**MEMORANDUM OF UNDERSTANDING**

**between the European Union, of the one part, and the Republic of Serbia, of the other part, on the participation of the Republic of Serbia in the Employment and Social Innovation (EaSI) strand of the European Social Fund Plus (ESF+)**

The European Commission (hereinafter referred to as ‘the Commission’), on behalf of the European Union,

of the one part, and

The Government of the Republic of Serbia (hereinafter referred to as ‘the Republic of Serbia’),

of the other part,

hereinafter referred to as ‘the Parties’

WHEREAS the Framework Agreement between the European Community and Serbia and Montenegro on the general principles for the participation of Serbia and Montenegro in Community programmes stipulates that the specific terms and conditions regarding the participation of the Republic of Serbia in each particular programme, in particular the financial contribution payable, are to be determined by agreement, in the form of a Memorandum of Understanding, between the Commission, acting on behalf of the European Union, and the competent authorities of the Republic of Serbia;

WHEREAS the European Social Fund Plus (ESF+) was established by Regulation (EU) 2021/1057 of the European Parliament and of the Council ;

WHEREAS pursuant to Article 29(b) of the ESF+ Regulation on the participation of third countries in the EaSI strand, the specific terms and conditions of the association should be determined by an agreement between the Union and the associated country;

CONSIDERING the Union’s efforts to lead the response by joining forces with its international partners to address global challenges in line with the plan of action for people, planet and prosperity in the United Nations Agenda ‘Transforming our World: the 2030 Agenda for Sustainable Development’, and acknowledging that eradicating extreme form of poverty, promoting quality and inclusive education, promoting gender equality, promoting sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all, as well as reducing inequality are common priorities;

RECOGNISING the general principles as set out in the ESF+ Regulation;

SHARING the general objectives of the ESF+ to support the achievement of high employment levels, fair social protection and a skilled and resilient workforce ready for the future world of work, as well as inclusive and cohesive societies aiming to eradicate poverty and delivering on the principles set out in the European Pillar of Social Rights;

CONSIDERING that the common goals, values and strong links of the Parties in the field of employment and social innovation, established in the past through the Agreement between the European Union and the Republic of Serbia on the participation of the Republic of Serbia in the European Union Programme for Employment and Social Innovation (2014-2020), and

recognising the common desire of the Parties to further develop, strengthen, stimulate and extend their relations and cooperation therein,

HAVE AGREED AS FOLLOWS:

***Article 1***

***Scope of the association***

The Republic of Serbia shall participate as associated country in and contribute to the Employment and Social Innovation (EaSI) strand of the European Social Fund Plus (ESF+) as established by Regulation (EU) 2021/1057 of the European Parliament and of the Council of 24 June 2021 establishing the European Social Fund Plus (ESF+) and repealing Regulation (EU) No 1296/2013 as later corrected, amended or replaced.

***Article 2***

***Terms and conditions of participation in the EaSI strand of the ESF+***

1. The Republic of Serbia shall participate in the EaSI strand of the ESF+ in accordance with the conditions laid down in the Framework Agreement between the European Community and Serbia and Montenegro on the general principles for the participation of Serbia and Montenegro in Community programmes, and under the terms and conditions set forth in this Memorandum of Understanding, in the legal acts referred to in Article 1 of this Memorandum of Understanding, as well as in any other rules pertaining to the implementation of the EaSI strand of the ESF+ and activity as later corrected, amended or replaced.
2. Unless otherwise provided for in the terms and conditions referred to in paragraph 1 of this Article, legal entities established in the Republic of Serbia may participate in actions of the EaSI strand of the ESF+ under conditions equivalent to those applicable to legal entities established in the Union, including respect for EU restrictive measures .
3. Representatives of the Republic of Serbia shall have the right to participate as observers in the EaSI strand Technical Working Group of the ESF+ Committee referred to in Article 39(8) of Regulation (EU) 2021/1057 establishing the ESF+ for points which concern the Republic of Serbia.
4. Travel costs and subsistence expenses incurred by representatives and experts of the Republic of Serbia for the purposes of taking part as observers in the work of the EaSI strand Technical Working Group of the ESF+ Committee referred to in Article 39(8) of Regulation (EU) 2021/1057 establishing the ESF+, or in other meetings related to the implementation of the EaSI strand of the ESF+, shall be reimbursed by the European Union on the same basis as and in accordance with the procedures in force for representatives and experts of the Member States of the European Union.
5. The Parties shall make every effort, within the framework of the existing provisions, to facilitate the free movement of participants in the activities covered by this Memorandum of Understanding and to facilitate cross-border movement of goods and services intended for use in such activities.
6. The Republic of Serbia shall take all necessary measures, as appropriate, to ensure that goods and services, purchased in the Republic of Serbia or imported into the Republic of Serbia, which are partially or entirely financed pursuant to the grant agreements and/or contracts concluded for the realisation of the activities in accordance with this Memorandum of Understanding, are exempted from customs duties, import duties and other fiscal charges, including the VAT, that are applicable in the Republic of Serbia.
7. English shall be used for the procedures related to requests, contracts and reports, as well as for other administrative aspects of the EaSI strand of the ESF+.

# Article 3 Financial contribution

1. Participation of the Republic of Serbia or the Republic of Serbia’s legal entities in the EaSI strand of the ESF+ shall be subject to the Republic of Serbia contributing financially to the EaSI strand of the ESF+ and the related management, execution and operation costs under the general budget of the Union (hereinafter referred to as the ‘Union budget’).
2. The financial contribution shall take the form of the sum of:
   1. an operational contribution and
   2. a participation fee.
3. The financial contribution shall take the form of an annual payment made in one instalment, and shall be due at the latest in May.
4. The operational contribution shall cover operational and support expenditure of the EaSI strand of the ESF+ and be additional both in commitment and payment appropriations to the amounts entered in the Union budget definitively adopted for the EaSI strand of the ESF+.
5. The operational contribution shall be based on a contribution key defined as the ratio   
   of the Gross Domestic Product (GDP) of the Republic of Serbia at market prices to the GDP   
   of the European Union at market prices. The GDPs at market prices to be applied shall be determined by the dedicated Commission services based on the most recent statistical data available for budget calculations in the year prior to the year in which the annual payment is   
   due. Adjustments to this contribution key are laid down in Annex I.
6. The operational contribution shall be calculated applying the contribution key, as adjusted, to the commitment appropriations entered in the Union budget definitively adopted for the applicable year for financing the EaSI strand of the ESF+.
7. The participation fee shall be 4% of the annual operational contribution as calculated in accordance with paragraphs 5 and 6 and shall be phased in as set out in Annex I. The participation fee shall not be subject to retrospective adjustments or corrections.
8. The Union shall provide the Republic of Serbia with information in relation to its financial participation as included in the budgetary, accounting, performance and evaluation related information provided to the Union budgetary and discharge authorities concerning the EaSI strand of the ESF+. That information shall be provided having due regard to the Union’s and the Republic of Serbia’s confidentiality and data protection rules and shall be without prejudice to the information which the Republic of Serbia is entitled to receive under Annex II.
9. All contributions of the Republic of Serbia or payments from the Union and the calculation of amounts due or to be received shall be made in euro.

# Article 4

***Monitoring, Evaluation and Reporting***

1. Without prejudice to the responsibilities of the Commission, the European Anti­ Fraud Office (OLAF) and the Court of Auditors of the European Union in relation to monitoring and evaluation of the EaSI strand of the ESF+, the participation of the Republic of Serbia in the EaSI strand of the ESF+ shall be continuously monitored on a partnership basis involving the Commission and the Republic of Serbia.
2. The rules concerning sound financial management, including the financial control, recovery and other antifraud measures in relation to Union funding under this Memorandum of Understanding are laid down in Annex II.

***Article 5***

# Final provisions

1. This Memorandum of Understanding shall enter into force on the date on which the Parties have notified each other of the completion of their internal procedures necessary for that purpose.
2. This Memorandum of Understanding shall apply from 1 January 2022. It shall remain in force for as long as is necessary for all the projects and actions financed from the EaSI strand of the ESF+, all the actions necessary to protect the financial interests of the European Union and all the financial obligations stemming from the implementation of this Memorandum of Understanding between the Parties to be completed.
3. The Union and the Republic of Serbia may apply this Memorandum of Understanding provisionally in accordance with their respective internal procedures and legislation. The provisional application shall begin on the date on which the

Parties have notified each other of the completion of their internal procedures necessary for that purpose.

1. Should the Republic of Serbia notify the Commission acting on behalf of the Union that it will not complete its internal procedures necessary for the entry into force of this Memorandum of Understanding, this Memorandum of Understanding shall cease to apply provisionally on the date of receipt of this notification by the Commission, which shall constitute the cessation date for the purposes of this Memorandum of Understanding
2. The application of this Memorandum of Understanding may be suspended by the European Union in case of non-payment of the financial or operational contribution due by the Republic of Serbia in accordance with point II of Annex I.

Suspension of the application of this Memorandum of Understanding shall be   
notified by the European Union to the Republic of Serbia by a formal letter of notification which shall take effect 30 days following the receipt of this notification   
by the Republic of Serbia.

In case the application of this Memorandum of Understanding is suspended, legal entities established in the Republic of Serbia shall not be eligible to participate in award procedures not yet completed when the suspension takes effect. An award procedure shall be considered completed when legal commitments have been entered into as a result of that procedure.

The suspension does not affect the legal commitments entered into with the legal entities established in the Republic of Serbia before the suspension took effect. This Memorandum of Understanding shall continue to apply to such legal commitments.

The European Union shall immediately notify the Republic of Serbia once the entire amount of the financial or operational contribution due has been received by it. The suspension shall be lifted with an immediate effect upon this notification.

As of the date when the suspension is lifted, legal entities of the Republic of Serbia shall be again eligible in award procedures launched after this date and in award procedures launched before this date, for which the deadlines for submission of applications have not expired.

1. Either Party may terminate this Memorandum of Understanding at any time by a written notification informing of the intent to terminate it.

The termination shall take effect three calendar months after the date on which the written notification reaches its addressee. The date on which the termination takes effect shall constitute the termination date for the purposes of this Memorandum of Understanding.

1. Where this Memorandum of Understanding ceases to apply provisionally in accordance with paragraph (4) or is terminated in accordance with paragraph (6), the Parties agree that:
   1. projects or actions or parts thereof in respect of which legal commitments have been entered into during the provisional application and/or after the entry into force of this Memorandum of Understanding, and before this Memorandum of Understanding ceases to apply or is terminated shall

continue until their completions under the conditions laid down in this Memorandum of Understanding;

* 1. the annual financial contribution of the year N during which this Memorandum of Understanding ceases to apply provisionally or is terminated shall be paid in accordance with Article 3.

The Parties shall settle by common consent any other consequences of termination or cessation of provisional application of this Memorandum of Understanding.

1. This Memorandum of Understanding may only be amended in writing by common consent of the Parties. The entry into force of the amendments will follow the same procedure as that applicable for the entry into force of this Memorandum of Understanding.
2. The Annexes to this Memorandum of Understanding shall form an integral part of this Memorandum of Understanding.

## This Memorandum of Understanding shall be drawn up in duplicate in English.

Done at Belgrade on 19.10.2022

*For the Government of the Republic of Serbia Darija Kisić Tepavčević*

*Minister of Labour, Employment, Veteran and Social Affairs of the Republic of Serbia*

## Done at Bruxelles on 16/11/2022

*For the Commission, on behalf of the European Union Nicolas Schmit*

*Commissioner for Jobs and Social Rights*

*ANNEX I: Rules governing the financial contribution of the Republic of Serbia to the EaSI strand of the ESF+ (2021-2027)*

*ANNEX II: Sound Financial Management*

**ANNEX I**

**Rules governing the financial contribution of the Republic of Serbia to the EaSI strand of the ESF+ (2021-2027)**

**Calculation of the Republic of Serbia’s financial contribution**

1. The financial contribution of the Republic of Serbia to the EaSI strand of the ESF+ shall be established on a yearly basis in proportion to, and in addition to, the amount available each year in the Union budget for commitment appropriations needed for the management, execution and operation of the EaSI strand of the ESF+.
2. The participation fee referred to in Article 3(7) of this Memorandum of Understanding shall be phased in as follows:

2022: 1%;

2023: 1,5%;

2024: 2%;

2025: 2,5%;

2026: 3%;

2027: 4%.

1. In accordance with Article 3(5) of this Memorandum of Understanding, the   
   operational contribution to be paid by the Republic of Serbia for its participation in   
   the EaSI strand of the ESF+ will be calculated for the respective financial years by applying an adjustment to the contribution key.

The adjustment to the contribution key shall be:

Contribution Key Adjusted = Contribution Key x *Coefficient*

The coefficient used for the above calculation to adjust the contribution key shall be 60%.

**Payment of the Republic of Serbia’s financial contribution**

* 1. The Commission shall communicate to the Republic of Serbia, as soon as possible and at the latest when issuing the call for funds of the financial year, the following information:
     1. the amounts in commitment appropriations in the Union budget definitively adopted for the year in question for the budget lines covering participation of the Republic of Serbia, in the EaSI strand of the ESF+;
     2. the amount of the participation fee referred to in Article 3(7) of this Memorandum of Understanding.
  2. The Commission shall issue, at the latest in April of each financial year, a call for funds to the Republic of Serbia corresponding to its contribution under this Memorandum of Understanding.

Each call for funds shall provide for the payment of the Republic of Serbia's contribution not later than 45 days after the call for funds is issued.

For the first year of implementation of this Memorandum of Understanding, the Commission shall issue the call for funds within 60 days of the signature of this Memorandum of Understanding.

* 1. The Republic of Serbia shall pay its financial contribution under this Memorandum of Understanding in accordance with point (II) of this Annex. In the absence of payment by the Republic of Serbia by the due date, the Commission shall send a formal letter of reminder.

Any delay in the payment of the financial contribution shall give rise to the payment of default interest by the Republic of Serbia on the outstanding amount from the due date.

The interest rate for amounts receivable not paid on the due date shall be the rate applied by the European Central Bank to its principal refinancing operations, as published in the C series of *the Official Journal of the European Union,* in force on the first calendar day of the month in which the due date falls, increased by one and half percentage points.

In case the delay in the payment of the contribution is such that it may significantly jeopardise the implementation and management of the EaSI strand of the ESF+, participation of the Republic of Serbia in the EaSI strand of the ESF+ will be suspended by the Commission following the absence of payment 20 working days after a formal letter of reminder, without prejudice to the Union's obligations according to grant agreements and/or contracts already concluded pertaining to the implementation of the actions for which the Republic of Serbia was selected.

**ANNEX II**

**Sound Financial Management**

Section 1. Protection of financial interests and recover

***Article 1 Reviews and audits***

1. The European Union shall have the right to conduct, in accordance with the applicable acts of one or more Union institutions or bodies and as provided in relevant agreements and/or contracts, technical, scientific, financial, or other types of reviews and audits on the premises of any natural person residing in or any legal entity established in the Republic of Serbia and receiving European Union funding, as well as any third party involved in the implementation of Union funds residing or established in the Republic of Serbia. Such review and audits may be carried out by the agents of the institutions and bodies of the European Union, in particular of the European Commission and the European Court of Auditors, or by other persons mandated by the European Commission.
2. The agents of the institutions and bodies of the European Union, in particular of the European Commission and the European Court of Auditors, and the other persons mandated by the European Commission, shall have appropriate access to sites, works and documents (both in electronic and paper versions) and to all the information required in order to carry out such audits, including the right of obtaining a physical/electronic copy of, and extracts from, any document or the contents of any data medium held by the audited natural or legal person , or by the audited third party.
3. The Republic of Serbia shall not prevent or raise any particular obstacle to the right of entrance in the Republic of Serbia and to the access to the premises of the agents and other persons referred to in paragraph 2 on the grounds of the exercise of their duties referred to in this Article.
4. The reviews and audits may be carried out, also after the suspension of application of this Memorandum of Understanding pursuant to its Article 9(5), the cessation of provisional application or its termination, on the terms laid down in the applicable acts of one or more European Union institutions or bodies and as provided in relevant agreements and/or contracts in relation to any legal commitment implementing the European Union budget entered into by the European Union before the date on which the suspension of application of this Memorandum of Understanding pursuant to its Article 9(5), the cessation of provisional application or termination of this Memorandum of Understanding takes effect.

***Article 2***

# Fight against irregularities, fraud and other criminal offences affecting the financial interests of the Union

1. The European Commission and the European Anti-Fraud Office (OLAF) shall be authorised to carry out administrative investigations, including on-the-spot checks and inspections, on the territory of the Republic of Serbia. These investigations shall

be carried out in accordance with the terms and conditions established by applicable acts of one or more Union institutions.

1. The competent authorities of the Republic of Serbia shall inform the European Commission or OLAF within reasonable time of any fact or suspicion which has come to their notice relating to an irregularity, fraud or other illegal activity affecting the financial interests of the Union.
2. On-the-spot checks and inspections may be carried out on the premises of any natural person residing in or legal entity established in the Republic of Serbia and receiving Union funds, as well as of any third party involved in the implementation of Union funds residing or established in the Republic of Serbia.
3. On-the-spot checks and inspections shall be prepared and conducted by the European Commission or OLAF in close collaboration with the competent authority designated by the government of the Republic of Serbia. The designated authority shall be   
   notified a reasonable time in advance of the object, purpose and legal basis of the checks and inspections, so that it can provide assistance. To that end, the officials of the competent authorities of the Republic of Serbia may participate in the on-the-spot checks and inspections.
4. Upon request of the authorities of the Republic of Serbia, the on-the-spot checks and inspections may be carried out jointly with the European Commission or OLAF.
5. Commission agents and OLAF staff shall have access to all the information and documentation, including computer data, on the operations concerned, which are required for the proper conduct of the on-the-spot checks and inspections. They may, in particular, copy relevant documents.
6. Where the person, entity or another third party resists an on-the-spot check or inspection, the authorities of the Republic of Serbia, acting in accordance with national rules and regulations, shall assist the European Commission or OLAF, to allow them to fulfil their duty in carrying out an on-the-spot check or inspection. This assistance shall include taking the appropriate precautionary measures under national law, in particular in order to safeguard evidence.
7. The European Commission or OLAF shall inform the authorities of the Republic of Serbia of the result of such checks and inspections. In particular, the European Commission or OLAF shall report as soon as possible to the competent authority of the Republic of Serbia any fact or suspicion relating to an irregularity which has come to their notice in the course of the on-the-spot check or inspection.
8. Without prejudice to application of the criminal law of the Republic of Serbia, the European Commission may impose administrative measures and penalties on legal or natural persons of the Republic of Serbia participating in the implementation of a programme or activity in accordance with European Union legislation.
9. For the purposes of proper implementation of this Article, the European Commission or OLAF and the competent authorities of the Republic of Serbia shall regularly exchange information and, at the request of one of the parties to this Memorandum of Understanding, consult each other.
10. In order to facilitate effective cooperation and exchange of information with OLAF, the Republic of Serbia shall designate a contact point.
11. Information exchanged between the European Commission or OLAF and the competent authorities of the Republic of Serbia shall take place having due regard to

the confidentiality requirements. Personal data included in the exchange of   
information shall be protected in accordance with applicable rules.

1. The authorities of the Republic of Serbia shall cooperate with the European Public Prosecutor’s Office to allow it to fulfil its duty to investigate, prosecute and bring to judgment the perpetrators of, and accomplices to, criminal offences affecting the financial interests of the European Union in accordance with the applicable legislation.

# Article 3 Recovery and enforcement

1. Decisions adopted by the European Commission imposing a pecuniary obligation on legal or natural persons other than States in relation to any claims stemming from the EaSI strand of the ESF+ shall be enforceable in the Republic of Serbia. The order for enforcement shall be appended to the decision, without any other formality than a verification of the authenticity of the decision by the national authority designated for this purpose by the government of the Republic of Serbia. The government of the Republic of Serbia shall make known its designated national authority to the Commission and the Court of Justice of the European Union. In accordance with Article 4, the European Commission shall be entitled to notify such enforceable decisions directly to persons residing and legal entities established in the Republic of Serbia. Enforcement shall take place in accordance with laws and rules of procedures of the Republic of Serbia.
2. Judgments and orders of the Court of Justice of the European Union delivered in application of an arbitration clause contained in a contract or agreement in relation to Union programmes, activities, actions or projects shall be enforceable in the Republic of Serbia in the same manner as European Commission decisions referred to in paragraph 1.
3. The Court of Justice of the European Union shall have jurisdiction to review the legality of the decision of the Commission referred to in paragraph 1 and to suspend its enforcement. However, the Courts of the Republic of Serbia shall have jurisdiction over complaints that enforcement is being carried out in an irregular manner.

***Article 4***

# Communication and exchange of information

The European Union institutions and bodies involved in the implementation of the EaSI strand of the ESF+, or in controls over the EaSI strand of the ESF+, shall be entitled to communicate directly, including through electronic exchange systems, with any natural person residing in or legal entity established in the Republic ofSerbia and receiving Union funds, as well as any third party involved in the implementation of Union funds residing or established in the Republic of Serbia. Such persons, entities and parties may submit directly to the European Union institutions and bodies all relevant information and documentation which they are required to submit on the basis of the European Union legislation applicable to the EaSI strand of the ESF+ and of the contracts or agreements concluded to implement the EaSI strand of the ESF+.