.5	190	190	
KPI 2.2 - achieved:		100						
Overall KPI 2.2 progress against Baseline value:		71.9%						
Achieved KPI A2.2 value against target value for 2018:		52.6%						

KPI description: Total value of new direct investment

Source: Ministry of Economy (MoE)

The KPI A2.3 - new investor leads generated by the reformed agency, was designed to illustrate activity of the reformed agencies in attracting potential investors through organizing meetings, site visits, and providing all other necessary information for them to place investments in Serbia.

20 new potential investors were recorded in 2015, by the agencies, which is used as the baseline value for this KPI. MoE has established minimum 22 new investor leads as an annual target value for 2016, which reformed agencies should generate by the end of the year (see Table No. 13).

As of June 30th reformed agencies managed to establish contact with 12 potential investors through organizing meetings, site visits, and providing all other necessary information for them to place investments in Serbia. Those 12 potential investors represent 54.6% of the defined annual target value for this KPI. Having in mind the percentage of realization we can reasonable assume that the annual target value will be achieved by the end of 2016 (see Table No. 13).

TABLE 13: PROGRESS OF THE KPI A2.3: NEW INVESTOR LEADS GENERATED BY THE REFORMED AGENCY

	Baseline value (2015)	2016 semi-annual	2016	2017 semi-annual	2017	2018 semi-annual	2018	Total
KPI A2.3 - score:	20	54.5%	0.0%	0.0%	0.0%	0.0%	0.0%	9.09%
KPI A2.3 - target:		22	22	25	25	30	30	
KPI A2.3 - achieved:		12						
Overall KPI A2.3 progress against Baseline value:		60.0%						
Achieved KPI A2.3 value against target value for 2018:		40.0%						

KPI description: New investor leads generated by the reformed agency (meetings, site visit)

Source: Ministry of Economy (MoE)

The KPI A2.4 - percentage of exporters in total number of SMEs, was devised to show progress in change in dynamics of export activity of SMEs through the share of exporters among SMEs in the total number of SMEs.

In 2015 the share of SMEs that have participated in export activities in the total number of SMEs was on the level of 4.3%, which was taken as a baseline value for this KPI. A targeted share of the number of exporters among SMEs in the total number of SMEs in 2016, was set by the MoE at the level of 5.0%. This target value represents an increase of 16.3% compared to the established baseline value (see Table No. 14).

The data for 2016 on the share of SME's that have participated in export activities in the total number of SMEs in Serbia are not yet available.

TABLE 14: PROGRESS OF THE KPI A2.4: PERCENTAGE OF EXPORTERS IN TOTAL NUMBER OF SMEs

	Baseline value (2015)	2016 semi-annual	2016	2017 semi-annual	2017	2018 semi-annual	2018	Total
KPI A2.4 - score:	4.30%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.00%
KPI A2.4 - target:		5.0%	5.0%	5.5%	5.5%	6.0%	6.0%	
KPI A2.4 - achieved:		0.00%						
Overall KPI A2.4 progress against Baseline value:		0.0%						
Achieved KPI A2.4 value against target value for 2018:		0.0%						

KPI description: Percentage of exporters in total number of SMEs

Source: Ministry of Economy (MoE)

The KPI A2.5 - participants in export promotion programs that engage in new export activities, was design to show effectiveness of the export promoting programs through recording the number of program's participants that were engage in new export activities, meaning exporting existing products to new markets, new products to existing markets or sale of new products through export oriented value chains. Export promotion programs are, so far, realized in frame of Year of Entrepreneurship – www.godinapreduzetnistva.rs.

In 2015, according to the MoE, 85 export promoting program participants engaged in new export activities. This value was taken as a baseline value for this KPI. As an annual target value for 2016 the MoE has set 90 export promoting program participants that would engage themselves in new export activities. This represents an increase of 5.6% compared to the established baseline value for this KPI (see Table No. 15).

As of June 30th, according to the MoE, 71 export promoting program participants have engaged in new export activities, which represents 78.8% of the target value. Having in mind the percentage of realization we can reasonable assume that the annual target value will be achieved by the end of 2016 (see Table No. 15).

TABLE 15: PROGRESS OF THE KPI A2.5: PARTICIPANTS IN EXPORT PROMOTION PROGRAMS THAT ENGAGE IN NEW EXPORT ACTIVITIES

	Baseline value (2015)	2016 semi-annual	2016	2017 semi-annual	2017	2018 semi-annual	2018	Total
KPI A2.5 - score:	85	78.9%	0.0%	0.0%	0.0%	0.0%	0.0%	13.15%
KPI A2.5 - target:		90	90	95	95	100	100	
KPI A2.5 - achieved:		71						
Overall KPI A2.5 progress against Baseline value:		83.5%						
Achieved KPI A2.5 value against target value for 2018:		71.0%						

KPI description: Participants in export promotion programs that engage in new export activities

Source: Ministry of Economy (MoE)

The KPI A2.6 - number of performed analysis measuring the effect of realization of programs to support economy, was design to measure the number of performed analysis which would enable realistic assessment of whether the achieved effects justify investments in programs for support to the economy. Analysis will encompass reviews of planned and executed programs of entrepreneurship support, investments and export promotion for 2016 in order to improve it in following years.

In 2015 such analysis was not performed, so the baseline value was set to be zero. As an annual target for 2016 the MoE has set a minimum of 3 of these analysis to be done by the end of the year. By June 30th 2016, above mentioned analysis were not performed. There is still time for the successful fulfillment of the annual target for this KPI.

TABLE 16: PROGRESS OF THE KPI A2.6: NUMBER OF PERFORMED ANALYSIS MEASURING THE EFFECT OF REALIZATION OF PROGRAMS TO SUPPORT ECONOMY

	Baseline value (2015)	2016 semi-annual	2016	2017 semi-annual	2017	2018 semi-annual	2018	Total
KPI A2.6 - score:	0	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.00%
KPI A2.6 - target:		3	3	3	3	3	3	
KPI A2.6 - achieved:		0						
Overall KPI A2.6 progress against Baseline value:		0.0%						
Achieved KPI A2.6 value aginst target value for 2018:		0.0%						

KPI description: Number of performed analysis measuring the effect of realization

Source: Ministry of Economy (MoE)

In coordination with the Ministry of Economy it was possible to establish budget lines for each one of the 6 suggested KPIs (see Table No. 17).

Four budget lines which finance all or some of the activities related to the all six observed KPIs and possibly some activities which are not directly related to the observed KPIs (see Table No. 17) have been identified. For implementation of activities required for the achievement of the target values of some of the observed KPIs, more than one budget line was identified. Because of the methodological restrictions concerning the program budgeting, which is already explained at the beginning of this segment of report, it was not possible to identify accurate separate budget lines for each of the analysed KPIs. This methodology constrains have a negative impact on the quality of information and conclusion that can derive from this segment of analysis.

For the first selected KPI (see Table No. 17), four budget lines were identified that finance all or some of the activities related to this KPI and maybe some activities which are not directly related to the observed KPI. Selected budget lines are as follows: 1) Performance of professional activities on organizing legislative and institutional framework of regional development policy, development and coordination of operations and regulatory activities in the field of regional development, and to reduce the differences in development, 2) Enhancing the competitiveness of businesses entities, improve their operations and internationalization, as well as creating new jobs through grants for investments in equipment, 3) Performing development, professional and operational affairs of encouragement and realization of direct investment and jobs in the field of regional development, and 4) Fulfilment of obligations undertaken in respect of the allocation of funds for direct investment, for promotion economic development in accordance with specific regulations of the Government (see Table No. 17).

For the second KPI (see Table No. 17), three budget lines were identified that finance all or some of the activities related to this KPI and maybe some activities which are not directly related to the observed KPI. Selected budget lines are the one numbered as 1), 3) and 4) (see their descriptions in the paragraph text for the first KPI).

For the third KPI (see Table No. 17), one budget line was identified that finances all or some of the activities related to this KPI and maybe some activities which are not directly related to the observed KPI. Selected budget line is used for financing activities for performing development, professional and operational affairs of encouragement and realization of direct investment and jobs in the field of regional development.

For the fourth KPI (see Table No. 17), two budget lines were identified that finance all or some of the activities related to this KPI and maybe some activities which are not directly related to the observed KPI. Selected budget lines are the one numbered as 2) and 3) (see their descriptions in the paragraph text for the first KPI).

For the fifth KPI (see Table No. 17), two budget lines were also identified that finance all or some of the activities related to this KPI and maybe some activities which are not directly related to the observed KPI. Selected budget lines are the one numbered as 2) and 3) (see their descriptions in the paragraph text for the first KPI).

For the sixth and the last KPI (see Table No. 17), one budget line was identified that finances all or some of the activities related to this KPI and maybe some activities which are not directly related to the observed KPI. Selected budget line is used for financing performance of professional activities on organizing legislative and institutional framework of regional development policy, development and coordination of operations and regulatory activities in the field of regional development, and to reduce the regional development disparities.

For the implementation of all activities required for the achievement of the KPIs target values, a total of 9,497,080,000 RSD was allocated in the budget of the Republic of Serbia (see Table No. 17). On 30th 2016 executed budget funds for all activities for all of the selected KPIs amounted to 3,379,262,390 RSD (35.6%).

TABLE 17 RELEVANT KPI'S BUDGET LINES - MINISTRY OF ECONOMY

No.	KPI	Particle	Chapter	Program No.	Function	Program Activity/ Project No.	Economy classification	Allocated Budget funds (RSD)	Implemented Budget funds by 30 th June 2016 (RSD)	Budget realization (in %)
1.	The number of new jobs (employees)	20	20.0	1508 ⁷	410	0002 ⁸	411 ⁹ ;412 ¹⁰	66,755,000	35,587,193	53.3%
		20	20.0	1509 ¹¹	410	4002 ¹²	451 ¹³	500,000,000	500,000,000	100.0%
		20	20.0	1510 ¹⁴	410	0001 ¹⁵	424 ¹⁶	797,000,000	358,640,000	45.0%
		20	20.0	1510	410	0003 ¹⁷	454 ¹⁸	8,133,325,000	2,485,035,197	30.6%
2.	Total value of new direct investment	20	20.0	1508	410	0002	411;412	66,755,000	35,587,193	53.3%
		20	20.0	1510	410	0001	424	797,000,000	358,640,000	45.0%
		20	20.0	1510	410	0003	454	8,133,325,000	2,485,035,197	30.6%
3.	New investor leads generated by the reformed agency (meetings, site visit)	20	20.0	1510	410	0001	424	797,000,000	358,640,000	45.0%
4.	Percentage of exporters in total number of SMEs	20	20.0	1509	410	4002	451	500,000,000	500,000,000	100.0%
		20	20.0	1510	410	0001	424	797,000,000	358,640,000	45.0%
5.	Participants in export promotion programs that engage in new export activities	20	20.0	1509	410	4002	451	500,000,000	500,000,000	100.0%
		20	20.0	1510	410	0001	424	797,000,000	358,640,000	45.0%
6.	Number of performed analysis measuring the effect of realization	20	20.0	1508	410	0002	411;412	66,755,000	35,587,193	53.3%

Source Budget Law of the Republic of Serbia for the year 2016 ("Official Gazette of the Republic of Serbia", No. 103/2015) and Ministry of Economy

⁷ Regulation and supervision in the field of economic and regional development

⁸ Policies and measures of economic and regional development

⁹ Salaries, allowances, and compensation of employees (wages)

¹⁰ Social contributions paid by the employer

¹¹ Incentives for the development of economic competitiveness

¹² Support for the development of entrepreneurship

¹³ Subsidies to public non-financial enterprises and organizations

¹⁴ Attracting investments

¹⁵ Professional and administrative support in the field of economic and regional development

¹⁶ Specialized services

¹⁷ Incentives for Direct Investment

¹⁸ Investments of special importance

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 2016 are concerned, includes:

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

Partial DLI 2.1.1: Defining TOR and contracting of consultants to complete the strategic framework, overall action plan, and sector specific policies.

Expected result with Verification Protocol:	Status/description of achievement:	Source of verification:
<p>DLI 2.1 statement: <i>Strategic framework and overall action plan for investment and export promotion (“Action Plan”) prepared and adopted by the MoE.</i></p> <p><i>Sectorial policies and sector-specific implementation plans adopted for target sectors identified in the strategic framework.</i></p> <p>Partial DLI 2.1.1 statement: <i>Defining TOR and contracting of consultants to complete the strategic framework, overall action plan, and sector specific policies.</i></p> <p>Verification protocol for Partial DLI 2.1.1: <i>Submitting to the Bank, through reporting system, the report on execution of the Procurement plan proving the hiring of the consultants.</i></p>	<p>This is an annual DLI, thus status of achievement will be reported at the end of 2016.</p> <p>Partial DLI 2.1.1 is PARTIALLY ACHIEVED <i>Contracts related to this DLI are as follows:</i></p> <ul style="list-style-type: none"> - 2A.2.3 - Policies on attracting foreign direct investment - part time – Contract signed on April 5th, 2016; - 2A.2.4 - Policies for increasing export and positioning at foreign markets - part time – Contract signed on April 7th, 2016. - 2A.2.5.1 – Sector Policy Development - Evaluation of received REOs for position 2A.2.5.1 has been performed. RFP has been sent on July 20th, 2016 to first ranked consultant and proposal is expected by August 4th, which will not jeopardize execution of DLI 2.1 within scheduled time frame. 	<p>Attachments to this report:</p> <ol style="list-style-type: none"> 1. <i>Contract for position 2A.2.3 (Annex 4)</i> 2. <i>Contract for position 2A.2.4 (Annex 5)</i> 3. <i>Evaluation report for position 2A.2.5.1 (Annex 6)</i>

Note: Contract with first ranked consultant for the position 2A.2.5.1 – Sector Policy Development will be signed during first half of September 2016 and submitted to the Bank. Reimbursement request for achievement of partial DLI will be submitted after acceptance of the contract by the Bank.

9. 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.

During reporting period, within Component 3 MoESTD established Internal Unit. Plan of Project Operational Activities and Procurement Plan has been developed for MoESTD. 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. Aiming to overcome current problems, activities on design of Action Plan for implementation of Strategy and Infrastructure Road Map are expected to be intensified, as well as execution of the Procurement Plan and procurement of consulting services which should have supported the defined reform already. Only one procurement procedures out of all foreseen, has been initiated. It could be expected that engagement of external consultants for specific issues (Implementation officer, development of methodology for RDIs self-assessment and for data gathering and analysis, and RDI performance audit later on) will speed up the pace of action and contribute to achievement of planned results, probably with delay. Additionally, after new Government is established, MoESTD has to initiate meeting with Ministry of Finance in order to explore the possibility of obtain necessary funding through possible supplementary budget, for the implementation of Matching Grants Program as one of the obligations under the Project in 2016. Same obligation exist in 2017 and 2018. MoESTD has been requested to develop mitigation plan and it is expected after appointment of new Government.

Although one annual DLI is achieved in full at mid-term, 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 18: INTERMEDIATE RESULTS INDICATORS: COMPONENT 3*

Indicator Name	Baseline	2016		2017	2018
		Target	June 30 th	Target	Target
Component 3: Innovation					
Private financing catalyzed through IF support programs (Amount USD)	(2014) 0.3 m	0.7 m	N/A**	1.4 m	2.1 m
Enterprises and startups financed through matching grants (Number)	(2014) 11	15	N/A**	30	45
Enterprises and startups financed with female owner (Number - Sub-Type: Breakdown)	(2014) 1	2	0	4	6
Innovative products or services developed by MG beneficiary firms (Number) <i>Note: this indicator is the KPI defined for Component A.3</i>	(2014) 16	7	0	17	27
Innovative products or services launched by MG beneficiary firms (Number) <i>Note: this indicator is the KPI defined for Component A.3</i>	(2014) 3	0	0	3	6
Technology transfer: IF TTF service lines deployed (Number) <i>Note: this indicator is the DLI defined for Component A.3</i>	0	2	1	5	5
Technology transfer: transactions initiated (Number) <i>Note: this indicator is the KPI defined for Component A.3</i>	0	0	2	5	10

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>			Partial DLI was not achieved		
Citizen engagement: Innovation matching grant beneficiary annual survey (Number of surveys)	0	1	0	2	3

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

**Gathering data and data processing is still in progress

Source: PAD and Participating institutions

COMPONENT A.3 – KPI ACHIEVEMENT REPORT:

TABLE 19: OVERALL PROGRESS OF ALL OF THE SELECTED KPI'S WITHIN THE COMPONENT A.3 OF THE PROJECT

	Targets						Total
	2016 semi-annual	2016	2017 semi-annual	2017	2018 semi-annual	2018	
Component A.3 average overall KPI's progress	65.6%						10.9%
Component A.3 average distance from 2018 Target value:	21.9%						

Component description: Innovation

Source: Author's calculations

For the component A.3 – Innovation, in coordination with the Ministry of Education, Science, and Technological Development (MoESTD), 4 KPIs have been defined, that are observed and analyzed in this report. The average overall progress in achieving the annual target values for all four selected KPIs by June 30th 2016 was on the level of 65.6% (see Table No. 19).

In further text a progress in achieving annual KPI's target values per individual KPI within the Project Component A.3 is presented.

The KPI A3.1 - number of applied research publications in international journals, was design to measure dynamics and success of research activities through the number of published scientific papers in international scientific journals.

Total number of published research papers in international scientific journals in 2015 reached 5,300, which was used for establishing the baseline value. As an annual target value for 2016, the MoESTD has selected the goal of reaching the number of 5,000 published scientific papers in international scientific journals. By June 30th 2016, the total number of published scientific papers reached the number of 3,600, which constitute 72.0% of the annual target value. Having in mind the percentage of realization it can be reasonable assumed that the annual target value will be achieved by the end of 2016 (see Table No. 20).

TABLE 20: PROGRESS OF THE KPI A3.1: NUMBER OF APPLIED RESEARCH PUBLICATIONS IN INTERNATIONAL JOURNALS

	Baseline value (2015)	2016 semi-annual	2016	2017 semi-annual	2017	2018 semi-annual	2018	Total
KPI A3.1 - score:	5,300	72.0%	0.0%	0.0%	0.0%	0.0%	0.0%	12.00%
KPI A3.1 - target:		5,000	5,000	10,000	10,000	15,000	15,000	
KPI A3.1 - achieved:		3,600						
Overall KPI A3.1 progress against Baseline value:		67.9%						
Achieved KPI A3.1 value against target value for 2018:		24.0%						

KPI description: Number of applied research publications in national journals

Source: Ministry of Education, Science, and Technological Development (MoESTD)

The KPI A3.2 - number of applied research publications in national journals, was design to measure dynamics and success of research activities through the number of published scientific papers in national scientific journals.

Total number of published research papers in national scientific journals in 2015 reached 4,600, which was used for establishing the baseline value. As an annual target value for 2016, the MoESTD has selected the goal of reaching the number of 4,000 published scientific papers in national scientific journals. By June 30th 2016, the total number of published scientific papers reached the number of 3,000, which constitute 75.0% of the annual target value. Having in mind the percentage of realization it can be reasonable assumed that the annual target value will be achieved by the end of 2016 (see Table No. 21).

TABLE 21: PROGRESS OF THE KPI A3.2: NUMBER OF APPLIED RESEARCH PUBLICATIONS IN NATIONAL JOURNALS

	Baseline value (2015)	2016 semi-annual	2016	2017 semi-annual	2017	2018 semi-annual	2018	Total
KPI A3.2 - score:	4,600	75.0%	0.0%	0.0%	0.0%	0.0%	0.0%	12.50%
KPI A3.2 - target:		4,000	4,000	8,000	8,000	12,000	12,000	
KPI A3.2 - achieved:		3,000						
Overall KPI A3.2 progress against Baseline value:		65.2%						
Achieved KPI A3.2 value against target value for 2018:		25.0%						

KPI description: Number of applied research publications in international journals

Source: Ministry of Education, Science, and Technological Development (MoESTD)

The KPI A3.3 - number of EU grant applications submitted, was design to measure the quantity of the eligible project proposals that have been submitted for the EU grant within the Horizon 2020.

In 2015 in average a total of 500 project proposals were submitted for the EU grant within the Horizon 2020 which was used for establishing the baseline value for this KPI. As an annual target value for 2016, the MoESTD has selected also 500 eligible project proposal that have to be submitted for the EU grant within the Horizon 2020 by the end of 2016. According to the MoESTD in the first half of the 2016 the total number of submitted eligible proposal reached the number of 306, which participate with 61.2% in the realization of target value for the year 2016 (see Table No. 22).

Table 22: Progress of the KPI A3.3: Number of EU grant applications submitted

	Baseline value (2015)	2016 semi-annual	2016	2017 semi-annual	2017	2018 semi-annual	2018	Total
KPI A3.3 - score:	500	61.2%	0.0%	0.0%	0.0%	0.0%	0.0%	10.20%
KPI A3.3 - target:		500	500	1,000	1,000	1,500	1,500	
KPI A3.3 - achieved:		306						
Overall KPI A3.3 progress against Baseline value:		61.2%						
Achieved KPI A3.3 value against target value for 2018:		20.4%						

KPI description: Number of EU grant applications submitted

Source: Ministry of Education, Science, and Technological Development (MoESTD)

The KPI A3.4 - number of EU grant applications approved, was design to measure the quantity of the project proposals that have been submitted for the EU grant within the Horizon 2020 and got approved.

In 2015 a total of 40 projects proposals that have been submitted for the EU grant within the Horizon 2020 got approved for financing, which was used for establishing the baseline value for this KPI. As an annual target value for 2016, the MoESTD has selected 35 project proposals that should be approved for finance from the EU grant within the Horizon 2020 by the end of 2016. According to the MoESTD in the first six months of 2016 a total of 19 project proposals have been approved for financing from the EU grant within the Horizon 2020. So far successful project proposal participate with 54.3% of established target value for the 2016. Having in mind the percentage of realization there is reasonable possibility that target value will be achieved by the end of the year (see Table No. 23).

TABLE 23: PROGRESS OF THE KPI A3.4: NUMBER OF EU GRANT APPLICATIONS APPROVED

	Baseline value (2015)	2016 semi-annual	2016	2017 semi-annual	2017	2018 semi-annual	2018	Total
KPI A3.4 - score:	40	54.3%	0.0%	0.0%	0.0%	0.0%	0.0%	9.05%
KPI A3.4 - target:		35	35	70	70	105	105	
KPI A3.4 - achieved:		19						
Overall KPI A3.4 progress against Baseline value:		47.5%						
Achieved KPI A3.4 value aginst target value for 2018:		18.1%						

KPI description: Number of EU grant applications approved

Source: Ministry of Education, Science, and Technological Development (MoESTD)

In coordination with the Ministry of Education, Science, and Technological Development (MoESTD) it was possible to establish budget lines for each one of the 4 suggested KPIs (see Table No. 24).

For the four selected KPIs (see Table No. 24) two budget lines were identified which finance all or some of the activities related to the four mentioned KPIs and possibly activities which are not directly related to the observed KPIs (see Table No. 24). Because of the methodological restrictions concerning the program budgeting, which is already explained at the beginning of this segment of report, it was not possible to identify accurate separate budget lines for each of the analysed KPI. This methodology constrains have a negative impact on the quality of information and conclusion that can derive from this segment of analysis.

In coordination with the MoESTD, for the KPIs no. 1 and 2 (see Table No. 24) one budget line was identified which was used for financing programs under Article 10 of the Law on Scientific Research. For the KPIs no. 3 and 4 (see Table No. 24), one budget line was identified which was used for financing implementation of activities under the Agreement between the Government of the Republic of Serbia and the EU on participation of the RS in the EU Horizon 2020- the Framework Programme for Research and Innovation (2014-2020).

For the implementation of all activities required for the achievement of the target values of KPIs, total of 13,276,557,000 RSD was allocated in the budget of the Republic of Serbia. By June 30th 2016 executed budget funds for all activities for all of the selected KPIs amounted to 6,447,868,325 RSD (see Table No. 24).

Having in mind above mentioned methodological restrictions regarding the scope of expenses that are included in the budget lines, the MoESTD has provided us with more precise information regarding the expenses that have occurred as result of implementation of activities required for achieving KPI's targets. The source of these information is "Financial plan for allocation of funds for Program activity No. 0001 – The support for the realization of general interest in Science and Research for 2016".

According to the above mentioned financial plan, a total 8,588,965,000 RSD was allocated in the Budget of the Republic of Serbia for the year 2016 for the implementation of the following activities: 1) Work of researchers from the Program of basic research (3,800,000,000 RSD), 2) Work of researchers from the Program of technological development (2,350,000,000 RSD) and 3) Work of researchers from the Program of integrated and interdisciplinary research (2,438,965,000 RSD). Above mentioned budgetary expenses corresponds with the expenses that occurs form the implementation of activities for achieving targets set in the KPIs No. 11 and 12.

As of June 30th 2016 implemented budget funds for the 1) work of researchers from the Program of basic research amounted to 1,873,028,431 RSD (49.3%), 2) for the work of researchers from the Program of technological development amounted to 1,146,778,178 RSD (48.8%) and for the 3) work of researchers from the Program of integrated and interdisciplinary research amounted to 1,202,766,897 RSD (49.3%).

According to the data from the E-Cord data base of the European Commission, out of the total number of submitted proposals for H2020 Grant Agreements, which in the first half of the 2016 were 306 proposals, participants in the selection from Serbia have managed to sign 19 grant agreements in the same period. Total EU financial contribution to those grant agreements amounted to 58,992,203 EUR.

TABLE 24: RELEVANT KPI'S BUDGET LINES - COMPONENT A.3, INNOVATION

No.	KPI	Particle	Chapter	Program No.	Function	Program Activity/ Project No.	Economy classification	Allocated Budget funds (RSD)	Implemented Budget funds by 30 th June 2016 (RSD)	Budget realization (in %)
1.	Number of applied research publications in national journals	24	24.0	0201 ¹⁹	140	0001 ²⁰	424 ²¹	11,746,590,000	5,744,145,543	48.9%
2.	Number of applied research publications in international journals	24	24.0	0201	140	0001	424	11,746,590,000	5,744,145,543	48.9%
3.	Number of EU grant applications submitted	24	24.0	0201	140	7010 ²²	462 ²³	1,529,967,000	703,722,782	46.0%
4.	Number of EU grant applications approved	24	24.0	0201	140	7010	462	1,529,967,000	703,722,782	46.0%

Source Budget Law of the Republic of Serbia for the year 2016 ("Official Gazette of the Republic of Serbia", No. 103/2015) and Ministry of Education, Science, and Technological Development (MoESTD)

¹⁹ Development of science and technology

²⁰ The support for the realization of general interest in Science and Research

²¹ Financing programs under Article 10 of the Law on Scientific Research

²² IPA - Support for participation in EU programs

²³ Current grants to international organizations

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 2016 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.

Although DLI 3.1 and 3.2 are annual, it was possible to request partial payments in case of achievement on mid-year. However, results required by verification protocol were not achieved.

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: <i>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</i></p> <p>Verification protocol: <i>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:</i></p> <p><i>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.</i></p> <p><i>2. The budget for implementation of the MGs program is allocated in the appropriate amount, as well as that that</i></p>	<p>This is an annual DLI, thus status of achievement will be reported at the end of 2016.</p> <p>Activities within reporting period: <i>On February 24th, 2016. MoESTD and Innovation Fund signed the Contract on deployment and use of budgetary funds allocated for financing of operative costs of the IF in 2016. In accordance with the Contract, total IF operating budget is RSD 50 million, which, divided by official exchange rate of National Bank of Serbia on the day of signing (123,3738 RSD/EUR), was 405.272,43 EUR. Till 30.06.2016, MoESTD transferred RSD 30 million on the account of the IF in regular monthly payments.</i></p> <p><i>EUR 2,7 million for enterprise innovation matching grants (MGs) has not been included in the Budget of Republic of Serbia for 2016.</i></p>	<p>Attachments to this report:</p> <ol style="list-style-type: none"> <i>Excerpt from the Budget that show allocation of the funds for 2016 (Annex 7)</i> <i>Confirmation letter of the responsible manager of IF, confirming the allocation and availability of the funds for operational activities (Annex 8).</i>

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.

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: <i>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</i></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: • 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.</p>	<p>This is an annual DLI, thus status of achievement will be reported at the end of 2016.</p> <p>Activities within reporting period: <i>Until June 30th, 2016 required amount of funds was not allocated in the RS budget for MGs 2016 program, therefore, could not been committed.</i></p>	<p>Attachments to this report:</p>

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.**

DLI 4 for 2016 includes **DLI 4.1 - Design and deployment of one or more TTF service lines with Partial DLI 4.1.1 - Design of one or more TTF services**

Expected result with Verification Protocol:	Status/description of achievement:	Source of verification:
<p>DLI 4.1 statement: <i>Design and deployment of one or more TTF services</i></p> <p>Partial DLI 4.1.1 statement: <i>Design of one or more TTF services.</i></p> <p>Verification protocols: Verification protocol for DLI 4.1: <i>The condition for recognition of achievement of this DLI by the Bank is the deployment of at least one TTF service line, which is evidenced in IF quarterly monitoring reports. The deployment of the service is represented by the beginning of consideration of the first application for a given TT service.</i> Verification protocol for Partial DLI 4.1.1: <i>At 2016 mid-year EUR 0.9 million can be disbursed once Bank approves TTF Guidelines for Applicants, prepared and submitted by IF.</i></p>	<p>This annual DLI (including Partial DLI) is ACHIEVED <i>World Bank approved Guidelines for Applicants, prepared and submitted by IF, version 1.0 on March 29th, 2016 and version 1.1 on May 9th, 2016, together with related documents. Documents are available on IF site (http://www.inovacionifond.rs/program-ttf/), as well as on Application Portal, under section "Application documentation". Design of TTF services set has been described in Operational Manual and Guidelines for Applicants. 8 major service lines (TTF services) are designed and additional 4 that could be activated if needed, are described.</i></p> <p><i>First application has been registered on June 3rd, 2016 and, by that, first TTF service has been deployed (Eliciting disclosures). Evaluation of the first TTF application started in July 2016.</i></p>	<p>Attachments to this report: DLI 4.1:</p> <ol style="list-style-type: none"> 1. <i>SCJP Monitoring Report 2016 Q1.pdf (Annex 9)</i> 2. <i>SCJP Monitoring Report 2016 Q2.pdf (Annex 10)</i> <p>Partial DLI 4.1.1:</p> <ol style="list-style-type: none"> 3. <i>Version 1.0 Guidelines for applicants (English).pdf (Annex 11)</i> 4. <i>Version 1.0 – Approval.pdf (Annex 12)</i> 5. <i>Version 1.0 – Decision on adoption.pdf (Annex 13)</i> 6. <i>Version 1.1 Guidelines for applicants (English).pdf (Annex 14)</i> 7. <i>Version 1.1 – Approval.pdf (Annex 15)</i> 8. <i>Version 1.1 – Decision on adoption.pdf (Annex 16)</i> 9. <i>TTF Application Portal - Project ID 1040 - under evaluation - full view.jpg (Annex 17)</i> 10. <i>TTF Application Portal - Project ID 1040 - under evaluation.jpg (Annex 18)</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.

This sub-component regards **DLI 5 – Public research sector reforms designed and adopted** which, when expected results in 2016 are concerned, includes:

DLI 5.2: Adoption of the time bound action plan to implement R&I Strategy;

DLI 5.3: Adoption of the time bound action plan to implement R&I Infrastructure roadmap and its Action plan;

DLI 5.4: Conducting at least 50 RDI self-assessments and pilot performance audits of at least 4 RDIs carried out by international experts.

Although DLI 5.2, 5.3 and 5.4 are annual, for all three parts of DLI 5 scheduled for 2016 it was possible to request partial payments in case of achievement on mid-year. However, results required by verification protocol were not achieved.

DLI 5.2: Adoption of the time bound action plan to implement R&I Strategy (2016)

Expected result with Verification Protocol:	Status/description of achievement:	Source of verification:
<p>DLI 5.2 statement: Adoption of the time bound action plan to implement R&I Strategy.</p> <p>Verification protocol: 1. Adopted action plan is time bound, and 2. Action plan is based on the recommendations deriving from Component 3 of the SRITTP project.</p>	<p>This is an annual DLI, thus status of achievement will be reported at the end of 2016.</p> <p>Activities within reporting period: Development of Action Plan is in progress. The MoSTD estimates that It will be done in accordance with R&I Strategy (in 6 months upon adoption of the Strategy), time bound and based on recommendations deriving from Component 3 of the SRITTP project. Adoption of Action Plan is expected within six months from adoption of R&I Strategy, meaning in the beginning of September 2016.</p>	<p>Attachments to this report:</p>

DLI 5.3: Adoption of the time bound action plan to implement R&I Infrastructure roadmap and its Action plan (2016)

Expected result with Verification Protocol:	Status/description of achievement:	Source of verification:
<p>Partial DLI 5.3 statement: Adoption of the time bound action plan to implement R&I Infrastructure roadmap and its Action plan.</p> <p>Verification protocol: 1. Adopted action plan is time bound, and 2. Action plan is based on the recommendations of the SRITTP project.</p>	<p>This is an annual DLI, thus status of achievement will be reported at the end of 2016.</p> <p>Activities within reporting period: Definition of R&I Infrastructure roadmap is in progress. The MoSTD estimates that the planed due date will be respected.</p>	<p>Attachments to this report:</p>

DLI 5.4: Conducting at least 50 RDI self-assessments (2016) and pilot performance audits of at least 4 RDIs carried out by international experts

Expected result with Verification Protocol:	Status/description of achievement:	Source of verification:
<p>Partial DLI 5.4 statement: Conducting at least 50 RDI self-assessments (2016) and pilot performance audits of at</p>	<p>This is an annual DLI, thus status of achievement will be reported at the end of 2016.</p>	<p>Attachments to this report:</p>

least 4 RDIs carried out by international experts

Verification protocol:

1. At least 50 self-assessments are completed by RDIs, and
2. At least 4 pilot RDI performance reviews are completed by the international experts.

Activities within reporting period:
 Since conducting of self-assessments and pilot performance audits requires engagement of consultants which are in delay, activities included in this DLI cannot start before procurement of experts is conducted.

10.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.

In order to successfully and timely implement Project objectives, both MoLEVSA and NES appointed Internal Units responsible for Project execution. Further, small technical support unit has been predicted by Loan agreement and it has been accordingly established during reporting period. All procurements that should support execution of planned activities have been determined and MoLEVSA and NES defined process of procurement, including steps, responsible persons and due dates. Evaluation Committees has been appointed for each procurement. So far, procurement is realized mostly in accordance with revised Procurement Plan. However, engagement of consultants needed for execution of four partial DLIs within this component will be realized in second half of 2016, so semi-annual execution is in delay. MoLEVSA and NES took remediation measures by starting activities and preparing documents on their own, which will be additionally improved by consultants when engaged, and thus shorten the period planned for their execution in order to achieve expected results at the end of 2016.

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

TABLE 23: INTERMEDIATE RESULTS INDICATORS: COMPONENT 4*

Indicator Name	Baseline	2016		2017	2018
		Target	June 30 th	Target	Target
Component 4: Labor					
NES registered female unemployment cases transitioning into formal job (Number), annual <i>Note: this indicator is incorporated in the DLI defined for Component A.4</i>	122,491 (2014)	130,000	67,000	137,000	145,000

Number of employers contacted per year by the NES (Number) <i>Note: this indicator is the DLI defined for Component A.4</i>	Field visits to 15,927 employers (2014)	17,000	10,163	20,000	23,000
% of total NES staff that is operating as certified case worker (Percentage) <i>Note: this indicator is the DLI defined for Component A.4</i>	0 (2014)	50	0	85	85
Standard Deviation of mean case load per branch office over all branch offices <i>Note: this indicator is the DLI defined for Component A.4</i>	381 (2014)	350	291	300	250
Net placement rate of NES start-up support program for self-employment 6 months from completion (Percentage)	37 (2013)	37	N/A**	39	42
Net placement rate of NES hiring subsidy program for new employment 6 months from completion (Percentage)	41 (2013)	41	N/A**	43	46
Number of new or re-designed ALMPs in the NES <i>Note: this indicator is the DLI defined for Component A.4</i>	0	0	N/A**	0	1
Average effective tax rate for social assistance beneficiary with two children and nonworking spouse transitioning to a half-time minimum wage job <i>Note: this indicator is the DLI defined for Component A.4</i>	100%		N/A**		70%
Citizen engagement: Number of employers reached by client satisfaction and needs survey	0	1,000	N/A**	2,000	3,000

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

**Gathering data and data processing is still in progress

Source: PAD and Participating institutions

Component A.4 – KPI achievement report

TABLE 26: OVERALL PROGRESS OF ALL OF THE SELECTED KPIS WITHIN THE COMPONENT A.4 OF THE PROJECT

	Targets						Total
	2016 semi-annual	2016	2017 semi-annual	2017	2018 semi-annual	2018	
Component A.4 average overall KPI's progress	83.1%						13.8%
Component A.4 average distance from 2018 Target value:	80.0%						

Component description: Labor

Source: Author's calculations

For the component A.4 Labor in coordination with the Ministry of Labor, Employment, Veteran and Social Affairs (MoLEVSA) it was established 12 KPIs. 7 KPIs are observed and analyzed in this report. Remaining 5 KPIs are related to activities that will start during 2017 and 2018 and they will be included in reporting from the beginning of 2017, after additional analysis that will be performed during 2016. The average overall progress in achieving annual target values for all four selected KPIs by June 30th 2016 was 83.1% (see Table No. 26).

There are two main reasons for this average overall result. The first one refers to the very high percentage of realization of annual target value for 2016 that was recorded at one of the observed KPIs. Due to relatively small number of observed indicators this deviation has a significant impact on the average overall KPIs progress. The second one refers to the nature of certain KPIs which are formulated in a way to have a characteristics of break-even point. This means that if the result of the observed KPI is below the target value, the realization is above 100% and vice-versa the realization is represented with negative values. In the case of indicators A4.5, A4.7 and A4.9, observed indicators track cumulative progress in its scope for the period from January 1st to December 31st 2016. The above mentioned indicators are flow indicators by its nature and not stock indicators, which means that they show progress just for the predefined analyzed period (year 2016) and not the cumulative results from the previous periods (stock). Having this in mind it is expected that their realization would increase over time by the end of the observed period, or in this case by the end of the 2016.

Having in mind everything above explained, the indicator on average overall KPIs progress cannot be used as a measure of overall KPI progress on project component A.4.

In further text a progress in achieving annual KPI's target values per individual KPI within the Project Component A.4 is presented.

The KPI A4.3, number of cases in backlog, represents the number of registered cases of employers' needs that are not met due to lack of persons with adequate qualification or specific knowledge and skills, rejection of the employment contract by the employee due to low wages or poor working conditions etc.

In 2015, according to the MoLEVSA, the total number of cases in backlog amounted to 10,085. This value was taken as a base value for this KPI. As an annual target value for 2016 the MoLEVSA has set 9,076 cases as the maximum number of cases in backlog. This represents a decrease of 10.0% compare to the established base value for this KPI (see Table No. 27).

As of June 30th 2016, according to the NES, the total number of recorded cases in backlog was 2,914. Comparing the target value with the recorded progress of the observed KPI it can be concluded that achieved target realization is on the level of 312%. Having in mind the percentage of target realization it can be reasonable assumed that the annual target value will be achieved by the end of 2016 (see Table No. 27).

TABLE 27: PROGRESS OF THE KPI A4.3: NUMBER OF CASES IN BACKLOG

	Baseline value (2015)	2016 semi-annual	2016	2017 semi-annual	2017	2018 semi-annual	2018	Total
KPI A4.3 - score:	10,085	311.5%	0.0%	0.0%	0.0%	0.0%	0.0%	51.91%
KPI A4.3 - target:		9,076	9,076	8,169	8,169	7,368	7,368	
KPI A4.3 - achieved:		2,914						
Overall KPI A4.3 progress against Baseline value:		346.1%						
Achieved KPI A4.3 value against target value for 2018:		252.8%						
<i>KPI description: Number of cases in backlog</i>								

Source: Ministry of Labor, Employment, Veteran and Social Affairs (MoLEVSA)

The KPI A4.5, Share of vacancies filled 6 months after collection, represents the participation of vacancies filled 6 months after collection in relation with total number of collected vacancies.

In 2015, according to the MoLEVSA, the share of vacancies filled 6 months after collection was 57.33%. This value was taken as a base value for this KPI. As an annual target value for 2016 the MoLEVSA has set 59.83%. This represents increase of 4.35% compare to the established baseline value for this KPI (see Table No. 28).

As of June 30th 2016, according to the NES, the share was 38.4%. Comparing the target value with the recorded progress of the observed KPI it can be concluded that achieved target realization is on the level of 64.1%. Having in mind the percentage of target realization it can be reasonably assumed that the annual target value will be achieved by the end of 2016 (see Table No. 28).

TABLE 48: PROGRESS OF THE KPI A4.5: SHARE OF VACANCIES FILLED 6 MONTHS AFTER COLLECTION

	Baseline value (2015)	2016 semi-annual	2016	2017 semi-annual	2017	2018 semi-annual	2018	Total
KPI A4.5 - score:	57.3%	64.1%	0.0%	0.0%	0.0%	0.0%	0.0%	10.69%
KPI A4.5 - target:		59.8%	59.8%	62.3%	62.3%	65.0%	65.0%	
KPI A4.5 - achieved:		38.4%						
Overall KPI A4.5 progress against Baseline value:		67.0%						
Achieved KPI A4.5 value against target value for 2018:		59.0%						
<i>KPI description: Share of vacancies filled 6 months after collection</i>								

The KPI A4.7, Share of unemployed employed within 6 months after participating in ALMPs, represents the relative number of unemployed persons employed 6 months after participating in ALMPs in relation with total number of unemployed that participated in ALMPs. This KPI should present effectiveness of ALMPs and benefit for unemployed persons if they take part in ALMP. Increase of value of this KPI during the Project should demonstrate improved service quality to beneficiaries on supply side of labor market.

In 2015, according to the MoLEVSA, Share of unemployed employed within 6 months after participating in ALMPs was 27.75%. This value was taken as a baseline value for this KPI. As an annual target value for 2016 the MoLEVSA has set 30.17%. This represents increase of 8.72% compare to the established baseline value for this KPI (see Table No. 29).

As of June 30th 2016, according to the NES, the share of unemployed employed within 6 months after participating in ALMPs was 20.43%. Comparing the target value with the recorded progress of the observed KPI it can be concluded that achieved target realization is on the level of 67.7%. Having in mind the percentage of target realization it can be reasonable assumed that the annual target value will be achieved by the end of 2016 (see Table No. 29).

TABLE 29: PROGRESS OF THE KPI A4.7: SHARE OF UNEMPLOYED EMPLOYED WITHIN 6 MONTHS AFTER PARTICIPATING IN ALMPs

	Baseline value (2015)	2016 semi-annual	2016	2017 semi-annual	2017	2018 semi-annual	2018	Total
KPI A4.7- score:	27.8%	67.7%	0.0%	0.0%	0.0%	0.0%	0.0%	11.29%
KPI A4.7 - target:		30.2%	30.2%	32.6%	32.6%	35.0%	35.0%	
KPI A4.7 - achieved:		20.4%						
Overall KPI A4.7 progress against Baseline value:		73.6%						
Achieved KPI A4.7 value against target value for 2018:		58.4%						

KPI description: Share of unemployed employed within 6 months after participating in ALMPs

The KPI A4.9, Share of registered unemployed participating in ALMPs in total number of registered unemployed, represents scope of unemployed persons included in ALMPs in relation with total registered number of unemployed. Increase in progress of this KPI value, combined with improved ALMPs, will indicate higher quality of NES service.

In 2015, according to the MoLEVSA, share of registered unemployed participating in ALMPs in total number of registered unemployed was 20.8%. This value was taken as a base value for this KPI. As an annual target value for 2016 the MoLEVSA has set 22.2%. This represents increase of 6.73% compare to the established base value for this KPI (see Table No. 30).

As of June 30th 2016, according to the NES, value of observed KPI was 11.47%. Comparing the target value with the recorded progress of the observed KPI it can be concluded that achieved target realization is on the level of 51.67%. Having in mind the percentage of target realization it can be reasonable assumed that the annual target value will be achieved by the end of 2016 (see Table No. 25).

TABLE 30: PROGRESS OF THE KPI A4.9: SHARE OF REGISTERED UNEMPLOYED PARTICIPATING IN ALMPs IN TOTAL NUMBER OF REGISTERED UNEMPLOYED

	Baseline value (2015)	2016 semi-annual	2016	2017 semi-annual	2017	2018 semi-annual	2018	Total
KPI A4.9- score:	20.80%	51.7%	0.0%	0.0%	0.0%	0.0%	0.0%	8.61%
KPI A4.9 - target:		22.2%	22.2%	23.6%	23.6%	25.0%	25.0%	
KPI A4.9 - achieved:		11.5%						
Overall KPI A4.9 progress against Baseline value:		55.1%						
Achieved KPI A4.9 value against target value for 2018:		45.9%						

KPI description: Share of registered unemployed participating in ALMPs in total number of registered unemployed

The KPI A4.10, average unemployment duration, represents the time that is passed from the moment of unemployed person's registration at NES to the moment of his or her formal employment.

As a base value the MoLEVSA has established the average recorded time spent of unemployed person at the NES register in 2015, which was 48.8 months. As an annual target value for 2016 the MoLEVSA has established 46.4 months as average time spent at NES unemployed register in the same year, which would represent an 5% improvement compare to the base value (see Table No. 31).

In the period of the first six months of 2016, the average time spent at NES unemployed register has prolonged for 2.6% to 50.2 months compare to the base value. This deterioration of average time spent at the NES registry of unemployment have resulted in negative target realization, or in other words the

successful achievement of the target value is even further away by June 30th 2016 compare to the beginning of the current year (see Table No. 31).

TABLE 31: PROGRESS OF THE KPI A4.10: AVERAGE UNEMPLOYMENT DURATION

	Baseline value (2015)	2016 semi-annual	2016	2017 semi-annual	2017	2018 semi-annual	2018	Total
KPI A4.10 - score:	48.88	-7.5%	0.0%	0.0%	0.0%	0.0%	0.0%	-1.25%
KPI A4.10 - target:		46.44	46.44	44.11	44.11	41.9	41.9	
KPI A4.10 - achieved:		50.19						
Overall KPI A4.10 progress against Baseline value:		-2.6%						
Achieved KPI A4.10 value against target value for 2018:		-16.5%						
<i>KPI description: Average unemployment duration</i>								

Source: Ministry of Labor, Employment, Veteran and Social Affairs (MoLEVSA)

The KPI A4.11, rate of informal employment, represents the share of employed persons in unregistered enterprises, and/or the share of employed persons in registered enterprises, but without a formal employment contract, as well as unpaid contributing family members in total employment.

As a base value the MoLEVSA has established recorded rate of informal employment in 2015 which was 20.4%. As an annual target value for 2016 the MoLEVSA has established a rate of informal employment of 20.2%, which represent an improvement of 1% compare to the base value. As of March 31st 2016 the informal rate of employment was recorded on the level of 20.3%, which is slightly below the target value. Data for the rate of informal employment by June 30th 2016 are not available yet (see Table No. 32).

TABLE 32: PROGRESS OF THE KPI A4.11: RATE OF INFORMAL EMPLOYMENT

	Baseline value (2015)	2016 semi-annual	2016	2017 semi-annual	2017	2018 semi-annual	2018	Total
KPI A4.11 - score:	20.40%	-0.5%	0.0%	0.0%	0.0%	0.0%	0.0%	-0.08%
KPI A4.11 - target:		20.2%	20.2%	20.0%	20.0%	19.8%	19.8%	
KPI A4.11 - achieved:		20.3%						
Overall KPI A4.11 progress against Baseline value:		100.5%						
Achieved KPI A4.11 value against target value for 2018:		-2.5%						
<i>KPI description: Rate of informal employment</i>								

Source: Ministry of Labor, Employment, Veteran and Social Affairs (MoLEVSA)

The KPI A4.12, share of Financial Social Assistance (FSA) beneficiaries employed within 6 months after participating in ALMPs.

As a base value the MoLEVSA has established the rate of 16% as a share of the FSA beneficiaries which have managed to find a new job within the 6 months after participating in ALMPs. As an annual target value for 2016 the MoLEVSA has established the rate of 16.8%, which represents a 5% improvement compare to the base value (see Table No. 33).

As of June 30th 2016 the mentioned share was 15.9%, which represents 94.6% of the annual target realization for the year 2016. The achieved result by June 30th was slightly below the base value and it achieved 80.3% of the target value for the year 2018 (see Table No. 33).

TABLE 33: PROGRESS OF THE KPI A4.12: SHARE OF FINANCIAL SOCIAL ASSISTANCE (FSA) BENEFICIARIES EMPLOYED WITHIN 6 MONTHS AFTER PARTICIPATING IN ALMPs

	Baseline value (2015)	2016 semi-annual	2016	2017 semi-annual	2017	2018 semi-annual	2018	Total
KPI A4.12 - score:	16.00%	94.6%	0.0%	0.0%	0.0%	0.0%	0.0%	15.77%
KPI A4.12 - target:		16.8%	16.8%	17.6%	17.6%	18.5%	18.5%	
KPI A4.12 - achieved:		15.90%						
Overall KPI A4.12 progress against Baseline value:		99.4%						
Achieved KPI A4.12 value against target value for 2018:		85.9%						

KPI description: Share of Financial Social Assistance (FSA) beneficiaries employed within 6 months after participating in ALMPs

Source: Ministry of Labor, Employment, Veteran and Social Affairs (MoLEVSA)

Within the Project Component A.4, Labor, it was identified 12 KPIs. In coordination with the Ministry of Labour, Employment, Veteran and Social Affairs (MoLEVSA) it was possible to establish budget lines for each one of the 7 suggested KPIs (see Table No. 34).

In coordination with the MoLEVSA and based on the Agreement on the performance of the National Employment Service Agency (NSZ) for 2016, signed between the MoLEVSA and NSZ, one budget line was identified which finance all or some of the activities related to the all seven observed KPIS and possibly activities which are not directly related to observed KPIs (see Table No. 34). Because of the methodology restrictions concerning the program budgeting, which is already explained at the beginning of this segment of report, it was not possible to identify accurate separate budget lines for each of the analysed KPI (see Table No. 34). This methodology constrain have a serious negative impact on the quality of information and conclusion that can be derived from this segment of analysis.

As the most relevant budget line, to the extent to which it can be, for all seven selected KPIs budget line was identified which was used for financing Grants for organizations of mandatory social insurance (National Employment Service Agency - NSZ) for funding active employment policy's programs and measures. During the review process of current KPI list, current budget lines will be reviewed as well, in order to make them more appropriate and methodologically suitable for selected KPIs.

For the implementation of all activities required for the achievement of the KPIs target values from the budget of the Republic of Serbia it was allocated a total of 2,800,000,000 RSD. By June 30th 2016 implemented budget funds for all activities for all of the selected KPIs amounted to 1,072,773,219 RSD (see Table No. 34).

TABLE 34: RELEVANT KPI'S BUDGET LINES - COMPONENT A. 4, LABOR

No.	KPI	Particle	Chapter	Program No.	Function	Program Activity/ Project No.	Economy classification	Allocated Budget funds (RSD)	Implemented Budget funds by 30 th June 2016 (RSD)	Budget realization (in %)
1.	3. Number of cases in backlog	28	28.0	0803 ²⁴	412	0001 ²⁵	464 ²⁶	2,800,000,000	1,072,773,219	38.3%
2.	5. Average unemployment duration	28	28.0	0803	412	0001	464	2,800,000,000	1,072,773,219	38.3%
3.	7. Share of vacancies filled 6 months after collection	28	28.0	0803	412	0001	464	2,800,000,000	1,072,773,219	38.3%
4.	9. Share of unemployed employed within 6 months after participating in ALMPs	28	28.0	0803	412	0001	464	2,800,000,000	1,072,773,219	38.3%
5.	10. Share of registered unemployed participating in ALMPs in total number of registered unemployed	28	28.0	0803	412	0001	464	2,800,000,000	1,072,773,219	38.3%
6.	11. Rate of informal employment	28	28.0	0803	412	0001	464	2,800,000,000	1,072,773,219	38.3%
7.	12. Share of Financial Social Assistance (FSA) beneficiaries employed within 6 months after participating in ALMPs	28	28.0	0803	412	0001	464	2,800,000,000	1,072,773,219	38.3%

Source Budget Law of the Republic of Serbia for the year 2016 ("Official Gazette of the Republic of Serbia", No. 103/2015) and Ministry of Labour, Employment, Veteran and Social Affairs

²⁴ Active labor market policies

²⁵ Implementation of active employment policy measures by the „NSZ“

²⁶ Current and capital grants to organizations for mandatory insurance

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 6.1: Adoption of the action plan to enhance the quality of employer services and case management (NES action plan) (2016) with **Partial DLI 6.1.1:** Development of the Draft NES action plan

Expected result with Verification Protocol:	Status/description of achievement:	Source of verification:
<p>DLI 6.1 statement: <i>Adoption of the action plan to enhance the quality of employer services and case management (NES action plan)</i></p> <p>Partial DLI 6.1.1 statement: <i>Development of the Draft NES action plan</i></p> <p>Verification protocol: <i>In 2016 EUR 0.9 million can be disbursed based on provision of a draft action plan to the Bank, which contains conceptually all elements foreseen with the Verification protocol for DLI 6.1.</i></p>	<p>This is an annual DLI, thus status of achievement will be reported at the end of 2016.</p> <p>Partial DLI 6.1.1 is NOT ACHIEVED - <i>Drafting of the Action plan- Execution of the DLI is effected by contracting external consultant. Procurement process is in progress (on 19.07 and 20.07, MoLEVSA and NES received "no objection" on TORs for all consulting services scheduled to be procured during 2016). Public call for expert engagement is published and will be opened until 19th of August 2016. NES informed PIU that delay in achieving partial DLI will not prevent execution of DLI till the end of the 2016.</i></p>	<p>Attachments to this report:</p>

DLI 7 – Caseload management in NES branch offices improved

DLI 7.1: Establishment of a special registry of unemployed persons who are temporarily prevented from working by NES (2015) has been achieved 2015, while expected results for 2016 regard **DLI 7.2:** Adoption and implementation of the staffing reforms in NES and publication of targets on caseload per branch office on the NES website with **Partial DLI 7.2.1:** Design of the NES staffing reform

Expected result with Verification Protocol:	Status/description of achievement:	Source of verification:
<p>DLI 7.2 statement: <i>Adoption and implementation of the staffing reforms in NES and publication of targets on caseload per branch office on the NES website.</i></p> <p>Partial DLI 7.2.1 statement: <i>Design of the NES staffing reform</i></p> <p>Verification protocol: <i>In 2016 EUR 0,9 million can be disbursed once staffing reforms are designed,</i></p>	<p>This is an annual DLI, thus status of achievement will be reported at the end of 2016.</p> <p>Partial DLI 7.2.1 is NOT ACHIEVED– <i>Design of the Action plan (see DLI 6.1) will include NES staffing reform as well. Finalization of the document and submitting to World Bank for "no objection" is expected after consultant is engaged and additionally</i></p>	<p>Attachments to this report:</p>

containing conceptually all elements provided with the Verification protocol for DLI 7.2.

improve Action plan and designed NES staffing reform. Procurement process is in progress (On 19.07 and 20.07, MoLEVSA and NES received “no objection on TORs for all consulting services scheduled to be procured during 2016). Public call for expert engagement is published and will be opened until 19th of August 2016. NES informed PIU that delay in achieving partial DLI will not prevent execution of DLI till the end of the 2016.

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 2016:

DLI 8.2: Preparation and adoption of the Action plan on monitoring, evaluation and re-design of ALMPs and unemployed profiling (2016) with **Partial DLI 8.2.1:** Preparation of the draft action plan (2016)

Expected result with Verification Protocol:	Status/description of achievement:	Source of verification:
<p>Partial DLI 8.2.1 statement: Preparation of the draft action plan</p> <p>Verification protocol: In 2016 EUR 0.9 million can be disbursed on the basis of submitting to the Bank a draft ALMP action plan, containing conceptually all elements defined with the Verification protocol for DLI 8.2.</p>	<p>DLI 8.2 is annual, thus status of achievement will be reported at the end of 2016.</p> <p>Activities within reporting period: Partial DLI 8.2.1 is NOT ACHIEVED - Execution of the DLI is effected by contracting external consultant. Procurement process is in progress (on 19.07 and 20.07, MoLEVSA and NES received “no objection” on TORs for all consulting services scheduled to be procured during 2016).</p>	<p>Attachments to this report:</p>

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 2016:

DLI 9.1: 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 9.1.1: Contracting the consultant to carry out the study.

Expected result with Verification Protocol:	Status/description of achievement:	Source of verification:
<p>DLI 9.1 statement: <i>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</i></p> <p>Partial DLI 9.1.1 statement: <i>Contracting the consultant to carry out the study</i></p> <p>Verification protocol: <i>At 2016 mid-year EUR 0,7 million can be disbursed once the consultants are contracted to undertake the study, meaning:</i></p> <ol style="list-style-type: none"> <i>1. ToR for consultants is defined according to the rules of procedure defined with this POM and approved by the Bank, and</i> <i>2. Consultants are contracted in line with the provisions of the ToR.</i> 	<p>DLI 9.1 is annual, thus status of achievement will be reported at the end of 2016.</p> <p>Activities within reporting period: Partial DLI 9.1.1 is PARTIALY ACHIEVED- <i>In accordance with revised Procurement Plan, MoLEVSA received “no objection” from the Bank on defined ToR for the position 4A.4.4 on July 19 2016. Contract will be concluded in accordance with Procurement Procedure. No delay in execution of annual DLI is expected.</i></p>	<p>Attachments to this report:</p> <ol style="list-style-type: none"> 1. Copy of “no objection” on TOR for 4A.4.4. (Annex 19)

III. Other PPMC related issues

Within reporting period, three sessions of PPMC IMWB has been held and one additional in July. 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:

- By amendment of Decision of IMWB constitution, Ms. Ljiljana Dzuver was appointed as deputy member of IMWB, representing MoLEVSA (PPS Protocol number 02-4196/2016, file number 119-01-45/2015-03);
- In cooperation with participating institutions on the Project, beneficiaries of services, during March and April 2016, Procurement Plan has been revised. On April 7th 2016, it was submitted to World Bank for approval. In accordance with recommendations of World Bank, received on April 20th 2016, PPS/PIU in cooperation with beneficiary institutions, made necessary adjustments. World Bank approved (no objection) revised Procurement Plan on May 4th 2016, and PPMC IMWB adopted it on its Third session held on May 12th 2016. From total of 39 procurements included in Procurement Plan, in revised version, 19 was scheduled to be executed till June 30th, 2016. 13 contracts has been concluded and 5 more are in progress. Only one procurement did not start. Based on presented, it could be concluded that engagement of experts that will support implementation of the Project is, so far, executed without significant delays and influence on the Project realization. However, engagement of consultants that will support and supervise activities within position 3A.3.1 of the Procurement plan has direct impact on achievement of DLI 5.4 and the fact that this procurement did not start could jeopardize realization of this part of DLI 5.
- On May 27th 2016 study "From University to Employment: Higher Education Provision and Labor Market Needs in Serbia" has been presented. Study on Serbia is part of Western Balkans research on this topic and it was made under Western Balkans Platform on Education and Training. In cooperation with ministers of education from the region, this platform has a goal to provide support in harmonization local and European legislative in area of education, as part of EU expansion. Study offers new information that could be used during policy definitions in both sectors, higher education and employment. Study has been presented by authors: professor dr Milica Uvalić, Professor in Economics, University of Perugia Italy, Department of Economics, Finance and Statistics and dr William Bartlett, Senior Research Fellow in the Political Economy of Southeast Europe, LSE - European Institute London. Minister of Education, Science and Technological Development, dr Srdjan Verbic and professor Sinisa Djurasevic, member of the team for development of National Qualification Frame presented current status of the activities and progress achieved so far in development of the National Qualification Framework. After presentation of the Study, discussion and exchange of opinions took place. Goal of this event was to enrich process of public policy reforms initiated by European Union, as well as World Bank Competitiveness and Jobs Project and CIIP Project. More about event via link <http://www.rsip.gov.rs/predstavljena-studija-o-visokom-obrazovanu-i-trzistu-rada/t>
- On July 8th 2016, Fourth session of IMWB has been held in order to discuss current activities and reporting duties.

IV. Annexes

Annex 1 – Reports received from Internal Units of participating institutions:

1.1 – PPS

1.2 – MoE

1.3 – MoESTD and IF

1.4 – MoLEVSA and NES

Annex 2 – Revised Procurement Plan

Annex 3 – Print Screen from PPS web site on which Intermediary Status report for 2015 has been published

Annex 4 – Contract for the position 2A.2.3

Annex 5 – Contract for the position 2A.2.4

Annex 6 – Evaluation Report for the position 2A.2.5.1

Annex 7 – Extract from MoESTD budget – allocation of funds for IF operational expenses

Annex 8 – Confirmation of responsible IF manager that allocated funds are available

Annex 9 – IF SCJP Monitoring Report Q1 2016

Annex 10 – IF SCJP Monitoring Report Q2 2016

Annex 11 – IF Guidelines for Applicants v1.0 (English)

Annex 12 – IF Guidelines for Applicants v1.0 – Approval

Annex 13 – IF Guidelines for Applicants v1.0 – Decision on adoption

Annex 14 – IF Guidelines for Applicants v1.0 (English)

Annex 15 – IF Guidelines for Applicants v1.0 – Approval

Annex 16 – IF Guidelines for Applicants v1.0 – Decision on adoption

Annex 17 - TTF Application Portal - Project ID 1040 - under evaluation - full view.jpg

Annex 18 - TTF Application Portal - Project ID 1040 - under evaluation.jpg

Annex 19 – No Objection on ToR for position 4A.4.4 Improving work incentives for social assistance beneficiaries

Annex 20 – IFR H1 2016.xlsx

Annex 21 – Draft of the Progress report on the performance of the PPMC system