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MONITORING REPORT

The **Principles** of **Public** **Administration**

SERBIA

November
2021

Monitoring Report

The Principles of Public Administration

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List of abbreviations and acronyms

ACA	Anti-Corruption Authority
AECS	Administration for the Execution of Criminal Sanctions
AI	Administrative Inspectorate
APC	Agency for the Prevention of Corruption
APIGP	Action Plan for the Implementation of the Government Programme
AQCRs	Audit Quality Control Reviews
BPFs	Beneficiaries of Public Funds
BSL	Budget System Law
CAR	Consolidated Annual Report on the Status of Public Internal Financial Control
CGOs	central government organisations
CHU	Central Harmonisation Unit
CoG	centre of government
COSO	Committee of Sponsoring Organizations of the Treadway Commission
CSL	Law on Civil Service
CSO	civil society organisation
EBFs	extra budgetary funds
EI	European integration
ERP	Economic Reform Programme
ESA	European System of Accounts
EURIBOR	Euro Interbank Offered Rate
FC	Fiscal Council
FIA	Financial Impact Assessment
FMC	financial management and control
FS	Fiscal Strategy
GAWP	Government Annual Work Programme
GDP	gross domestic product
GSB	Government Service Bus
GSG	General Secretariat of the Government
HCSC	High Civil Service Council
HJC	High Judicial Council
HR	human resources
HRM	human resource management
HRMIS	human resource management information system
HRMS	Human Resource Management Service
IA	internal audit
IC	internal control
ILMR	Internal Labour Market Register
IMF	International Monetary Fund

IPA	Instrument for Pre-accession Assistance
IPSAS	International Public Sector Accounting Standards
IT	information technology
LFAI	Law on Free Access to Information of Public Importance
LGAP	Law on General Administrative Procedures
LIBOR	London Inter-Bank Offered Rate
LPC	Law for the Prevention of Corruption
LPS	Law on the Planning System
LSA	Law on State Administration
LSCSSE	Law on Salaries of Civil Servants and State Employees
MEI	Ministry of European Integration
MoF	Ministry of Finance
MPALSG	Ministry of Public Administration and Local Self-Government
MSIOs	mandatory social insurance organisations
NAPA	National Academy of Public Administration
NPAA	National Programme for the Adoption of the <i>Acquis Communautaire</i>
PAR	public administration reform
PDA	Public Debt Administration
PFM	public financial management
PIFC	public internal financial control
PIM	Public Investment Management
PP Portal	Public Procurement Portal
PPL	Public Procurement Law
PPO	Public Procurement Office
PPP	public private partnership
PPS	Public Policy Secretariat
PS/CS	public service/civil service
PSHRM	public service and human resource management
RCPRPP	Republic Commission for the Protection of Rights in Public Procurement Procedures
RIA	Regulatory Impact Assessment
RINO	Registry of Settlement of Claims
RoP	rules of procedure
RSL	Republic Secretariat for Legislation
SAI	State Audit Institution
SCS	senior civil service
SL	Secretariat for Legislation
SMEs	small- and medium-sized enterprises
SOE	state-owned enterprise
TA	tax administration
TNA	training needs analysis
TSA	treasury single account

Introduction

The Principles of Public Administration and the EU integration path – measuring the fundamentals

The *Principles of Public Administration*¹ set out what good public governance entails in practice and outline the main requirements to be followed by countries during the European Union (EU) integration process. Good public governance is key for achieving economic growth, competitiveness and better quality of life. Democratic governance and the rule of law require capable, accountable and effective public administrations. In its 2014 and 2018 Enlargement Strategies, the European Commission (EC) highlighted public administration reform (PAR) as one of three “fundamentals first” areas of the EU enlargement process: “Addressing reforms in the area of rule of law, fundamental rights and good governance remains the most pressing issue for the Western Balkans. It is also the key benchmark against which the prospects of these countries will be judged by the EU”².

A regional series, with a long-term perspective

This monitoring report assesses the state of play and progress in improving the quality of national public administrations. Given the geostrategic importance of the Western Balkans to the EU, and the ongoing accession negotiations, SIGMA (Support for Improvement in Governance and Management) conducts regular monitoring of the region. In 2017, SIGMA established a baseline in all areas of public administration. In 2019, monitoring was conducted against selected Principles. The full scope is covered again in this 2021 report, which compares performance against the 2017 baseline and regional averages. By analysing the long-term perspective, significant changes are identified.

The assessment period is from July 2017 to July 2021. The data collection period was February-May 2021. The COVID-19 pandemic was at its highest, so in-person meetings were replaced by virtual ones. National experts provided invaluable support during this period in securing the necessary data.

Structured to provide key insights and recommendations to decision makers and detailed performance data to practitioners

The structure of the report mirrors that of the Principles. Each Principle has a dedicated section for its associated indicator(s). A country executive summary and summaries for each of the six thematic areas have been introduced to the 2021 report. The analytical findings and the short- to medium-term recommendations are developed to guide reform efforts and inform the policy dialogue and discussions between the EC and the Government.

SIGMA wishes to thank the Government for its collaboration in providing the necessary administrative data and documentation, as well as for its active engagement during the two rounds of validation to improve the factual accuracy of all the information used. The collaboration with the Regional Cooperation Council on the Balkan Barometer has been excellent. We also thank the experts from EU member countries who contributed to the report. Finally, the support of the EC is, as always, appreciated.

¹ OECD (2017), *The Principles of Public Administration*, OECD, Paris, <http://www.sigmaweb.org/publications/Principles-of-Public-Administration-2017-edition-ENG.pdf>.

² European Commission (2018), *A credible enlargement perspective for and enhanced EU engagement with the Western Balkans*, p. 4, [communication-credible-enlargement-perspective-western-balkans_en.pdf](https://ec.europa.eu/eip/wp-content/uploads/2018/06/communication-credible-enlargement-perspective-western-balkans_en.pdf) (europa.eu)

Methodology

Overall approach – focus on implementation and outcomes, analysing a variety of primary data sources against precise criteria and benchmarks for an objective assessment

The *Methodological Framework for the Principles of Public Administration*³ contains a set of standard indicators that SIGMA applies consistently to measure the preconditions and enablers of successful reforms (good laws, policies and procedures, institutional structures, human resources) and the actual implementation of reforms and subsequent outcomes (how the administration performs in practice).

The overall approach recognises that no single measurement method can fully capture the complex issues related to organisational and behavioural change. SIGMA uses information from administrative data, surveys, statistics, interviews, etc., which is cross-checked and triangulated to arrive at a balanced assessment.

Data sources and validation

The main quantitative and qualitative methods applied in the framework are:

- Desk reviews of legislation, regulations, reports (most recent are analysed if adopted before July 2021)
- Interviews (conducted virtually March-May 2021 with 100+ interviewees per administration, including civil society)
- Review of cases and samples of government documentation (most recent are analysed)
- Observations of practice and on-site verification (conducted virtually March-May 2021 with national expert support)
- Analysis of administrative data from public registries and national statistics (most recent when possible, otherwise from 2020)
- Surveys of the population and businesses through the Balkan Barometer (conducted February-March 2021)⁴
- Surveys of 950 contracting authorities across the region (conducted February-April 2021).

Data was collected through SIGMA's tool for data collection, analysis and validation (PAR.IS). More than 10 000 documents were received regionally for analysis. In 2021, hundreds of government officials were provided direct access to SIGMA's detailed working sheets for calculation of numerical sub-indicator values and justifications for fulfilment of each of the criteria, in addition to fact-checking the draft monitoring reports. The monitoring reports only show the overall indicator values, but the detailed criteria-level analysis will be accessible in 2022 through a public portal.

Indicator values reflect the level of maturity and preparedness of administrations – from 0 to 5

The indicator values provide an indication of the administrative capacity and overall performance of national public administrations. This provides an indication of the capability to effectively implement the EU *acquis* and participate in the policy-making processes of the EU.

The point allocation is constructed so that a country can only receive an overall value of 2 on the basis of the quality of its legislative and regulatory framework; a value of 3 cannot be achieved without showing that implementation of key processes is happening in practice; and in order to obtain a value of 4, the country needs to show a consistent achievement of relevant outcomes. The value of 5 is reserved for outstanding performance and full compliance with the Principles and the standards for good public governance.

³ OECD (2019), *The Methodological Framework of the Principles of Public Administration*, OECD, Paris, <http://www.sigmaweb.org/publications/Methodological-Framework-for-the-Principles-of-Public-Administration-May-2019.pdf>.

⁴ Regional Cooperation Council, <https://www.rcc.int/balkanbarometer/home>.

In 2021, averages of the indicator values have also been calculated for each of the six thematic areas of the Principles of Public Administration. This enables comparison of overall trends across the whole administration, over time, and across the region, as shown in the indicator comparison charts:

1. Strategic framework of public administration reform
2. Policy development and co-ordination
3. Public service and human resource management
4. Accountability
5. Service delivery
6. Public financial management.

Understanding how the indicator values are calculated

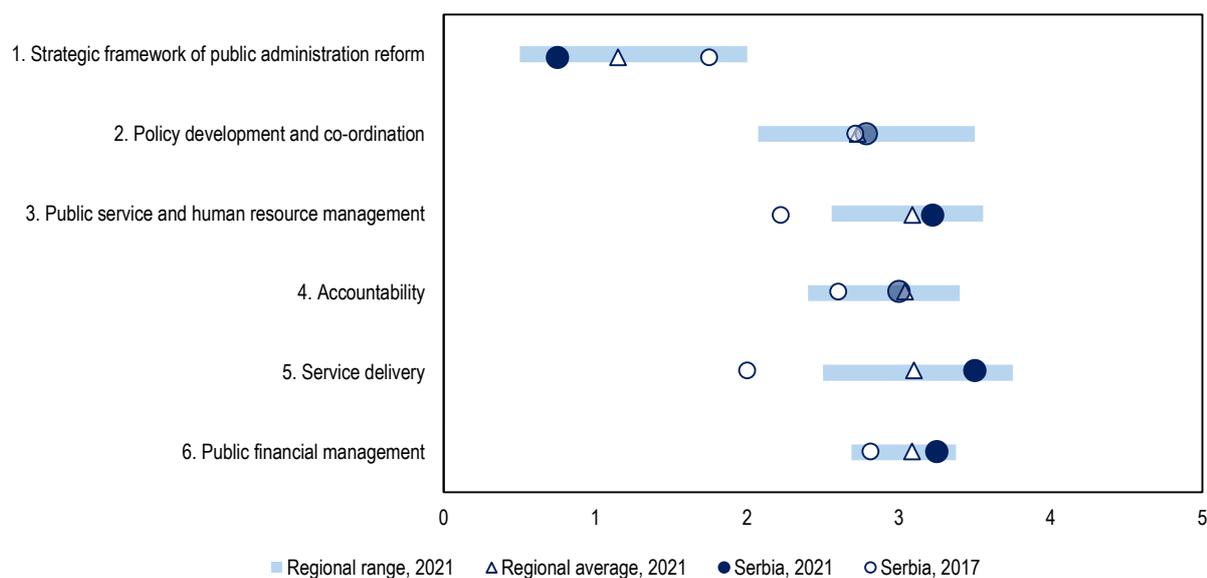
Across the six thematic areas, the framework is composed of 48 Principles. Each Principle has one or two indicators. There are 52 indicators in total, with 340 sub-indicators and 1 000 individual criteria. Indicator values are presented at the top of the overview tables, on a scale from 0 (lowest) to 5 (highest). The indicator value is based on the total number of points received for the sub-indicators. The point conversion tables are accessible in the Methodological Framework. A three-digit reference number precedes the titles of the indicators: the first number refers to the area, the second to the Principle and the third shows whether this is the first or second indicator belonging to that Principle.

If the required information to assess a sub-indicator is not available or is not provided by the administration, 0 points are awarded. All data requested is needed for a well-functioning public administration and SIGMA does not estimate performance in the absence of credible evidence.

Executive summary

Serbia has made significant progress in service delivery, public service and human resource management (HRM) and accountability, and has improved some aspects of public financial management (PFM) since 2017. While some indicator values in policy development and co-ordination have improved, these advancements have been levelled out by setbacks in others. Compared to its neighbours in the region, Serbia is well above average in the area of service delivery and slightly above average in PFM, public service and HRM and policy development and co-ordination. Serbia was renewing the strategic framework for public administration reform (PAR) in 2021, and the decrease in the indicator values in this area is associated with the transition phase.

Advancement in service delivery, public service and HRM, accountability and PFM since 2017



Prioritising implementation of PAR is important for Serbia to meet the expectations of citizens and businesses and to advance in the EU negotiation process. Although European Integration (EI) remains one of the priorities of the Government, the quality of co-ordination and management of EI administrative processes has decreased notably compared to 2017.

The strategic framework of PAR is in the transition phase

During 2017-2020, Serbia implemented the previous PAR strategy with improved implementation rates. In 2020-2021 Serbia has invested considerable resources into a meaningful renewal of the strategic framework of PAR. The new policy documents (PAR Strategy and underlying programmes) are a good step forward regarding their analytical basis, quality of content and progress in costing. By the end of June 2021, one policy document was not yet adopted, meaning that the strategic framework was incomplete. This is reflected in the low indicator values. Nevertheless, the completion of the strategic framework for PAR with the adoption of the Regulatory Reform Programme, as well as the renewed co-ordination and monitoring system, is expected to result in a more streamlined, coherent and better co-ordinated PAR.

Policy planning and management reform has a strong legal and methodological basis, but full implementation still needs continuous efforts

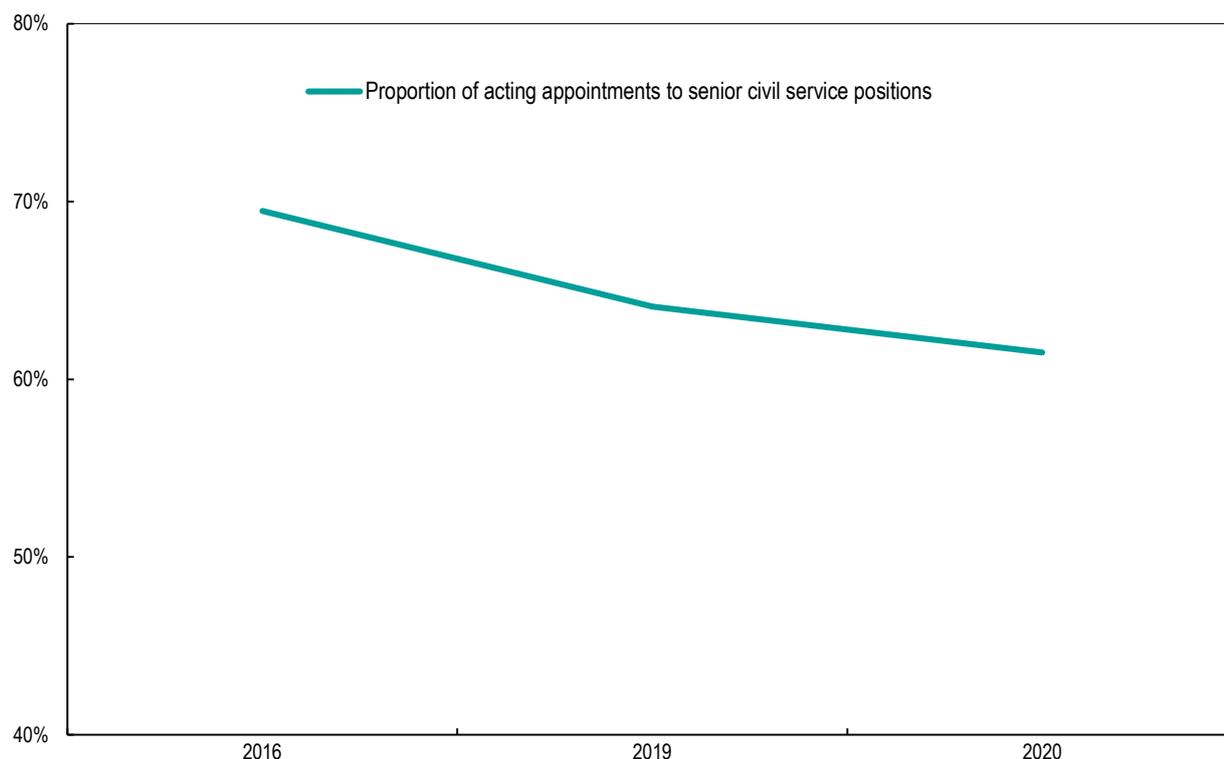
While the Law on the Planning System (adopted in 2018) with bylaws has established a comprehensive legal framework for policy planning, policy development and monitoring, its actual implementation is still a challenge. There are significant gaps and delays in putting in place the system of mid-term plans as well as renewing the strategies in different policy areas. While necessary guidance, processes and support for evidence-based and inclusive policy making are established, the actual quality of regulatory impact

assessments and public consultations remains low. Policy co-ordination in the centre of government has not improved since 2017 and remains fragmented. The co-ordination of EI has deteriorated, which can partially be explained by the lasting COVID-19 pandemic, but the lack of up-to-date operational plans and monitoring reports may indicate deeper problems.

HRM is being modernised; now, the focus needs to be on creating actual change through implementation

Serbia is the first in the region to fully implement a competency model in the civil service. However, the effectiveness of recruitment procedures (in terms of selecting the best candidate for the job) remains sub-optimal. The problem of an excessive number of acting directors persists and indicates problems in the rule of law. There is an urgent need to address this long-standing issue by either strictly implementing the legislation or a revision of the current recruitment system and appointment of top managers in the civil service.

The problem of the high percentage of acting heads in the civil service has not been resolved

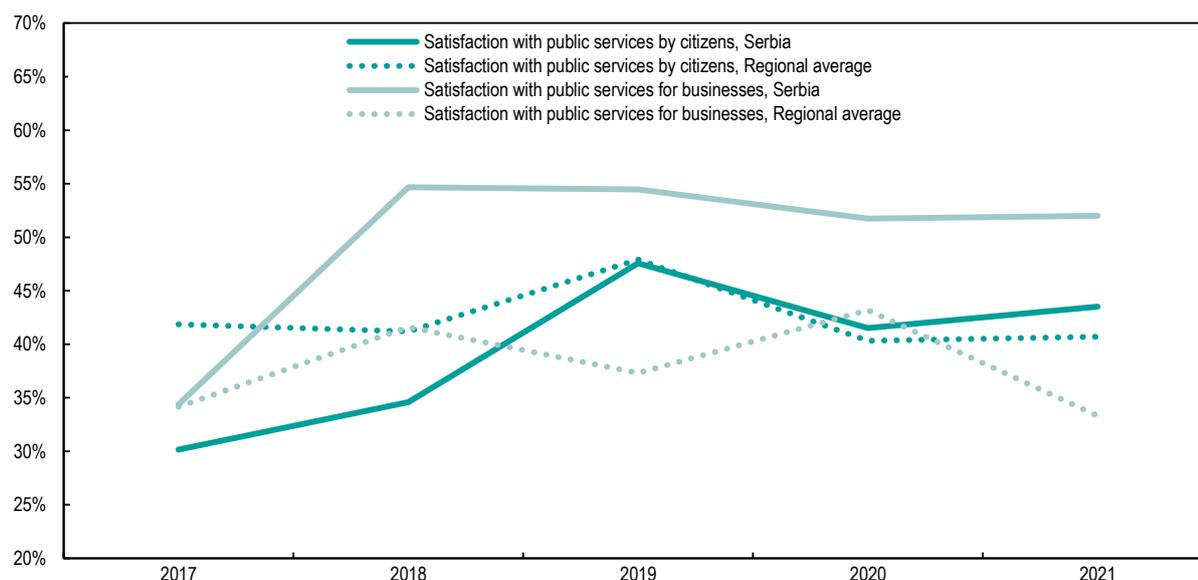


Source: Data provided by the HRM Service.

Service delivery keeps advancing, accelerated by political support

Serbia keeps making good progress on modernising the public services and improving their user-centricity and has become one of the regional leaders in the area. It shows also improved user satisfaction by both citizens and businesses. Serious efforts have been made in the simplification of administrative procedures. At the same time, the harmonisation process of the Law on General Administrative Procedures, which would further support the de-bureaucratism and strengthen the application of good administration principles, is lagging behind. Interoperability continues to progress as the data sets connected to the Government Service Bus, including the Population Register, have expanded. Although the digital signature is now available for free, the uptake is still very low, considerably hindering the wider use of digital services. The major problem area remains the quality management of service delivery, which lacks clear ownership. Also, the Government should invest more in improving the accessibility of services for people who are disabled or have special needs.

User satisfaction with public services keeps improving both for businesses and citizens and is above regional average



Note: The respondents were asked “Could you please tell how satisfied you are with each of the following in your place of living? The percentage shows the share of citizens and businesses who “strongly agree” or “tend to agree” in relation to the following: “Administrative services from central government (such as passports and personal identification [ID])” and “Public services for businesses”. Only respondents who have been in contact with central government services in the past year are included.

Source: Regional Cooperation Council, Balkan Barometer Public and Business Opinion databases (<https://www.rcc.int/balkanbarometer>).

While access to public information remains good, the organisational structure of public administration needs a clear vision, and delays in administrative justice call for urgent action

There is a clear lack of vision and policy on the overall organisational structure of the public administration. Moreover, accountability and the performance management framework for executive agencies is particularly weak. Serbia remains a strong performer in access to public information, with some room for improvement in monitoring the implementation of the law and enforcing the decisions of the Commissioner for Information of Public Importance and Data Protection. In administrative justice, high backlogs are reaching a critical level where they pose a real barrier for access to justice.

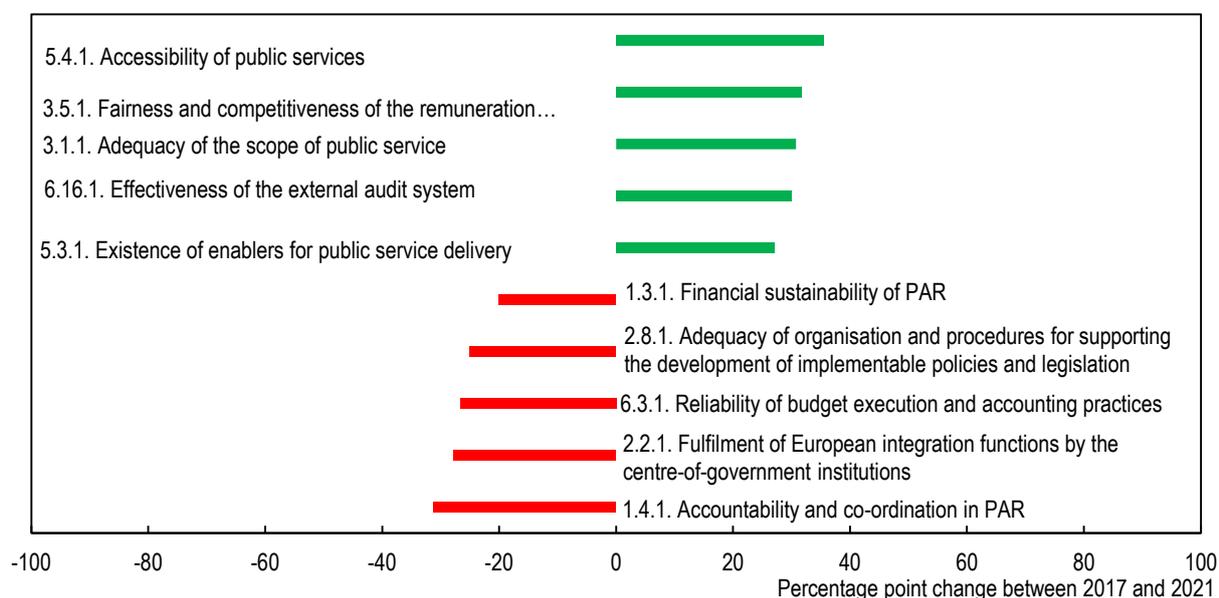
Steady progress in PMF, but public internal financial control needs strengthening; competitiveness of public procurement is hampered by the Law on Special Procedures

The quality of PFM has developed positively, especially in public expenditure management and in the effectiveness of the external audit system. While the quality of the annual budget process has been strengthened, Parliament needs more time and comprehensive budget documentation to assess the budget. The regulatory framework for internal control (IC) and internal audit (IA) is largely in place and the Central Harmonisation Unit has managed to considerably improve the operational framework for financial management and control. However, the functioning of IC and the capacity of IA lag behind. The adoption of a new Public Procurement Law in December 2019 was a significant achievement, but its positive effects were to a large extent removed by the adoption of the Law on Special Procedures in February 2020. The public procurement market is not attractive or competitive. The launch of an advanced electronic Public Procurement Portal is, however, a positive development.

The way forward for PAR:

- Full focus on actual implementation of PAR reforms should be the priority, as the legal foundations and policy frameworks are well in place.
- There is an urgent need to start strictly implementing the legislation of recruitment and appointment of top managers or to revise the current system.
- Acceleration of the uptake of digital signature would unleash the full potential of digital services and the digital economy in Serbia.
- Urgent actions are needed to strengthen the capacities of the Administrative Court to address delays.
- The Law on Special Procedures should be repealed, and all contracts should be awarded in accordance with the Public Procurement Law.

Indicator values have increased most from 2017 to 2021 on accessibility of public services and fairness and competitiveness of the remuneration, whereas co-ordination of the PAR strategic framework and fulfilment of EI integration functions decreased the most





Strategic Framework of Public Administration Reform

The Principles of Public Administration

Strategic Framework of Public Administration Reform

Principle 1	The government has developed and enacted an effective public administration reform agenda which addresses key challenges.
Principle 2	Public administration reform is purposefully implemented; reform outcome targets are set and regularly monitored.
Principle 3	The financial sustainability of public administration reform is ensured.
Principle 4	Public administration reform has robust and functioning management and co-ordination structures at both the political and administrative levels to steer the reform design and implementation process.

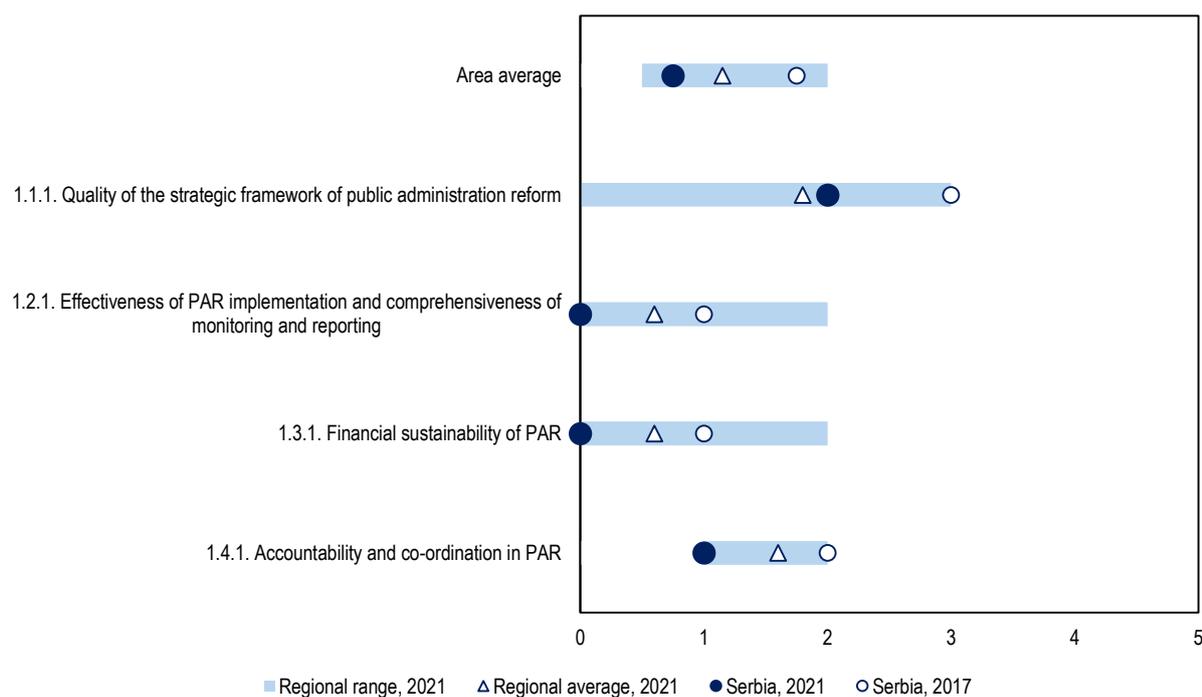
Strategic Framework of Public Administration Reform

Summary and recommendations

During 2020-2021, Serbia has been transitioning from its previous strategic framework of public administration reform (PAR) to a new one. The process was not finalised as of the end of the assessment period (30 June 2021). While most of the new policy documents were adopted, one programme was not formally approved and the monitoring and co-ordination system was not yet completed. Therefore, the assessment results should be read keeping in mind the context of the renewal of the strategic framework during the SIGMA assessment. Gaps and weaknesses were observed in the overall strategic framework of PAR, when assessed against SIGMA's Methodological Framework, resulting in relatively weaker indicator values.

The average indicator value for the area of strategic framework of PAR in Serbia is 0.8 in 2021, compared to 1.8 in 2017, while the regional average in 2021 is 1.2. Many of these weaknesses are expected to have been addressed with the adoption of the new Regulatory Reform Programme¹.

Low indicator values reflect the incomplete strategic framework of PAR, but the quality of the assessed strategic documents has improved since 2017



¹ The Regulatory Reform Programme was approved by the Government on 18 November 2021. <https://rsjp.gov.rs/cir/vesti-cir/%D1%83%D1%81%D0%B2%D0%BE%D1%98%D0%B5%D0%BD-%D0%BF%D1%80%D0%BE%D0%B3%D1%80%D0%B0%D0%BC-%D1%83%D0%BD%D0%B0%D0%BF%D1%80%D0%B5%D1%92%D0%B5%D1%9A%D0%B0-%D1%83%D0%BF%D1%80%D0%B0%D0%B2%D1%99%D0%B0%D1%9A/>

All substantive areas of PAR are covered in the strategies, except for policy development and co-ordination, as the Regulatory Reform Programme was not adopted by the end of assessment period. The PAR strategic documents² adopted in 2021 are coherent and reform-oriented. However, not all areas of PAR are equally prioritised in the Government Programme and Economic Reform Programme. They provide measures for selected PAR areas, namely public service and human resource management (HRM), service delivery and public financial management (PFM). Policy development and co-ordination is not featured in any of the government planning documents. The substantive quality of the adopted documents (i.e. the PAR Strategy for 2021-2030 and its related action plan, and the PFM Reform Programme and its action plan) has improved. While public consultations on the PAR Strategy 2021-2030 were systematically carried out, the direct participation of civil society representatives in developing the PFM Reform Programme was limited.

The monitoring and reporting system for the PAR agenda is established for all strategies, but it is not consistently applied or used in practice across all PAR areas. PAR monitoring reports are published regularly for the PAR Strategy and the PFM Reform Programme. However, no report is available for the Regulatory Reform Programme for 2020. The quality of the PAR Strategy report has improved and the implementation rate has also increased considerably (from 33% in 2017 to 61% in 2020). Although the performance indicator framework is complete, it has not been used systematically for reporting purposes. While PAR Strategy reports include detailed information on the achievement of outcomes and separate activities, PFM reports lack this information. This makes it difficult to learn from past periods and to steer implementation more strategically. Finally, representatives of civil society organisations (CSOs) are not consistently involved in monitoring PAR reforms.

Although costing has improved with cost estimates being provided for nearly all PAR agenda activities using a unified costing methodology, the costing information needs further improvement. While costing of the new PAR Strategy is detailed and comprehensive following a unified methodology, the evidence for availability of a detailed breakdown of costs into different categories, such as one-off and recurrent costs, was not provided for the PFM Reform Programme. Furthermore, actual financing for PAR activities is not ensured as domestic funding sources of selected largest reform measures were not possible to identify and confirm, and the implementation of PAR in Serbia depends heavily on donor funding (59%).

Implementation rate of PAR-related activities has improved for the PAR Strategy, but reporting is still patchy

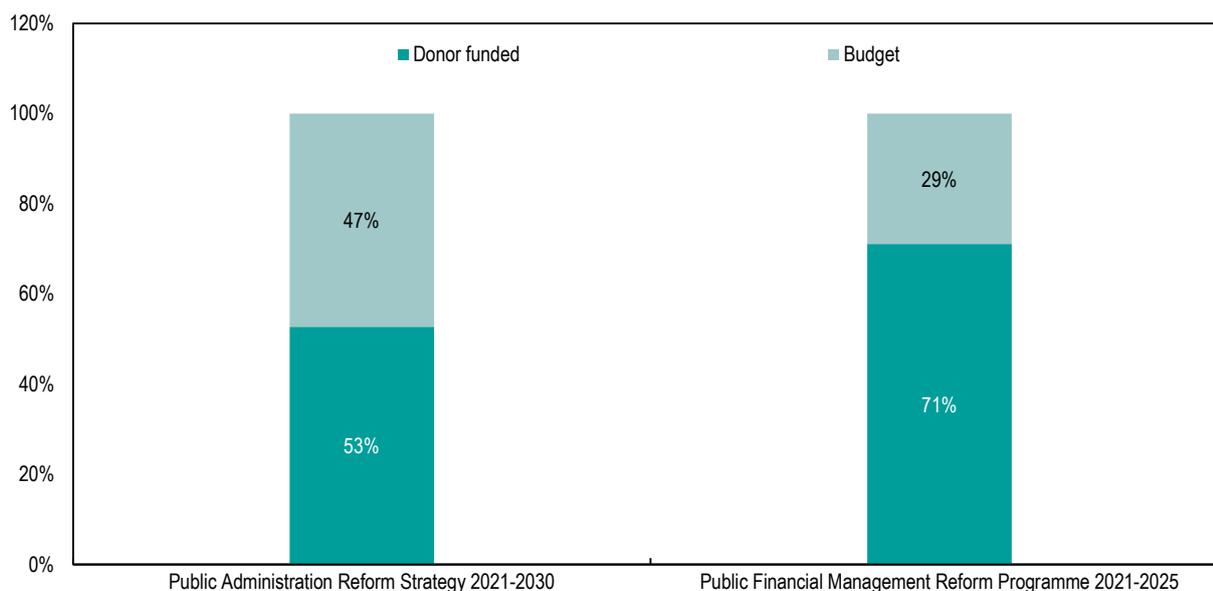
Year	PAR Strategy	PFM Reform Programme	Regulatory Reform Programme
2020	61%	Not available*	Not available
2016	33%	37%	Not available

Note: *It was not possible to calculate the implementation rate for the PFM Reform Programme activities for 2020 based on the published report.

Source: SIGMA's calculation, based on the available data, officially published reports and information shared with SIGMA during the 2017 and 2021 monitoring assessments (as of June 2021).

² Public policy documents according to the Law on the Planning System.

Implementation of PAR in Serbia relies heavily on donor funding



Source: Planning documents for above-mentioned PAR strategies. This does not include information about costing of the Regulatory Reform Programme (which was not approved as of 30 June 2021).

Accountability and co-ordination in PAR are only partially established. With the renewal of the strategic framework, there is now one political level body (PAR Council), which should improve co-ordination. An administrative-level co-ordination structure was not renewed by the end of the assessment period, which makes it problematic to provide effective monitoring of the implementation of the new strategic framework of PAR. The functioning of the co-ordination structures has been irregular in the past. CSOs are not systematically engaged in the co-ordination of the PAR agenda, though evidence shows they are for the co-ordination of the PAR Strategy.

Short-term recommendations (1-2 years)

- 1) The Government should, after adoption of the new Regulatory Reform Programme, finalise establishment of the relevant monitoring structures to ensure the new policy framework for PAR is complete and fully functional.
- 2) The Ministry of Public Administration and Local Self-Government (MPALSG), in co-operation with the Ministry of Finance (MoF), should establish the administrative-level co-ordination bodies and ensure they are fully operational, as foreseen in the PAR Strategy. Furthermore, regular discussions on the implementation of the PAR agenda should also be ensured, with the active participation of key external stakeholders and civil society representatives.
- 3) The PAR Council should convene regularly and fully leverage its leadership to improve the implementation of the PAR agenda across the Serbian administration and to achieve PAR objectives and results envisaged by the new PAR Strategy.
- 4) The Government should allocate sufficient resources for implementation of the envisaged PAR-related activities.
- 5) The MoF and Public Policy Secretariat, in collaboration with MPALSG, should improve the quality of monitoring and reporting of the PFM and Regulatory Reform Programmes, including monitoring of the progress towards achievement of PAR objectives, and implementation of activities.

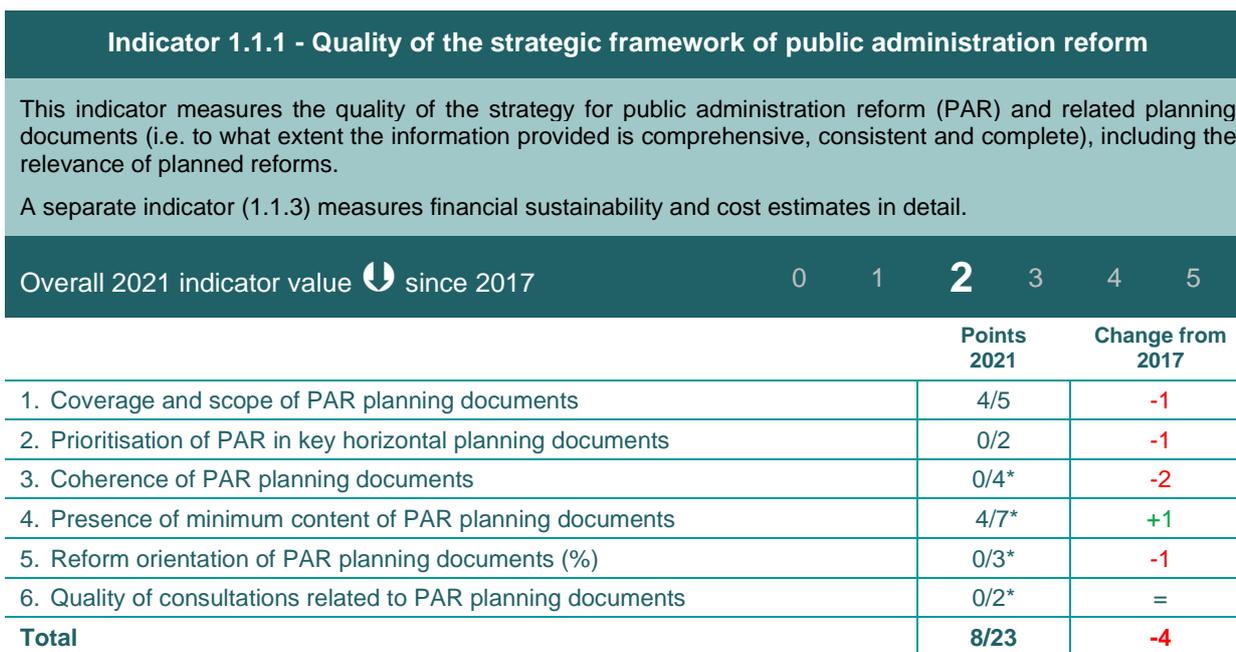
Medium-term recommendations (3-5 years)

- 6) The Government, with support from the MoF, should strengthen the quality of costing and consider increasing the share of domestic resources to finance PAR activities and reduce dependency on donor financing.

Analysis

Principle 1. The government has developed and enacted an effective public administration reform agenda which addresses key challenges.

Overall, the value for the indicator 'Quality of the strategic framework of public administration reform' is 2. The value for the indicator was 3 in 2017. The deterioration of the value of the indicator is mainly due to the incompleteness of the strategic framework of PAR, and relatively weaker PAR prioritisation in key governmental planning documents. On the other hand, improvement is recorded in the coherence between newly adopted PAR planning documents and the legislative plan.



Note: *Data not available or provided.

By the end of June 2021, Serbia developed and adopted a new strategic framework of PAR, covering four out of five key PAR areas: public service and human resource management (HRM), service delivery, accountability and public finance management (PFM). Situation analysis, objectives and reform activities for these areas are set in two coherent PAR planning documents: the Strategy for Public Administration Reform in the Republic of Serbia for the Period 2021–2030³ (PAR Strategy) and the Public Financial Management Reform Programme for the Period 2021-2025⁴ (PFM Reform Programme) (Table 1). Reform activities for the policy development and co-ordination area are assessed not to have been defined because the draft planning document covering that field (Programme for Improving Public Policy Management and Regulatory Reform [Regulatory Reform Programme]) was not adopted before the end of the assessment period (30 June 2021).

³ Strategy for Public Administration Reform in the Republic of Serbia for the Period 2021–2030, Official Gazette No. 42/2021, adopted on 8 April 2021.

⁴ Public Financial Management Reform Programme for the Period 2021-2025, No. 400-5898/2021-2, adopted on 24 June 2021.

Table 1. Validity of PAR agenda strategies

	Adoption year	Validity period
Strategy for Public Administration Reform in the Republic of Serbia for the Period 2021–2030	2021	Until 2030
Public Financial Management Reform Programme 2021-2025	2021	Until 2025
Regulatory Reform Programme	2021*	Until 2025

Note: *The Regulatory Reform Programme was adopted by the Government on 18 November 2021, which is after the end of the assessment period.

Source: SIGMA, based on the information provided during the assessment.

PAR is established as a priority in the National Plan for European Integration 2021-2023, emphasising its importance and envisaging measures in the fields of public service and HRM, accountability, service delivery and PFM. The Government Programme⁵ and the Economic Reform Programme⁶ provide measures for selected PAR areas only, namely public service and HRM, service delivery and PFM. Policy development and co-ordination is not featured in any of the government planning documents.

The PAR Strategy and the PFM Reform Programme are coherent in terms of objectives, measures, indicators and targets⁷. There is also complete coherence between the planned legislative initiatives in the PAR Strategy Action Plan and the Government Annual Work Plan 2021: both envisage the same five legislative initiatives for 2021. As the PFM Reform Programme Action Plan was adopted in June 2021, its legislative initiatives are planned from 2022 onwards. However, at the end of June 2021 one key component was still absent, the Regulatory Reform Programme, making it impossible to assess the overall coherence of the whole framework and its alignment with the legislative plan of the Government.

The adopted “umbrella” PAR strategy includes systematic information on situation analysis, general and specific policy objectives and indicators linked to objectives. Furthermore, target values are provided for all available outcome indicators which is a positive development. All reform activities in the PAR Strategy and PFM Reform Programme are linked to specific responsible institutions and provide implementation deadlines. However, the quality of the Regulatory Reform Programme could not be assessed because it was not adopted by the end of the assessment period.

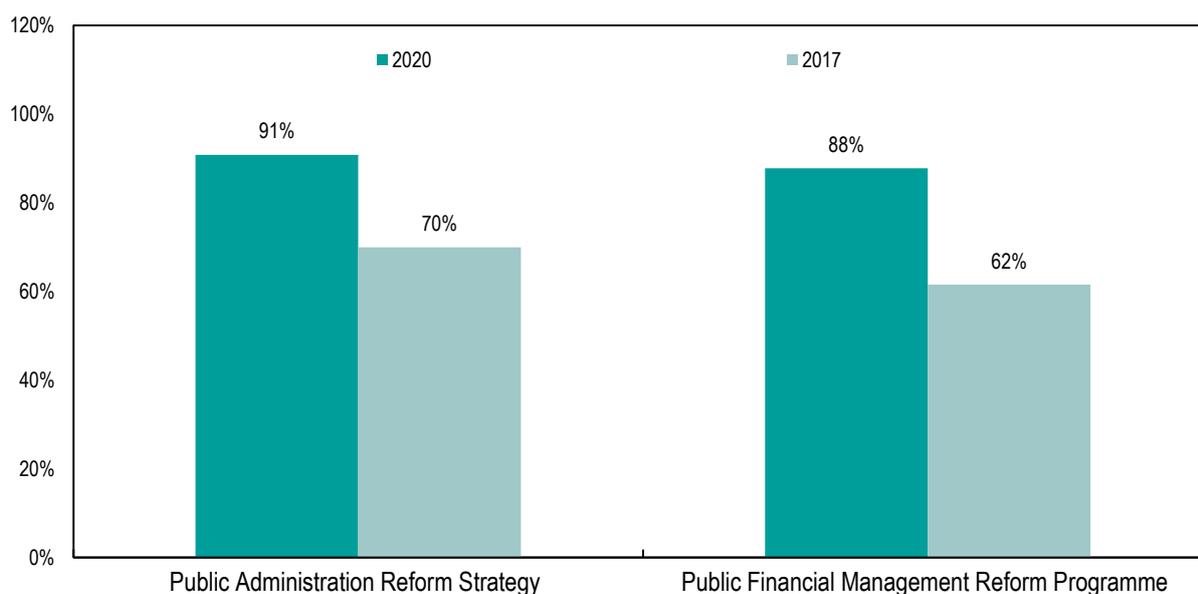
The average reform orientation of activities included in the PAR Strategy and PFM Reform Programme was 90% in 2021, a significant improvement from 2017 when 69% of activities were reform-oriented (Figure 1). However, the overall reform orientation of the PAR agenda cannot be assessed since the Regulatory Reform Programme was not approved and available for analysis as of the end of June 2021.

⁵ Programme of the Government of the Republic of Serbia, 28 October 2020.

⁶ Economic Reform Programme 2021-2023, January 2021.

⁷ One discrepancy was observed between the PAR Strategy and the PFM Reform Programme, which is a difference in one performance indicator in the PFM Reform Programme.

Figure 1. Reform orientation of the planned measures in the selected two PAR documents has increased



Note: All planned measures in the PAR planning documents have been analysed. Information of planned measures of the Regulatory Reform Programme was not available as of June 2021.

Source: SIGMA's calculation, PAR strategic planning documents, data and information provided by the administration.

The new PAR Strategy was established in close co-operation with civil society organisation (CSO) representatives through a special Working Group created to develop the PAR Strategy throughout the drafting process. The CSO representatives were selected through an open call and were included as observers in the special Working Group. In addition, drafts of the PAR Strategy and the PFM Reform Programme⁸ were published on the respective ministry websites and e-government portal for public consultation for at least two weeks. However, there is no evidence that non-state actors participated in the work of the PFM Working Group established for drafting and monitoring the implementation of the PFM Reform Programme⁹. Non-governmental representatives also voiced a lack of active public consultations.

Conclusion

The new PAR Strategy 2021-2030 and the PFM Reform Programme for 2021-2025 are good steps forward regarding comprehensiveness, coherence, and quality of key policy documents. They are much more reform oriented than the previous policy documents. The Regulatory Reform Programme, as the one planning document of the new strategic framework of PAR, was not formally approved and finalised by the end of June 2021. Subsequently, only four out of five PAR areas were assessed to have been covered in the strategic framework, with the policy development and co-ordination area still being developed. PAR is not sufficiently prioritised in all key Government planning documents. While public consultations on the strategic documents were systematically carried out through ministerial websites and the e-government portal, the direct participation of civil society representatives in drawing up the PFM Reform Programme was limited.

⁸ The websites can be consulted at <http://mduls.gov.rs/javne-rasprave-i-konsultacije/pocetak-javne-rasprave-o-predlogu-strategije-reforme-javne-uprave-za-period-2021-2030-i-ap-za-period-2021-2025> and <https://javnerasprave.euprava.gov.rs/javna-rasprava/276#>.

⁹ Decision of the Minister of Finance on the Formation of the Working Group for the development, monitoring and reporting of the Public Finance Management Reform Programme 2016-2020, 20 August 2018, No. 119-01-274/2015-24-02 (decision revised on 8 July 2020 to include development, monitoring and reporting of Public Finance Management Reform Programme 2021-2025).

Principle 2: Public administration reform is purposefully implemented; reform outcome targets are set and regularly monitored.

Overall, the value for the indicator 'Effectiveness of PAR implementation and comprehensiveness of monitoring and reporting' is 0, which has deteriorated, compared to 1 in 2017. The main reason for the value of 0 is the lack of regular reports for Regulatory Reform Programme and not comprehensive information on implementation of outcomes and activities of the PFM Reform Programme. For this reason, the overall implementation rate of PAR activities and objectives cannot be assessed. At the same time, the quality of the PAR Strategy report has improved.

Indicator 1.2.1 - Effectiveness of PAR implementation and comprehensiveness of monitoring and reporting						
This indicator measures the track record of implementation of PAR and the degree to which the goals were reached. It also assesses the systems for monitoring and reporting of PAR.						
Overall 2021 indicator value  since 2017	0	1	2	3	4	5
				Points 2021	Change from 2017	
1. Comprehensiveness of PAR reporting and monitoring systems				2/7	-1	
2. Implementation rate of PAR activities (%)				0/4*	=	
3. Fulfilment of PAR objectives (%)				0/4*	=	
Total				2/15	-1	

Note: *Data not available or provided.

The overall PAR agenda reporting and monitoring system is partially established, but its practical application is not equally ensured across all PAR areas. The newly adopted PAR Strategy and PFM Reform Programme state that monitoring of implementation of and reporting on the PAR agenda results should be conducted in accordance with the Law on the Planning System (LPS)¹⁰ and the by-laws that regulate the mandatory content of the report; the unified information system in which data are entered; and how data collection is reported and co-ordinated¹¹. The LPS also stipulates that national strategies are to be reported every three years and action plans and programmes are to be reported annually. The LPS also stipulates that information on the implementation of the PAR agenda must be delivered to the Government. PAR planning documents envisage consideration of monitoring reports by the PAR Council and the PFM Steering Committee. The new reporting and monitoring system of the whole strategic framework of PAR is not yet finalised and operationalised, as it has been applied only to the PAR Strategy Action Plan 2017-2020. In the past, the PAR monitoring reports were discussed by the PAR Council.

The detailed description of the institutional roles for monitoring and reporting are defined in the PAR Strategy and the PFM Reform Programme. They both stipulate the responsibilities of lead institutions and other competent authorities. Additionally, more general roles of institutions are prescribed in the LPS. However, detailed institutional responsibilities for monitoring and reporting on policy development and co-ordination measures are missing, as the new planning document covering that area (Regulatory Reform Programme) was not adopted as of 30 June 2021.

The newly adopted PAR planning documents contain the necessary information to conduct comprehensive and regular monitoring of reform outcomes. The PAR Strategy and the PFM Reform

¹⁰ Law on the Planning System, Official Gazette, No. 30/2018.

¹¹ Regulation on the Methodology of Public Policy Management, Policy and Regulatory Impact Assessment, and Content of Individual Public Policy Documents, Official Gazette, No. 8/19.

Programme contain well-defined outcome level indicators, which are linked to specific policy objectives. The indicators are described in detail and contain target values until 2025.

Some shortcomings, however, relate to the actual reporting and publication of annual monitoring reports. PAR Strategy reports provide good information on the achievement of outcomes and activities, and they are drafted and published regularly. PFM reports, while being drafted and published regularly, are not comprehensive since information on the achievement of outcome indicators and planned activities is not provided. Reports on the implementation of the Regulatory Reform Programme for 2019 or 2020 have not been drafted and thus could not be assessed (Table 2).

Table 2. Availability and publication of PAR monitoring reports

Year	PAR Strategy	PFM Reform Programme	Regulatory Reform Programme
2020	Available and published	Available and published	Not available
2019	Available and published	Available and published	Not available

Source: Compiled by SIGMA, based on the publicly available information on the official websites.

The overall implementation rate of PAR activities and objectives cannot be calculated due to the lack of necessary information and reports. The PAR Strategy report is the only report to provide information on the implementation of activities and objectives. The implementation rate of its activities is 61%, with 19 activities out of 31 planned for 2020 being fully implemented. This is a significant improvement compared to 2017 when only 33% of activities were implemented. There are no, however, fully implemented objectives with all related targets being fully achieved. It is not possible to calculate the implementation rate of the PFM Reform Programme objectives and activities because adequate information on the achievement of indicator targets and activities is not provided in the report¹². The PFM Reform Programme report does provide information on the results of measures, but it is not possible to match them with the action plan activities. The Regulatory Reform Programme report is not available, and thus its implementation cannot be calculated.

The involvement of CSOs in monitoring and evaluation is not ensured. The PAR Strategy reports are the only reports discussed with the participation of non-state actors¹³. There is no evidence of CSOs' involvement in monitoring or evaluating the PFM Reform and Regulatory Reform Programmes. Though PFM Reform Programme reports are regularly discussed in the PFM Working Group, its membership is limited to state actors and CSOs are not invited.

¹² According to the published PFM Reform Programme report for 2020 (https://www.mfin.gov.rs/upload/media/a9p3Wp_60ed30b3429f6.pdf), the implementation rate of activities for the period July 2019 to December 2020 is estimated to be 54%. SIGMA is not in the position to verify it, because the information provided in the report does not enable for SIGMA to calculate the implementation rates.

¹³ The PAR Strategy Annual Progress Report 2019 was discussed during the Interministerial Project Management Group meeting on 17 July 2020, which was attended by CSOs.

Conclusion

The monitoring and reporting system is established for all PAR planning documents, but it is not effectively and fully implemented across all PAR areas. While PAR monitoring reports are drawn up and published regularly for the PAR Strategy and the PFM Reform Programme, monitoring reports were not prepared for the Regulatory Reform Programme. Although the performance indicator framework is formally established and complete for the PAR Strategy and PFM Reform Programme, it is not yet used systematically in practice for reporting purposes. The implementation rate of the PAR Strategy has improved, but the overall implementation of reform activities and achievement of objectives cannot be assessed, as reports do not contain adequate information on the achievement of indicator targets and completion of activities, or such information has not been provided. CSO representatives are not consistently involved in the monitoring of PAR reforms.

Principle 3: The financial sustainability of public administration reform is ensured.

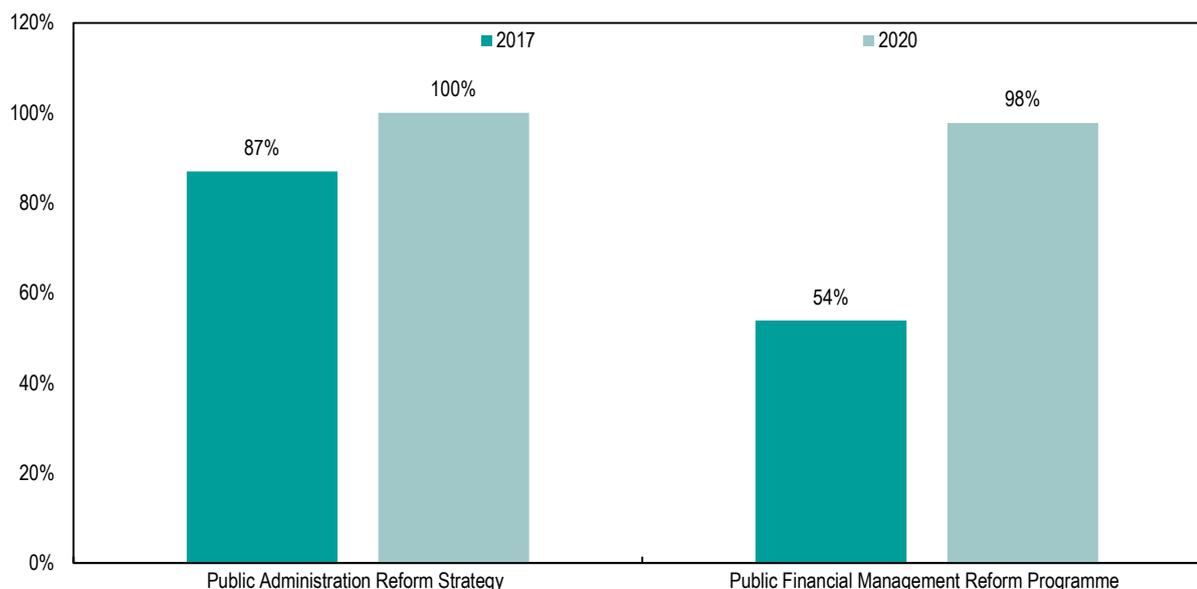
Overall, the value for the indicator 'Financial sustainability of PAR' is 0. The value for the indicator has deteriorated, compared to the value of 1 in 2017. The main reason is missing financial information on activities in the area of policy development and co-ordination which are expected to be covered in the Regulatory Reform Programme which was not approved and available as of the end of June 2021.

Indicator 1.3.1 - Financial sustainability of PAR		
This indicator measures to what extent financial sustainability has been ensured in PAR as a result of good financial planning.		
Overall 2021 indicator value  since 2017	0	1 2 3 4 5
	Points 2021	Change from 2017
1. Costed PAR activities (%)	0/3*	-1
2. Completeness of financial information in PAR planning documents	0/4*	-1
3. Actual funding of the PAR agenda	0/3	=
Total	0/10	-2

Note: *Data not available or provided.

Combining the PAR Strategy and PFM Reform Programme, results show that 99% of all PAR-related activities are costed, which is a significant improvement compared to the 2017 assessment (73%) (Figure 2 shows costing of the PAR Strategy and PFM Reform Programme separately). Nearly one-quarter (23%) of the activities are to be financed through existing budget programme resources and do not require additional financing. Policy development and co-ordination activities have not been included in the assessment as the Regulatory Reform Programme was not adopted by the end of the assessment period. Therefore, the overall financial sustainability cannot be comprehensively assessed, which explains the low values.

Figure 2. Costing of activities in PAR Strategy and PFM Reform Programme has improved



Source: SIGMA, based on the PAR planning documents provided by the administration.

Note: It was not possible to include costing information of the Regulatory Reform Programme, because it was not adopted by the end of assessment period.

The estimation of additional costs is systematic and comprehensive, as only one obvious case was identified where additional costs were necessary to implement an activity¹⁴. The funding sources are provided for all activities. A budget programme is specified for budget-funded activities, and a concrete donor is indicated for donor-funded activities.

Although cost estimates are systematically done, some challenges remain. The financing of PAR activities is highly dependent on donor funding. Over half (59%) of all activities are to be implemented using external assistance (53% for the PAR Strategy and 71% for the PFM Reform Programme). This limits the overall financial sustainability of PFM reforms. Full detailed information about cost implications of the planned measures, as well as detailed information including types of costs has not been provided for the review of the PFM Reform Programme¹⁵.

Analysis of the budget and PAR planning documents shows that actual funding is not secured for PAR-related activities¹⁶. While the budgeted cost of activities is within the allocated budget, issues related to actual budget allocation are detected. For example, only one activity could be located in the annual budget of five activities funded from the state budget. In another case, the budget of a single activity¹⁷ corresponded to the entire budget of a state body, which calls into question the financial sustainability of PAR and the reliability of cost estimates and the reform orientation of PAR activities. No inconsistencies were identified with donor-funded activities. In total, three inconsistencies were identified for three activities funded from the state budget.

¹⁴ PAR Strategy Action Plan, Measure 3.1, Activity 7. Implementing the reform of the public sector salary system.

¹⁵ The Ministry of Finance informed SIGMA that the costing of the PFM Reform Programme was carried out in line with the adopted Costing Methodology and that such costing was conducted by each institution with support of the EU-funded project "Support to the Ministry of Finance under the PAR Sector Reform Contract".

¹⁶ The review was done by analysing the PAR Strategy and PFM Reform Programme Action Plan activities with a deadline for completion during 2020.

¹⁷ Activity refers to capacity strengthening, improvement of working conditions and/or staffing of an institution.

Conclusion

Costing has significantly improved compared to 2017 with cost estimates being provided for nearly all PAR agenda activities using a unified costing methodology. Of the approved PAR planning documents, the PAR Strategy costing is detailed and comprehensive. The PFM Reform Programme is costed, but the cost estimates lack a detailed breakdown by different categories (e.g. one-off and recurrent). Nevertheless, the costing information remains incomplete because costing of activities planned in the Regulatory Reform Programme could not be assessed. Furthermore, the financial sustainability of PAR is not ensured as funding information for the largest reform measures could not be identified and confirmed in the relevant budget and planning documents.

Principle 4: Public administration reform has robust and functioning management and co-ordination structures at both the political and administrative levels to steer the reform design and implementation process.

Overall, the value for the indicator 'Accountability and co-ordination in PAR' is 1, down from 2 in 2017. The main reasons for deterioration are weakened managerial responsibility at the strategy and activity levels for the policy development and co-ordination area specifically, and the absence of an administrative-level body for PAR agenda co-ordination. Both weaknesses are related to ongoing renewal of the strategic framework of PAR.

Indicator 1.4.1 - Accountability and co-ordination in PAR

This indicator measures the extent to which leadership and accountability in PAR are established, the regularity and quality of co-ordination mechanisms at both the political and administrative level, and the performance of the leading institution.

Overall 2021 indicator value  since 2017

0 1 2 3 4 5

	Points 2021	Change from 2017
1. Establishment of organisational and managerial accountability for PAR	2/6*	-4
2. Co-ordination mechanisms for PAR	1/10*	-1
Total	3/16	-5

Note: *Data not available or provided.

A comprehensive PAR agenda management and co-ordination structure, as foreseen in the “umbrella” PAR Strategy, is not yet fully functional and does not perform effectively in practice. Responsibility for the overall co-ordination, monitoring and reporting is assigned to the PAR Council, chaired by the Minister of Public Administration and Local Self-Government¹⁸. While political-level co-ordination bodies for the PAR Strategy and the PFM Reform Programme are established, there is no evidence to support their effective operation and functioning. The PAR Council is established as the sole co-ordinator for all PAR-related planning documents. However, the PFM Reform Programme has its own separate political body, namely the PFM Steering Committee. Political-level discussions take place in the PAR Council only. It met three times during 2020-2021, including in its renewed composition in 2021. The meetings of the PAR Council are usually attended by the appointed ministers, ensuring adequate political representation. The PFM Steering Committee did not convene in 2020 or later. There is no evidence to suggest that the two political-level structures work in a co-ordinated manner.

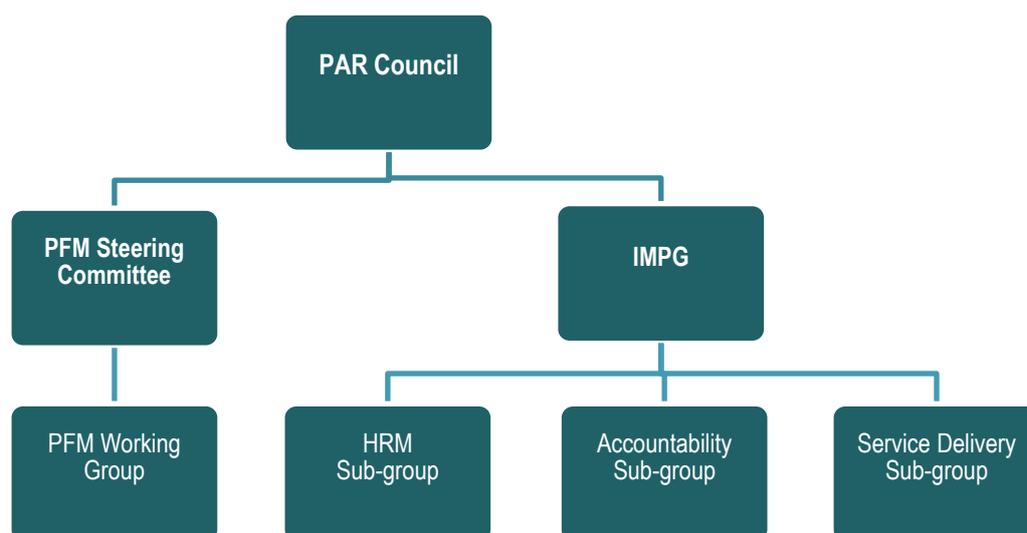
¹⁸ Decision on the Formation of the Council for Public Administration Reform, No. 02-5103/2021, 3 June 2021.

The Ministry of Public Administration and Local Self Government, specifically the Group for Managing Public Administration Reform of the Sector for the Development of Good Governance¹⁹, leads the overall co-ordination and monitoring of the implementation of the PAR Strategy and serves as the Technical Secretariat of the PAR Council²⁰. In the MoF, the Department for International Cooperation and European Integration is in charge of co-ordinating. It was not possible to assess, however, responsibility for the co-ordination, monitoring and reporting of the Regulatory Reform Programme.

Managerial accountability for each activity in the PAR planning documents is not in place. The PAR Strategy Action Plan appoints lead institutions and participating institutions. The structural units are not assigned to reform activities of the PAR Strategy. Only the PFM Reform Programme 2021-2025 Action Plan appoints the co-ordinating or implementing structural unit at the level of each measure. As the Regulatory Reform Programme was not adopted by the end of the assessment period, managerial responsibility in the field of policy development and co-ordination could not be assessed.

The administrative-level co-ordination for the PAR Strategy is to be performed by a new Inter-Ministerial Project Group (IMPG) and other subgroups for thematic areas (public service and human resource management (HRM), service delivery, accountability), which were established in September 2021 (Figure 3)²¹. For the PFM area, the formerly established PFM Working Group will continue to co-ordinate the implementation of the PFM Reform Programme²². Co-ordination of the implementation of policy development and co-ordination objectives could not be assessed.

Figure 3. PAR agenda co-ordination structure



Source: Compiled by SIGMA, based on information provided by the administration.

Neither of the administrative-level co-ordination bodies meets regularly to discuss PAR planning, reporting or substance issues. The IMPG met once in 2020 and once in 2019. Although infrequently, the IMPG

¹⁹ Rulebook on Internal Organisation and Job Classification of the Ministry of Public Administration and Local Self Government, version of November 2020.

²⁰ Appendix 5 of the Strategy for Public Administration Reform in the Republic of Serbia for the Period 2021–2030, Official Gazette No. 42/2021, 8 April 2021. Decision on the Formation of the Council for Public Administration Reform, No. 02-5103/2021, 3 June 2021.

²¹ Decision of the Minister of Public Administration and Local-Self Government on the Formation of the Inter-Ministerial Project Group for co-ordination and monitoring of the PAR strategies for the period from 2021 to 2025, 1 September 2021, No. 119-01-00125/2021-06. The point was not awarded for the establishment of the IMPG because it was established after the end of the assessment period, which was on 30 June 2021.

²² Decision of the Minister of Finance on the Formation of the Working Group for the PFM Reform Programme, No. 119-01-274/2015-24-02, 8 July 2020.

discusses substance issues in addition to PAR agenda management²³. The PFM Working Group initiated several discussions, consultations, and training sessions for its members via email correspondence; however, the MoF provided no further evidence on the availability of a clear agenda, minutes or adopted conclusions (or decisions) for at least 4 meetings (Table 3)²⁴.

Table 3. Number of meetings of political and administrative bodies, 2015, 2016 and 2020

	PAR Strategy			PFM Reform Programme			Regulatory Reform Programme		
	2015	2016	2020	2015	2016	2020	2015	2016	2020
Political-level meetings	3	1	2	N/A	0	0	N/A	N/A	N/A
Administrative meetings	3	1	1	N/A	0	0	0	0	0

Note: In 2015, there was no PFM Reform Programme nor Regulatory Reform Programme in place, hence not applicable (N/A). During 2016/2020, there was the Regulatory Reform and Improved Public Policy Management Strategy in force, but information on meetings is not available.

Source: SIGMA, based on the information provided by the administration.

Civil society representatives are not systematically nor regularly involved in the co-ordination of the PAR agenda across all PAR areas. The IMPG meetings are regularly attended by non-state actors who are invited members of the group. There is clear evidence of their participation in the meetings in 2019 and 2020. However, no evidence shows that the PFM Working Group invited non-governmental stakeholders or that such stakeholders participated. PFM Policy Dialogue between the Serbian authorities and the EC services was the only recorded evidence for non-state actors' participation in the high-level co-ordination of the PFM reforms, but this cannot be considered as a co-ordination body for PFM Reform Programme implementation.

Conclusion

The organisational responsibility for overall co-ordination of the PAR agenda is established. The PAR Council, as the highest political-level co-ordination body, is established and functional. The administrative-level co-ordination structure has not been completed, however, and its functioning is irregular. The managerial responsibility for the policy development and co-ordination area, and at the activity level for all PAR areas, except PFM, is missing. CSOs are not systematically engaged in the co-ordination of the full PAR agenda, with evidence available for only the co-ordination of the PAR Strategy.

²³ During the 4th IMPG meeting on 17 July 2020, the IMPG discussed the issue of the development of a new Human Resources Management Information System.

²⁴ The MoF informed SIGMA that the PFM Working Group convened several times for PEFA-related training. Additionally, the Ministry provided evidence of email correspondence with the members of the PFM Working Group where it requested to provide comments on the draft PEFA report, draft PFM Reform Programme and its Action Plan and invited members to participate in the training on the PEFA assessment. No evidence was provided to support the conduct of offline or online PFM Working Group meetings (e.g. dates, agenda, minutes with conclusions or decisions).

Policy Development and Co-ordination

The Principles of Public Administration Policy Development and Co-ordination

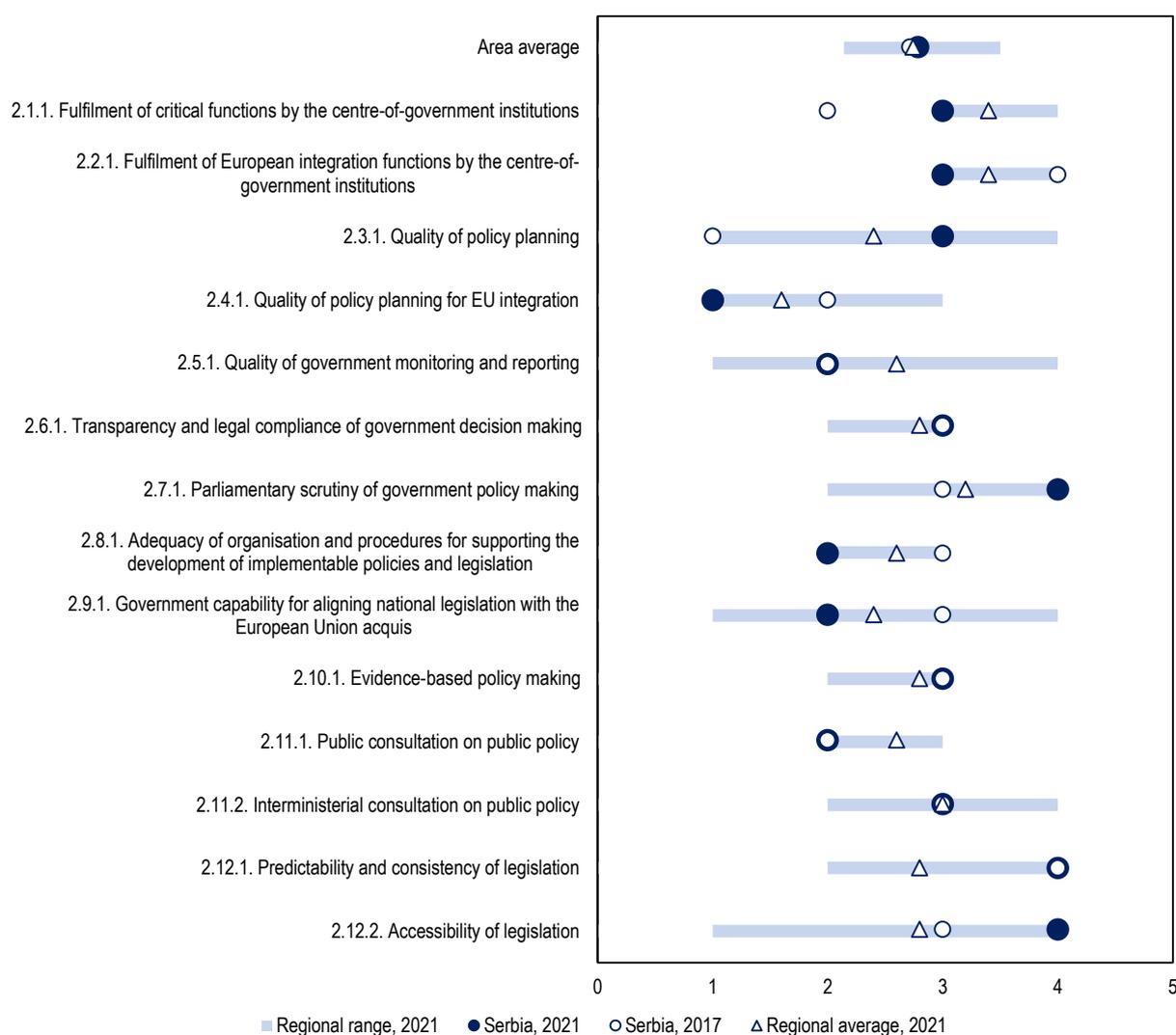
Principle 1	Centre-of-government institutions fulfil all functions critical to a well-organised, consistent and competent policy-making system.
Principle 2	Clear horizontal procedures for governing the national European integration process are established and enforced under the co-ordination of the responsible body.
Principle 3	Harmonised medium term policy planning is in place, with clear whole of government objectives, and is aligned with the financial circumstances of the government; sector policies meet the government objectives and are consistent with the medium term budgetary framework.
Principle 4	A harmonised medium term planning system is in place for all processes relevant to European integration and is integrated into domestic policy planning.
Principle 5	Regular monitoring of the government's performance enables public scrutiny and supports the government in achieving its objectives.
Principle 6	Government decisions are prepared in a transparent manner and based on the administration's professional judgement; legal conformity of the decisions is ensured.
Principle 7	The parliament scrutinises government policy making.
Principle 8	The organisational structure, procedures and staff allocation of the ministries ensure that developed policies and legislation are implementable and meet government objectives.
Principle 9	The European integration procedures and institutional set up form an integral part of the policy development process and ensure systematic and timely transposition of the European Union <i>acquis</i> .
Principle 10	The policy making and legal drafting process is evidence based, and impact assessment is consistently used across ministries.
Principle 11	Policies and legislation are designed in an inclusive manner that enables the active participation of society and allows for co-ordination of different perspectives within the government.
Principle 12	Legislation is consistent in structure, style and language; legal drafting requirements are applied consistently across ministries; legislation is made publicly available.

Policy Development and Co-ordination

Summary and recommendations

Serbia is at the level of regional average in the area of policy development and co-ordination. The average value for this indicator has not changed significantly compared to 2017, increasing slightly from 2.7 to 2.8 in 2021. Improvements were observed in the functioning of centre-of-government (CoG) institutions, the legal framework for policy planning, parliamentary scrutiny over government policy making, and accessibility of legislation. However, these positive developments were levelled by the worsening of all three indicators related to European integration (EI) and some setbacks in the organisation and procedures for implementable policies and legislation.

Main improvements are related to the completion of the legal framework and guidance on policy planning and the accessibility of legislation



Key CoG functions are formally established by relevant legislation and assigned to responsible bodies. The biggest progress has been made with regard to the legal and methodological framework for developing strategic and policy documents based on the new Law on the Planning System (LPS), adopted in 2018. However, there is **still insufficient internal co-ordination among CoG units** in preparing the Government Annual Work Programme (GAWP), nor in consolidating responses to line ministry policy proposals submitted for decision of the Government. Fragmentation remains an issue in CoG in Serbia.

Improvements in the legal framework for policy planning, compared to the 2017 assessment

Criteria assessed	2017	2021
The status of the key government planning documents is established within the legislative framework	Yes	Yes
The hierarchy of the key government planning documents is established within the legal framework	No	Yes
The government-level policy-planning function is delegated to a CoG body	Yes	Yes
Legislation stipulates the steps of the planning process (including the approval procedure)	No	Yes
The system for planning the development of sector strategies is formally established	No	Yes
CoG institutions are authorised to provide overall quality control for the development of sector strategies	Yes	Yes
The legislation requires that sector strategies include information about the cost and funding sources for all measures included in the strategies	No	Yes

New shortcomings were identified in the area of co-ordination and planning of EI activities. In 2020, neither political nor administrative level co-ordination bodies were functional. However, a new structure for the co-ordination of EI affairs was established in April 2021 taking into account the revised EU enlargement methodology, and the political-level meetings take place on a regular basis.

The main weaknesses are related to the outdated National Programme for the Adoption of the *Acquis Communautaire* (NPAA) and the lack of regular reporting on the implementation of the NPAA in 2020 and 2021, which makes operational management of the EU accession process difficult. Challenges persist with regard to the low implementation rate of the NPAA and the absence of costing and funding sources for the activities included in the NPAA. The alignment of the national legislation with the EU *acquis* has decreased compared to 2017. This is due to missing reporting on NPAA implementation, lack of information on the timely translation of the *acquis* to ensure effective transposition.

Governmental decision making is not sufficiently transparent, which reflects both in weak reporting of key central planning documents as well as in lack of openness of decision making. Despite a relatively solid legal, institutional, and procedural framework for monitoring the Government's performance, regular reporting on implementing key central government planning documents is lacking. For example, reports on the implementation of the GAWP for 2020 was not prepared or published, and annual reports on the implementation of sector strategies are largely absent. Although the legal framework for preparing government decisions professionally is in place, the level of transparency and openness of government decision making is still largely inadequate. The compliance of proposals submitted to government sessions with rules and procedures is consistent. However, the role of the General Secretariat of the Government (GSG) remains very technical, without a mandate to return proposals with comments and suggestions for further consideration and alignment with the standards. The agendas of government sessions are not public, and not all Government decisions are made public.

Parliamentary scrutiny over Government policy making has slightly improved thanks to less use of extraordinary procedures and better scrutiny of policy implementation. The overall legal framework for parliamentary scrutiny of the Government's affairs is adequate, and the Parliament processes all laws within a reasonable timeframe. However, co-ordination and planning of legislative activities between the Parliament and the Government is a challenge. For example, 63% of Government-sponsored laws submitted to the Parliament were not listed in the GAWP.

Evidence-based policy making, through the Regulatory Impact Assessment (RIA) system, is established and managed, but the quality of analysis does not yet lead to the desired results. Requirements for developing RIAs are comprehensive, with implementation supported by easily accessible and detailed guidelines. However, the quality of the analysis of impacts is generally inadequate. The Public Policy Secretariat (PPS) does not, however, have a mandate to return low-quality RIAs for compulsory revision for alignment with the quality standards. The number of staff trained on RIA is low. Financial Impact Assessment is required, but not always done in practice.

Public consultation on key policies remains weak. Despite an improved regulatory framework, through the adoption of the new LPS, public engagement is still not sufficient. Public consultations are often not announced in advance, and when reports on public consultation results are prepared, they do not provide information on opinions and reasons for rejecting public comments. The situation with interministerial consultation remains the same compared to 2017. The rules and procedures are in place, and these are being followed. However, no official high-level administrative mechanism exists for resolving conflicts between ministries.

The predictability and consistency of legislation remain high. Requirements for drafting laws are established, and quality control for legal texts is well-embedded within the policy development process. However, most by-laws are not adopted by the time a law takes effect, which reduces the clarity of the legal framework and legal certainty. All legislation is available electronically, but consolidated versions of laws are typically unofficial texts.

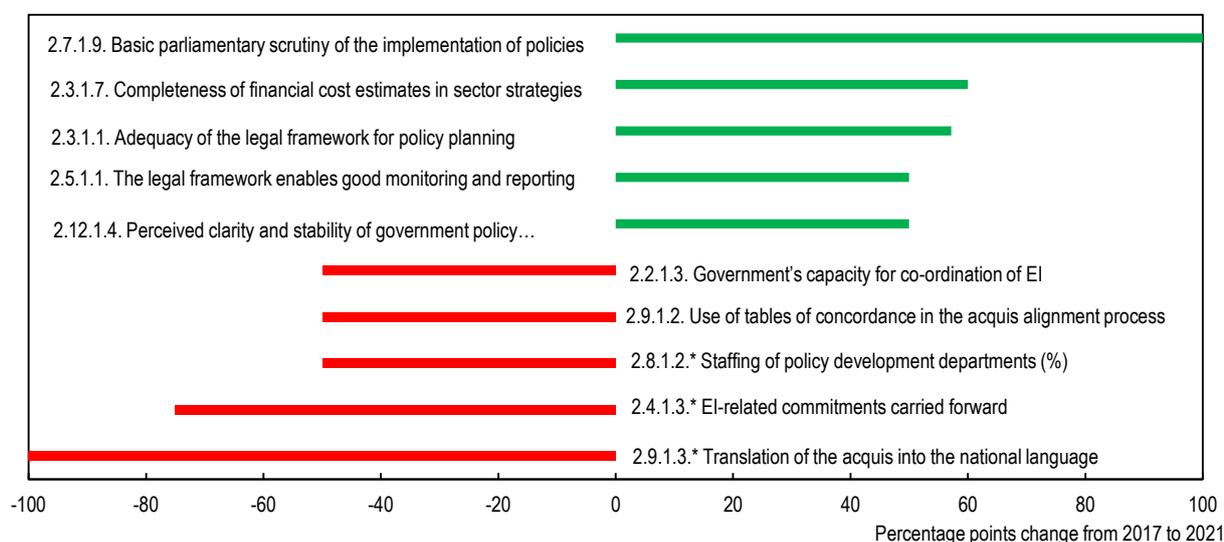
Short-term recommendations (1-2 years)

- 1) The Ministry of European Integration (MEI) should significantly improve EI planning and implementation quality by renewing the NPAA, preparing annual NPAA implementation reports, and deploying a renewed co-ordination system, also at the administrative level.
- 2) The MEI should prepare regular updates to the multi-year NPAA plan to ensure the EI plan is up-to-date and aligned with other government planning documents, such as the GAWP.
- 3) The GSG should prepare and publish the GAWP annual implementation reports on a timely basis.
- 4) The GSG should make Government session agendas public before the sessions and publish all official Government decisions shortly after the respective Government session, unless the content is classified as confidential.
- 5) The GSG should set up a senior administrative level co-ordination and conflict resolution mechanism across ministries prior to the Government sessions to help improve the quality and efficiency of Government decision making.
- 6) The Government, in co-operation with the PPS and the GSG, should ensure that stakeholders are meaningfully consulted during policy preparation and enforce the requirements set for public consultations in practice, particularly regarding providing feedback on the acceptance of comments.
- 7) The Government, with the support of the GSG, should establish a co-ordination system in the centre of government with an aim to have substantively coherent, realistic and financially affordable policy documents to steer government policy making.
- 8) The Government in collaboration with the Parliament should ensure that co-ordination is functioning in practice and that the Parliament is informed on a timely basis about the actual legislative activities of the Government.
- 9) The Government should ensure that all secondary legislation is adopted by the time the respective law enters into force, at the latest.

Medium-term recommendations (3-5 years)

- 10) Line ministries should provide cost estimates for all EU transpositions, and the MEI and the Ministry of Finance (MoF) should assure the quality of these costings and ensure sufficient funding.
- 11) The Government, in co-operation with the PPS, should fully implement the requirements for evidence-based policy making by enhancing the capacities of civil servants who prepare RIAs in line ministries and by monitoring that PPS's comments on the impact assessment reports have been taken into account.

The five highest percentage point increases and decreases for all sub-indicators in the area compared to 2017. Parliamentary scrutiny, costing of sector strategies, policy planning regulations and public perception improved, whereas EI-related procedures and practices deteriorated.



Note: The * marks where points have been deducted because data was not available or of poor quality.

Analysis

Principle 1: Centre-of-government institutions fulfil all functions critical to a well-organised, consistent and competent policy-making system.

Overall, the value for the indicator 'Fulfilment of critical functions by the centre-of-government institutions' is 3. Progress has been achieved compared to the last assessment in 2017 (when the value was 2), particularly through the setting up of the legal and methodological framework on the development of strategies and policy proposals and medium-term planning.

Indicator 2.1.1 - Fulfilment of critical functions by the centre-of-government institutions

This indicator measures to what extent the minimum requirements for functions critical to a well-organised, consistent and competent policy-making system are fulfilled by the centre of government (CoG) institutions.

As this indicator is used to assess the fulfilment of the minimum requirements, it does not measure outcomes or include quantitative sub indicators. The outcomes of some of these critical functions are captured by other indicators on policy development and co-ordination.

Overall 2021 indicator value  since 2017

0 1 2 **3** 4 5

	Points 2021	Change from 2017
1. Critical functions are assigned to CoG institutions by legislation	8/8	+1
2. Availability of guidelines to line ministries and other government bodies	4/4	+2
3. Institutionalisation of co-ordination arrangements between the CoG institutions	0/4	=
Total	12/16	+3

The current legal framework establishes the key responsibilities and functions of Serbia's centre-of-government (CoG) institutions, namely in the Law on Government²⁹, the Law on Ministries³⁰, the LPS³¹, the Rules of Procedures (RoP) of the Government³² and in various government decrees and rulebooks.

²⁹ The Law on Government of the Republic of Serbia, Official Gazette, No. 55/2005, 71/2005 - corrected, 101/2007, 65/2008, 16/2011, 68/2012 - Decision of Constitutional Court, 72/2012, 7/2014 - Decision of Constitutional Court, 44/2014 and 30/2018.

³⁰ The Law on Ministries of the Republic of Serbia, Official Gazette, No. 128/2020.

³¹ The Law on the Planning System of the Republic of Serbia, Official Gazette, No. 30/2018.

³² The Rules of Procedures (RoP) of the Government of the Republic of Serbia, Official Gazette No. 61/2006 - consolidated text, 69/2008, 88/2009, 33/2010, 69/2010, 20/2011, 37/2011, 30/2013, 76/2014 and 8/2019.

Five institutions are mandated to perform the critical functions of the CoG³³:

- 1) The General Secretariat of the Government (GSG) co-ordinates the preparation of the government sessions and the preparation of the Government Annual Work Programme (GAWP), co-ordinates government communication activities and manages relations with other state bodies.
- 2) The Public Policy Secretariat (PPS) co-ordinates the preparation, review and monitoring of the Action Plan for the Implementation of the Government's 4-year Programme (APIGP) and reviews the quality of strategies.
- 3) The Secretariat for Legislation (SL) ensures the legal conformity of draft legal acts submitted to the Government for adoption with the Constitution and legislation.
- 4) The Ministry of Finance (MoF) ensures that policies are affordable and oversees co-ordination of public sector resource planning.
- 5) The Ministry of European Integration (MEI) is responsible for the overall co-ordination of the European integration functions.

Based on the LPS³⁴, the Government adopted the Regulation on the Methodology of Public Policy Management, Impact Analysis of Public Policies and Regulations, and the Content of Individual Public Policy Documents, the Regulation on the Methodology for Medium-term Planning³⁵ as well as the Regulation on the mandatory elements of the development plan of the autonomous province and local self-government unit³⁶. In addition, the Public Policy Secretariat prepared the Manual for Regulatory and Public Policy Impact Assessment³⁷. All this contributed to the greater legislative and methodological clarity regarding the CoG function of leading preparation and co-ordinating approval of the Government's strategic priorities and work programme.

Guidance exists to support implementation of the critical CoG functions. The Secretary-General of the Government adopts the Instruction for preparing the GAWP³⁸ and the Instruction for preparing the annual report on the work of the Government³⁹, which establishes the methodology, procedure and structure of the Annual Report. The reporting on the implementation of the APIGP is defined by the PPS, in line with the LPS. Based on the LPS, the Government adopted the Regulation on the Methodology of Public Policy Management, Impact Analysis of Public Policies and Regulations, and the Content of Individual Public Policy Documents. That regulation provides detailed methodological rules and guidelines for developing proposals of public policies, including sector strategies. It also defines the methodology for reporting on the results of the implementation of public policy documents. Implementation of this regulation is supported by the Manual for Regulatory and Public Policy Impact Assessment. The Uniform Methodology Rules for the Drafting of Regulations have been adopted by the Parliament (in the Serbian case, the

³³ OECD (2019), *The Methodological Framework for the Principles of Public Administration*, OECD, Paris, pp. 23-24. The critical functions of the CoG institutions are defined in Principle 1 of the Policy Development and Co-ordination area. <http://www.sigmaweb.org/publications/Methodological-Framework-for-the-Principles-of-Public-Administration-May-2019.pdf>.

³⁴ The Law on the Planning System was adopted in 2018 and can be accessed in English at: <https://rsjp.gov.rs/wp-content/uploads/Law-on-Planning-System.pdf>.

³⁵ The Regulation on the Methodology for Medium-term Planning is available in English at <https://rsjp.gov.rs/wp-content/uploads/Regulation-on-medium-term-planning-eng.pdf>.

³⁶ <http://www.pravno-informacioni-sistem.rs/SlGlasnikPortal/eli/rep/sgrs/vlada/uredba/2020/107/2>.

³⁷ The Manual for Regulatory and Public Policy Impact Assessment is available at <https://rsjp.gov.rs/wp-content/uploads/Prirucnik-za-analizu-efekata-javnih-politika-i-propisa-071020.pdf>. Other related manuals can be accessed at: <https://rsjp.gov.rs/cir/dokumenti-kategorija-cir/prirucnici-cir/>.

³⁸ Article 76 of the RoP of the Government.

³⁹ *Idem.*, Article 78.

National Assembly) and are applicable for all government bodies⁴⁰. As part of the effort to improve the overall methodological framework for developing public policies, in 2019, the Ministry of Public Administration and Local Self-Government (MPALSG) adopted the Rulebook on Guidelines of Good Practice of Public Participation in the Preparation of Draft Laws, Other Regulations and Acts⁴¹, while in 2020 the Government adopted the Conclusion on the Adoption of the Guidelines for the Inclusion of Civil Society Organisations in the Working Groups for the Drafting of Public Policy Documents and Drafts⁴². These new guidelines completed the gaps and enhanced the methodological guidance available to line ministries.

Despite the progress achieved in the legal and methodological framework, as well as the availability of guidelines for line ministries, there is still a challenge in ensuring the effective co-ordination between CoG bodies in preparing the GAWP, and evidence on the co-ordination arrangements between the GSG, MoF, MEI and PPS in that process was not provided. There is no practice to prepare a consolidated opinion of all CoG units on the policy proposals to inform final government decision making. Although co-ordination has improved through the process of APIGP preparation and implementation, the CoG work is still fragmented and co-ordination needs further improvement.

Conclusion

All critical CoG functions are formally established by relevant legislation and assigned to responsible bodies. Progress has been achieved regarding the legal and methodological framework for developing strategic and policy documents under the leadership of the PPS. However, there is still insufficient internal co-ordination among CoG units in preparing the GAWP, and a lack of consolidated responses to policy proposals of line ministries submitted for Government decision.

⁴⁰ The Uniform Methodology Rules for the Drafting of Regulations are available at <https://www.pravno-informacioni-sistem.rs/SlGlasnikPortal/eli/rep/sgrs/skupstina/uputstvospornicapravilopreporuka/2010/21/1/reg.> Official Gazette, 21/2010.

⁴¹ The Rulebook on Guidelines of Good Practice for Achieving Public Participation in the Preparation of Draft Laws and Other Regulations and Acts is available at Official Gazette, No. 51/19. <https://www.pravno-informacioni-sistem.rs/SlGlasnikPortal/eli/rep/sgrs/ministarstva/pravilnik/2019/51/5/reg.>

⁴² The Conclusion is available at: <https://www.pravno-informacioni-sistem.rs/SlGlasnikPortal/eli/rep/sgrs/vlada/zakljucak/2020/8/1/reg.>

Principle 2: Clear horizontal procedures for governing the national European integration process are established and enforced under the co-ordination of the responsible body.

Overall, the value for the indicator 'Fulfilment of European integration functions by the centre-of-government institutions' is 3. Compared to 2017 (when the value was 4), there has been some setback, particularly concerning the Government's capacity to co-ordinate the European integration (EI) process.

Indicator 2.2.1 - Fulfilment of European integration functions by the centre-of-government institutions

This indicator measures to what extent the minimum criteria for European integration (EI) functions are fulfilled by the CoG institutions.

As this indicator is used to assess the fulfilment of the minimum criteria, it does not measure outcomes or include quantitative indicators. The outcomes of some of these critical functions are captured by other indicators on policy development and co-ordination.

Overall 2021 indicator value  since 2017

0 1 2 **3** 4 5

	Points 2021	Change from 2017
1. Proportion of the EI functions that are assigned to the CoG institutions by law	6/6	=
2. Availability of guidelines to line ministries and other government bodies	3/4	-1
3. Government's capacity for co-ordination of EI	2/8*	-4
Total	11/18	-5

Note: *Data not available or provided.

Based on the Law on Ministries, the MEI is responsible for the main EI functions. This includes the overall daily co-ordination of the European integration affairs; planning of EI, including costing of reforms; monitoring country preparations for the EI process, including the preparation of reports on EI policies; and co-ordinating the alignment of national legislation with the *acquis*. It also includes the co-ordination of the overall implementation of the NPAA, co-ordinating planning and overall monitoring of the EU Instrument for Pre-accession Assistance (IPA), and co-ordinating accession negotiations.

Relevant guidelines have been developed and used by the MEI to support the effective implementation of the established EI functions. These include guidelines on harmonising national legislation with the *acquis*, translating the *acquis*⁴³, use of language for the *acquis*⁴⁴, use of specific terminology in translating the *acquis* into the Serbian language⁴⁵, and co-ordinating the preparation of the negotiating positions in the EU accession negotiations process⁴⁶. However, guidance for ministries and other government bodies on how to report on the NPAA implementation is yet to be created.

⁴³ The Manual on Translation of Legal Acts of the EU (2019) is available at https://www.mei.gov.rs/upload/documents/prevodjenje/prirucnik_prevodjenje_eu_19.pdf.

⁴⁴ The Language Guidelines for Preparing the EU *Acquis* (2019) are available at https://www.mei.gov.rs/upload/documents/prevodjenje/jez_smernice_nov_19.pdf.

⁴⁵ The Instructions for the Use of Terminology in Preparing Serbian Versions of the EU Legal Acts (2017) are available at https://www.mei.gov.rs/upload/documents/prevodjenje/terminoloska_uputstva_18.pdf.

⁴⁶ The Government Conclusion (2015) on the Guidance and Co-ordination of the Activities of the State Administration Bodies in the Procedure of Preparing the Negotiating Positions in the Process of Negotiations on the Accession of the Republic of Serbia to the European Union is available at https://www.mei.gov.rs/upload/documents/nacionalna_dokumenta/pregovori_sa_eu/pregovaracke_pozicije_english_15.pdf.

On 15 April 2021, the Government adopted a new decision on the co-ordination structure for EU accession negotiations⁴⁷. While the new political level body (Co-ordination for Conducting Accession Negotiations) is functional and has met regularly since April 2021, there is no evidence of meetings of the administrative level body. Also, there was also no evidence of regular meetings of the previous co-ordination mechanisms during 2020. Neither the political-level interministerial co-ordination forum for EI-related matters (the Co-ordination Body for the Process of the Accession of the Republic of Serbia to the European Union [Co-ordination Body]) nor the administrative-level body (the Co-ordination Body Council [Council]) met regularly. During 2020, there was only one online meeting of the Council; however, there was no written evidence (e.g. the meeting agenda or minutes) of the event (Table 1)⁴⁸.

Table 1. Number of co-ordination body meetings, 2016, 2020 and 2021

Type of co-ordination body	2016	2020	2021
Political-level meetings	0	0	4*
Administrative meetings	0	1 online meeting	No evidence

Note: *Four meetings took place between May and October 2021: 28 May, 11 June, 2 July, 8 October.

Source: Data provide by the MEI.

The development of the NPAA, which is the Government's main EI planning document, is centrally co-ordinated by the MEI. The Government's Conclusion on the Adoption of the Plan of Preparation of the third NPAA⁴⁹ explains the NPAA, its implementation timeframe, relations with other documents, co-ordination of the preparation within the institutional structure, etc. The third NPAA for the period 2018-2021⁵⁰ was adopted in February 2018. However, as of the writing of this report, it has not been updated⁵¹, which makes it difficult to be used as an operational planning document.

In addition, there is no evidence on regular annual monitoring of the implementation of the NPAA. The MEI is expected to prepare reports on the implementation of the NPAA every quarter. Three quarterly reports are available for 2019, while no reports for 2020 or 2021 are available. In accordance with the Government Conclusion on the Revision of the NPAA Preparation (adopted on 20 December 2013), details on the regular review and reporting on the NPAA implementation have been established⁵². This requires regular reporting on the NPAA, which is not being implemented in practice. The MEI provided written opinions on all five sample draft legal acts that were analysed by SIGMA⁵³. The outdated NPAA, combined with the absence of regular implementation reports, means that there is no clear and up-to-date

⁴⁷ The Decision on Forming the Co-ordination for Leading the EU Accession Negotiations of Serbia (2021) and Team for the Support to Accession Negotiations is available at [https://www.mei.gov.rs/upload/documents/nacionalna_dokumenta/odluka_koordinacija_telo\(1\).pdf](https://www.mei.gov.rs/upload/documents/nacionalna_dokumenta/odluka_koordinacija_telo(1).pdf).

⁴⁸ Information provided by the administration during the assessment interviews.

⁴⁹ The Government's Conclusion on the Adoption of the Plan of Preparation of the Third NPAA was adopted at the Government session held on 1 March 2018.

⁵⁰ The Third NPAA for the period 2018-2021 is available at https://www.mei.gov.rs/upload/documents/nacionalna_dokumenta/npaa/npaa_2018_2021.pdf.

⁵¹ The assessment period ended on 30 June 2021. No information about approval of the new plan was provided by this deadline.

⁵² See the Conclusion on the Acceptance of the Plan for the Preparation of the First Audit of the National Program for the Adoption of the *Acquis* of the European Union (NPAA) at https://www.mei.gov.rs/upload/documents/nacionalna_dokumenta/npaa/revizija_npaa.pdf.

⁵³ The following sample of cases was analysed: 1) The national control list of arms and military equipment; 2) The amendments to the Law on excise duties; 3) The amendment of the regulation on harmonisation of custom tariffs for 2021; 4) The amendments to the Law on VAT; 5) The decision on the amounts of weighted average retail prices in minimum excises of tobacco products.

overview of the implementation status of the NPAA, making operational management of the EU accession process difficult.

Conclusion

A new structure for the co-ordination of EI affairs has been recently established taking into account the revised EU enlargement methodology, and the political-level meetings are regularly held. The relevant EI functions have been assigned to MEI, the lead institution responsible for EI co-ordination. Guidelines to support the implementation of EI functions are mostly developed. The main weaknesses are related to outdated NPAA and missing reporting practices of the NPAA as well as only partial functioning of EI affairs co-ordination structures.

Principle 3: Harmonised medium-term policy planning is in place, with clear whole-of-government objectives, and is aligned with the financial circumstances of the government; sector policies meet the government objectives and are consistent with the medium-term budgetary framework.

The value for the indicator 'Quality of policy planning' is 3, higher than 1 in 2017. This is largely due to the adoption of the LPS and related by-laws, which enhanced and completed the overall legislative, procedural and organisational set-up for harmonised policy planning. However, challenges remain in implementation, particularly in ensuring alignment between central policy-planning documents, including the medium-term budget. There is also a high share of GAWP commitments being carried forward from one year to the next, including preparation of new sector strategies.

Indicator 2.3.1 - Quality of policy planning						
This indicator measures the legislative, procedural and organisational set-up established for harmonised policy planning and the quality and alignment of planning documents. It also assesses the outcomes of the planning process (specifically the number of planned legislative commitments and sector strategies carried forward from one year to the next) and the extent to which the financial implications of sectoral strategies are adequately estimated.						
Overall 2021 indicator value  since 2017	0	1	2	3	4	5
	Points 2021	Change from 2017				
1. Adequacy of the legal framework for policy planning	7/7	+4				
2. Availability of guidance to line ministries during the policy-planning process	3/4	-1				
3. Alignment between central policy-planning documents	1/6	=				
4. Planned commitments carried forward in the legislative plan (%)	0/4	=				
5. Planned sectoral strategies carried forward (%)	1/4	-1				
6. Presence of minimum content in sector strategies	6/6	new ⁵⁴				
7. Completeness of financial estimates in sector strategies	4/5	+3				
8. Alignment between planned costs in sector policy plans and medium-term budget	0/3*	=				
Total	22/39	+11				

Note: *Data not available or provided.

⁵⁴ This is a new sub-indicator since the 2017 assessment.

The status and institutional responsibilities for preparing the key government planning documents in Serbia are established within the LPS and its by-laws⁵⁵, the Law on Ministries and the RoP of the Government. The GSG and PPS are two main institutions responsible for government-level policy planning. The overall policy planning system consists of several central government planning documents and sector strategies, including the Prime Minister's exposé (Government Programme), the APIGP, the GAWP, the NPAA, the Fiscal Strategy (FS) and a series of sector strategies.

The hierarchy of key government planning documents is established by the LPS. According to Article 127 of the Constitution, the Government Programme (of four years) is presented by the candidate for Prime Minister and approved by the National Assembly, along with the election of the Prime Minister and members of the Government. Based on Article 21 of the LPS⁵⁶, the APIGP is prepared by the PPS and updated annually, in co-operation with relevant public administration bodies. The APIGP sets key measures for implementing government strategic priorities, while the PPS issues the Instruction for its preparation and is responsible for determining its structure and content. The GAWP is prepared based on the APIGP, the FS and the NPAA.

According to Article 22 of the LPS, the preparation and co-ordination of the approval of the GAWP are led by the GSG, based on proposals of public administration bodies, in co-operation with the PPS. Article 77 of the RoP of the Government also stipulates that the GSG should prepare the GAWP in co-operation with the MoF and SL. Article 76 of the RoP of the Government emphasises the obligation of the GSG to adopt the Instruction on methodology, procedure and structure of the GAWP.

The development of the medium-term plans is established in the Regulation on Drafting Medium Term Plans⁵⁷. Specific details on the planning of sector strategic documents are set out in the Regulation on the Methodology of Public Policy Management, Analysis of the Effects of Public Policies and Regulations and the Content of Individual Public Policy Documents⁵⁸. The PPS is also mandated to provide guidance to line ministries on how to plan and develop sector strategies and ensure overall quality control for the development of sector strategies.

As of the end of the current assessment period (30 June 2021), no GSG Instruction for preparing the GAWP for 2021 had been issued.

The alignment between central policy-planning documents is still relatively weak. There are many inconsistencies between the APIGP and the FS. Sector strategies action plans are also not sufficiently consistent with the GAWP. While APIGP 2020-2022 has outcome-level indicators for measuring the achievement of the priorities of the Government, the FS has neither clear priorities nor clear outcome-level indicators formulated.

The percentage of GAWP commitments carried forward into the next year is still very high and the backlog has increased both for legislative commitments and sector strategies compared to 2017. Of 353 draft laws included in the 2020 GAWP, 223 draft laws were carried over to 2021 GAWP (63.53%). In addition, of 52 sector strategies included in the 2020 GAWP, 22 sector strategies were carried over to 2021 GAWPs (42.31%).

⁵⁵ The Regulation on the Methodology of Drafting Mid-term Plans and the Regulation on the Methodology of Public Policy Management, Impact Analysis of Public Policies and Regulations, and the Content of Individual Public Policy Documents, both published in the Official Gazette, No. 8 of 8 February 2019 are available at <https://rsjp.gov.rs/en/documents-category/regulations/>.

⁵⁶ The Law on the Planning System is available at <https://rsjp.gov.rs/wp-content/uploads/Law-on-Planning-System.pdf>.

⁵⁷ The Regulation on Drafting Medium-term Plans is available at <https://rsjp.gov.rs/wp-content/uploads/Regulation-on-medium-term-planning-eng.pdf>, Official Gazette, No. 8 of 8 February 2019.

⁵⁸ The Decree on the Methodology of Public Policy Management, Analysis of the Effects of Public Policies and Regulations and the Content of Individual Public Policy Documents is available at <https://www.pravno-informacioni-sistem.rs/SIGlasnikPortal/eli/rep/sgrs/vlada/uredba/2019/8/9/reg>.

Government legislative commitments carried forward

	2017	2021
Planned commitments carried forward in the legislative plan of the Government (%)	55%	64%
Planned sectoral strategies carried forward %	37%	42%

Source: SIGMA analysis of GAWP 2020 and GAWP 2021, 2017 data is from SIGMA monitoring report 2017.

The sample sector strategies⁵⁹ reviewed for the assessment are generally compliant with the minimum content established in the legal framework, including the situation analysis and identification of existing problems, as well as the formulation of policy objectives and related outcome level indicators. The analysed sample sector strategies mostly include basic information about additional expenditure needs for the majority of planned activities, as well as sources of funding.

However, it was impossible to calculate inconsistencies or measure the degree of alignment of planned costs in sector strategies with the Medium-term Budgetary Framework/FS. The Fiscal Strategy 2021-2023 did neither provide clear amounts of funding for specific sectors, nor did the sample sector strategies include complete information about the total cost estimates of the planned activities (including the regular budget cost for the salaries of existing staff and for the management of existing buildings, equipment, etc.).

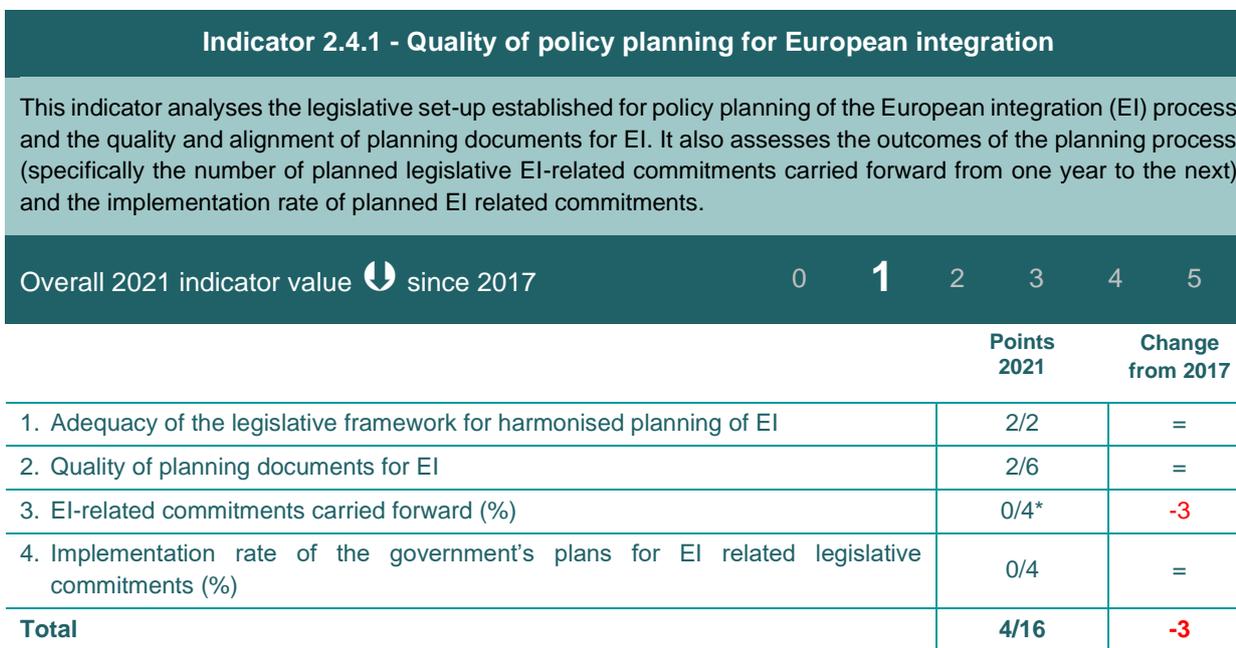
Conclusion

The legal and methodological standards of planning and developing policy and strategic documents have been established but not fully implemented. The quality of strategies still needs to be improved, especially in regard to the costing of activities. Besides, the alignment between central policy-planning documents is limited, and the share of planned commitments carried forward in the next year is high. Finally, it was not possible to calculate the alignment of planned costs in sector policy plans and the medium-term budget because of missing information on costing.

⁵⁹ The following five sector strategies were assessed: Program for the Development of Winemaking and Viticulture for the Period 2021-2031; Strategy for the Development of the Public Information System 2020-2025; Program for Improving Cancer Control for the Period 2020-2022; National Strategy for Exercising the Rights of Victims and Witnesses of Crimes for the Period 2020-2025; Strategy of Justice Reform 2020-2025.

Principle 4: A harmonised medium-term planning system is in place for all processes relevant to European integration and is integrated into domestic policy planning.

The total value for the indicator 'Quality of policy planning for European integration' is 1, a reduction from 2 in 2017. Although the legislative and institutional framework for the NPAA development and implementation is in place, the main challenges persist regarding the low implementation rate of the NPAA and the absence of any financial estimates for the activities included in the NPAA.



Note: *Date not available or provided.

The status of the key EI planning documents is established in legislation. The LPS⁶⁰ stipulates that the Government adopts the NPAA, while the Government Conclusion on the First Review of the NPAA (adopted on 20 December 2013) sets the rules and requirements for the development of the NPAA⁶¹.

The level of alignment of NPAA with GAWP is low. The number of EI-related draft laws included in the 2021 NPAA but not included in the respective GAWP/legislative plan is 27 (out of 38 EI-related draft laws in the 2021 NPAA). So only 11 draft laws (out of 38) are in both NPAA and GAWP (29% alignment). This is substantially worse than in 2017, when the percentage of alignment of legislative activities included in the NPAA and GAWP was 79%.

The last available NPAA 2018-2021 was adopted in March 2018 and has not been updated since⁶². It is a comprehensive document (1 246 pages) indicating priorities for all policy areas organised by the logic of the negotiation chapters and includes implementation deadlines for all activities.

⁶⁰ Article 20 of the Law on the Planning System at <https://rsjp.gov.rs/wp-content/uploads/Law-on-Planning-System.pdf>, Official Gazette, No. 30/2018.

⁶¹ The Conclusion on the Acceptance of the Plan for the Preparation of the First Audit of the National Program for the Adoption of the *Acquis* of the European Union (NPAA) at https://www.mei.gov.rs/upload/documents/nacionalna_dokumenta/npaa/revizija_npaa.pdf.

⁶² The official MEI page dedicated to the NPAA at <https://www.mei.gov.rs/srl/dokumenta/nacionalna-dokumenta/npaa>.

Although the Instruction on collecting data on financial aspects of the implementation of the NPAA has been developed⁶³, it is not yet used. No NPAA commitments include costing. Also, there is no information on any sources of funding for commitments included in the NPAA.

Since the NPAA is not updated annually (adopted in 2018, it has not been renewed since), it is impossible to calculate the carried forward rate for EI commitments based on the NPAA. The comparison can be made, however, using the GAWP. As mentioned above, of 353 draft laws included in the 2020 GAWP, 223 drafts were included in both GAWP for 2020 and 2021 (64%), which is a high carried-forward rate and indicates inadequate quality of legislative planning.

In addition, the implementation rate of the Government's plans for EI-related legislative commitments is 0%. Of 14 EI-related draft laws in the 2020 GAWP, none was approved by the Government during 2020.

Conclusion

The legislative and institutional framework for a medium-term planning system is in place for processes relevant to European integration. However, the NPAA is outdated and its quality needs improvement. The absence of costing and sources of funding for activities included in the NPAA and the lack of implementation of NPAA legislative commitments are the main reasons for the lower indicator value.

⁶³ The Instruction on collecting data on financial aspects of the implementation of the NPAA is available at https://www.mei.gov.rs/upload/documents/nacionalna_dokumenta/npaa/uputstvo_za_prikupljanje_podataka_o_fina_nsijskim_aspektima_sprovođenja_npaa_18.pdf.

Principle 5: Regular monitoring of the government's performance enables public scrutiny and supports the government in achieving its objectives.

The overall value for the indicator 'Quality of government monitoring and reporting' is 2, the same as in 2017. The adoption of the LPS has enhanced the legal framework for reporting on key government central planning documents. However, in practice, the reports on key central government planning documents (GAWP and NPAA) are still not regularly published, and reports on the implementation of sector strategies are largely missing.

Indicator 2.5.1 - Quality of government monitoring and reporting						
This indicator measures the strength of the legal framework regulating reporting requirements, the quality of government reporting documents and the level of public availability of government reports.						
Overall 2021 indicator value	0	1	2	3	4	5
				Points 2021	Change from 2017	
1. Adequacy of the legislative framework for monitoring and reporting				8/8	+4	
2. Quality of reporting documents				0/12*	-2	
3. Public availability of government reports				1/5*	-1	
Total				9/25	+1	

Note: *Data not available or provided.

The overall legislative framework for monitoring and reporting on Government performance is adequate. The Law on the Budget System⁶⁴ foresees the obligation of regular monitoring and reporting on the implementation of the budget as a regular component of the annual budgetary cycle. The RoP⁶⁵ foresees the obligation of the Secretary-General of the Government to adopt the Instruction determining the methodology, procedure and structure of the Annual Report on the GAWP, which also contains the financial aspects of the implementation of agreed activities, in line with the Law on the Budget System.

The LPS⁶⁶ stipulates the regular monitoring and reporting on the implementation of sector strategies. The Government Regulation on the Methodology of Public Policy Management, Impact Analysis of Public Policies and Regulations, and the Content of Individual Public Policy Documents also establishes the methods for reporting on the results of implementing public policies, including sector strategies (Article 69).

The Government Conclusion on the Plan of the First Review of the NPAA contains the obligation to prepare regular quarterly reports on the implementation of the NPAA and regularly inform the Parliament on implementation and reviews of the NPAA.

The LPS stipulates that all reports on key government central planning documents issued by the public body must be made publicly available. The Annual Report on Results of the APIGP must be published on the Government website within 15 days from the date of adoption (Article 44). The same deadline is set for publishing the Report on the Implementation of the GAWP (Article 45).

The last GAWP implementation report was prepared for 2019⁶⁷ and included information on the achievement of outputs (status of implementation of GAWP measures) for each line ministry. However, no implementation report for 2020 had been published by the end of the assessment period (30 June 2021). The GAWP implementation report for 2019 does not include any information on the

⁶⁴ The LPS (2018), Article 31.

⁶⁵ The RoP of the Government, Article 78.

⁶⁶ The LPS (2018), Article 43.

⁶⁷ Report on the Work of the Government for 2019, <http://www.gs.gov.rs/index.html>.

achievement of outcomes since the GAWP itself focuses on outputs rather than outcomes. However, PPS prepares regular reports on the implementation of APIGP, which is a positive development.

The last available NPAA report on the MEI website is from the third quarter of 2019. No annual implementation reports for sector strategies adopted during 2020 were provided. The absence of strategy monitoring reports indicates irregular practice of sector strategy monitoring and reporting.

The Annual Report on the implementation of the state budget was published as part of the Law on the Final Account of the Budget of the Republic of Serbia for 2019⁶⁸.

Conclusion

Despite a relatively solid legal, institutional and procedural framework for monitoring the Government's performance, regular reporting on the implementation of key central government planning documents is lacking. Reports on the implementation of GAWP and NPAA for 2020 are missing, and annual reports on the implementation of sector strategies are, in most cases, not prepared.

Principle 6: Government decisions are prepared in a transparent manner and based on the administration's professional judgement; legal conformity of the decisions is ensured.

Overall, the value for the indicator 'Transparency and legal compliance of government decision making' is 3, the same as in 2017. The perception of Serbian businesses about the clarity and stability of decision making has slightly increased. However, openness of the Government decision-making process has decreased.

Indicator 2.6.1 - Transparency and legal compliance of government decision making						
This indicator measures the legal framework established for ensuring legally compliant decision making, the consistency of the government in implementation of the established legal framework, the transparency of government decision making, and businesses' perception of the clarity and stability of government policy making.						
Overall 2021 indicator value	0	1	2	3	4	5
				Points 2021		Change from 2017
1. Adequacy of the legislative framework for government session procedures				4/5		+1
2. Consistency of the CoG in setting and enforcing the procedures				4/4		=
3. Timeliness of ministries' submission of regular agenda items to the government session (%)				0/3		=
4. Openness of the government decision-making process				1/4		-1
5. Perceived clarity and stability of government policy making by businesses (%)				2/4		+1
Total				11/20		+1

The RoP of the Government stipulate clear rules, deadlines and responsibilities of the bodies involved in the preparation of the Government sessions⁶⁹, follow-up⁷⁰ and communication⁷¹. Each policy proposal

⁶⁸ Law on the Final Account of the Budget of the Republic of Serbia for 2019, <http://www.pravno-informacioni-sistem.rs/SlGlasnikPortal/eli/rep/sgrs/skupstina/zakon/2020/149/2/reg>.

⁶⁹ RoP of the Government, Articles 46-51.

⁷⁰ RoP of the Government, Articles 63-68.

⁷¹ RoP of the Government, Articles 93-96.

submitted to the Government needs to be accompanied by a statement of compliance with strategic documents adopted by the Government⁷², which the PPS and GSG check⁷³.

The GSG is mandated to ensure that proposals submitted to the Government also contain a report on the results of public consultations, with a written elaboration of reasons for not accepting certain comments⁷⁴. The PPS is required to submit an opinion on the draft laws and strategies, as well as on the quality of RIA reports.

SL is granted the authority to scrutinise all the draft laws and regulations. The RoP prescribes that all draft laws and decrees, FS, development strategy, declaration and conclusion need to be accompanied by the opinion of the SL and the MoF⁷⁵.

On the other hand, no clear legal provision mandates the GSG to return drafts that are not in line with the central quality standards with comments and requests for alignment. The GSG scrutinises the proposals only from the point of view of formal compliance with the RoP⁷⁶ before submitting them to the competent government committee.

A review of a sample of draft laws adopted by the Government⁷⁷ shows that legal and financial scrutiny is performed in all cases and that the completeness of the dossiers is ensured.

All five analysed draft laws had opinions from all institutions mandated to provide opinions. The SL consistently provides opinions on legal conformity and application of the guidelines for legal drafting. All draft laws were accompanied by the statement of compliance with strategic documents adopted by the Government, as required by the RoP (Article 39a). The PPS checks this statement of compliance. Files were also accompanied by the opinion of the MoF, which checked the financial viability of proposed laws. In addition, other relevant documents were attached, namely tables of concordance with the *acquis*, explanatory memoranda, reports on the results of public consultations, statements concerning the need (or not) to conduct an RIA, etc.

There has been no progress with regard to the checking of the timeliness of ministries' submissions of regular agenda items to the Government session. There are still no deadlines set for the submission of material to the Government session. This puts extra pressure on the GSG to conduct the mandated "gatekeeping" functions properly.

There are still major challenges related to the lack of openness of the government decision-making process. The agendas of formal Government sessions are not public. The GSG keeps the minutes of the Government sessions⁷⁸, but there is no obligation to distribute them to all participants. The conclusions from the Government session are delivered only to the public administration body considered affected by the decision⁷⁹.

⁷² RoP of the Government, Article 39a.

⁷³ RoP of the Government, Article 50.

⁷⁴ RoP of the Government, Articles 48 and 50.

⁷⁵ RoP of the Government, Article 46.

⁷⁶ RoP of the Government, Article 50.

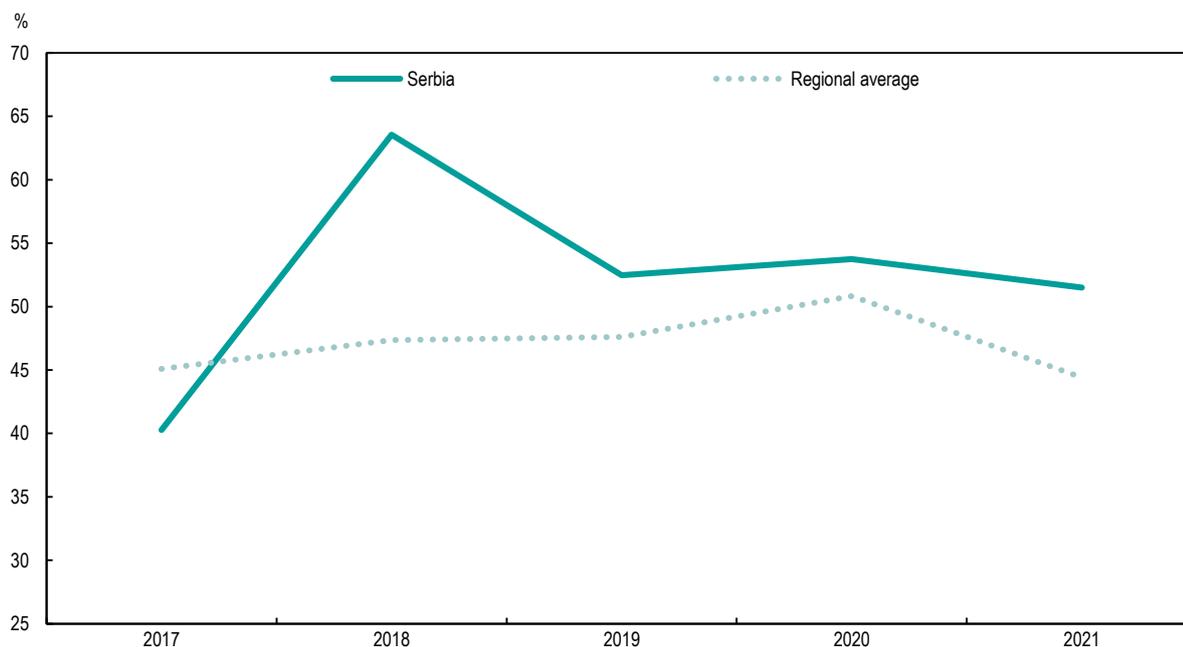
⁷⁷ The documents for the following five draft laws were reviewed: 1) draft Law on Amendments of the Law on Public Media Services; 2) draft Law on Employees in Public Sector Services; 3) draft Law on Changes of the Law on Salaries of Employees in Public Agencies and Other Organisations founded by the Republic of Serbia, Autonomous Provinces and Local Self-government Bodies; 4) draft Law on Changes of the Law on Salaries of Officials and Employees of the Bodies of Autonomous Provinces and Local Self-government Bodies; and 5) draft Law on the Changes of the Law on the System of Salaries of Employees in the Public Sector.

⁷⁸ RoP of the Government, Article 63.

⁷⁹ *Ibid.*

Government decisions are partially made public through the Official Gazette and the Government's website, and information about key decisions of the Government sessions is communicated to the public⁸⁰. Nevertheless, many Government decisions are not public by default, as Government conclusions are published only if explicitly said so in them.

Figure 1. Perceived clarity and stability of Government policy making by businesses, 2017-2021



Note: Positive responses (“Strongly agree” and “Tend to Agree”) to the following question: “Laws and regulations affecting my company are clearly written, not contradictory and do not change too frequently”.

Source: Regional Cooperation Council, Balkan Barometer Business Opinion database (<https://www.roc.int/balkanbarometer>).

Approximately half of responding businesses continue to be dissatisfied with the clarity and stability of Government policy making. According to the Balkan Barometer 2021 Business Opinion Survey, 51.5% of respondents agree that laws and regulations affecting their company are clearly written, not contradictory and do not change too frequently. This is still an improvement compared to 2017, when 40% perceived Government policy making to be clear and stable, and above the regional average.

Conclusion

The legal framework for preparing Government decisions is largely in place and the required procedures are being followed in practice. While procedural compliance with rules is ensured, issues remain with the substantial quality check of policy proposals because the GSG lacks a clear mandate to return documents of low quality. Also, the GSG is under time pressure when processing submitted materials as no deadlines are set for the submission of documents to the Government session. The biggest challenges are related to the lack of openness of the Government decision-making process. The Government session agendas are not made publicly available before the sessions, and decisions are only partially being made public.

⁸⁰ Information about key decisions of the government sessions is available at <https://www.srbija.gov.rs/vesti/239>.

Principle 7: The parliament scrutinises government policy making.

The value for the indicator ‘Parliamentary scrutiny of government policy making’ improved from 3 to 4 compared to 2017, mainly due to less use of extraordinary procedures and better scrutiny of the implementation of policies. Challenges remain in ensuring effective co-ordination between the administration of the Parliament and the Government on legislative planning and review of laws by the Government initiated by the Parliament.

Indicator 2.7.1 - Parliamentary scrutiny of government policy making						
This indicator measures the extent to which the parliament is able to scrutinise government policy making. The legal framework is assessed first, followed by an analysis of the functioning of important parliamentary practices and outcomes.						
Overall 2021 indicator value  since 2017	0	1	2	3	4	5
				Points 2021	Change from 2017	
1. Strength of regulatory and procedural framework for parliamentary scrutiny of government policy making				5/5	=	
2. Completeness of supporting documentation for draft laws submitted to the parliament				3/3	=	
3. Co-ordination of governmental and parliamentary decision making processes				1/2	=	
4. Systematic review of parliamentary bills by government				0/1	=	
5. Alignment between draft laws planned and submitted by the government (%)				0/2	=	
6. Timeliness of parliamentary processing of draft laws from the government (%)				2/2	=	
7. Use of extraordinary proceedings for the adoption of government sponsored draft laws (%)				2/5	+2	
8. Government participation in parliamentary discussions of draft laws				2/2	=	
9. Basic parliamentary scrutiny of the implementation of policies				2/2	+2	
Total				17/24	+4	

The legal framework for parliamentary scrutiny of Government policy making is adequate and is established by the RoP of the Parliament⁸¹ that enable the Parliament to carry out a comprehensive oversight function over the Government. More specifically, the RoP of the Parliament enable the Parliament and its committees to debate, scrutinise and amend government policies and programmes by asking the Government to submit reports on questions related to different policies and the implementation of laws or other acts. In addition, the RoP of the Parliament also require ministers to inform the competent Parliament committees about the work of their ministries every three months.

The uniform methodological rules of legal drafting and legislative practice are the same for the Government and Parliament⁸². The RoP of the Parliament stipulates the content of the explanatory memorandum that needs to accompany a draft law submitted by the Government to the Parliament⁸³. A review of a sample of five draft laws submitted by the Government to the Parliament⁸⁴ shows that these requirements are respected.

⁸¹ The RoP of the Parliament, Articles 204-229.

⁸² The uniform methodological rules of legal drafting and legislative practice are available at <https://www.pravno-informacioni-sistem.rs/SlGlasnikPortal/eli/rep/sgrs/skupstina/uputstvovsmernicapravilopreporka/2010/21/1/reg>.

⁸³ The RoP of the Parliament, Article 151.

⁸⁴ The documentation for the following five sample draft laws was analysed: 1) draft Law on the Agreement between the Government of the Republic of Serbia and the Government of the Grand Duke of Luxembourg on the Exchange and Mutual Protection of Classified Information; 2) draft Law on Approving the Amendment of the International Convention on the Harmonised System of Names and Codes of Goods; 3) draft Law on the Ratification of the

Relevant standards are in place to ensure that the Government systematically reviews new legislative proposals initiated by the Parliament. Article 155 of the RoP of the Parliament stipulates that a draft law shall be discussed by the Government, if the Government is not the draft law proposer, before it is discussed at the Parliament. Furthermore, Article 72 of the RoP of the Government establishes the obligation for the responsible ministry, in co-operation with the SL, to prepare the opinion on the new legislative proposal initiated by the Parliament for the Government's adoption. However, there is no systematic review of Parliamentary bills by the Government. In the course of 2020, Members of the Parliament (MPs) submitted 20 draft laws. The Government submitted an opinion on eight draft laws to the Parliament. However, only two Government opinions on draft laws initiated by MPs were made available to SIGMA⁸⁵

The Parliament plans its work based on the GAWP, which is submitted to the Parliament. Article 28 of the RoP of the Parliament states that the Work Plan is determined by the Speaker based on the GAWP. In addition, according to Article 78 of the RoP of the Government, the Government submits the Report on the GAWP to the Parliament. The Government also submits to the Parliament a quarterly report on the implementation of the NPAA, which should be regularly discussed at the sittings of the European Integration Committee, on which the Committee submits a report to the National Assembly. There is regular communication between the Secretariat-General of the National Assembly and the Secretariat-General of the Government at the highest level. However, no regular meetings are organised, and no agendas of those meetings are available.

The alignment between planned and submitted draft laws submitted by the Government remains limited. For example, of 65 draft laws submitted to the Parliament by the Government in 2020, only 24 draft laws were planned in the GAWP, which is a 37% alignment rate. That is a negative trend compared to 2017 when the alignment rate was 50%.

The Parliament processes the draft laws from the Government in a timely manner. Of 210 draft laws submitted to the Parliament by the Government in 2019, all were processed within one year of submission.

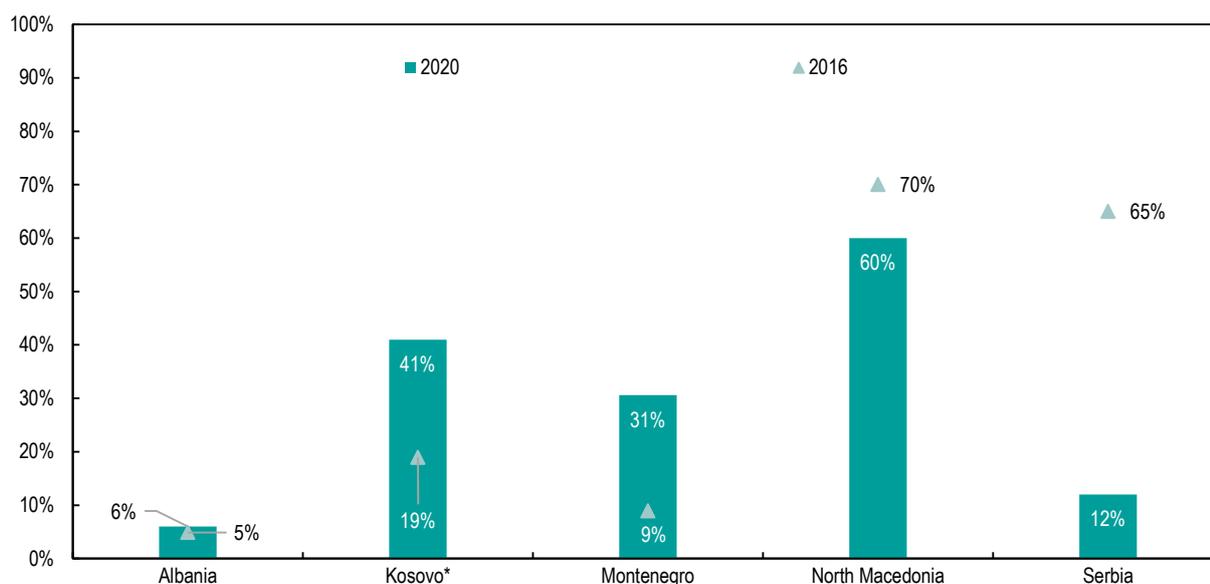
The use of extraordinary proceedings⁸⁶ for the adoption of Government-sponsored draft laws is decreasing. Compared to 2017, when the share of Government-sponsored draft laws adopted through urgent procedures was 65%, during 2020, 8 out of 65 Government-sponsored draft laws were adopted in extraordinary parliament proceedings (12.31%) (Figure 2).

Agreement on the Transfer of Competences for the Provision of Services in the Air Transport between the Council of Minister of Bosnia and Herzegovina, the Government of the Republic of Serbia and the Government of Montenegro; 4) draft Law on Approving the Second Additional Protocol of the World Postal Convention; and 5) draft Law on the Confirmation of the Co-operation Agreement between the Government of the Republic of Serbia and the Government of Islamic of the Republic of Iran in the Field of Plant and Plant Protection Quarantine.

⁸⁵ A sample of the most recent three laws initiated by the MPs were reviewed. Only two out of the three laws underwent review by the Government. They were the draft Law on the amendment of the Law on Enforcement and Security and the draft Law on the amendment of the Law on Judges.

⁸⁶ By term "extraordinary proceedings", any kind of urgent or simplified procedures are meant, despite of the term used in national legislation.

Figure 2. The use of extraordinary proceedings for the adoption of government-sponsored draft laws (percentage)



Note: *This designation is without prejudice to positions on status and is in line with United Nations Security Council Resolution 1244/99 and the Advisory Opinion of the International Court of Justice on Kosovo's declaration of independence.

Source: Analysis of SIGMA, based on publicly available information.

The RoP of the Parliament stipulates that the Government designates Government members who represent it in discussion on individual items on the agenda of the sittings of the Parliament or sittings of its committees. As a rule, Government representatives participate in parliamentary discussions on draft laws⁸⁷.

Regarding parliamentary scrutiny of the implementation of policies, there is evidence that the Parliament discussed one policy implementation report in 2020⁸⁸.

Conclusion

The overall legal framework for the parliamentary scrutiny of government affairs is adequate, and the Parliament processes all laws within a reasonable timeframe. However, challenges remain in the co-ordination and planning of legislative activities between the Parliament and the Government. A large share of Government-sponsored laws submitted to the Parliament does not originate from the GAWP and the bills proposed by MPs are not systematically reviewed by the Government.

⁸⁷ Although detailed information on the participation of government officials in parliamentary discussions was not provided (as the Parliament Department for the Preparation and Processing of the Parliament Sessions does not keep statistics on this issue), this was confirmed by representatives of both the Government and the Parliament.

⁸⁸ The only policy implementation report discussed by the Parliament during 2020 was the Report on the Stability of the Financial System, submitted by the National Bank of Serbia. The other four submitted reports were annual activity reports from specific institutions (the Ombudsman, the Regulatory Agency for Electronic Communication, the Commissioner for Gender Equality, and the Fiscal Council).

Principle 8: The organisational structure, procedures and staff allocation of the ministries ensure that developed policies and legislation are implementable and meet government objectives.

Overall, the value for the indicator ‘Adequacy of organisation and procedures for supporting the development of implementable policies’ is 2. The 2017 value was 3. The result is lower due to a lack of data that would make it possible to calculate the percentage of ministry staff involved in policy development. Also, at the level of a ministry, there are no internal rules on how to develop policies and legislation.

Indicator 2.8.1 - Adequacy of organisation and procedures for supporting the development of implementable policies						
This indicator measures the adequacy of the regulatory framework to promote effective policy making, and whether staffing levels and the basic policy-making process work adequately at the level of ministries.						
Overall 2021 indicator value  since 2017	0	1	2	3	4	5
			Points 2021	Change from 2017		
1. Adequacy of the regulatory framework for effective policy making			3/4	=		
2. Staffing of policy development departments (%)			0/2*	-1		
3. Adequacy of policy-making processes at ministry level in practice			0/6	-2		
Total			3/12	-3		

Note: *Data not available or provided.

Ministries’ structures and tasks are established through the Law on Ministries⁸⁹, which also defines ministries’ policy responsibilities. This Law is supported by rulebooks on the internal organisation and structure of ministries. The policy development process in Serbia involves policy units preparing legislative files and legal units converting policy and legislative requests into actual legislative proposals. As a general rule, the responsibility for policy development is not transferred to subordinate bodies.

While the roles and responsibilities of ministries are well-established, and ministers may delegate tasks to state secretaries⁹⁰, the process of developing policy proposals is not sufficiently structured. None of the four ministries analysed had developed internal rules that regulate the procedures and processes of policy development and legal drafting in detail.

Working groups are the main recurring mechanism through which ministerial departments directly co-ordinate the design of important strategies and important laws. However, how these working groups decide on key steps, such as initiating interministerial or public consultation, is not defined. The lack of clear internal procedures for policy development means that RIA, public consultation and interministerial consultation are not effectively integrated into the working processes of line ministries.

The involvement of relevant departments within a line ministry in policy development and law making is not done for all proposals, as no procedures exist that cover the development of laws and secondary legislation for which no working groups are established.

The Regulation on Principles for Internal Organisation and Job Classification of the Ministries stipulates that line ministries establish an internal unit that performs analytical tasks⁹¹. These units could perform an important role in improving decision making, including conducting RIA and public consultations. However, they have not yet been set up across the administration.

⁸⁹ Law on Ministries, Official Gazette No. 128/2020, Articles 3-23.

⁹⁰ Law on Public Administration, Official Gazette No. 47/2018, Article 24.

⁹¹ Regulation on Principles for Internal Organisation and Job Classification of the Ministries, Article 21a.

Since data on the staffing number of ministries was not provided for the assessment, the number of staff dealing with policy development could not be determined⁹². The 2017 SIGMA monitoring report⁹³ concluded that large inspection and implementation departments are often part of the ministerial structure instead of being subordinated bodies.

Conclusion

Ministries have well-defined organisational structures with clearly attributed policy responsibilities. Appropriate general rules support the overall system for policy development, but they are not translated into specific procedures within the ministries in practice. Data on the number of staff responsible for policy development are not available.

Principle 9: The European integration procedures and institutional set-up form an integral part of the policy-development process and ensure systematic and timely transposition of the European Union *acquis*.

Overall, the value for the indicator 'Government capability for aligning national legislation with the European Union *acquis*' is 2, lower than in 2017 when it was 3. The reduction in value is related to the lack of reporting on the implementation of the NPAA and to a lack of information on the timely translation of the *acquis*.

Indicator 2.9.1 - Government capability for aligning national legislation with the European Union *acquis*

This indicator measures the adequacy of the legal framework for the *acquis* alignment process, the government's consistency in using tables of concordance in the *acquis* alignment process and the availability of the *acquis* in the national language. It also assesses the results of the *acquis* alignment process, focusing on the planned *acquis* alignment commitments carried forward from one year to the next and how the government is able to achieve its *acquis* alignment objectives.

Overall 2021 indicator value  since 2017	0	1	2	3	4	5
				Points 2021	Change from 2017	
1. Adequacy of the regulatory framework for the <i>acquis</i> alignment process				5/5	=	
2. Use of tables of concordance in the <i>acquis</i> alignment process (%)				1/2*	-1	
3. Translation of the <i>acquis</i> into the national language				0/2*	-2	
4. <i>Acquis</i> alignment commitments carried forward (%)				0/4*	=	
5. Implementation rate of legislative commitments for <i>acquis</i> alignment (%)				0/4*	=	
Total				6/17	-3	

Note: *Data not available or provided.

The EI framework and the roles and responsibilities are defined. The legislative framework establishes rules for transposition of the *acquis*, including the authority for co-ordination and supervision by the MEI.

⁹² The ministries for which data was requested are: the Ministry of Agriculture, Forestry and Water Management; the Ministry for Economy; the Ministry for Environmental Protection; and the Ministry of Labour, Employment, Veterans and Social Affairs. Some data was available for the the Ministry for Economy, but these figures were not validated by the administration.

⁹³ OECD (2017), Monitoring Report: Serbia, OECD, Paris, p. 46, <http://www.sigmaweb.org/publications/Monitoring-Report-2017-Serbia.pdf>.

The MEI is responsible for quality control regarding the transposition of the *acquis*⁹⁴ and shares responsibility with the SL for guaranteeing that the *acquis* is transposed properly⁹⁵. Procedures are embedded within the RoP⁹⁶ and specific rules on transposition requirements⁹⁷. The requirements that apply to national legislative proposals govern the policy development and decision-making process for transposition cases. The RoP of the Government establish the process for EI-related drafts in line with those for national policy proposals. For example, requirements for RIA, costing and public consultation fully apply to the transposition of the *acquis*.

The requirement to develop tables of concordance is set out in regulations⁹⁸. SIGMA analysed a sample of cases to verify whether this requirement is systematically followed in practice. Out of the five cases analysed, tables of concordance were provided for four pieces of legislation⁹⁹.

While the MEI is responsible for ensuring translation of the *acquis*¹⁰⁰, no evidence of translations of the correct sample of EU Directives to be transposed in 2021 was provided. It was not possible to identify the correct sample because there is no up-to-date NPAA or recent reports. As a result, it was not possible to determine whether translations are available on time for the transposition process¹⁰¹.

Combined with the EI-specific co-ordination set-up, there are various structures and procedures in place to address potential disagreements between ministries during the transposition process¹⁰². The MEI is fully involved in the interministerial consultation process and must be consulted before proposals are submitted to the Government for adoption¹⁰³.

The quality of the planning process, the level of implementation of EI commitments and the potential backlog could not be determined. The EI process was characterised by a high backlog and a low implementation rate in 2017. The current NPAA that covers 2018-2021 has not been updated. There is no consistent reporting on implementation, with just three quarterly reports developed for 2019 and no reports issued for 2020¹⁰⁴. Annual implementation reports are not developed.

This lack of reporting leads to an EI system that is not transparent. This could negatively affect the ability of the MEI to co-ordinate the European integration process. It also reduces the capacity of the Government to steer the process more effectively. Without more up-to-date information, it is not possible to (re)allocate resources and adjust priorities based on practical evidence and recently verified information.

⁹⁴ Law on Ministries, Official Gazette No. 128/2020, Article 16.

⁹⁵ Rulebook on the Internal Arrangement and Systematisation of the Republic Secretariat for Legislation, 2019.

⁹⁶ RoP of the Government, Article 46.

⁹⁷ In particular, the Instruction for Filling-in the Table of Concordance of National Legislation with the EU *Acquis*.

⁹⁸ RoP of the Government, Article 39a.

⁹⁹ The following sample of cases was analysed: 1) The national control list of arms and military equipment; 2) The amendments to the Law on excise duties; 3) Amendment of the regulation on harmonisation of custom tariffs for 2021; 4) Amendments to the Law on VAT; 5) Decision on the amounts of weighted average retail prices in minimum excises of tobacco products. The table of concordance was not provided for the National control list of arms and military equipment.

¹⁰⁰ Law on Ministries, Official Gazette No. 128/2020, Article 16.

¹⁰¹ The administration did submit several translations, but these were not in line with the assessment methodology that is applied for the selection of correct sample.

¹⁰² For the EI-specific set-up, see Principle 2.

¹⁰³ RoP of the Government, Article 46.

¹⁰⁴ Three quarterly reports on the implementation of NPAA for 2019 were submitted for the assessment. There were no reports for 2020, which is the year used in this assessment to determine the quality of EI planning.

Conclusion

The EI process is defined, responsibilities have been assigned, and the process is procedurally embedded into the overall policy development system. The use of tables of concordance is required and generally followed in practice. It was not possible to confirm whether the *acquis* is translated on time because of missing data. The quality of the planning and implementation of EI commitments could not be determined due to a lack of reporting on the implementation of the NPAA by the MEI.

Principle 10: The policy-making and legal-drafting process is evidence-based, and impact assessment is consistently used across ministries.

Overall, the value for the indicator 'Evidence-based policy making' is 3, the same as in 2017. The situation has improved somewhat in relation to strengthening the legal basis for RIA through the adoption of the LPS in 2018. At the same time, the quality of the analysis and adherence to budget impact assessment procedures shows significant gaps and some deterioration compared to 2017.

Indicator 2.10.1 - Evidence-based policy making						
This indicator measures the functioning of evidence-based policy making. It assesses the legal requirements and practice regarding the use of basic consultative processes, budgetary impact assessment and impact assessment. Moreover, it assesses the availability of training and guidance documents for impact assessment, the establishment of the quality control function, and the quality of analysis supporting the approval of draft laws.						
Overall 2021 indicator value	0	1	2	3	4	5
				Points 2021	Change from 2017	
1. Regulation and use of basic analytical tools and techniques to assess the potential impact of draft new laws				2/2	=	
2. Regulation and use of budgetary impact assessment prior to approval of policies				2/3	=	
3. Regulation and use of Regulatory Impact Assessments				3/3	+1	
4. Availability of guidance documents on impact assessment				2/2	=	
5. Quality control of impact assessment				2/3	=	
6. Quality of analysis in impact assessment				3/15	-3	
Total				14/28	-2	

The LPS and the RoP define the steps that must be followed when proposals are sent for approval at Government sessions. Draft decisions submitted by a ministry to the Government should be accompanied by a rationale explaining the need and justification for the proposal. Ministries also need to provide replies to a set of questions on the proposal's impact and assess the costs of implementation¹⁰⁵.

Every policy proposal must be supported by a Financial Impact Assessment (FIA)¹⁰⁶, guidance has been developed for line ministries on how to develop these¹⁰⁷. The MoF is responsible for safeguarding the quality of the assessments and is expected to issue its opinion on each proposal¹⁰⁸. However, the

¹⁰⁵ Law on the Planning System, Articles 31 and 41, and RoP of the Government, Articles 39 and 46.

¹⁰⁶ RoP of the Government, Article 39.

¹⁰⁷ Rulebook on the Manner of Presentation and Reporting Estimated Financial Effects of the Law, Regulation or Other Act on the Budget or Financial Plan and the Instruction for Filling in the FIA Form, adopted in March 2015.

¹⁰⁸ RoP of the Government, Article 46.

implementation of the FIA process and scrutiny by the MoF in 2020 was not fully consistent. The opinion of the ministry was missing for one of the five analysed sample laws¹⁰⁹.

The process of developing RIAs is established and is supported by guidelines that contain examples and are published online¹¹⁰.

The PPS provides opinions on the quality of every RIA and assesses whether the package of documents is complete. The opinions of the PPS are published on its website, along with the proposals and associated impact analysis. However, the PPS does not have the official right to return RIAs and verify that that line ministries have included PPS's comments on the analysis and put evidence into the final version of the impact assessment report accompanying the draft laws and policy documents submitted for the Government's approval. Such a mandate would be helpful to ensure that the Government has the best information and evidence about the policy proposal to make informed decisions. In 2020, no training sessions on RIA could have been expected to be organised due to the COVID-19 pandemic, however, the complete halt to training provision is disproportionate. Overall, the training outreach is limited: the number of trained officials remains low and insufficient given the size of the Serbian administration.

A review of five sample laws shows that impact analysis is not comprehensive¹¹¹. At times, the Explanatory Statement of a proposal can be more informative than the accompanying RIA. Although the problems are defined and the justification for the proposal are clear, competing options are not considered. In practice, each RIA presents the analysis of the preferred option and does not compare the option to the status quo.

In addition, the overall quality of impact analysis is poor, as relevant impacts are not systematically identified nor quantified. Direct budget implications were calculated for two draft laws only¹¹². Implementation requirements and approaches to monitoring and evaluation are not comprehensively presented either. Finally, RIAs are drafted in a style and manner that make them less useful for informing decision makers and stakeholders about the trade-offs and key decision aspects of a proposal.

Conclusion

Ministries develop RIAs for draft proposals, and respective requirements are comprehensive, with implementation supported by easily accessible and detailed guidelines. Yet, the quality of the analysis of impacts is generally low. The PPS routinely scrutinises the quality of RIAs, and its opinions are published along with the proposals and supporting RIAs. The PPS does not, however, have a mandate to return low-quality RIAs and request resubmission after revision. The number of staff trained on RIA is low and insufficient. Financial Impact Assessments are required, but the process is not always adhered to.

¹⁰⁹ The sample laws analysed for the assessment were: the draft Law on Digital Property; the draft Law on Fiscalisation; the draft Law on Games of Chance; the draft Law on the Memorial Centre "Staro Sajmište"; and the draft Law on the Right of Veterans. The Ministry of Finance did not issue its opinion on the draft Law on the Right of Veterans, which means that it did not perform its function as stipulated in the RoP.

¹¹⁰ They are published online at <https://rsjp.gov.rs/cir/dokumenti-kategorija-cir/prirucnici-cir/>.

¹¹¹ The sample laws analysed for the assessment were: the draft Law on Digital Property; the draft Law on Fiscalisation; the draft Law on Games of Chance; the draft Law on the Memorial Centre "Staro Sajmište"; and the draft Law on the Right of Veterans.

¹¹² Costing figures were presented only for the the draft Law on the Memorial Centre "Staro Sajmište" and the draft Law on the Right of Veterans. The possible benefits of these laws were not quantified, nor was it explained why no quantification was possible.

Principle 11: Policies and legislation are designed in an inclusive manner that enables the active participation of society and allows for co-ordination of different perspectives within the government.

Overall, the value for the indicator 'Public consultation on public policy' is 2, the same as in 2017. The adoption of the LPS improved the legal basis for conducting public consultations. However, the requirements are not followed in practice.

Overall, the value for the indicator 'Interministerial consultation on public policy' is 3, the same as in 2017.

Indicator 2.11.1 - Public consultation on public policy						
This indicator measures the implementation of public consultation processes in developing policies and legislation. It assesses the regulatory framework, the establishment of the quality control function on public consultation and the consistency in publishing draft laws for written public consultation online, and tests whether minimum standards for public consultations were upheld for approved draft laws.						
Overall 2021 indicator value	0	1	2	3	4	5
			Points 2021	Change from 2017		
1. Adequacy of the regulatory framework for an effective public consultation process			10/10	+1		
2. Quality assurance of the public consultation process			0/3	=		
3. Consistency in publishing draft laws for written public consultation			0/4*	-1		
4. Test of public consultation practices			4/24	-4		
Total			14/41	-4		

Note: *Data not available or provided.

The need for consultation with external stakeholders is enshrined in the Law on Public Administration, the RoP of the Government, the LPS and is expressed in various guidelines^{113, 114}. Relevant requirements are defined by the legal framework, except for the reporting in detail on the contributions provided by stakeholders and detailed information on how these were taken into account. Three legal acts determine which proposals need to be publicly consulted.

As the most common and legally required form of consultation defined in the RoP¹¹⁵, public debates must be conducted for draft proposals that would change legal matters significantly or when the public has a significant interest in the topic of the law. Public debates conducted by ministries are expected to be published on their websites and the e-government portal. However, during 2020, the organisation of public debates was severely hampered due to the COVID-19 pandemic: no such debates were organised between March and October 2020¹¹⁶.

The Law on State Administration stipulates that public consultation is required during the preparation of draft laws, other regulations and acts¹¹⁷.

¹¹³ Handbook for RIA and the 2020 Guidelines for Inclusion of Civil Society Organisations in the Regulation Adoption Process.

¹¹⁴ The PPS indicated during interviews that a new and more comprehensive guidance document on conducting public consultation was being prepared and that an online consultation platform was expected to be launched. Since these developments had not yielded concrete results by 30 June 2021 – the end date for submission of data for the assessment – these developments could not be taken into account.

¹¹⁵ RoP of the Government, Article 41.

¹¹⁶ Alarm Reports, <http://preugovor.org/Publications/1131/Alarm-Reports.shtml>, p. 39.

¹¹⁷ Law on State Administration, Article 77.

The LPS states that public consultations need to be conducted for policy documents, laws and secondary legislation¹¹⁸.

While these three legal acts set overall requirements for public consultation, the Public Consultation Manual provides further guidance on how to consult stakeholders and the public¹¹⁹.

Due to a lack of information about the implementation of the public consultation process across the administration, it was not possible to assess whether line ministries conduct consultations in line with the legal requirements. Further, it could not be concluded from public sources which draft laws had been prepared by the sample ministries¹²⁰. In addition, there is no annual report on the implementation of the GAWP 2020.

No organisation is responsible for scrutinising the consultation process or its outcomes. The GSG needs to ensure that the report on the public debate is part of the package submitted for the Government sessions, but it does not check the quality of the information on the consultations. The PPS does not have the mandate to issue an opinion on the outcomes of the consultation process. Draft proposals can thus still be submitted for the Government's adoption even though they do not adhere to the requirements for public consultation set out in legislation.

The analysis of five samples¹²¹ shows serious shortcomings related to the public consultation process. Public consultations are not announced in advance, and it is not always clear whether stakeholders submitted comments and whether other forms of consultation in addition to online consultation were used. Moreover, while the outcome of a public debate should be included in the package when a proposal is submitted for Government adoption, no detailed overviews are available in which stakeholder suggestions are presented, along with information on whether or not suggestions were taken forward.

Indicator 2.11.2 - Interministerial consultation on public policy					
This indicator measures the adequacy of the regulatory framework for the interministerial consultation process and tests the system in practice for five draft laws.					
Overall 2021 indicator value	0	1	2	3	4 5
				Points 2021	Change from 2017
1. Adequacy of the regulatory framework for an effective interministerial consultation process				5/9	=
2. Test of interministerial consultation practices				8/12	+2
Total				13/21	+2

The RoP regulates the requirement to obtain opinions through interministerial consultation before proposals are submitted to the Government for adoption¹²². While the SL and the MoF must be consulted on all documents, the MEI must be consulted when proposals align the Serbian regulations with the *acquis*. The PPS must be consulted on laws and strategies, especially with regard to RIA quality. Other

¹¹⁸ Law on the Planning System, Articles 34, 35, 36 and 41.

¹¹⁹ Based on information provided by the PPS, the Public Consultation Manual was approved on 16 July 2021. It was shared for this assessment after the deadline for submission of formal documentation and information of 30 June 2021. The text of the report was adjusted to reflect this development. The indicator score remained unchanged.

¹²⁰ The ministries analysed are: the Ministry of Agriculture, Forestry and Water Management; the Ministry for Economy; the Ministry for Environmental Protection; and the Ministry of Labour, Employment, Veterans and Social Affairs.

¹²¹ The sample laws analysed for the assessment were: the draft Law on Digital Property; the draft Law on Fiscalisation; the draft Law on Games of Chance; the draft Law on the Memorial Centre "Staro Sajmište"; and the draft Law on the Right of Veterans.

¹²² RoP of the Government, Article 46.

state administration bodies must be consulted when the subject matter of a draft act touches upon their competence.

Interministerial consultation is a regular procedure within the Serbian administration. The process yields a large number of responses provided from a wide range of ministries and organisations.

The CoG bodies are generally consulted and issue their opinions as required. However, there was a critical exception to this practice observed in the samples analysed. The MoF did not issue its opinion on one draft law. This was the case even though the ministry participated in the working group to develop the law and was thus aware of its existence and content¹²³.

The Government receives only the individual opinions submitted during interministerial consultation. Even though the RoP state that the Government must be informed about the issues that were not accepted¹²⁴, no summary of the comments shows which comments were taken forward, why these were accepted and on what grounds others were discarded.

The RoP stipulate that a series of committees should act as filtering bodies before Government sessions, but no official conflict-resolution mechanism exists at high administrative level¹²⁵. This means that mechanisms for conflict resolution within the administration are sub-optimal, as no CoG institution ensures effective conflict resolution when the interministerial consultation process highlights substantial differences between ministries.

Conclusion

The RoP establish the rules for interministerial consultation. Public consultation is required for policy documents, laws and secondary legislation. Reporting on both types of consultation does not include detailed explanations on whether or not suggestions were taken forward. The Government does not receive information on opinions and the reasons for rejecting comments. No official high-level administrative mechanism exists for resolving conflicts between ministries.

¹²³ As stated under Principle 10, the MoF did not provide its opinion on the Law on the Right of Veterans.

¹²⁴ RoP of the Government, Article 48.

¹²⁵ Article 88 of RoP of the Government stipulates that the Government decides when there is a conflict between two or more ministries. The GSG is tasked with preparing the Government position in co-operation with the Ministry of Innovation and Public Administration and Local Self-Government and the Republic Secretariat for Legislation (RSL). The GSG is not tasked with mediating between the ministries that are in conflict or with trying to obtain agreement on a common position before the Government meeting. Neither is there a platform or mechanism through which senior management of line ministries meet to, for example, discuss the upcoming Government session agenda and possible issues that might still need to be resolved.

Principle 12: Legislation is consistent in structure, style and language; legal drafting requirements are applied consistently across ministries; legislation is made publicly available.

Overall, the value for the indicator 'Predictability and consistency of legislation' is 4, the same as in 2017.

Overall, the value for the indicator 'Accessibility of legislation' is 4. The value in 2017 was 3. The improvements relate to the higher score in relation to the perception regarding the availability of laws and regulations affecting businesses and better information provision by the administration.

Indicator 2.12.1 - Predictability and consistency of legislation

This indicator measures the predictability and consistency of legislation. It assesses the availability of training and guidance along with the establishment of the quality control function. The consistency of laws is assessed based on the ratio of laws amended one year after adoption, and predictability is assessed through the perceived consistency of interpretation of business regulations.

Overall 2021 indicator value  since 2017

0 1 2 3 **4** 5

	Points 2021	Change from 2017
1. Availability of guidance documents on legal drafting	2/2	=
2. Quality assurance on legal drafting	3/3	=
3. Laws amended one year after adoption (%)	3/3	+1
4. Perceived clarity and stability of government policy making by businesses (%)	1/2	+1
5. Timeliness of adoption of mandatory bylaws (%)	0/3	new ¹²⁶
Total	9/13	+2

Detailed guidelines on how to structure and formulate legislation are in place¹²⁷. The legislative drafting methodology sets out in detail how a law should be structured¹²⁸. The guidelines are available online¹²⁹.

The RoP of the Government define the responsibility of the SL for checking the quality of legislation¹³⁰. The SL scrutinises all draft laws before they are placed on the agenda for adoption by the Government. The quality assurance process for the legal conformity of draft laws is well-embedded in the policy-development process as the SL provides its opinion on all analysed sample laws¹³¹.

¹²⁶ This is a new sub-indicator since the 2017 assessment.

¹²⁷ Unified Drafting Methodology Rules, Official Gazette, No. 21/2010. Also relevant are the conclusion and methodology for drafting by-laws of 14 October 2010.

¹²⁸ Clarity regarding the rules for drafting legal acts does not mean there are no challenges with legal drafting, the translation of policies into legislation or implementation of legal obligations. In line with the previous assessments, this was acknowledged during assessment interviews.

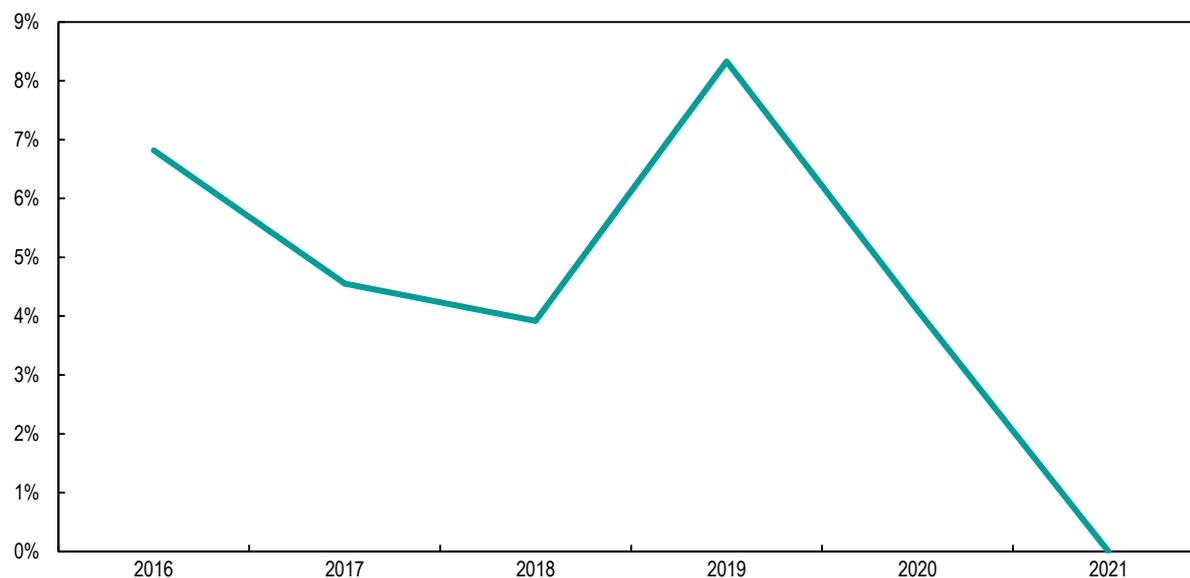
¹²⁹ Unified Drafting Methodology Rules, <https://www.pravno-informacioni-sistem.rs/SlGlasnikPortal/eli/rep/sgrs/skupstina/uputstvovsmernicapravilopreporuka/2010/21/1/reg> and Conclusion (on the Adoption of the Methodology for Drafting By-laws), <https://www.pravno-informacioni-sistem.rs/SlGlasnikPortal/eli/rep/sgrs/vlada/zakljucak/2010/75/1/reg>.

¹³⁰ RoP of the Government, Article 46, stipulates that the RSL has to receive every draft law and decree, fiscal strategy, development strategy, declaration and conclusion. Article 61 stipulates that the RSL is to safeguard the constitutionality of a law and prevent disharmony of the legal system.

¹³¹ The sample laws analysed for the assessment were: the draft Law Amending the Law on Public Media Services; the draft Law on Amendments to the Law on Public Service Employees; the draft Law on Amendments to the Law on Salaries of Persons in Paid Employment in Public Agencies and Other Organizations Established by the Republic of Serbia, Autonomous Province or Local Government Unit; the draft Law on Amendments to the Law on Salaries of Officials and Employees in Authorities of Autonomous Provinces and Local Self-government Units; and the draft Law on Amendments to the Law on the Public Sector Salary System.

No laws were amended within one year of adoption in 2020 (Figure 3). This indicates that there were no frequent changes introduced to new legislation. However, such stability may partially be related to the lower parliamentary activity when Parliament was suspended from 15 March to 27 April 2020¹³² because of COVID-19 restrictions, as well as due to parliamentary elections in summer 2020.

Figure 3. Laws amended within one year after adoption, Serbia, 2016-2021 (%)



Source: SIGMA's analysis, based on data provided by the Serbian administration.

According to the 2021 Balkan Barometer survey, 51.5% of the responding businesses strongly agreed or mostly agreed that laws and regulations affecting their companies are clearly written, are not contradictory and do not change too frequently¹³³. In 2017, the figure was 40%, which shows a significant improvement over past years.

The indicator 'Timeliness of adoption of mandatory by-laws' shows that only 12 of 40 required pieces of secondary legislation (30%) were adopted within the legally set deadline. This indicates significant challenges with ensuring that legal requirements are implemented on time and with consistency and clarity of the legal framework.

¹³² On 15 March 2020, the Minister of Health enacted the Order banning assembly in Serbia in public places and indoors with the aim to prevent the spread of the COVID-19 virus which prohibited the gatherings of over 50 people (while the Parliament consists of 250 deputies). According to Article 244 of the Rules of Procedure of the National Assembly, in the case of a state of war or a state of emergency, the Speaker of the National Assembly notifies the President of the Republic and the Prime Minister that the National Assembly is not able to convene. Source: Venice Commission, Council of Europe monitoring – observatory on emergency situations (<https://www.venice.coe.int/files/EmergencyPowersObservatory/T13-E.htm>).

¹³³ Of the respondents, 43.5% answered "tend to agree" and 8% answered "strongly agree" to the following statement: "Laws and regulations affecting my company are clearly written, not contradictory and do not change too frequently." Data drawn from Regional Cooperation Council, Balkan Barometer Business Opinion database (<https://www.rcc.int/balkanbarometer>).

Indicator 2.12.2 - Accessibility of legislation

This indicator measures both the regulatory framework for making legislation publicly available and the accessibility of legislation in practice, based on the review of the availability of legislation through the central registry and as perceived by businesses.

Overall 2021 indicator value  since 2017

0 1 2 3 **4** 5

	Points 2021	Change from 2017
1. Adequacy of the regulatory framework for public accessibility of legislation	5/6	-1
2. Accessibility of primary and secondary legislation in practice	8/8	+4
3. Perceived availability of laws and regulations affecting businesses (%)	1/2	+1
Total	14/16	+4

The legal framework for publishing legislation is comprehensive and includes all relevant requirements, such as procedures for submitting legislation for publication and the types of legislation that need to be published¹³⁴. The Official Gazette is the competent body for publishing legislation. There is no specific deadline for the Official Gazette to publish legislation within a certain period after submission. However, in practice, a submitted legal act is published in the first following number of the Official Gazette¹³⁵.

All legal texts are available through a central online registry. Consolidated versions of legislation are published (i.e. updated texts into which amendments have been integrated). The basis for this is provided by the Law Regulating the Official Gazette¹³⁶. Consolidated texts are typically unofficial because official consolidation can only be done if a law explicitly requires it.

According to the 2021 Balkan Barometer survey, 57.5% of responding businesses strongly agreed or mostly agreed that it is easy to obtain information about laws and regulations affecting their companies from the Serbian authorities¹³⁷. In 2017, the figure was 48%, which shows an improvement over past years.

Conclusion

Requirements for drafting laws are established, and quality control for legal texts is well-embedded within the policy development process. However, the majority of by-laws are not adopted by the time the law takes effect, which reduces clarity of the legal framework and legal certainty. All legislation is available electronically, and consolidated versions of laws are typically unofficial texts.

¹³⁴ Law on the Publication of Laws and Other Regulations and Acts, Official Gazette No. 45/2013 and Regulation on the Establishment and Management of Legal Information System, Official Gazette No. 113/2013.

¹³⁵ Law on Publishing Laws and Other Regulations and Acts, Official Gazette No. 45, 22 May 2013, Article 20.

¹³⁶ Law on Publishing Laws and Other Regulations and Acts, Official Gazette No. 45, 22 May 2013.

¹³⁷ Of the respondents, 46% answered "tend to agree" and 11.5% answered "strongly agree" to the following statement: "Information on the laws and regulations affecting my company is easy to obtain from the authorities." Data drawn from Regional Cooperation Council, Balkan Barometer Business Opinion database (<https://www.rcc.int/balkanbarometer>).

Public Service and Human Resource Management

The Principles of Public Administration

Public Service and Human Resource Management

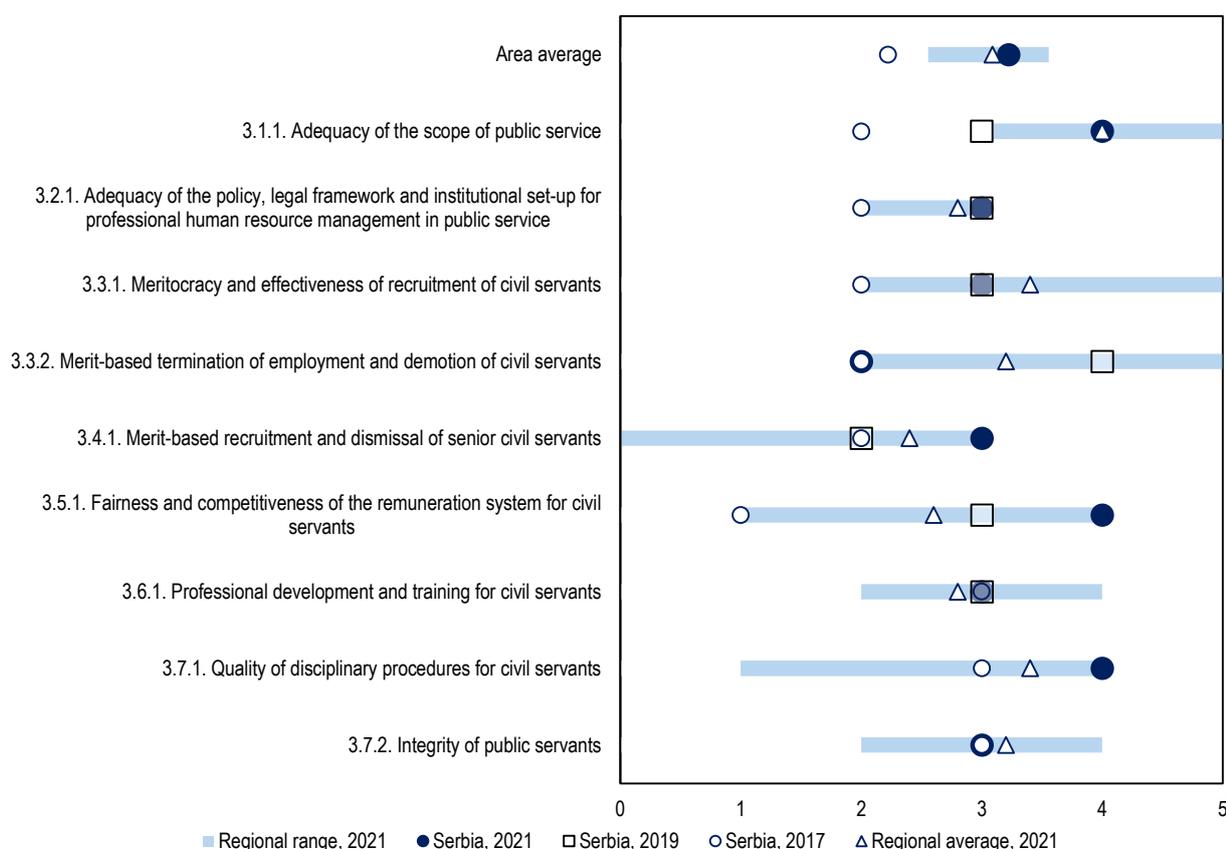
Principle 1	The scope of public service is adequate, clearly defined and applied in practice.
Principle 2	The policy and legal frameworks for a professional and coherent public service are established and applied in practice; the institutional set up enables consistent and effective human resource management practices across the public service.
Principle 3	The recruitment of public servants is based on merit and equal treatment in all its phases; the criteria for demotion and termination of public servants are explicit.
Principle 4	Direct or indirect political influence on senior managerial positions in the public service is prevented.
Principle 5	The remuneration system of public servants is based on job classifications; it is fair and transparent.
Principle 6	The professional development of public servants is ensured; this includes regular training, fair performance appraisal, and mobility and promotion based on objective and transparent criteria and merit.
Principle 7	Measures for promoting integrity, preventing corruption and ensuring discipline in the public service are in place.

Public Service and Human Resource Management

Summary and recommendations

The area average for public service and human resource management (HRM) is 3.2, slightly above the regional average of 3.1. The average of the indicator values has improved significantly compared to 2017 when it was 2.2.

Serbia performs slightly above the regional average in the area of public service and human resource management and is a frontrunner in fairness and competitiveness of the remuneration system and quality of disciplinary procedures



The legal framework for public service and HRM remains solid. **The horizontal and vertical scopes of civil service are adequate, except for a number of public agencies** with a higher degree of autonomy (mostly regulatory bodies), which are excluded from the civil service system without justified reasons.

The most prominent development since the last monitoring of this area (2019) is the **full implementation of the competency model throughout public administration and its incorporation in the recruitment procedures**. The new recruitment system, based on the competency model, is very complex and the procedures are lengthy. The selection procedure is a combination of centralised and decentralised steps. Centralised steps account for approximately 60% of the total result value and are very standardised, without considering the requirements of a specific job. Most of them have very limited selective value, as the success rates are extremely high. A thorough evaluation of the new system is recommended against the main objective of the selection procedures, recruiting the candidate with the most suitable experience, knowledge, skills and competencies for the job.

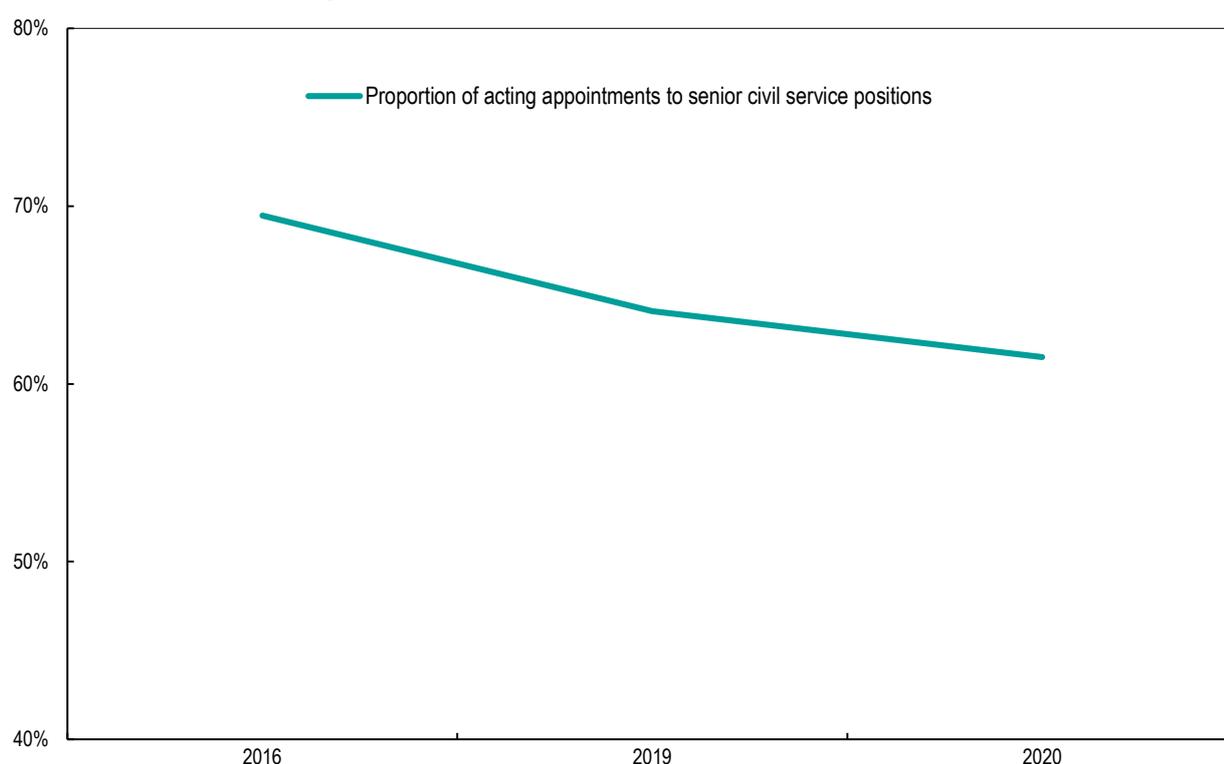
Judged by the average number of candidates, the **attractiveness of the civil service as an employer remains low**. The possibility of political interventions in the structure of the selection panels leaves room for undue political influence. Over 10% of civil service positions are filled on a temporary basis without

competition. This issue will be resolved in 2023 when a legislative provision requiring competitions for most temporary recruitments will come into force.

Insufficient autonomy of administrative bodies in making decisions on launching new recruitments remains an issue. The requirement that the government commission approves for every new recruitment has been slightly loosened but remains in place. Individual institutions have insufficient autonomy to plan and manage recruitments. While staffing plans are envisaged in the legislation, they do not exist in practice.

The most problematic outstanding issue remains an excessive number of “acting” senior managerial civil servants where no progress has been achieved. It is becoming obvious that the Government and its ministers have not accepted the recruitment system as established by the legislation, and the provisions of the law are not abided by. Furthermore, the level of protection of senior managerial civil servants in cases of demotion due to reorganisations is critically low.

The excessive number of acting directors persists as one of the most critical issues in the public service and HRM area



Source: Based on data provided by the HRMS.

While the human resources function is well-developed at the level of the central government, the HRM Service (HRMS) is not directly accountable to the Ministry of Public Administration and Local Self-Government (MPALSG). Even though this ministry is responsible for civil service policies, it does not have formal authority to steer the work of the HRMS. The HRMS should also **better enforce its co-ordination role and build up a platform for regular discussions and exchange of experience among the HRM network.** The **HRM units of individual institutions are still weak and lack sufficient capacities** to cope with the strategic challenges of modern people management. In addition, a central HRM information system (HRMIS) is still a work in progress, which results in a lack of reliable data and analytics, indispensable for the good performance of HRM functions.

The **salary system is sound, based on job classification and without performance-related bonuses.** The salary levels are competitive with the private sector, with the caveat that the effects of the shadow economy on the official data on the average salary in the private sector are not taken into account in the comparison.

The implementation of the **new salary system for the public sector** has been postponed until the beginning of 2022. While the new system will constitute a major improvement in the salary arrangements for the wider public sector, it will not significantly improve the situation in the civil service which is solid even without the envisaged reform.

The central training institution (National Academy of Public Administration, NAPA) has the necessary capacities and performs well. The overall budget for both centralised and decentralised training is still too low, and the data on decentralised trainings are only partly available. A sound performance appraisal system is enacted and implemented, but the distribution of performance grades continue to be highly skewed towards the higher categories.

Public perception of corruption in public administration is still high. The institution responsible for strengthening public sector integrity and preventing corruption has adequate capacities and is performing well. It only lacks the prerogatives to request relevant data on the personal assets of officials from financial institutions.

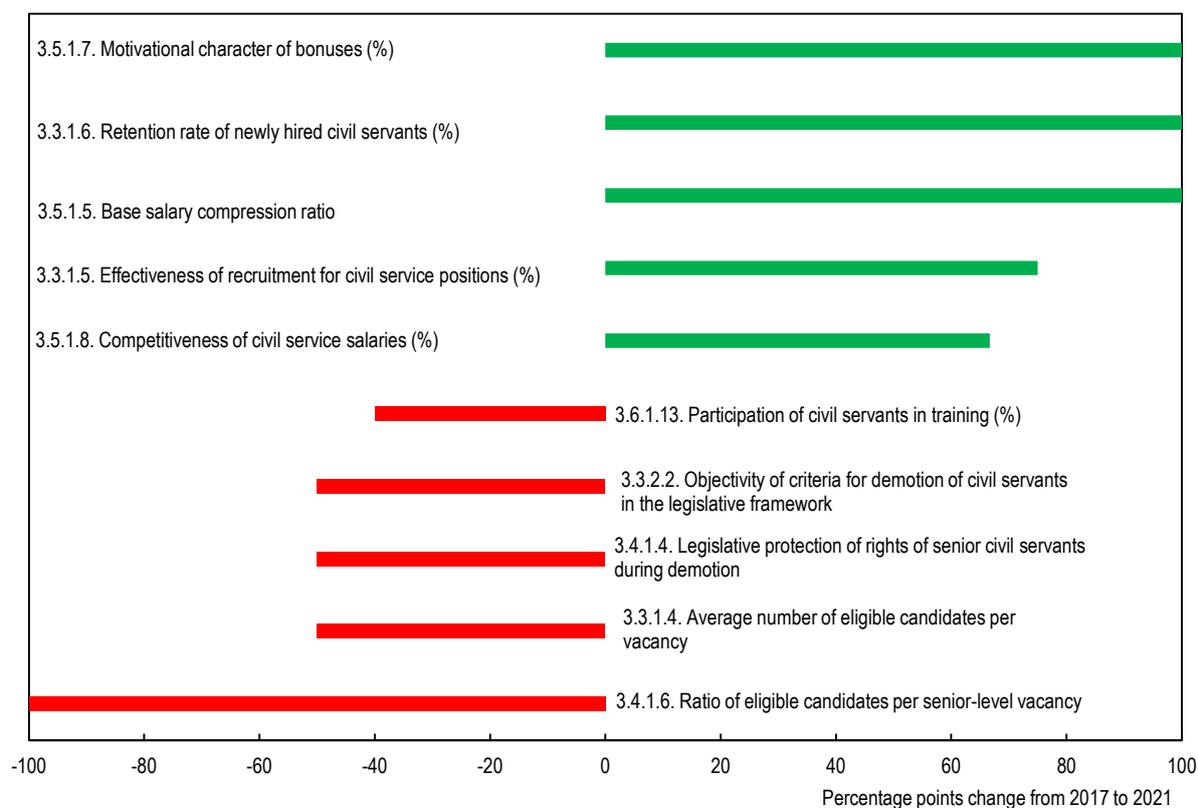
Short-term recommendations (1-2 years)

- 1) The Government should significantly reduce the current number of acting civil servants in senior managerial positions; a reform of the recruitment and appointment system could be considered as an option.
- 2) The Government should provide flexibility and managerial autonomy regarding planning and launching recruitment to public administration bodies, within the parameters of a central strategic framework (budget and HR plans).
- 3) The MPALSG and the HRMS should conduct a thorough evaluation of the new recruitment procedure's effectiveness and efficiency and adjust it to ensure that the candidates who best suit the ideal profile (experience, knowledge, skills and competencies) are selected and appointed.
- 4) Individual administrative bodies, with the support of the Government, should further strengthen their HR function. The HRMS should enhance co-ordination, knowledge sharing and exchange of good practices.
- 5) The HRMS should complete the development of the HRMIS and ensure interoperability with relevant information technology (IT) systems.
- 6) The HRMS and HR units should take measures to improve the implementation of the performance appraisal system and normalise the distribution of performance appraisal results.

Medium-term recommendations (3-5 years)

- 7) The Government should include public agencies in the scope of the civil service and harmonisation of special laws with the Law on Civil Service (CSL).
- 8) The Government should consider placing the HRMS under the steering of the MPALSG for clearer and more logical lines of reporting and policy co-ordination.
- 9) The Government should improve the protection of senior managerial civil servants in case of reorganisation, ensuring their right to be assigned to an equivalent position or to receive fair compensation.

The five highest percentage point increases and decreases for all sub-indicators in the area compared to 2017. While the retention rate and effectiveness of recruitment have improved, the average number of eligible candidates per vacancy has deteriorated



Analysis

Principle 1: The scope of public service is adequate, clearly defined and applied in practice.

Overall, the value for the indicator 'Adequacy of the scope of public service' is 4, which is an improvement from 2019, when it was 3. The vertical and horizontal scopes of the civil service remain adequately established, except for public agencies. The improvement is mainly due to the implementation of the broader material scope introduced through amendments to the Law on Civil Service (CSL) in late 2018.

Indicator 3.1.1 - Adequacy of the scope of public service						
This indicator measures the extent to which there is a legal framework establishing an adequate horizontal, vertical and material scope for the public service, and whether it is consistently applied across the public sector.						
Overall 2021 indicator value  since 2017	0	1	2	3	4	5
			Points 2021	Change from 2019	Change from 2017	
1. Clarity in the legislative framework of the scope of the civil service			2/2	=	=	
2. Adequacy of the horizontal scope of the public service			4/6	+2	+4	
3. Comprehensiveness of the material scope of civil service legislation			2/2	=	=	
4. Exclusion of politically appointed positions from the scope of the civil service			2/2	=	=	
5. Clarity of the lower division line of the civil service			1/1	=	=	
Total			11/13	+2	+4	

The horizontal scope of the civil service is clearly established in the CSL¹³⁸, complemented by the Law on the State Administration (LSA)¹³⁹. It includes public administration bodies (i.e. ministries, special organisations and bodies within ministries), Government services, courts, the Public Prosecutors' Offices, the State Attorney's Office, the services of the National Assembly, the President of the Republic, the Government, the Constitutional Court and services of authorities whose members are elected by the National Assembly (state authorities). Public agencies, which perform state functions and include regulatory bodies, are excluded from the scope of the civil service, and their employment relations are regulated by the general Labour Code, with exceptions based on special legislation. Special legislation applying to some authorities within ministries, such as the Tax Administration (TA) and the Administration for the Execution of Criminal Sanctions (AECS), contains provisions that are not aligned with the CSL; in some cases, no justification can be found for such special provisions¹⁴⁰.

Data available, confirms the comprehensiveness of the horizontal scope of the civil service in the central government administration. Aggregated data by type of institution (Table 1) shows that, in 2020, 85% of permanent employees working in ministries were civil servants. This percentage was higher in special organisations but substantially lower in Government services and services of administrative districts.

¹³⁸ Law on Civil Service (CSL), Official Gazette, Nos. 79/2005, 81/2005, 83/2005, 64/2007, 67/2007, 116/2008, 104/2009, 99/2014, 94/2017, 95/2018 and 157/2020.

¹³⁹ Law on State Administration, Official Gazette, Nos. 79/2005, 101/2007, 95/2010, 99/2014, 30/2018 and 47/2018.

¹⁴⁰ These provisions refer mainly to the discretionary power of the heads of these institutions to appoint a short-listed candidate – not necessarily the first-ranked one – in competitions to fill vacancies. Additionally, in the Administration for the Execution of Criminal Sanctions, written tests are only optional in selection procedures.

Table 1. Share of civil servants in each type of central government body

Type of public body	Permanent employees	Civil servants	
		No.	%
Ministries	11 147	9 522	85%
Special organisations	3 698	3 594	97%
Government services	1 224	542	44%
Services of administrative districts	213	123	58%
Total	16 282	13 781	85%

Source: Based on data provided by the HRMS.

The civil service's vertical scope is clearly established in legislation, and it is well-aligned with the *Principles of Public Administration*. The CSL excludes elected and politically appointed officials from the civil service¹⁴¹. Positions one level under the minister, such as assistant ministers, secretaries of ministries and directors of administrative bodies within ministries are included in the senior civil service. Regarding the lower end of the civil service vertical scope, persons with auxiliary tasks are excluded from the "civil service"¹⁴².

The material scope of the CSL is comprehensive and includes all relevant areas. Concerning salaries, the CSL refers only to the right to salary, while the Law on Salaries of Civil Servants and State Employees (LSCSSE)¹⁴³ provides a comprehensive regulation.

Conclusion

The horizontal and vertical scopes of the civil service are clearly established in the legislation. The vertical scope is adequate. The horizontal scope is adequate, except for the public agencies, which are exempted. For some institutions (e.g. TA), special legislation contains certain specificities that are not justified by the specific nature of the institution.

¹⁴¹ These positions encompass deputies of the Parliament, the President of the Republic, members of the Government, public prosecutors, deputy public prosecutors and other persons elected by the Parliament or appointed by the Government, judges of the Constitutional Court, and persons who have the position of officials according to special regulations. State Secretaries, which are political positions equivalent to deputy ministers or ministers of the state, are also excluded from the civil service.

¹⁴² CSL, Article 2.

¹⁴³ Law on Salaries of Civil Servants and State Employees (LSCSSE), Official Gazette, Nos. 62/2006 and last amendment in Official Gazette, No. 95/2018.

Principle 2: The policy and legal frameworks for a professional and coherent public service are established and applied in practice; the institutional set-up enables consistent and effective human resource management practices across the public service.

Overall, the value for the indicator 'Adequacy of the policy, legal framework and institutional set-up for professional HRM in public service' is 3, the same as in 2019. The civil service policy and institutional set-up remain well defined. Shortcomings concerning HRM capacities, the functionality of the HRMIS, and data availability are still in place.

Indicator 3.2.1 - Adequacy of the policy, legal framework and institutional set up for professional human resource management in public service						
This indicator measures the extent to which the policy, legal framework and institutional capacities are in place and enable consistent human resource management (HRM) practices across the public service, and assesses whether policies and laws are implemented to ensure proper management of the civil service, for example a functioning civil service database, availability and use of data, etc.						
Overall 2021 indicator value  since 2017	0	1	2	3	4	5
	Points 2021	Change from 2019	Change from 2017			
1. Establishment of political responsibility for the civil service	2/2	+1	+1			
2. Quality of public service policy documents	4/4	=	=			
3. Implementation and monitoring of public service policy	1/4	-2	=			
4. Right balance between primary and secondary legislation	2/2	=	=			
5. Existence of a central, capable co-ordination body	2.5/4	-1	=			
6. Professionalism of HRM units in civil service bodies	0/2	-1	=			
7. Existence of a functional HR database with data on the civil service	0/4	=	-1			
8. Availability and use of data on the civil service	3/5	+3	+3			
Total	14.5/27	=	+3			

The political responsibility for civil service policy and HRM is clearly vested in the Minister of Public Administration and Local Self-government (MPALSG). Several public bodies share institutional responsibilities for the area. The main stakeholders include the MPALSG, the HRMS, the High Civil Service Council (HCSC) and the National Academy of Public Administration (NAPA). The MPALSG is responsible for the supervision of the CSL implementation through the Administrative Inspectorate. It is also responsible for labour relations and salaries in state bodies, public agencies and public services. It develops policies for the professional development of employees in state bodies.

The HRMS, which is responsible for civil service recruitment and selection, mobility and career development in public administration authorities and Government services, reports to the Secretary-General of the Government and not to the responsible ministry. The HRMS also advises public bodies on personnel management, provides professional and technical assistance to the HCSC and manages the Central Personnel Registry, which integrates the central HRMIS. The co-operation between the MPALSG and the HRMS is good. However, the fact that the HRMS is not accountable to the MPALSG contradicts the principle that the implementing agency should account to the ministry responsible for the policy area and the ministry should have the authority to steer the agency's work in the area¹⁴⁴.

The HCSC decides on rights and duties of senior civil servants appointed by the Government, manages disciplinary procedures affecting them, appoints the competition commission for competitions to fill senior civil service vacancies when the Government is the appointment authority and implements the competition in these cases, with the support of the HRMS. The HCSC is also responsible for adopting the Civil Service

¹⁴⁴ See the Accountability chapter, Principle 1.

Code of Conduct and ensuring its implementation by all civil servants. The Government appoints its members at the proposal of the President of the Government.

A special law regulates the NAPA as the central institution responsible for the system of professional training in public administration. Its scope of competence encompasses state bodies, independent organisations, bodies reporting to the National Assembly (supervisory and regulatory bodies), public agencies and local self-government. The MPALSG supervises its work.

The Ministry of Finance also plays a role in HRM policies, especially concerning the setting of HR-related budget ceilings, the approval of annual HR plans according to the budget, and record-keeping for calculating the payroll. Additionally, the Public Administration Reform Council, chaired by the Prime Minister and made up of ministries, is the government body that proposes and ensures political support to strategic measures to be adopted in the public administration, including the area of public service and HRM.

The Public Administration Reform (PAR) Strategy in the area of public service encompasses all the state authorities. It has clear objectives, targets and activities, and the majority of the activities (60%, or 9 out of 15) are costed. Policy objectives are overly ambitious in some cases (e.g. catalogues of titles and positions), which, combined with the COVID-19 pandemic, led to a low rate of implementation in 2020.

The HRMS plays an important co-ordination and technical role in practice. It recently produced comprehensive guidelines on recruitment and selection, determination of competencies and performance appraisal, which are available online. Still, the HRMS needs to strengthen its capacities to ensure monitoring, co-ordination and harmonised implementation of the law and HRM procedures. HRM units have a rather administrative approach to HRM. Updated HR strategies do not exist in any of the institutions analysed. Attendance at training and specialised forums on HRM was scarce in 2020, due at least partially to the COVID-19 pandemic. So far, communication between HRMS and HRM units in public bodies is only bilateral; there is no formal network established, and HRMS does not organise regular co-ordination meetings with HRM units.

The central HRMIS is still under development, and the current Central Personnel Record run by HRMS does not contain complete data. It does not interoperate with the Register of Staff of the Users of Public Funds managed by the Treasury, with the Central register of Social insurance or other relevant IT systems. Some public bodies have their own HRM IT systems, such as the TA and the AECS. The lack of a functional HRMIS hampers comprehensive reporting and analysis and prevents the development of a more strategic approach to HRM. However, in legislation, neither the MPALSG nor the HRMS have an obligation to prepare an annual report with statistics and analysis on the public service and HRM. The legislation only provides for two specific reports, on personnel outflow and performance appraisal results. The HRMS also prepares an annual report on the quality of competitions.

Conclusion

Political and institutional responsibility for the civil service is clearly established. The HRMS reports to the Secretary-General of the Government and not to the ministry whose portfolio contains civil service, which contradicts the principle that the implementing agency should be accountable to the ministry responsible for the policy area. The HRMS has developed solid capacities that make it possible to perform central HR functions successfully, although its co-ordination role is sub-optimal. The capacity of HRM units in individual public bodies is still weak. The HRMIS is under development, and could improve the availability of data needed for strategic HRM.

Principle 3: The recruitment of public servants is based on merit and equal treatment in all its phases; the criteria for demotion and termination of public servants are explicit.

Overall, the value for the indicator 'Meritocracy and effectiveness of recruitment of civil servants' is 3, the same as in 2019 and higher than in 2017 when it was 2. Some shortcomings in the legislative framework persist. The availability of data improved and showed high percentages of vacancies filled and high retention rates.

Overall, the value for the indicator 'Merit-based termination of employment and demotion of civil servants' is 2, a step backwards from 2019 when the value was 4. The lower indicator value is largely a consequence of data related to the judicial decisions on dismissals and their implementation. From the methodological perspective, it needs to be noted that the number of these decisions is very low.

Indicator 3.3.1 - Meritocracy and effectiveness of recruitment of civil servants						
This indicator measures the extent to which the legal framework and the organisation of civil service recruitment support merit-based and effective selection of candidates wishing to join the civil service and whether this ensures the desired results in terms of competitive, fair and non-discretionary appointments that enhance the attractiveness for job seekers and performance of the public sector.						
This indicator measures only external recruitment. The indicator on merit based recruitment and dismissal of senior civil servants covers recruitment and promotion to senior managerial positions, and the indicator on professional development covers promotions to other positions.						
Overall 2021 indicator value  since 2017	0	1	2	3	4	5
			Points 2021	Change from 2019	Change from 2017	
Legal framework and organisation of recruitment						
1. Adequacy of the legislative framework for merit based recruitment for civil service positions			13/18	+1	+3	
2. Application in practice of recruitment procedures for civil service positions			8/18	-3	-1	
Performance of recruitment practices						
3. Time required to hire a civil servant			0/2	-1	=	
4. Average number of eligible candidates per vacancy			2/4	-1	-2	
5. Effectiveness of recruitment for civil service positions (%)			3/4	+3	+3	
6. Retention rate of newly hired civil servants (%)			4/4	+4	+4	
Total			30/50	+3	+7	

The legal framework for merit-based recruitment of civil servants is broadly adequate. Members of competition commissions are appointed by heads of public bodies, who are political officials (i.e. ministers) in the case of ministries. In one of the five institutions analysed, this led to regular participation of political appointees as chairpersons and members of the commissions¹⁴⁵.

Competitions are the sole avenue to access permanent civil servant positions. The legislation envisages open competitions also for fixed-term employment applied to cope with the temporary workload increases. However, entering into force of the provisions on open competitions in this case was postponed to 2023 through amendments to the CSL adopted in 2020¹⁴⁶. The percentage of total fixed-term employment, where recruitments have been carried out without competition, is significant. According to data provided

¹⁴⁵ It was the case of the Ministry of Employment, Labour, Veterans and Social Affairs. The participation of the Chief of Staff in competition commissions, as a member, was reported in interviews with the Ministry's HR staff, and it was verified through the analysis of two recruitment files provided by the Ministry.

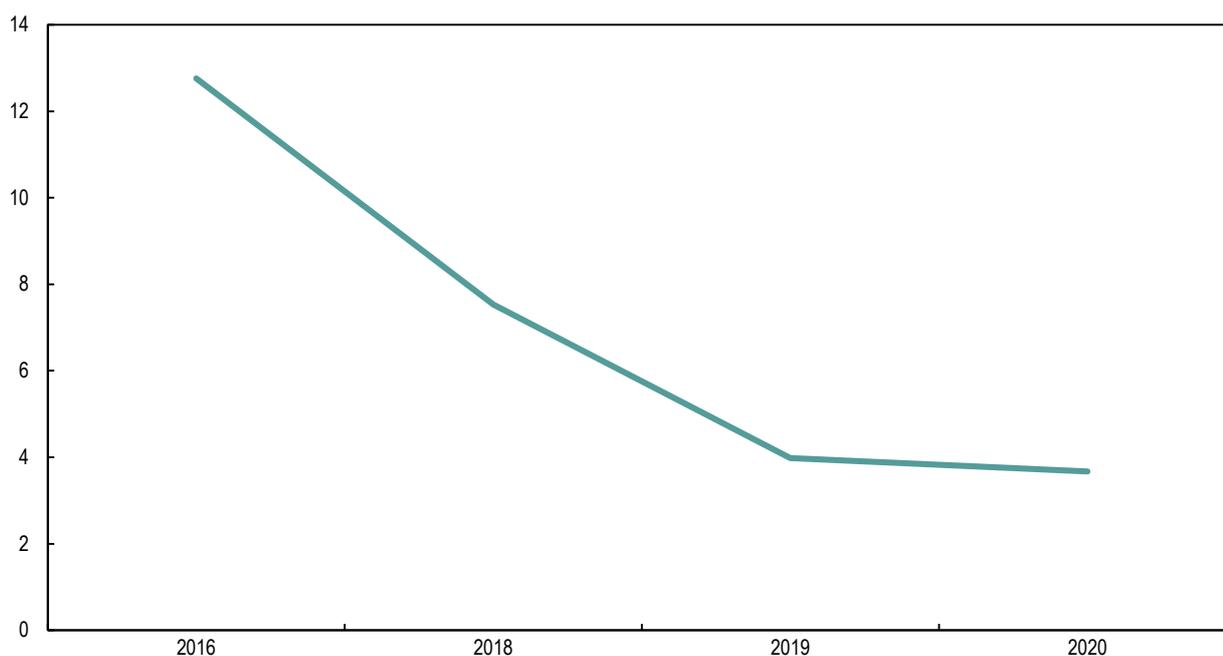
¹⁴⁶ CSL, Official Gazette, No. 157/2020.

by the HRMS, the total fixed-term employment in central government bodies amounted to 11.7% at the end of 2020 (2 160 fixed-term employees out of a total of 18 442 employees).

The CSL stipulates each public body must prepare a draft annual HR plan harmonised with the budget. The HRMS compiles the annual draft HR plan for central government bodies based on plans of individual institutions for adoption by the Government. In practice, the Government has not adopted annual HR plans since 2012. Instead, a freeze of employment was in place went hand in hand with the fiscal consolidation process¹⁴⁷. New recruitment is subject to approval by a government commission. The provisions of the law¹⁴⁸ have been softened to some extent. New recruitment without specific approval is permitted up to 70% of the number of employees who left the organisation in the previous year subtracted by the number of new employments in that year. For all new recruitment above this threshold, the administrative body must request an administrative approval. No criteria are laid down for the government commission's decision.

Each public body manages the announcement of vacancies and competitions to non-senior civil servant positions according to the CSL and secondary legislation, and multiple channels of publication are envisaged in legislation¹⁴⁹. The recruitment process is only partially managed online. Applications on paper are admitted. The deadline to apply is short: "at least eight days from the announcement" according to the legislation. The selected interviewed bodies, in most cases, set the minimum deadline. The average number of eligible candidates per vacancy in open competitions was low in 2020, almost the same as in 2019, and significantly lower than in previous years (Figure 1).

Figure 1. The average number of eligible candidates per vacancy in public competitions



Source: Based on data provided by the HRMS.

¹⁴⁷ Law on Determining the Maximum Number of Employees in the Public Sector, which was in force until the end of 2019.

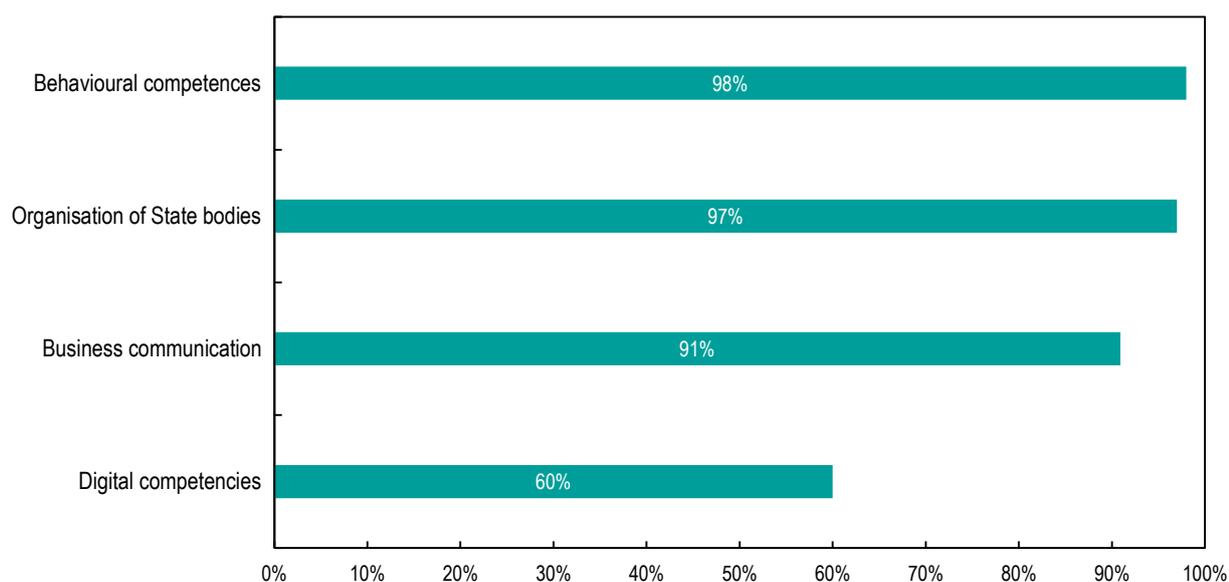
¹⁴⁸ Law on the Budgetary System, Official Gazette, Nos. 54/2009, 73/2010, 101/2010, 101/2011, 93/2012, 62/2013, 63/2013, 108/2013, 142/2014, 68/2015, 103/2015, 99/2016, 113/2017, 95/2018, 31/2019, 72/2019 and 149/2020, Article 27k.

¹⁴⁹ Open competitions must be announced on the public body official website, the official website of HRMS, the eGovernment Portal, and the National Employment Service. As for internal competitions, publication by HRMS is compulsory.

1A comprehensive competency framework applies to all civil service positions and all relevant HRM procedures. General behavioural and functional competencies are defined without differentiation for all non-senior civil servant ranks without managerial responsibilities, i.e. from a junior clerk to an independent advisor.

A highly sophisticated and complex system of selection for civil service positions with a combination of centralised and decentralised elements is in place. The centralised elements account for approximately 60% of the total value (Figure 2) and tend to be very standardised, without taking into consideration the requirements of a specific job. Some of them (for example the organisation of public administration) are not relevant, at least not for all positions in the civil service.

Figure 2. Percentage of candidates that passed the assessment of behavioural and general functional competencies in 2020

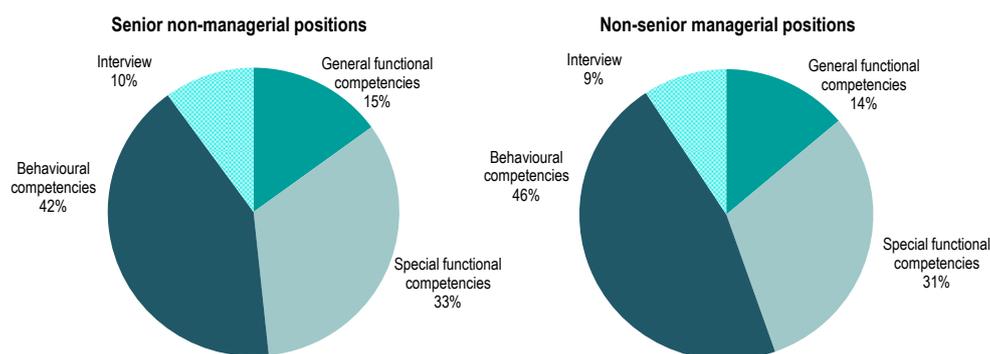


Source: Based on data provided by the HRMS.

The centralised part of the procedure is managed by the HRMS to assess general functional and behavioural competencies. The decentralised part is managed by the concerned public body to assess candidates' specific functional competencies and motivation. All permanent civil servants must pass, within six months after appointment, the state professional exam regulated in the CSL, except those who have passed specific professional exams (e.g. bar exam).

Methods for the assessment of general functional and behavioural competencies of candidates are defined in legislation. They include written tests, simulations of cases, and other exercises to measure general functional and behavioural competencies. Tests and other written exercises are computer-based, which ensures standardisation. Behavioural competencies may also be measured through semi-structured interviews. The HRMS has sufficient technical capacities to develop the different assessment tools and ensure correct implementation. Data provided by the HRMS show very high success rates of the centralised assessment methods, except for digital competencies, which makes the selective value and effectiveness of these methods questionable.

Figure 3. Weights of various aspects of competitions for civil service positions



Source: Decree on the Internal and Public Competition for Filling Work Positions in State Authorities, Official Gazette, No. 79/05, 81/05 - correction, 83/05 - correction, 64/07, 67/07 - correction, 116/08, 104/09, 99/14, 94/17 and 95/18.

Capacities and methods used to assess specific functional competencies vary across institutions, encompassing written or oral tests prepared ad hoc by the competition commission. The commissions also conduct a final interview to assess motivation, which is not structured in all cases. Due to the low level of standardisation of selection methods, jointly with the lack of evidence of systematic training of members of selection panels in the institutions analysed¹⁵⁰, adequate and equal assessment of candidates across institutions is not ensured.

Competitions were lengthy (148 calendar days on average in the sampled institutions). The lengthy procedures may be caused by centralisation of the procedure and/or the COVID-19 pandemic. These results, jointly with the low screening power of some of the tests applied in the first stages of selection, point to scope for improvement in the management and effectiveness of the selection system.

The percentage of vacancies filled was high in 2020 (84% of vacancies offered in public competitions) and improved in relation to 2019 (73%). But the declining numbers of eligible candidates raises concerns about the attractiveness of public administration as an employer and the quality of appointments. Retention rates of successful candidates 12 months after the appointment were very high (97% on average) in the 5 institutions analysed.

Candidates can appeal selection decisions to the Government Appeals Board¹⁵¹. However, data on appeals against selection decisions is not available.

¹⁵⁰ Only one of the five institutions analysed – the Ministry of Economy – stated that the HRM unit provided the competition commissions with supporting materials on selection, but the materials were not submitted.

¹⁵¹ CSL, Chapter 12, Title II.

Indicator 3.3.2 - Merit-based termination of employment and demotion of civil servants

This indicator measures the extent to which the legal framework and the HRM practices support fair termination of employment in the civil service and fair demotion of civil servants wherever it is envisioned in the legislation. The indicator does not deal with the termination of employment and demotion of senior civil servants.

Overall 2021 indicator value	0	1	2	3	4	5
			Points 2021	Change from 2019	Change from 2017	
Legal framework and organisation of dismissals and demotions						
1. Objectivity of criteria for termination of employment in civil service legislation			3/6	-2	-2	
2. Objectivity of criteria for demotion of civil servants in the legislative framework			1/2	+1	-1	
3. Right to appeal dismissal and demotion decisions to the courts			2/2	=	=	
Fairness and results of dismissal practices						
4. Dismissal decisions confirmed by the courts (%)			1/4	-3	+1	
5. Implementation of court decisions favourable to dismissed civil servants (%)			0/4	-4	=	
Total			7/18	-8	-2	

Merit-based dismissal of civil servants is not fully guaranteed in legislation. According to the CSL, “objective technical, economic or organisational reasons for internal restructuring or downsizing of public bodies”¹⁵², may lead to the release of civil servants from their positions and, subsequently, to termination of employment after two months of being unassigned¹⁵³ in the absence of suitable vacancies. The Government itself admitted in the PAR Strategy^{154 155} that “criteria for cancelling different bodies and organisations in the public administration system are rather vague [...], the Government and competent ministries, quite often without appropriate justification, used their discretionary right to modify or cancel some organisational forms within the public administration system”.

Redundant civil servants have the right to be offered vacant positions in other bodies if such positions exist, but there is no safeguard regarding the level of the position offered and the salary level. Should a civil servant decline such a transfer, he or she is dismissed from the civil service. Dismissal is also possible based on negative results of the performance appraisal in a period shorter than 12 months¹⁵⁶. Other reasons for dismissal are based on objective criteria.

Only general statistics about termination of employment in the civil service broken down by two broad categories (retirement and other causes) are available. According to the HRMS 2020 annual report on the outflow of employees, the overall termination rate in civil service positions is low (4.3%). Still, this rate is significantly higher in some public bodies and functions (e.g. inspection and analytical functions). But the data is not complete and should be considered with caution.

¹⁵² CSL, Article 133-134.

¹⁵³ CSL, Article 138.5.

¹⁵⁴ Decree on the Principles for Internal Organisation and Systematisation of Jobs in Ministries, Special Organisations and Government Services, Official Gazette, No. 81/2007 (official consolidated text), 69/2008, 98/2012, 87/2013 and 2/2019; Articles 3 and 29.

¹⁵⁵ Official Gazette, No. 9/2014, 54/2018, p. 15.

¹⁵⁶ CSL, Article 86.

Conclusion

Merit-based recruitment is comprehensively and adequately regulated, except for the possibility of political interventions in the composition of the selection panels. A competency framework has been developed and fully implemented. The effectiveness of the new recruitment system is sub-optimal. The approach to recruitment planning and rightsizing is rigid. A relatively high share of positions (temporary employments) is filled without competition. While the retention rate is high, the average number of applicants is low. The recruitment procedures are lengthy. Equally, the deadline for applications is too short. Criteria and procedures for dismissal are deficient.

Principle 4: Direct or indirect political influence on senior managerial positions in the public service is prevented.

Overall, the value for the indicator 'Merit-based recruitment and dismissal of senior civil servants' is 3. It was 2 in 2019. The scope of the senior civil services remains well-defined. Implementation of recruitment improved (with the application of the competency framework, the professional composition of HSCSC, percentage of vacancies filled). But the high proportion of acting appointments persists.

Indicator 3.4.1 - Merit-based recruitment and dismissal of senior civil servants						
This indicator measures the extent to which the legal framework and the organisation of recruitment and tenure conditions of the senior civil service support a professional senior management, free from undue political influence in access or termination of employment in senior civil service positions. This indicator relates to all competitions for senior positions, both external and internal.						
Recruitment and dismissal in senior positions is treated under a separate indicator due to the importance of the role of this group of civil servants and the increased risk of politicisation and favouritism. High priority accorded to merit and competitiveness in the recruitment process reduces the possibility of political influence in appointments to such positions.						
Overall 2021 indicator value  since 2017	0	1	2	3	4	5
	Points 2021	Change from 2019	Change from 2017			
Legal framework and organisation of recruitment and dismissal of senior civil servants						
1. Appropriateness of the scope for the senior civil service in legislation	2/3	=	=			
2. Adequacy of the legislative framework for merit based recruitment for senior civil service positions	9/15	-2	-2			
3. Objectivity of criteria for the termination of employment of senior civil servants in the legislative framework	4/4	+4	+4			
4. Legislative protection of the rights of senior civil servants during demotion	1/2	-1	-1			
Merit-based recruitment and termination of employment in senior civil service positions in practice						
5. Application in practice of recruitment procedures for the senior civil service	5/9*	+2	+3			
6. Ratio of eligible candidates per senior-level vacancy	0/4	=	-4			
7. Effectiveness of recruitment for senior civil service positions (%)	1/4	+1	+1			
8. Women in senior civil service positions (%)	4/4	=	=			
9. Stability in senior civil service positions (%)	2/4	-1	+2			
10. Dismissal decisions confirmed by the courts (%)	0/4	=	=			
11. Implementation of final court decisions favourable to dismissed senior civil servants (%)	4/4	+4	+4			
Total	32/57	+7	+7			

Note: *Data not available or provided.

The scope of the senior civil service (SCS) is well defined in the CSL. In ministries, there is no single top-of-the pyramid civil servant, and the head of the ministry as administrative body is the minister.

Decisions on recruitment and selection, promotion, mobility, dismissal and discipline of non-senior civil servants are made by the heads of public bodies, which are political appointees (ministers) in the case of ministries. The position of Secretary in ministries is established in the LSA. It is aimed at assisting the minister in the management of personnel and other support functions¹⁵⁷. But this position may or may not exist in the ministries. In any case, decisions affecting the rights and duties of civil servants in ministries are adopted by ministers.

The CSL provides specific job requirements for SCS positions¹⁵⁸, and a different procedure is established for staffing and appointment to SCS positions¹⁵⁹. A specific body, the HCSC, decides on the rights and duties of senior civil servants appointed by the Government, manages the selection and disciplinary procedures affecting them, with the technical support of the HRMS.

The CSL and secondary legislation provide for merit-based recruitment and selection of senior civil servants. The HCSC decides the composition of competition commissions for SCS positions appointed by the Government. The members belong in all cases to the Council, which ensures a professional composition, as the Council is made up of senior civil servants and external experts, thus excluding political officials¹⁶⁰. The legislation adequately establishes the obligation of members to declare eventual conflicts in the pre-selection phase¹⁶¹.

The HRMS manages the assessment of general functional and behavioural competencies using the same methods as for non-senior civil servants. At the same time, the competition commission assesses specific functional competencies and motivation. SIGMA's general comments on the selection procedures under Principle 3 apply, with the respective differences having been considered, also about the selection procedure for the SCS positions.

At the end of the process, the commission must present a list of up to three candidates who meet the criteria, ranked in decreasing order of scores. The head of the concerned public body can propose any candidate from the shortlist. The Government does not necessarily have the possibility to reject the proposal¹⁶².

Issues identified in the 2019 SIGMA Monitoring Report persist. First, the percentage of SCS vacancies filled through acting appointments remained above 60% in 2019-2020, which constitutes a persistent failure to comply with the legislation (Figure 4). Second, the attractiveness of SCS positions, measured by the average numbers of applicants and eligible candidates in competitions, continues to be low and further decreased in 2020¹⁶³.

¹⁵⁷ Law on the State Administration, Article 26.

¹⁵⁸ CSL, Article 45.3.

¹⁵⁹ CSL, Article 47.3, 48.2, Chapter 5, Section 3, on the staffing of appointed positions; and Article 164, on the competences of the High Civil Service Council (HCSC). These provisions are developed in the By-law on the Internal and Public Competition for Filling Work Positions in State Authorities and the By-law on the Determination of Competencies for Civil Servants' Work.

¹⁶⁰ The current composition of the HCSC is as follows (according to the HCSC website, http://arhiva.suk.gov.rs/en/senior_incumbent_council/, consulted on 30 June 2021):

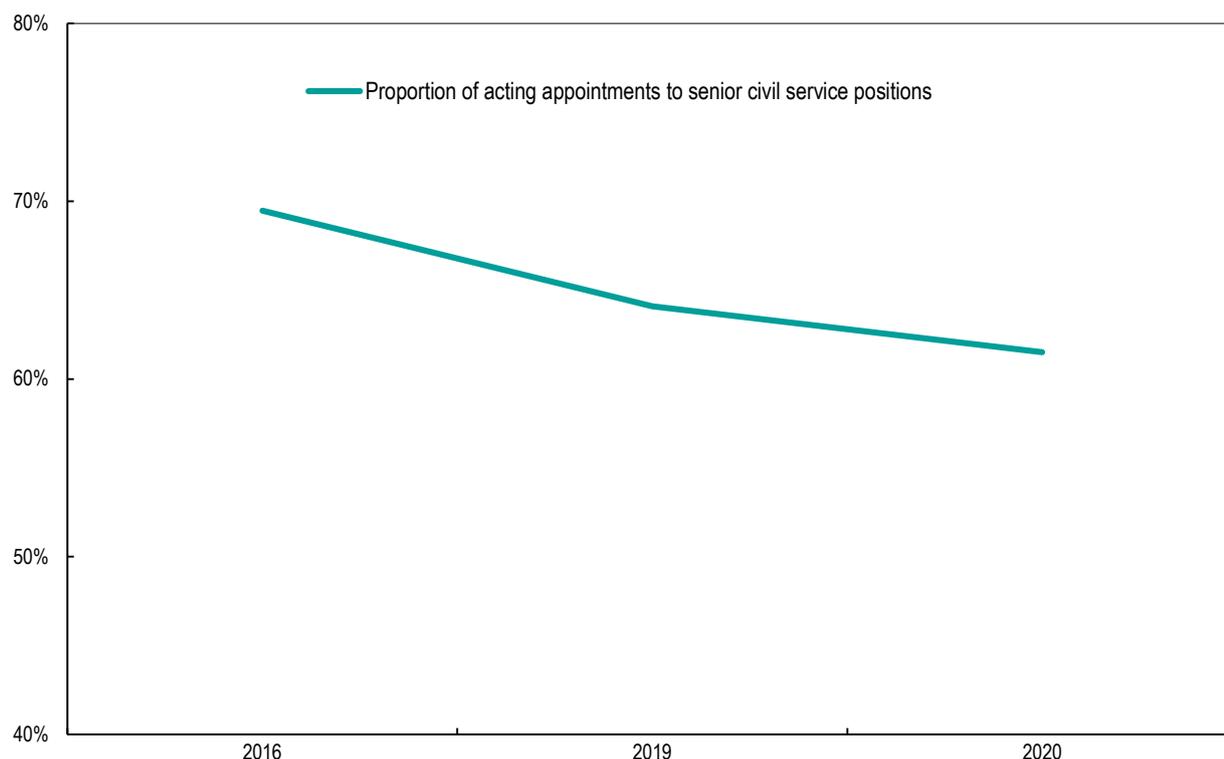
- The President of the HCSC: The President is the Assistant Director at the Republic Legislation Secretariat.
- Five members from among experts in relevant public administration fields: Four university professors in Law, Political Science and Business Administration, and one Rector of the State University.
- Five members from among civil servants appointed by the Government: The Secretary of the Ministry of Justice, the Assistant Minister of Justice, the Secretary of the Ministry of Education, Science and Technological Development; the Assistant Secretary-General of the Government, and the Assistant Minister of Interior Affairs.

¹⁶¹ Decree on the Internal and Public Competition for Filling Work Positions in State Authorities, Article 20.

¹⁶² CSL, Articles 70-72.

¹⁶³ The average number of eligible candidates per vacancy was 1.6 in 2020 (8 eligible candidates and 5 vacancies), and 2.6 in 2019 (63 eligible candidates and 24 vacancies).

Figure 4. Acting appointments in senior civil service positions, 2016, 2019 and 2020



Source: Based on data provided by the HRMS.

In 2020, 44% of senior civil servants were women, which is a marked improvement from 2017 (36%).

The CSL provides¹⁶⁴ for objective grounds of termination of service of appointed civil servants, including SCS. Nonetheless, senior civil servants who manage administrative bodies (bodies within ministries and special organisations) may be removed from office directly by the decision of the appointing authority, without a disciplinary or performance appraisal process, in case of perceived failure to achieve work plans and strategic goals¹⁶⁵. These provisions leave the door open to arbitrary dismissal. Moreover, in case of reorganisation, senior civil servants are not well protected and can be transferred to a significantly lower position without any fault on their side. Data available on the stability in SCS positions shows a high turnover rate in 2020 (27%)¹⁶⁶.

Conclusion

The scope of the SCS is well-defined. Recruitment procedures are regulated separately in the CSL. The outstanding issue of an excessive share (over 60% of all positions) of acting directors persists. The protection of senior managerial civil servants in case of reorganisation is deficient.

¹⁶⁴ CSL, Articles 76-78.

¹⁶⁵ CSL, Article 78.3.

¹⁶⁶ Data provided by the HRMS.

Principle 5: The remuneration system of public servants is based on job classifications; it is fair and transparent.

Overall, the value for the indicator 'Fairness and competitiveness of the remuneration system for civil servants' is 4, compared to 3 in 2019. The legal framework remained stable. Data on bonuses and on the competitiveness of salaries, not available in 2019, provided positive results.

Indicator 3.5.1: Fairness and competitiveness of the remuneration system for civil servants						
This indicator measures the extent to which the legal framework and the organisation of the civil service salary system support fair and transparent remuneration of civil servants, in terms of both the legislative and organisational preconditions and the performance and fairness of the system in practice.						
Overall 2021 indicator value  since 2017	0	1	2	3	4	5
	Points 2021	Change from 2019	Change from 2017			
Legal framework and organisation of the remuneration system						
1. Legal obligation to base salaries on job classifications	2/2	=	=			
2. Comprehensiveness, clarity and transparency in legal definitions of salary, criteria and procedures for allocation	2/2	=	=			
3. Availability of salary information	0/3	-1	-1			
Performance and fairness of the remuneration system in practice						
4. Fairness in the allocation of base salaries in the job classification system	2/4*	=	+1			
5. Base salary compression ratio	2/2	=	+2			
6. Managerial discretion in the allocation of bonuses	2/2	+1	+1			
7. Motivational character of bonuses (%)	2/2	=	+2			
8. Competitiveness of civil service salaries (%)	2/3	+2	+2			
Total	14/20	+2	+7			

Note: *Data not available or provided.

The allocation of basic salary is based on job classification. Legal provisions seek to ensure harmonised classification across civil service institutions¹⁶⁷. The law provides exceptions based on special legislation in central government bodies dealing with security and intelligence matters, the foreign service, execution of criminal sanctions, police, tax and customs. But they must also follow the Government's By-law on Job Classification Applicable to Public Administration Authorities.

In some cases, the harmonisation of internal rulebooks on internal organisation and systematisation with the new regulations in central government bodies is lagging behind¹⁶⁸. In other state authorities (e.g. the National Assembly, State Audit Institution, Ombudsman), the CSL establishes that job positions shall be classified according to their internal rules, considering general rules for job classification.

Comprehensive data on the proportion of civil servants in managerial positions is not available. Nevertheless, partial data included in the 2019 Annual Report on the Implementation of Performance Appraisal prepared by HRMS shows adequate proportions, equal to or below 22%, depending on the type of public body¹⁶⁹.

¹⁶⁷ CSL, Articles 32-44 and Regulation on Job Classification and Criteria for Job Descriptions for Civil Servants, Official Gazette, No. 117/2005, 108/2008, 109/2009, 95/2010, 117/2012, 84/2014, 132/2014, 28/2015, 102/2015, 113/2015, 16/2018, 2/2019, 4/2019, 26/2019, 42/2019.

¹⁶⁸ HRMS 2020 Annual Report on the Quality of Competitions, p. 7.

¹⁶⁹ HRMS 2019 Annual Report on the Implementation of Performance Appraisals. The proportion of direct managers in relation to the number of civil servants whose work was evaluated was 16.4% on average (15.6% in ministries, 18.6% in special organisations, 22% in government services and 17.9% in administrative districts).

The LSCSSE¹⁷⁰ defines all elements of salary for civil servants and clear criteria and procedures to allocate them. Bonuses based on performance exist only in a few central government bodies, such as the TA and the AECS, based on special legislation. In the total budget, the bonuses account for a share close to zero. On the other hand, there is the possibility of “horizontal promotion” to a higher coefficient (a permanent salary increase) in the same position, based on performance appraisal.

The lack of transparency is one major shortcoming of the salary system. Information on salary levels in the civil service is not available to the general public, apart from the publication of the LCSSE and the budget laws for each fiscal year in the Official Gazette. Announcements of vacancies do not include salary information either. Statistics on salaries exist only for all employees in the public sector, without distinguishing between civil servants and the rest. Overall, information and policy-relevant data and knowledge on salaries in the civil service are scarce.

The civil service salary compression ratio (calculated on the basis of regulation) is adequate (1:6.4), and according to official statistical data, salaries in the public service are competitive. The earnings of public servants with higher education working in public administration at the state level are 95% of those of similar employees in the private sector. Still, this aggregated ratio may hide significant differences by category and profession. It should also be stated that the comparison overlooks the existence of the shadow economy, which might distort the data in favour of the public sector; a gap that could serve as one possible explanation for the relatively low attractiveness of the public administration as employer (measured by the average number of candidates for civil service positions).

Since the enactment of the Law on the Salary System of the Public Sector¹⁷¹, a thorough reform of the salary system has been envisaged for the whole public sector (including public administration at the local level, in health care, social care, education, etc.). Nevertheless, the implementation of the new system has been repeatedly postponed; the current plan is to implement it on 1 January 2022. The new system would significantly improve the salary arrangements for the wider public sector, introducing more transparency and cross-sectoral comparability. However, the implementation of the new law is not critical for the civil service where current arrangements already provide for a sound salary system.

Conclusion

A sound remuneration system, based on job classification, is in place. There are no performance-related bonuses, only a possibility of a permanent salary increase based on performance appraisal. According to official data, salaries in the public administration are, on average, competitive with the private sector, but unfortunately, salary information is not indicated in vacancy announcements. Data and statistics on salaries are patchy and cannot be presented by categories of civil servants.

¹⁷⁰ LSCSSE, Official Gazette, No. 62/2006, 63/2006 - correction, 115/2006 - correction, 101/2007, 99/2010, 108/2013, 99/2014, 95/2018.

¹⁷¹ Law on the Salary System of the Public Sector, Official Gazette, No. 18/2016, 108/2016, 113/2017, 95/2018, 86/2019 and 157/2020.

Principle 6: The professional development of public servants is ensured; this includes regular training, fair performance appraisal, and mobility and promotion based on objective and transparent criteria and merit.

Overall, the value for the indicator ‘Professional development and training for civil servants’ is 3, the same as in 2019. There have been positive developments, namely the fully-fledged practical implementation of the new training system by NAPA. But shortcomings in training resources, mobility, promotion and performance appraisal persist.

Indicator 3.6.1 - Professional development and training for civil servants						
This indicator measures the extent to which the legal framework and the organisation of training, performance appraisal, mobility and promotion support fair professional development in the civil service.						
Overall 2021 indicator value	0	1	2	3	4	5
				Points 2021	Change from 2019	Change from 2017
Legal framework and organisation of professional development						
1. Recognition of training as a right and a duty of civil servants				2/2	=	=
2. Co-ordination of the civil service training policy				3/3	=	=
3. Development, implementation and monitoring of training plans				3/3	=	+1
4. Evaluation of training courses				2/2	=	=
5. Professionalism of performance assessments				3/4	=	=
6. Linkage between performance appraisals and measures designed to enhance professional achievement				4/4	+2	+2
7. Clarity of criteria for and encouragement of mobility				1/2	=	=
8. Adequacy of legislative framework for merit based vertical promotion				1/2	-1	-1
9. Absence of political interference in vertical promotions				0/2	=	=
10. Right of civil servants to appeal against performance appraisal decisions				2/2	=	=
11. Right of civil servants to appeal mobility decisions				2/2	=	=
Performance of professional development practices						
12. Training expenditures in proportion to the annual salary budget (%)				0/4	=	=
13. Participation of civil servants in training (%)				1/5	+1	-2
14. Perceived level of meritocracy in the public sector (%)				3/5	+1	+1
Total				27/42	+3	+1

Training is recognised as a right and a duty of civil servants in legislation. NAPA was established by a special law, adopted in 2017¹⁷², and started its work in January 2018. It is a “special organisation” with separate legal personality, responsible for the system of professional training in the public administration, including state bodies, independent organisations and bodies reporting to the National Assembly (supervisory and regulatory bodies), central government bodies, public agencies, autonomous provinces and local self-government units. The MPALSG supervises NAPA’s work. NAPA develops training needs analysis (TNA) methodologies, conducts TNA on horizontal, common needs, and develops and implements training programmes to address them. Programmes developed by NAPA include general training programmes for public servants and training programmes for managers. NAPA also assists public bodies in developing specific training programmes to address sectoral needs upon request.

The HRMS participates in the development of training through the analysis of results of performance appraisal, which contains training needs. HRMS is also consulted in the process of preparation and approval of training programmes. NAPA is also responsible for quality management of the training system, including the accreditation of training providers and the monitoring and evaluation of training programmes

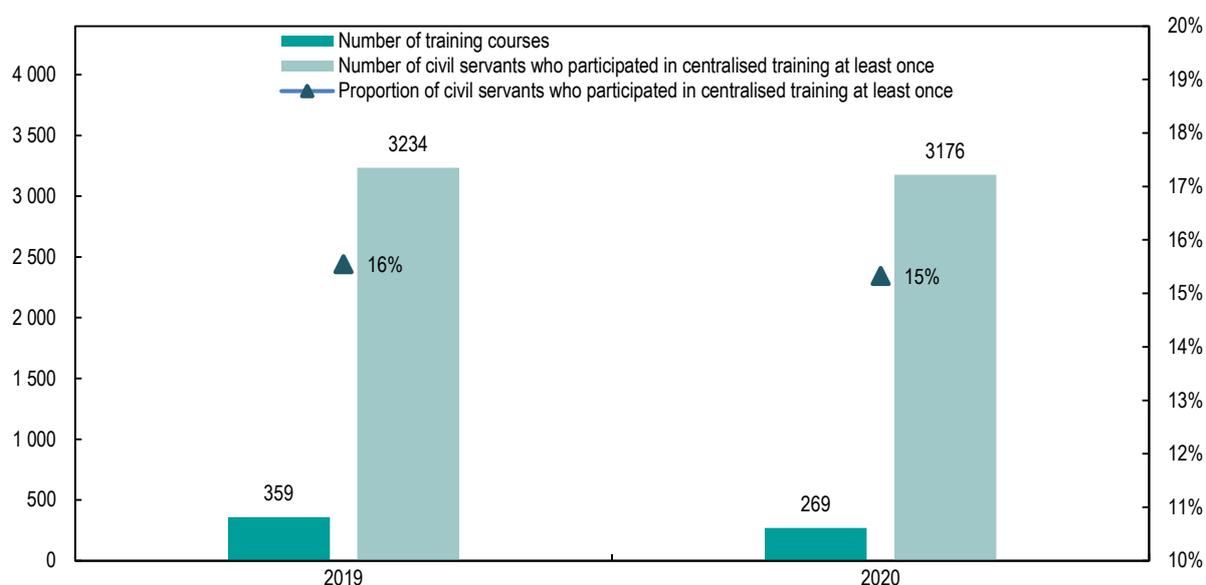
¹⁷² Law on the National Academy of Public Administration, Official Gazette, No. 94/2017.

implemented. Training programmes organised by NAPA are systematically assessed by the NAPA using different criteria¹⁷³, and the results are taken into account for the preparation of training programmes for the following year.

"Centralised" training (general training programmes and training programmes for managers) is financed from NAPA's budget, while each public body's budget funds specific training programmes. Resources for training are very modest¹⁷⁴, and participation of civil servants in training is low. Only 16% of civil servants participated in trainings organised by NAPA at least once in 2019, similar to in 2020 (Figure 5). Interestingly, the share did not drop despite a decrease in the number of NAPA's training courses. Participation in training is higher (35%) if both centralised and decentralised training is counted. However, implementation of the Central Records of Professional Development Programmes in the Public Administration is only at an initial stage; therefore, data on decentralised training (training organised and financed by public administration bodies, other than NAPA, themselves) must be considered with caution.

NAPA has implemented an accurate training planning system, which encompasses the preparation of monthly training plans based on the annual centralised training programmes. The system led to the implementation of virtually all training activities planned in 2020, which is a remarkable achievement, given the COVID-19 pandemic.

Figure 5. Number of training courses and civil servant participation, 2019 and 2020



Source: Based on data provided by NAPA on centralised training, and by HRMS on the number of civil servants.

The performance appraisal procedure is adequately defined in legislation¹⁷⁵. Performance is evaluated on the basis of pre-determined annual objectives and competencies related to the position. The results are recorded in writing, and interviews between civil servants assessed and their superiors are compulsory. Performance assessment cycles last 12 months, but there is a possibility of extraordinary evaluations before the end of one cycle that, in case of repeated negative results, may lead to dismissal decisions. In the law, performance appraisal results are used for needs assessment, planning of training and professional development, work improvement, promotion, reassignment or transfer, determination of salaries and other emoluments, and termination of employment of civil servants.

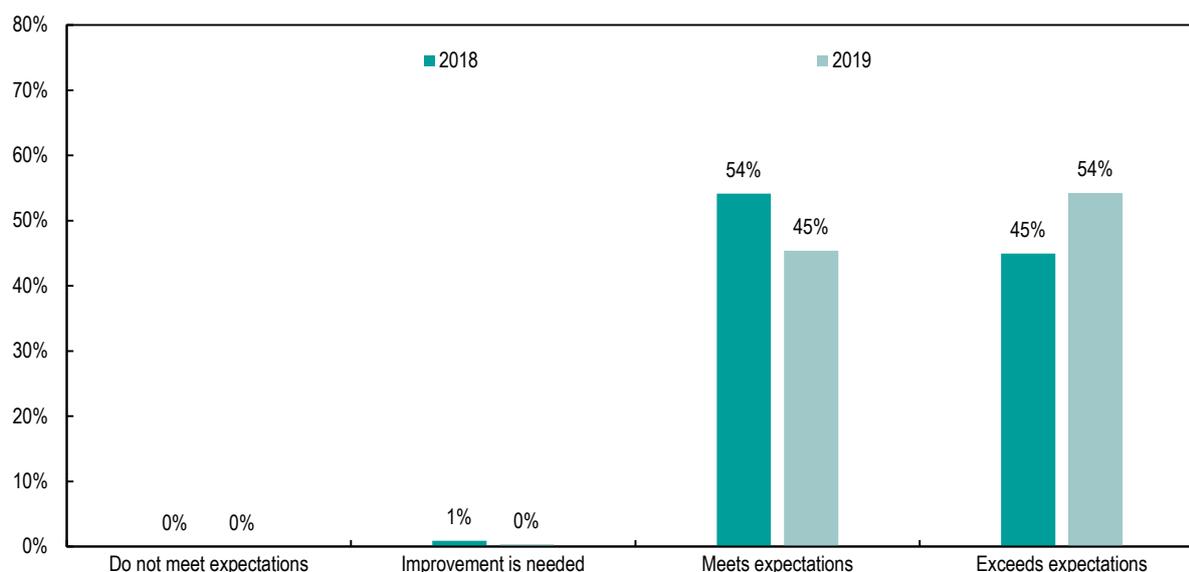
¹⁷³ Namely, general satisfaction with the training, self-assessment of knowledge before and after the training, trainee's perception about the applicability of newly acquired knowledge and organisational aspects.

¹⁷⁴ The percentage of the training budget from the wage budget was less than 0.01% in both years.

¹⁷⁵ CSL, Chapter 6; and Regulation on the Evaluation of the Work Performance of Civil Servants, Official Gazette, No. 79/2005, last amendment in No. 95/2018.

Data on the implementation of performance appraisals in 2020 was not available by the end of June 2021. Data for 2019 (the first year of implementing the new performance appraisal rules) is incomplete¹⁷⁶ and shows a high percentage of civil servants evaluated (88%). Nevertheless, the distribution of performance assessment results is highly skewed towards the highest rating category (“exceeds expectations”) (Figure 6). Reasons identified by HRMS for such results include a rather formalistic approach to the appraisal; reluctance of some managers to set performance objectives; objectives not linked with relevant planning; unclear or not measurable criteria to conduct the assessment; and varying interpretations on the meaning of each rating category, among others¹⁷⁷.

Figure 6. Results of the performance appraisal of civil servants, 2018 and 2019



Source: Based on data provided by the HRMS.

The legislation provides clear criteria and procedures to manage mobility¹⁷⁸. It also establishes an Internal Labour Market Register (ILMR) under the HRMS’s responsibility¹⁷⁹. The ILMR is a tool to encourage and manage the mobility of civil servants. However, due to the recent adoption of the system, not all administrative bodies enter the mobility cases into the system, so it is impossible to determine the exact number of cases¹⁸⁰.

The CSL establishes merit-based, objective and transparent criteria for vertical promotion in non-senior civil service positions¹⁸¹. However, the formal checking of the candidate’s competencies is only foreseen in vertical promotions to non-SCS positions with managerial responsibility. In other cases, only specific functional competencies are assessed if they are different from those of the previous position of candidates. In the case of ministries, ministers make decisions on the promotion of non-senior civil servants, although proposals are made by managers who are civil servants, and all requirements

¹⁷⁶ HRMS 2019 Annual Report on the Implementation of Performance Appraisals.

¹⁷⁷ *Ibid.*

¹⁷⁸ CSL, Chapter 7.

¹⁷⁹ Regulation on the Internal Labour Market of State Administration Bodies, Official Gazette, No. 88/2019.

¹⁸⁰ The system only included 39 transfers of civil servants in 2020, with 9 of them from the state administration bodies.

¹⁸¹ CSL, Article 88.

established in legislation must be fulfilled. The perceived level of meritocracy in the public sector was moderate in 2020 but improved in relation to previous years¹⁸².

Conclusion

The central training institution (NAPA) is performing well. Data on decentralised training (e.g. number of participants, planned budget and expenditure) are not systematically collected. According to available data, the level of expenditure for training is low. A sound performance appraisal system is enacted and implemented. However, the outstanding issue of an excessive share of highest performance grades persists.

Principle 7: Measures for promoting integrity, preventing corruption and ensuring discipline in the public service are in place.

Overall, the value for the indicator 'Quality of disciplinary procedures for civil servants' is 4 compared to 3 in 2017 due to legislative improvements. A low proportion of disciplinary decisions was confirmed by the courts.

Overall, the value for the indicator 'Integrity of public servants' is 3 (same as in 2017) due to good quality of legislation and public sector integrity policy. Negative perceptions of citizens and businesses in the area persist.

Indicator 3.7.1 - Quality of disciplinary procedures for civil servants						
This indicator measures the extent to which the legal framework and the organisation of disciplinary procedures support individual accountability, professionalism and integrity of civil servants and safeguard civil servants against unfair and arbitrary disciplinary cases.						
Overall 2021 indicator value  since 2017	0	1	2	3	4	5
					Points 2021	Change from 2017
Legal framework and organisation of disciplinary system						
1. The adequacy of civil service legislation to uphold basic principles related to disciplinary procedures					4/4	=
2. Compliance between disciplinary procedures and essential procedural principles					6/6	=
3. Time limits for the administration to initiate disciplinary action and/or punish misbehaviour					1/2	+1
4. Legislative safeguards for suspension of civil servants from duty					2/2	+1
Performance of professional development practices						
5. Disciplinary decisions confirmed by the courts (%)					0/4	=
Total					13/18	+2

Legislation adequately upholds basic principles related to disciplinary procedures. Regulation of disciplinary violations, sanctions and procedures, including suspension from service, is adequate. The only exception is the time limit to initiate disciplinary procedures in case of serious violations, which is only two years from the wrongdoing.

The collection of data on disciplinary procedures by type of offence and disciplinary sanctions by type is not centralised, except in the area of code of conduct violations, that is, only for minor violations. Data on

¹⁸² Regional Cooperation Council, Balkan Barometer Public Opinion database (<https://www.rcc.int/balkanbarometer/>). Respondents were asked to what extent they agree with the following statement on a scale from 0 to 10: "In the public sector most people can succeed if they are willing to work hard". The average value was 5 in 2017, 5.2 in 2018, 4.9 in 2019 and 5.6 in 2020.

court rulings confirming disciplinary decisions show an excessive share of disciplinary decisions annulled by courts (the courts confirmed only 28% of appealed disciplinary decisions). The percentage declined from 2019 (43%)¹⁸³. The data indicates that either disciplinary procedures are abused by the managers or that the civil servants carrying out the disciplinary procedures don't have the necessary capacities to do it lawfully. In any case, the exact reasons for this problematic situation need to be analysed and addressed.

Indicator 3.7.2 - Integrity of public servants

This indicator measures the extent to which legislation, policies and organisational structures promote public sector integrity, whether these measures are applied in practice and how the public perceives the level of corruption in the public service.

The indicator does not address the internal administrative proceedings related to integrity, as that is covered by a separate indicator on disciplinary procedures.

Overall 2021 indicator value 0 1 2 **3** 4 5

	Points 2021	Change from 2017
Legal framework and organisation of public sector integrity		
1. Completeness of the legal framework for public sector integrity	5/5	=
2. Existence of a comprehensive public sector integrity policy and action plan	4/4	+1
3. Implementation of public sector integrity policy	2/3	=
Public sector integrity in practice and public perceptions		
4. Use of investigations in practice	1/4	+1
5. Perceived level of bribery in the public sector by businesses (%)	2/4	=
6. Bribery in the public sector experienced by the population (%)	1/4	-1
Total	15/24	+1

Measures for promoting integrity in public service and preventing corruption are established in legislation. Legal provisions are well aligned with the Principles of Public Administration. Integrity in the civil service is regulated in two different laws, the CSL and the Law for the Prevention of Corruption¹⁸⁴ (LPC), which entered into force on 1 September 2020. The first applies to all civil servants, and the second applies to political officials and senior civil servants.

From the entry into force of the LPC, the former Anti-Corruption Authority (ACA) became the Agency for the Prevention of Corruption (APC), which is established as an independent state body accountable to the National Assembly. The Agency's activities concerning the prevention of corruption in the exercise of public functions encompass conflict of interest, secondary and post-employment, management and verification of asset declarations of public officials, and keeping the gifts catalogue. The APC also holds and publishes records of legal entities in which a public official or family members own more than 20% of the shares or stocks. In addition, the LPC provides enhanced regulation concerning the adoption, implementation, and reporting of integrity plans in public administration, including legal enforcement capacities.

The LPC also expands the responsibility of the APC with regard to monitoring the implementation of the anti-corruption policy. However, the last National Anti-Corruption Strategy ended in 2018. The main strategic document on the topic is the Action Plan for Chapter 23 of the Association Agreement between the Republic of Serbia and the European Union – Subchapter Fight Against Corruption.

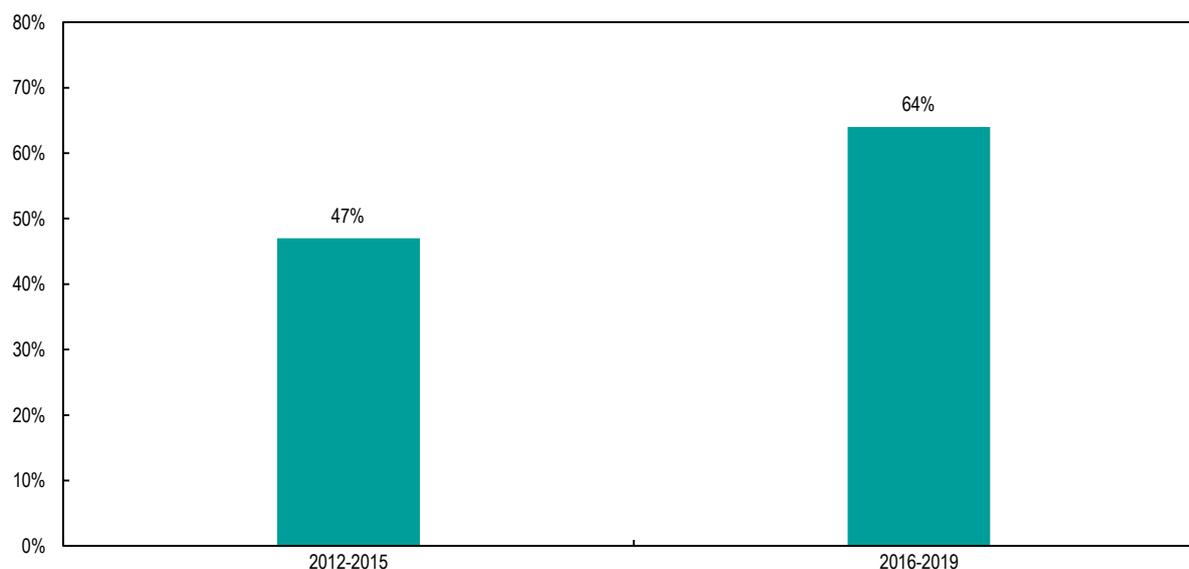
¹⁸³ Data provided by HRMS.

¹⁸⁴ Law for the Prevention of Corruption, Official Gazette, No. 35/2019 and 88/2019.

In 2020, the Agency reinforced its internal organisation by hiring 19 new employees on top of the employees the Agency inherited from the former ACA. All the implementing rules of the new legislative framework have been adopted or harmonised by the Agency within the deadlines. In 2020, the Agency developed new guidelines and methodologies for risk assessment, preparation of, and reporting on, integrity plans, which are now compulsory for public bodies with more than 30 employees.

The number of public bodies adopting integrity plans increased steadily in recent years (Figure 7). However, there is scope for improvement in the current capabilities of central government bodies in the field of integrity. Integrity-related tasks are usually carried out by one or several civil servants as a part of their job description. Procedures to ensure co-ordination and involvement of HRM units in integrity-related tasks do not seem to be in place in all cases.

Figure 7. Percentage of public institutions that adopted integrity plans, 2012-2015 and 2016-2019



Source: Agency for the Prevention of Corruption.

As stated earlier, the APC is the only competent authority to decide on conflict of interest in performing public functions¹⁸⁵. In 2020, the Agency managed a total of 1 906 cases in this area (33% more compared to 2019) and completed 1 500 proceedings (13% more than in 2019)¹⁸⁶. Decisions adopted included a statement of termination of office in 17 cases and a recommendation for dismissal in 18 cases. Activities of a preventive nature in the area of conflict of interest in 2020 included preparing and publishing on the Agency's website a manual for recognising and managing conflict of interest situations and producing video material on potential conflict of interest situations¹⁸⁷.

Regarding asset and revenue declaration, in 2020, the APC checked 262 asset and revenue reports, initiated 57 proceedings for legal violations and filed 11 requests for misdemeanour proceedings due to untimely reporting of assets and income. The Misdemeanour Court made 11 decisions, with 3 of them upholding the APC's request. In the same year, the Agency conducted 14 extraordinary checks of asset and revenue reports and filed 4 criminal charges with the prosecutor's offices. The Agency has established good co-operation and automated data exchange with some authorities (e.g. Business Register, Ministry

¹⁸⁵ According to Article 31 of the CSL, conflicts of interest of senior civil servants appointed by the Government are regulated by the Law on the Prevention of Corruption (Chapter III).

¹⁸⁶ The source of data is the 2020 Activity Report of the Agency for the Prevention of Corruption, except where otherwise specified. Comparison between 2019 and 2020 must take into account different legal frameworks applicable from 1 September 2020 on.

¹⁸⁷ The video material on potential conflict of interest situations can be viewed at <https://www.youtube.com/watch?v=KCoV0KRJb1g&t=12s>.

of Interior, Central Securities Depository). However, in other cases, it can only obtain data upon written request (e.g. the Administration for the Prevention of Money Laundering). Moreover, banks and other financial entities are not obliged to co-operate with the Agency, which is a significant obstacle to adequately assessing asset and revenue reports.

Concerning whistle-blowing protection¹⁸⁸, which is within the scope of competence of the Ministry of Justice, information on main developments and activities conducted in 2020 is not available, except for some training activities on the law's application¹⁸⁹. Furthermore, according to the 2020 Implementation Report of the revised Action Plan for Chapter 23 – Subchapter Fight Against Corruption, capacity development in high-risk areas made only moderate progress. The Operational Plan for the Fight against Tax Corruption was not adopted. Work was underway to develop mechanisms to strengthen the integrity of police officers concerning only operations. Capacity building of the Internal Control Department of the Ministry of Internal Affairs aimed to combat police corruption, and training of employees on the topic of integrity was conducted. But planned capacity building for the Internal Control Department of the Customs Administration was not implemented. Furthermore, integrity risks related to the instability of senior civil servants remain high due to the high proportion of acting civil servants in SCS positions and relatively high turnover rates (Principle 4).

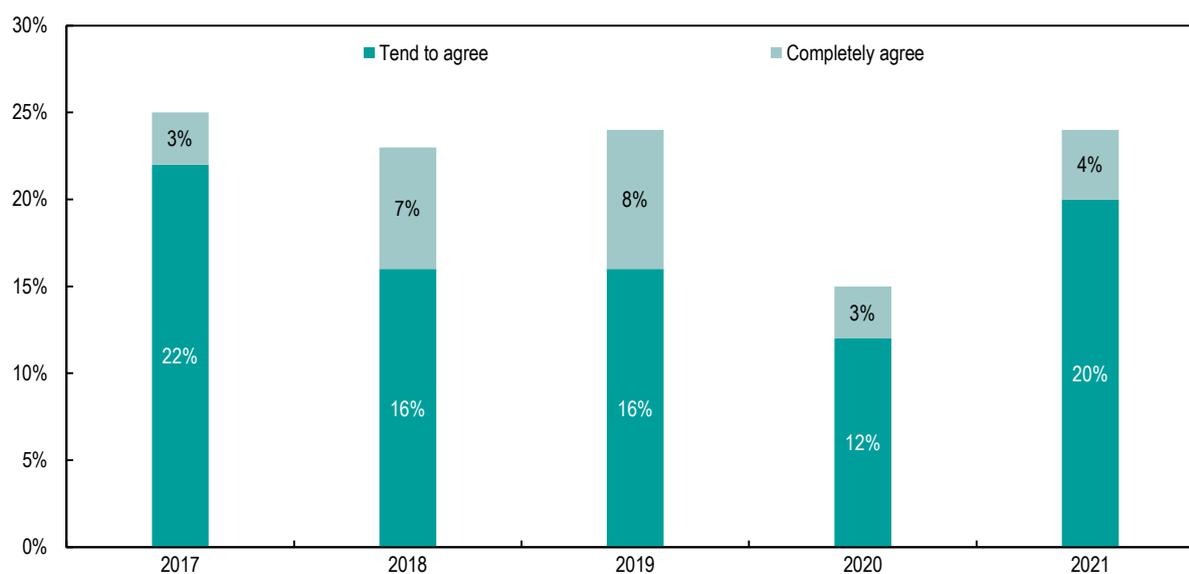
Perceived level of bribery in the public sector by businesses in 2021 remained at about the same moderate-high level as in previous years (Figure 8), while the level of bribery in the public sector experienced by citizens increased with respect to 2017¹⁹⁰.

¹⁸⁸ Protection of whistle-blowers who are civil servants is established in the Law on Civil Servants (Official Gazette, No. 157/2020, Article 23a). Whistle-blower protection is more broadly regulated in the Law of the Protection of Whistle-blowers, Official Gazette, No. 128/2014.

¹⁸⁹ Implementation Report of the revised Action Plan for Chapter 23 – Subchapter Fight Against Corruption, Activity 2.2.7.2, p. 49.

¹⁹⁰ Balkan Barometer (2021), *Public Opinion*. Some 6.7% of respondents answered “yes” to having paid a bribe for any of these public institutions: police, registry and permit services, utilities, tax revenues, land services or any government agency. The value was 4.2% in 2017.

Figure 8. Perceived level of bribery by businesses, 2017-2021



Note: Percentage of respondents who answered “completely agree” or “tend to agree” to the question: Thinking about officials, to what extent would you agree with the following statement? It is common for firms in my line of business to have to pay some irregular “additional payments/gifts” to “get things done”.

Source: Regional Cooperation Council, Balkan Barometer Public and Business Opinion databases (<https://www.rcc.int/balkanbarometer>).

Conclusion

Disciplinary violations, sanctions and procedures are adequately regulated in the legislation. The share of disciplinary decisions repealed by courts is excessive. Sound legislation on integrity and an independent institution with sufficient capacity are in place. Public perception of corruption in public administration is still critically high.

Accountability

The Principles of Public Administration Accountability

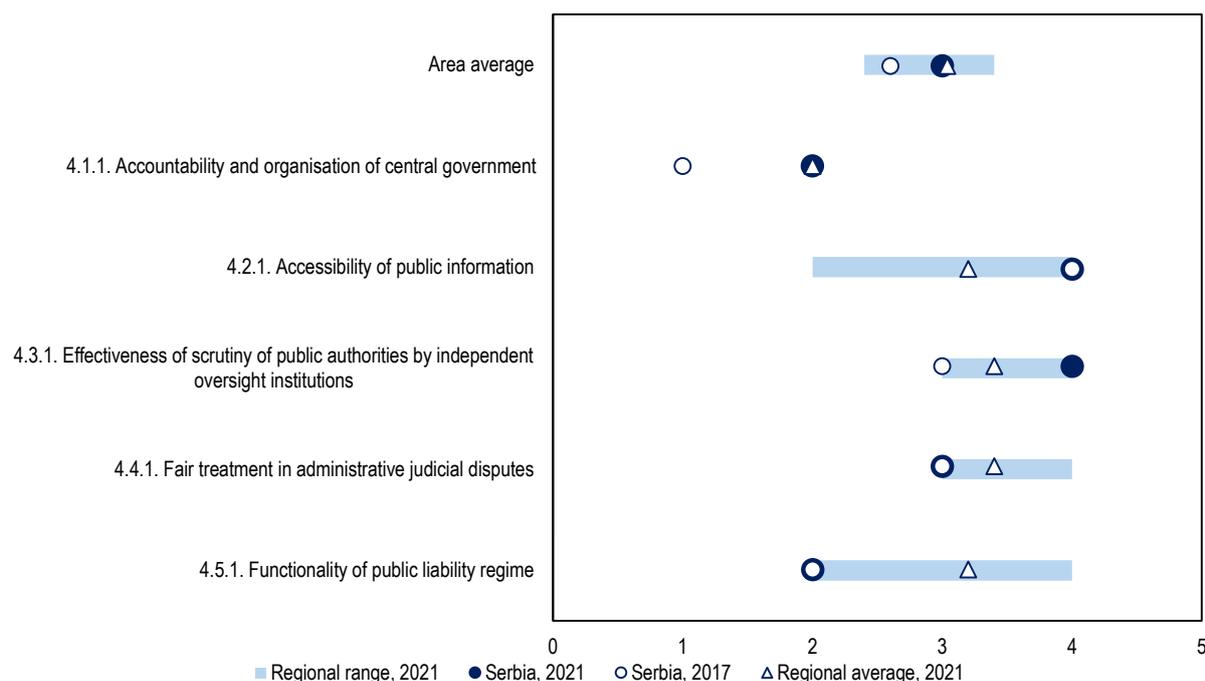
Principle 1	The overall organisation of central government is rational, follows adequate policies and regulations and provides for appropriate internal, political, judicial, social and independent accountability.
Principle 2	The right to access public information is enacted in legislation and consistently applied in practice.
Principle 3	Functioning mechanisms are in place to protect both the rights of the individual to good administration and the public interest.
Principle 4	Fair treatment in administrative disputes is guaranteed by internal administrative appeals and judicial reviews.
Principle 5	The public authorities assume liability in cases of wrongdoing and guarantee redress and/or adequate compensation.

Accountability

Summary and recommendations

With an area average of 3, Serbia remains an average performer in the region in the area of accountability, with advancement from 2017 when the average was 2.6.

Serbia remains a solid performer in the area of accountability



The most outstanding weakness is the lack of vision and policy of macro-organisation of public administration. While a typology of administrative bodies exists in the legislation, its practical value is questionable. The distinction between two organisational types – administrative authorities within ministries and special organisations – is blurred. For the sake of transparency and clarity, one of the two types, i.e. special organisations, could be deleted from the legislation. A significant problem that persists is the limited normative value of the Law on Public Agencies. Namely, each public agency (this status is used chiefly for regulatory bodies) is regulated in a special law, and a large number of public agencies are accountable to Parliament instead of the Government. They are thus exempt from accountability to the ministries and government, although they perform administrative functions.

While administrative bodies enjoy a sufficient level of managerial and professional autonomy, this autonomy is not counterbalanced with a sound framework of performance management, ministerial steering, oversight or accountability for results.

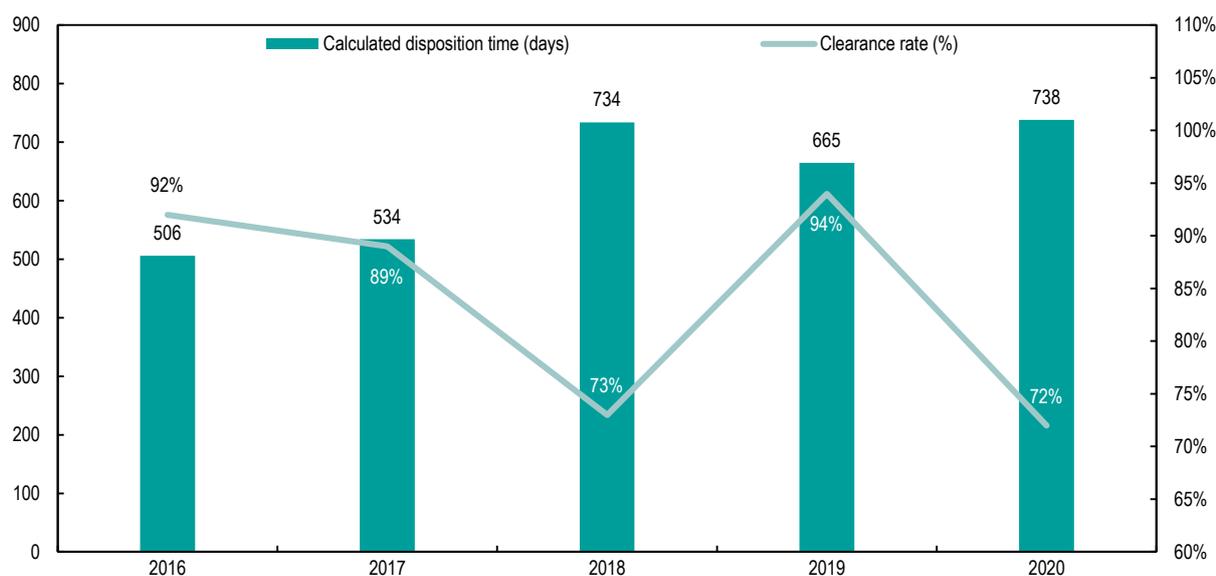
Serbia remains a solid performer in the area of access to public information. The legislative framework is in line with international standards and is even recognised globally as one of the most advanced. The public perception of transparency is positive and has improved significantly since 2017. There are still some outstanding challenges in this area, however. The provision on the abuse of the right to access to public information is not sufficiently clear and could be interpreted arbitrarily. The Commissioner for Information of Public Importance and Data Protection lacks mechanisms to enforce the decisions and sanctions for cases of non-compliance. There is also room for improvement regarding proactive disclosure of public information.

Regarding oversight of public administration by external oversight institutions, the legislative framework is adequate overall and ensures sufficient independence of the oversight institutions. The

Balkan Barometer demonstrated positive change in terms of public perception of independence and trust in oversight institutions. There is an ongoing problem with access to reliable statistics on the implementation of the Ombudsman's recommendations.

Accessibility to administrative justice is severely affected by the high backlog of cases in the Administrative Court. At the end of 2020, the average time needed by the Court to resolve a case (calculated disposition time) reached 738 days (over 200 days more than in 2016 and three times more than the European average). The clearance rate has been constantly below 100% since 2016, which leads to growing backlogs. On a more positive note, court fees are extremely low, and legislation on free legal aid has been adopted recently.

Excessive and increasing disposition time of cases in the Administrative Court hinders the effectiveness of judicial review of administrative decisions



Source: Annual reports of the Administrative Court.

Public liability for administrative wrongdoing is enshrined in the legislation. However, data is not available due to the absence of monitoring of judicial cases and amicable settlements, making it impossible to assess how the implementation is unfolding in practice.

Short-term recommendations (1-2 years)

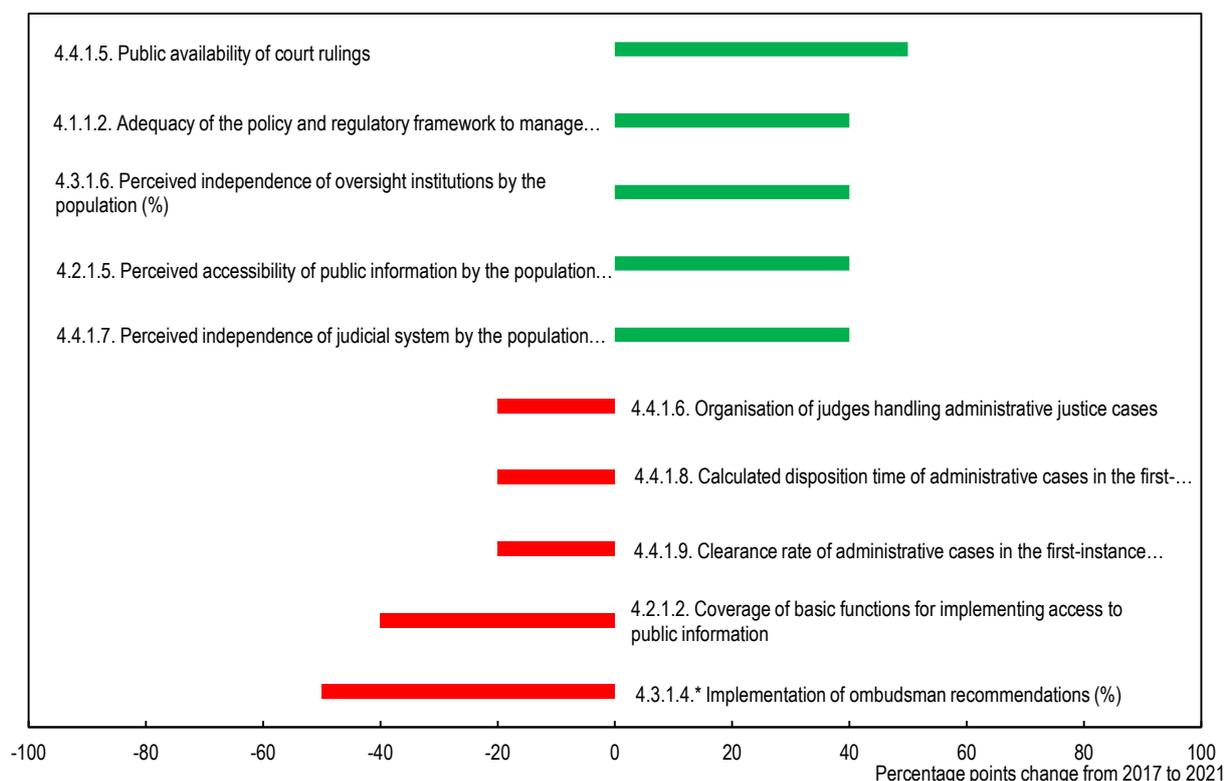
- 1) The Ministry of Public Administration and Local Self-Government (MPALSG) should review and simplify the current legislative framework for the typology of public administration bodies, in particular eliminating unclear distinctions between administrative authorities within ministries and special organisations.
- 2) Any future organisational changes (e.g. the creation of new bodies, the merger and abolition of institutions, and shifts in powers and competences, change of status) should be preceded by comprehensive *ex ante* analysis and reviewed by the MPALSG, based on a clearly established government policy.
- 3) The Government should adopt an accountability framework for bodies subordinated to the ministries, ensuring that portfolio ministries actively shape the objectives and expected results for subordinated bodies, monitor their implementation and provide structured, regular feedback on the performance of these bodies.

- 4) The MPALSG, in close co-operation with the Commissioner for Information of Public Importance and Data Protection, should replace the controversial provision of the law on “abuse of right to access to public information” with a mechanism that would reduce the risk of arbitrary decision making.
- 5) The MPALSG, in close co-operation with the Commissioner for Information of Public Importance and Data Protection, should develop a legislative proposal eliminating obstacles to effective supervision of the observance of the right to information, ensuring in particular that decisions of the Commissioner are enforceable and sanctions are imposed for violations of the right to information.
- 6) The Protector of Citizens should establish mechanisms for monitoring and reporting on the actual implementation of the recommendations by the state administration bodies that rely on comprehensive checks of implementation measures, not only acceptance of the recommendations by the relevant bodies.
- 7) The Ministry of Justice and the High Judicial Council should undertake urgent and concerted actions tackling the problem of a systemic backlog of cases in the Administrative Court, such as increasing the number of judges (on a temporary or permanent basis) of this Court and increasing the number of administrative staff (including judicial assistants) combined with an inter-institutional mechanism for more regular monitoring of this Court’s workload.

Medium-term recommendations (3-5 years)

- 8) The Government should review all public bodies subordinated to the National Assembly, identify those that perform purely executive and regulatory functions and propose legislation to make them accountable to the Government.
- 9) The Government, in co-operation with the State Attorney’s Office, should introduce mechanisms to monitor cases (both court cases and amicable settlements) that result in the liability of the State, with the goal of improving administrative procedures and decisions and thus reducing public-liability cases in the future.

The five highest percentage point increases and decreases for all sub-indicators in the area compared to 2017. While public availability of court rulings has improved, the issues of judicial backlogs in administrative disputes and the lack of monitoring of the implementation of the Ombudsman’s recommendations have exacerbated



Note: The * marks where points have been deducted because data was not available, not provided, or of poor quality.

Analysis

Principle 1: The overall organisation of central government is rational, follows adequate policies and regulations and provides for appropriate internal, political, judicial, social and independent accountability.

Overall, the value for the indicator 'Accountability and organisation of central government' is 2. While this is an improvement from 1 in 2017, significant shortcomings remain.

Indicator 4.1.1: Accountability and organisation of central government						
This indicator measures the extent to which the governance model of central government upholds lines of accountability and contributes to increasing the state's capacity, which is defined as the ability of the administrative apparatus of the state to implement policies, deliver services to citizens and support decision makers with policy advice. This includes assessing the legal and institutional framework for overall organisation of central government, as well as its implementation in practice.						
Overall 2021 indicator value  since 2017	0	1	2	3	4	5
			Points 2021	Changes from 2017		
Policy and legal framework for central government organisation						
1. Clarity and comprehensiveness of official typology of central government bodies			4/5	=		
2. Adequacy of the policy and regulatory framework to manage central government institutions			3/5	+2		
3. Strength of basic accountability mechanisms between ministries and subordinated bodies			2/5	+1		
4. Managerial accountability mechanisms in the regulatory framework			4/5	+3		
Central government's organisation and accountability mechanisms in practice						
5. Consistency between practice and policy in government reorganisation			0/4	=		
6. Number of public bodies subordinated to the parliament			0/4	=		
7. Accountability in reporting between central government bodies and parent ministry			0/4	=		
8. Effectiveness of basic managerial accountability mechanisms for central government bodies			0/4	=		
9. Delegation of decision-making authority within ministries			1/4	=		
Total			14/40	+6		

The organisational architecture of the central government is a hybrid of post-Yugoslav administrative traditions and more recent influences of agencification trends, partly motivated by the EU accession process. This mixture created a complex institutional landscape regulated by four framework laws: 1) the Law on Government¹⁹¹; 2) the Law on State Administration (LSA)¹⁹²; 3) the Law on Ministries¹⁹³; and 4) the Law on Public Agencies¹⁹⁴. The current typology of sub-ministerial bodies is over-complicated and lacking strong rationale. Three main types of institutions are recognised: administrative authorities within ministries, special organisations, and agencies. There are also some auxiliary bodies serving the Government (Government service offices) (Table 1).

¹⁹¹ Law on Government, Official Gazette, No. 55/2005, 71/2005.

¹⁹² Law on State Administration (LSA), Official Gazette, No. 79/2005, 101/07 and 95/2010.

¹⁹³ Law on Ministries, Official Gazette, No. 44/2014 and 14/2015.

¹⁹⁴ Law on Public Agencies, Official Gazette, No. 18/2005 and 81/2005.

Table 1. Number of central government bodies of each type in Serbia

Type of institution	Total number
Ministry	21
Administrative authority within a ministry	29
Special organisation	18
Agency	10
Government service office	14

Source: Based on an inventory of central government bodies provided by the Ministry of Public Administration and Local Self-Government (MPALSG).

Administrative authorities within ministries can be established when the nature and extent of their responsibilities require a greater level of autonomy than the one that a department enjoys within a ministry in order to carry out executive or inspectoral tasks and expert tasks.

Special organisations can be set up to carry out expert and related executive tasks whose nature requires a greater level of autonomy than the one enjoyed by an administrative authority within a ministry.

Agencies are located outside the core state administration. An agency can be created if its developmental, specialist, and/or regulatory responsibilities do not require constant direct political supervision, and if a public agency can perform [these tasks] more efficiently than a state administration authority, particularly when these tasks can entirely or mostly be financed from the fees paid by the users of services rendered.

Criteria distinguishing various types of bodies are general and vague, and neither procedure nor practice of *ex ante* assessment and determination of the most adequate organisational form for specific functions is established. For example, for special organisations, the tasks required for a “greater level of autonomy” – justifying the selection of this type – are not explained. The legislation also fails to instruct how to measure when specific functions could be performed “more efficiently” by agencies than other bodies or what justifies the creation of this category of institutions.

In practice, bodies performing broadly similar functions fall under different organisational types. For example, fuel reserves are managed by an administrative body within a ministry (Directorate for the Energy Fuel Reserves), but commodity reserves are in the domain of a special organisation (Republic Directorate for Commodity Reserves). Railways are governed by the respective special organisation (Directorate for Railways), while waterways are governed by the administrative authority within the same Ministry of Construction, Transport and Infrastructure (Directorate for Waterways).

Furthermore, the official typology of administrative bodies has limited normative value. The rules of steering and supervision over administrative authorities within ministries and special organisations are largely the same. According to the LSA, the former are accountable to the relevant minister, whereas the latter report to the Government (Council of Ministers). However, the LSA explicitly enables delegating supervision over special organisations to the relevant portfolio ministry¹⁹⁵. The most tangible difference between these two types relates to the procedure of appointment of the head of the institution. In administrative authorities within the ministry, the candidate is proposed by the portfolio minister, while in special organisations by the Prime Minister. Nevertheless, in both cases, the final decision is made by the Government¹⁹⁶.

¹⁹⁵ LSA, Article 50.

¹⁹⁶ LSA, Articles 30 and 35.

The Law on Agencies has a limited normative value as well, as public agencies (this status chiefly applies to regulatory bodies) enjoy separate legal regimes stemming from special legislation.

Regardless of the type of institution, the deficits of ministerial steering of these bodies remain similar. Ministers bear overall responsibility for the supervision of subordinated bodies. However, this political control is not accompanied by more professional, results-oriented steering frameworks structured around specific objectives and targets set by the ministries and monitored by their specialised units regularly. Subordinated institutions enjoy extensive operational autonomy that is not complemented with strong ministerial guidance and leadership with regard to key priorities and expected outcomes. Annual plans (and budgets) of subordinated bodies are prepared by these bodies themselves with no meaningful involvement of the portfolio ministries that operate as “mailmen”, simply transmitting relevant documents for the Government’s approval. Performance feedback is not provided to the subordinated bodies in a structured manner. There are no capacities in the ministries dedicated to steering, overseeing or discussing performance objectives with the subordinated bodies.

In the context of the overall organisational set-up of public administration, it should be noted that many executive bodies are subordinated to the Parliament, which hinders the Government’s capacity to ensure consistent implementation of its policies in relevant sectors. This relates particularly to regulatory bodies, such as the Regulatory Agency for Electronic Communications and Postal Services, the Commission for Protection of Competition, the Energy Agency of Serbia or the Securities Commission. As in other countries in the region, this phenomenon appears to represent the case of “gold-plating” of the international standards on the autonomy of regulatory bodies. Neither EU legislation nor other binding standards require regulators to operate under the auspices of the legislature. They could be firmly located within the executive and contribute to implementing the Government’s policies while enjoying extensive functional autonomy in exerting their regulatory powers in individual cases.

Besides the lack of clarity in the policy and legislative framework (overly complex typology, unclear criteria for selecting the type of administrative body), there is also no effective “gatekeeping” in the process of establishing new bodies. Although the Ministry of Public Administration and Local Self-government is formally responsible for the organisation of public administration, its role in the process is merely formal. The Ministry does not intervene substantively in the regulatory processes in this area.

Promoting delegation of decision making as a key component of managerial accountability in the internal governance of ministries remains another challenge. While the delegation of power to issue administrative acts to lower-level officials is practised in most ministries, even minor technical decisions regarding staff (e.g. approving annual leaves or business trips) or financial management (e.g. signing low-value contracts) requires approval of the minister or the highest-ranking manager. The added value of this practice in ensuring proper control of public resources is disputable. Moreover, it distracts the ministers and top civil servants from their core work, i.e. managing major policy issues.

Conclusion

Organisation of public administration lacks clear policy direction. The current state of play is characterised by an over-complex typology of central government bodies, unclear criteria for selecting the most fit-for-purpose type of administrative body, lack of gatekeeping responsibility, an excessive number of agencies accountable directly to Parliament and deficits in the governance of bodies subordinated to ministries. Executive administrative bodies enjoy extensive autonomy which is not counterbalanced with strong ministerial steering or accountability for results.

Principle 2: The right to access public information is enacted in legislation and consistently applied in practice.

Overall, the value for the indicator 'Accessibility of public information' is 4, the same as in 2017. While the perception of transparency has improved considerably since 2017, there is an increasing problem with ensuring effective supervision of compliance with transparency rules.

Indicator 4.2.1 - Accessibility of public information						
This indicator measures the extent to which the legal and institutional framework regarding access to public information is established, promoting timely responses to public information requests free of charge or at a reasonable cost. It also covers the practical application of these legal requirements, with particular focus on proactive disclosure of public information and perceptions of availability of public information.						
Overall 2021 indicator value	0	1	2	3	4	5
					Points 2021	Change from 2017
Legal and institutional framework for access to public information						
1. Adequacy of legislation on access to public information					9/10	+1
2. Coverage of basic functions for implementing access to public information					2/5	-2
Citizens' level of access to public information						
3. Proactivity in disclosure of information by state administration bodies on websites (%)					2/5	=
4. Proactivity in disclosure of datasets by the central government (%)					5/5	=
5. Perceived accessibility of public information by the population (%)					2/2.5	+1
6. Perceived accessibility of public information by businesses (%)					1.5/2.5	+1
Total					21.5/30	+0.5

The legal framework implementing the constitutional right of access to public information¹⁹⁷ remains compatible with international standards in this matter, in particular, the Council of Europe Convention on Access to Official Documents (Tromso Convention), signed (but not ratified) by Serbia¹⁹⁸. In addition, the Law on Free Access to Information of Public Importance (LFAI)¹⁹⁹ earned international recognition as one of the most advanced laws in this area in the world, according to the Global Right to Information Rating²⁰⁰. Combining this with an increasingly positive view of the level of transparency by Serbia's citizens and businesses (Figure 1), the overall assessment of the situation is positive.

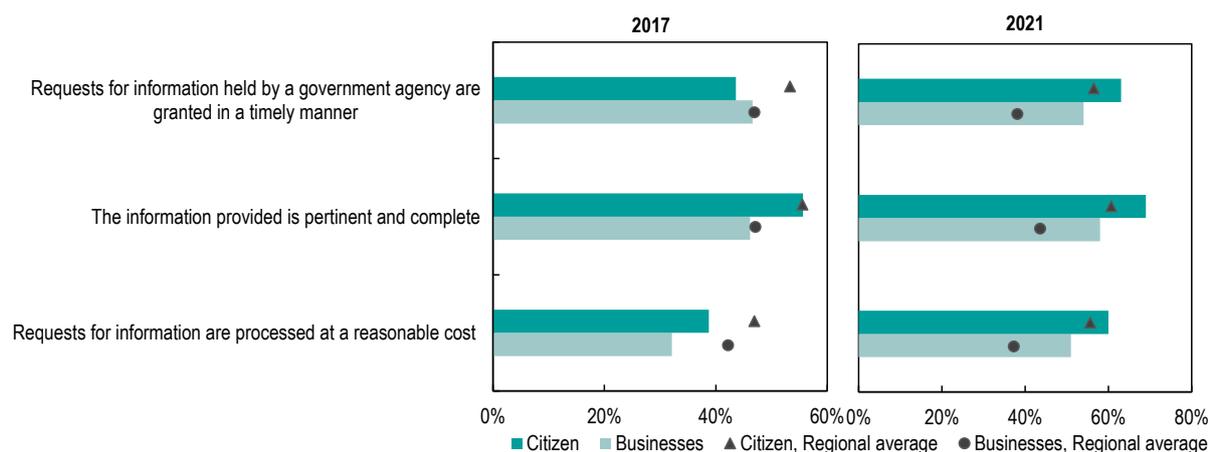
¹⁹⁷ Constitution of the Republic of Serbia, Article 51.

¹⁹⁸ Council of Europe Convention on Access to Official Documents of 18 June 2009, available at <https://www.coe.int/en/web/conventions/full-list/-/conventions/treaty/205>.

¹⁹⁹ Law on Free Access to Information of Public Importance, Official Gazette, No. 120/2004.

²⁰⁰ Global Right to Information Rating, available at <https://www.rti-rating.org>.

Figure 1. Perception of transparency, 2017 and 2021



Note: Percentage of respondents who answer "totally agree" or "tend to agree" to the statements presented in the figure. The share of citizens consider only those respondents who have been in contact with central government services in the past year.

Source: Regional Cooperation Council, Balkan Barometer Public and Business Opinion databases (<https://www.rcc.int/balkanbarometer>).

A more detailed insight into legislation, institutional framework and practice shows some remaining challenges. First, the LFAI contains a controversial clause of "abuse of right to information" that enables the information holders to reject a public information request that is "unreasonable, frequent, where an applicant repeatedly requires the same information or information already obtained, or when too much information is requested." Each of these grounds creates a risk of unfounded restrictions in access to information, based on vague and arbitrarily interpreted grounds. All of them aim at reducing the burden on public authorities, associated with processing public information requests. In this context, it should be stressed that public authorities have many other, less invasive tools to reduce the costs and efforts necessary to meet transparency requirements. In particular, the number of public information requests could be effectively lowered by disclosing more information proactively on the websites of relevant authorities. Information holders might also be requested under the LFAI to participate in justified costs of processing public information requests if it is particularly burdensome to public authorities.

Risks associated with this "abuse of right to information" clause would be of lesser magnitude if the decisions of information holders were subject to effective review. Serbia was one of the first countries in the region where a specialised appeal body was established to perform this function. The Commissioner for Information of Public Importance and Data Protection (hereafter "Commissioner") is an ombudsman-type institution that reports solely to the legislature, promotes the transparency of public bodies, and reviews appeals against acts of information holders²⁰¹. While the status of this body guarantees a sufficient level of independence, the overall effectiveness of supervision of the implementation of the right to information suffers from some shortcomings and deficits (Table 2).

²⁰¹ Complaints are inadmissible if they are lodged against the decision of the Parliament, the President of the Republic, the Government of the Republic of Serbia, the Supreme Court of Serbia, the Constitutional Court and Republic Public Prosecutor. (LFAI, Article 22, paragraph 1).

Table 2. Analysis of the performance of key supervisory functions in the area of access to public information

Supervisory functions	Key deficits and shortcomings
Collection of statistical data	While public authorities are obliged to report statistics on processing public information requests to the Commissioner annually, the majority fail to do so, and the Commissioner cannot autonomously impose sanctions for non-compliance in this matter.
Review of acts of first instance bodies	While the Commissioner acts as an appeal body against acts of the first instance bodies refusing access to information (or lack of response), enforcement of the Commissioner's decision is not ensured. Sanctions for non-enforcement of the Commissioner's decision cannot be imposed.
Inspections of compliance with the LFAI among information holders	Responsibility for inspection activities is assigned to the Administrative Inspectorate (AI) operating under the auspices of the MPALSG. However, the AI is not active in this field. According to data provided by the Commissioner, in 2020, the AI did not launch any misdemeanour proceedings against officials or institutions in cases reported by the Commissioner as violations of the right to information.
Imposing sanctions for non-compliance with the LFAI	Due to a lack of inspection activities (followed by misdemeanour proceedings), no sanctions for violations of the right to information were imposed in 2020.

While the level of proactive transparency of the government as a whole is good (consolidated texts of legislation, the state budget, key statistical data on the economy, the government work plans and annual reports, the legislative proposals, etc. are published online), there is lack of a culture of proactive transparency in individual institutions. The LFAI fails to promote proactive disclosure of public information as a primary vehicle for meeting transparency requirements. The catalogue of information to be published on the websites of public bodies is narrow. Further, there is no monitoring of the content on these websites. The Commissioner has no mandate to do so. No sanctions are envisaged for failure to comply with the requirements on proactive transparency. In practice, a review of the websites of selected public bodies finds that while basic organisational information (organigrams, tasks, contact details) is usually available, budgetary data, annual plans and reports are not shared with the public.

An area that also required attention is low transparency and openness of Government decision making, which is addressed in the Policy development and co-ordination chapter (indicator 2.6.1),

Conclusion

The perception of transparency among citizens and businesses has improved since 2017. The legislative framework is in line with best practices. A good level of proactivity of disclosure of information by the government is demonstrated for central datasets, with room for improvement at the level of individual institutions. The effectiveness of monitoring and supervision over compliance with transparency rules by public authorities need to be enhanced.

Principle 3: Functioning mechanisms are in place to protect both the rights of the individual to good administration and the public interest.

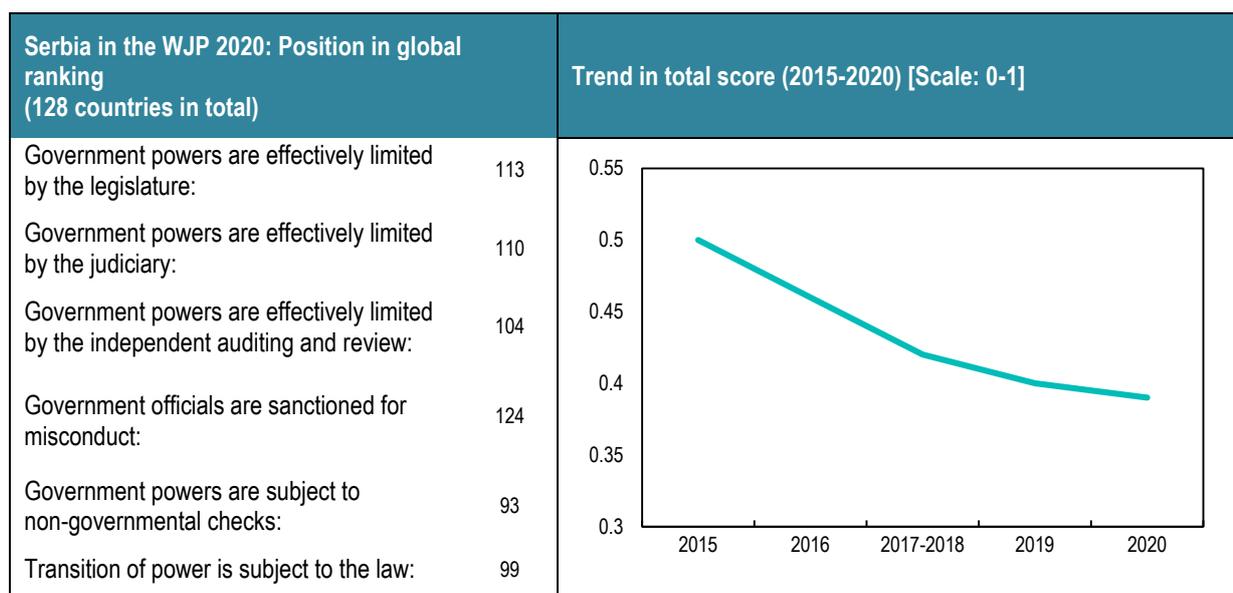
Overall, the value for the indicator 'Effectiveness of scrutiny of public authorities by independent oversight institutions' is 4, compared to 3 in 2017. The Balkan Barometer demonstrated positive change in terms of public perception of independence and trust in oversight institutions. There is an ongoing problem with monitoring of the implementation of the Ombudsman's recommendations, which negatively affects the indicator value.

Indicator 4.3.1: Effectiveness of scrutiny of public authorities by independent oversight institutions						
This indicator measures the extent to which there is a functioning system of oversight institutions providing independent and effective supervision over all state administration bodies. The strength of the legislative framework is assessed, as well as the effectiveness of oversight institutions in changing practices in the state administration and building trust among the population.						
Overall 2021 indicator value  since 2017	0	1	2	3	4	5
					Points 2021	Change from 2017
Legal and institutional framework for oversight institutions						
1. Legislative safeguards for the independence and adequate mandate of the ombudsman institution					9/10	+1
2. Legislative safeguards for the independence and adequate mandate of the SAI					9/10	=
3. Legislative safeguards for the independence of courts and judges					10/10	=
Effectiveness of and public trust in oversight institutions						
4. Implementation of ombudsman recommendations (%)					0/8*	-4
5. Implementation of SAI recommendations (%)					6/8	=
6. Perceived independence of oversight institutions by the population (%)					2/5	+2
7. Trust in oversight institutions by the population (%)					3/5	+2
8. Perceived ability of oversight institutions and citizens to effectively hold the government accountable (%)					3/5	+2
Total					42/61	+3

Note: *Data not available or provided.

Oversight institutions enjoy a degree of independence that mostly corresponds with international standards. Trust and perceived effectiveness rates regarding the Ombudsman (Protector of Citizens), the State Audit Institution (SAI) and courts increased. Nearly half of the population expressed confidence in these bodies, compared to less than one-third in 2017. On the other hand, the results of the most recent survey of the World Justice Project present a less optimistic picture: in terms of the strength of mechanisms curbing Government powers and ensuring its accountability, Serbia is the weakest performer in the region, representing a trend of continuous backsliding. Among all European countries (member states of the Council of Europe), only Hungary and the Russian Federation scored lower (Figure 2).

Figure 2. Serbia's performance in the World Justice Project ranking, criterion: Constraints of Government powers, 2015-2020

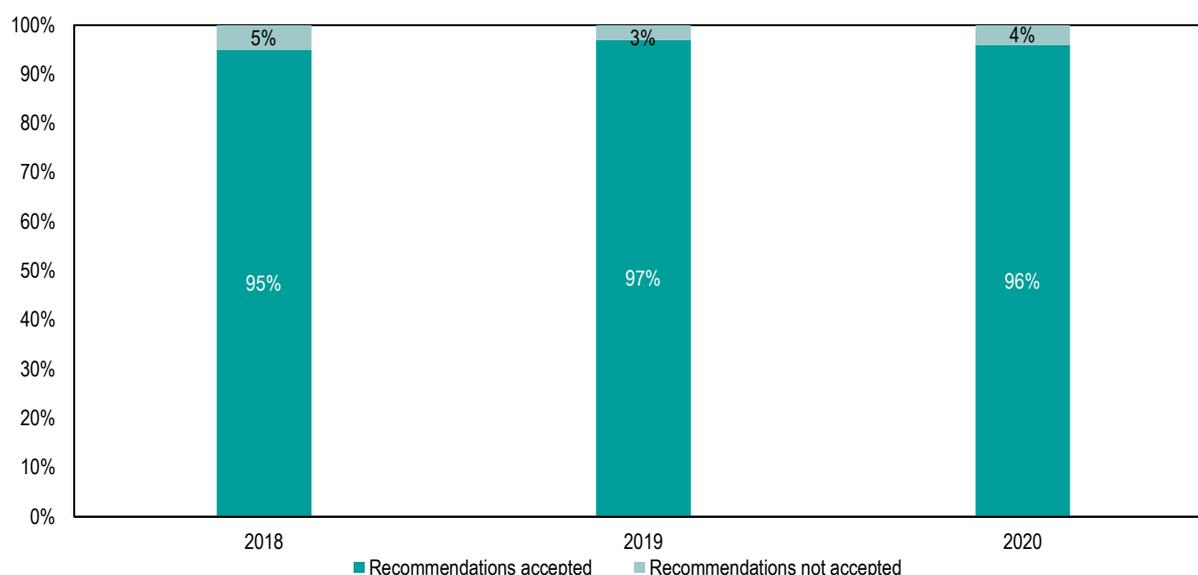


Source: Based on data from World Justice Project, "WJP Rule of Law Index: Serbia", <https://worldjusticeproject.org/rule-of-law-index/country/2020/Serbia/Constraints%20on%20Government%20Powers>.

The quality of the Ombudsman's oversight of the executive branch of government is further affected by the lack of effective monitoring the actual implementation of the institution's recommendations by public authorities. The Protector of Citizens collects and publishes statistical data on the number of recommendations accepted by public bodies in its annual report. This rate is very high (Figure 3), but the mere formal acceptance by the public body does not ensure factual implementation²⁰².

²⁰² This finding was commented by the Protector's Office. After a discussion with the Protector of Citizens and his team, SIGMA decided to keep the finding (and corresponding recommendation) in the report. Firstly, the Protector's 2020 Annual Report states on p. 32: "The accepted recommendations are all recommendations implemented by administrative authorities or for which the authorities notified the Protector of Citizens that they accepted them." This explanation clearly distinguishes between "accepted" and "implemented" recommendations. Besides, the Protector's Office provided only evidence on formal acceptance of the recommendations by the bodies. Based on these facts, it would be inaccurate to consider the share of "accepted" recommendations as the implementation rate.

Figure 3. Acceptance of the Ombudsman's recommendations, 2018-2020 (%)



Note: Recommendations issued in ordinary and expedited procedures are included, while recommendations issued within the framework of the National Preventive Mechanism are not included.

Source: Annual reports of the Ombudsman.

In reaction to the first wave of the COVID-19 pandemic, the Protector of Citizens shifted to communication with applicants via phone, but when the epidemiological situation improved, in-person contact was restored. The pandemic did not affect efficiency in processing citizens' complaints, as the institution managed to handle significantly more cases in 2020 than in the previous year²⁰³.

The institutional set-up of the judicial system remains generally in line with basic international standards. However, some aspects of the judicial appointments procedure raise concerns about the independence of courts and judges. The final decisions on judicial appointments are made by the National Assembly upon the proposal of the High Judicial Council (HJC). In the vast majority of cases, the National Assembly follows the recommendation of the HJC. However, the National Assembly has the power to reject any candidate without any detailed justification and without the possibility of external review of this decision, which may undermine the principle of merit-based judicial appointments. The National Assembly is also responsible for electing the presidents of the courts²⁰⁴.

These arrangements were recognised as problematic by the Venice Commission at the time of adoption of the current Constitution²⁰⁵. Furthermore, the first appointment is made for a fixed probationary period of three years, followed by a permanent appointment made by the HJC. Whereas the probationary period is affirmed by some international standards²⁰⁶, others strongly recommend only permanent appointments²⁰⁷ in order to eliminate possible undue pressure on the judges during the probationary period.

²⁰³ In 2020, it completed 4 015 cases, while in 2019, it completed 2 227 cases (Annual Report of the Protector of Citizens for 2020, p. 26).

²⁰⁴ Constitution of the Republic of Serbia, Article 99.

²⁰⁵ Venice Commission, Opinion on the Provisions on the Judiciary in the draft Constitution of the Republic of Serbia, Council of Europe Document CDL-AD(2005)023, 24 October 2005, p. 5.

²⁰⁶ Recommendation CM/Rec(2010)12 of the Committee of Ministers to Member States on Judges: Independence, Efficiency and Responsibilities, adopted by the Committee of Ministers on 17 November 2010, para. 51.

²⁰⁷ Universal Declaration of the Independence of Justice (Montreal Declaration), First World Conference on the Independence of Justice, 1983, p. 2.20; Venice Commission (2010), European Commission for Democracy Through

Addressing these two problems requires constitutional amendments, which has stimulated discussions on constitutional reform. However, this process is progressing slowly. The bill containing the necessary amendments was eventually submitted by the Government to the National Assembly in December 2020. It envisages, among other changes, the appointment of judges only for permanent tenure by the HJC. The Council would also take over the power to appoint the presidents of the courts.

Conclusion

The attributes of formal independence of oversight institutions are secured in the legislative framework. While the Balkan Barometer survey shows increasing and solid public confidence in oversight bodies, the most recent World Justice Project results present a less optimistic picture. The effectiveness of the Ombudsman's oversight cannot be properly assessed, as there are no reliable data on the actual implementation of the Ombudsman's recommendations. There are some remaining concerns about the legal framework for independence of the judiciary expressed by the Venice Commission.

Principle 4: Fair treatment in administrative disputes is guaranteed by internal administrative appeals and judicial reviews.

Overall, the value for the indicator 'Fairness in handling of administrative judicial disputes' is 3, the same as in 2017. Although the legal framework has been slightly improved with the adoption of the Law on Free Legal Aid²⁰⁸, the total points allocated have not increased significantly due to persisting efficiency problems in the Administrative Court.

Indicator 4.4.1 - Fairness in handling of administrative judicial disputes						
This indicator measures the extent to which the legal framework and the organisation of courts support fair treatment in administrative judicial disputes and the administrative judiciary is characterised by efficiency, quality (including accessibility) and independence. Outcomes in terms of case flow and public perceptions of independence are also measured.						
Overall 2021 indicator value	0	1	2	3	4	5
				Points 2021	Change from 2017	
Legal framework and organisation of judiciary						
1. Adequacy of the legislative framework for administrative justice				5/6	=	
2. Accessibility of administrative justice				4/4	+1	
3. Effectiveness of remedies against excessive length of proceedings in administrative cases				2/2	=	
4. Use of an electronic case-management system				1/1	=	
5. Public availability of court rulings				2/2	+1	
6. Organisation of judges handling administrative justice cases				4/5	-1	
Performance of the administrative justice system						
7. Perceived independence of judicial system by the population (%)				2/5	+2	
8. Calculated disposition time of first-instance administrative cases				0/5	-1	
9. Clearance rate in first-instance administrative courts (%)				2/5	-1	
10. Cases returned for retrial by a higher court (%)				5/5	=	
Total				27/40	+1	

Law, Report on the Independence of the Judicial System, Part I: The independence of Judges, CDL-AD (2010)004, Council of Europe, Strasbourg, para. 43.

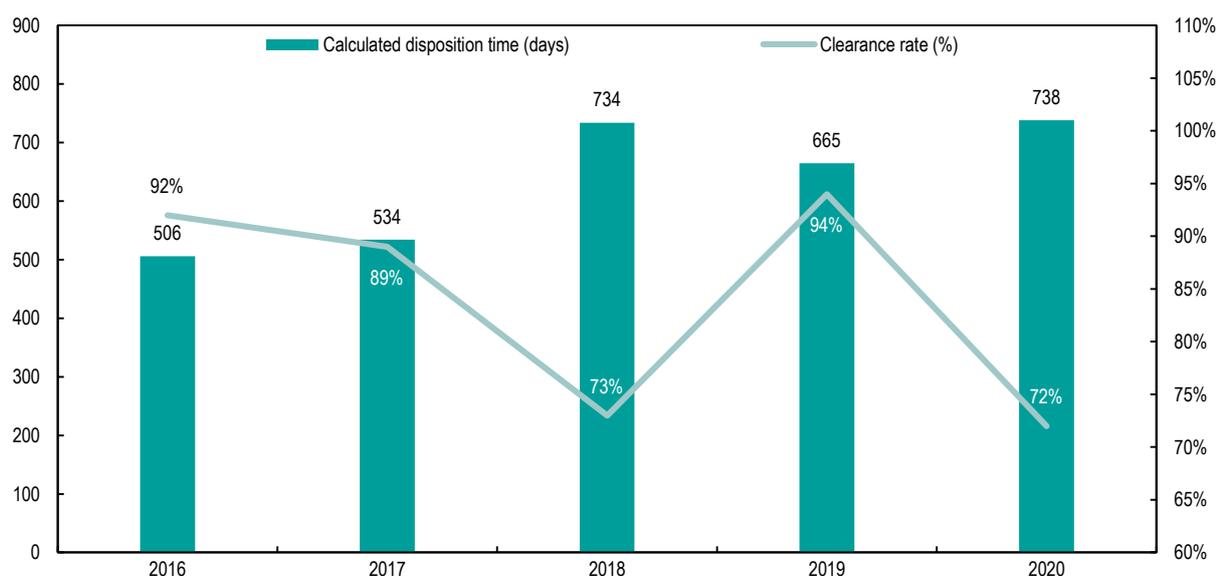
²⁰⁸ Law on Free Legal Aid, Official Gazette, No. 87/2018.

The Law on Administrative Disputes secures the right of judicial review of administrative acts by empowering all individuals whose legal situation was affected by the administrative action or omission to submit the case to the single Administrative Court. Administrative justice is widely accessible to all groups of citizens, thanks to an extremely low court fee (amounting to 0.4% of the gross average wage) and a recently adopted regulation on free legal aid.

It should be noted, however, that the rulings of the Administrative Court are not subject to ordinary appeal to the higher instance. There has been no progress in realising the long-standing plans to establish the administrative court of appeal. The parties dissatisfied with the first instance decisions may only file a request for extraordinary review to the Supreme Court of Cassation in strictly limited cases. In 2020, the total number of administrative cases resolved by the Supreme Court of Cassation amounted to only 1% of the first instance rulings, which demonstrates how limited the use of this extraordinary remedy is.

However, the lack of second instance court is not a major problem in this area. Accessibility and efficiency of administrative justice are severely and increasingly affected by a backlog of cases in the Administrative Court. At the end of 2020, the average time needed by the Court to resolve a case (calculated disposition time) reached 738 days²⁰⁹. This is over 200 days more than in 2016 and three times more than the European average²¹⁰ and also significantly more than the regional average (530). The Court managed to resolve only 75% of the annual influx of cases, which resulted in a further increase in overdue cases. The positive impact of a slight improvement in the efficiency indicators in 2019 were reversed in 2020 (Figure 4).

Figure 4. Basic parameters of efficiency of the Administrative Court, 2016-2020



Source: Annual reports of the Administrative Court.

The deterioration of this situation cannot be attributed only to the COVID-19 pandemic²¹¹ and the increased inflow of cases due to parliamentary elections in 2020. While the pandemic is, hopefully, a one-off event, it only further worsened the overall situation, adding around 5 000 new cases. Currently,

²⁰⁹ Data provided by the Administrative Court.

²¹⁰ Council of Europe (2020), European Judicial systems: CEPEJ Evaluation Report 2020, Evaluation cycle (2018 data), Strasbourg, p. 108.

²¹¹ Based on the recommendation issued by the Ministry of Justice on 17 March 2020, during the first wave of the COVID-19 pandemic, oral hearings in all courts in the country were cancelled (with minor exceptions). Following this recommendation, the President of the Administrative Court issued a series of instructions specifying the rules of work of the judicial and administrative staff. The most stringent measures remained in force until mid-May (detailed information is provided in the Annual Report of the Administrative Court for 2020).

there is a backlog of almost 8 000 cases pending for more than two years. The average number of unresolved cases per judge is nearly 1 000, which demonstrates that handling the backlogs will not be possible without extraordinary measures, such as recruitment of a significant number of new judges or temporary relocation of judges from other courts.

This problem affects not only citizens but also creates a financial burden on the judicial system. In 2019, the Administrative Court paid over RSD 20 million (almost EUR 170 000) in compensations for excessive length of the proceedings. This amount would be sufficient to secure annual salaries for at least ten new judges, which would enable the Court to significantly reduce the backlog. It is positive that the right to seek compensation for delays in administrative judicial proceedings is secured in the Serbian legal system and widely applied, but it does not rectify the damage caused by massive delays in delivering administrative justice.

The Ministry of Justice and the HJC have not undertaken sufficient initiatives to tackle the backlog problem. Judges in the Administrative Court are not even provided with sufficient assistance from the law clerks. The minimum ratio of one legal assistant per two judges is not secured.

Conclusion

Formal guarantees of access to judicial review of administrative acts are established, and very low court fees combined with access to legal aid create favourable conditions for citizens seeking administrative justice. However, the average waiting time for resolving the case exceeds two years, three times longer than the European average, which is a severe barrier for access to justice.

Principle 5: The public authorities assume liability in cases of wrongdoing and guarantee redress and/or adequate compensation.

Overall, the value for the indicator 'Functionality of public liability regime' is 2, the same as in 2017. No progress was recorded, with the legal framework unchanged and a continuous lack of monitoring of administrative and judicial practice in public liability issues.

Indicator 4.5.1 - Functionality of public liability regime						
The indicator measures the extent to which there is a functioning system guaranteeing redress or compensation for unlawful acts and omissions of public authorities. It examines the strength of the legislative framework for public liability and whether it is applied in practice. Wrongful acts of the state against civil servants are excluded.						
Overall 2021 indicator value	0	1	2	3	4	5
				Points 2021	Change from 2017	
Legal framework for public liability						
1. Comprehensiveness of the scope of public liability				1/1	=	
2. Coverage of the public liability regime to all bodies exercising public authority				1/1	=	
3. Non-discrimination in seeking the right to compensation				1/1	=	
4. Efficiency and fairness of the procedure for seeking compensation				3/3	=	
Practical implementation of the right to seek compensation						
5. Application of the public liability mechanism in the courts in practice				0/3*	=	
6. Payments made to entitled applicants (%)				0/3*	=	
Total				6/12	=	

Note: *Data not available or provided.

The Law on Obligations²¹² guarantees the right to compensation for damage caused by unlawful acts of members or organs of legal persons, including the state. The right to compensation stemming from this law is guaranteed to everyone, without discrimination based on any ground. It is also reinforced by the principle of state liability for “damage caused to natural and legal persons by unlawful and/or improper operations of state administration authorities”, enshrined in the LSA²¹³.

However, it is not possible to assess the level of actual application of the right to compensation for unlawful acts of public authorities due to a lack of reliable statistics. Whereas the State Attorney’s Office represents the state in judicial proceedings, including public liability cases, it neither collects statistical data for such cases or for amicable settlements, nor analyses the courts’ case law. There was no progress on the implementation of the recommendation presented in the 2017 SIGMA Monitoring Report to introduce mechanisms to monitor court cases that result in the liability of the state.

Conclusion

There is a clear procedure in place for seeking compensation for administrative wrongdoing. Yet, the lack of consistent monitoring of administrative and judicial practice in these matters prevents a reliable assessment of the practical application of the public liability regime and hinders efforts for improvement.

²¹² Law on Obligations, Official Gazette, No. 29/1978.

²¹³ LSA, Article 5.

Service Delivery

The Principles of Public Administration Service Delivery

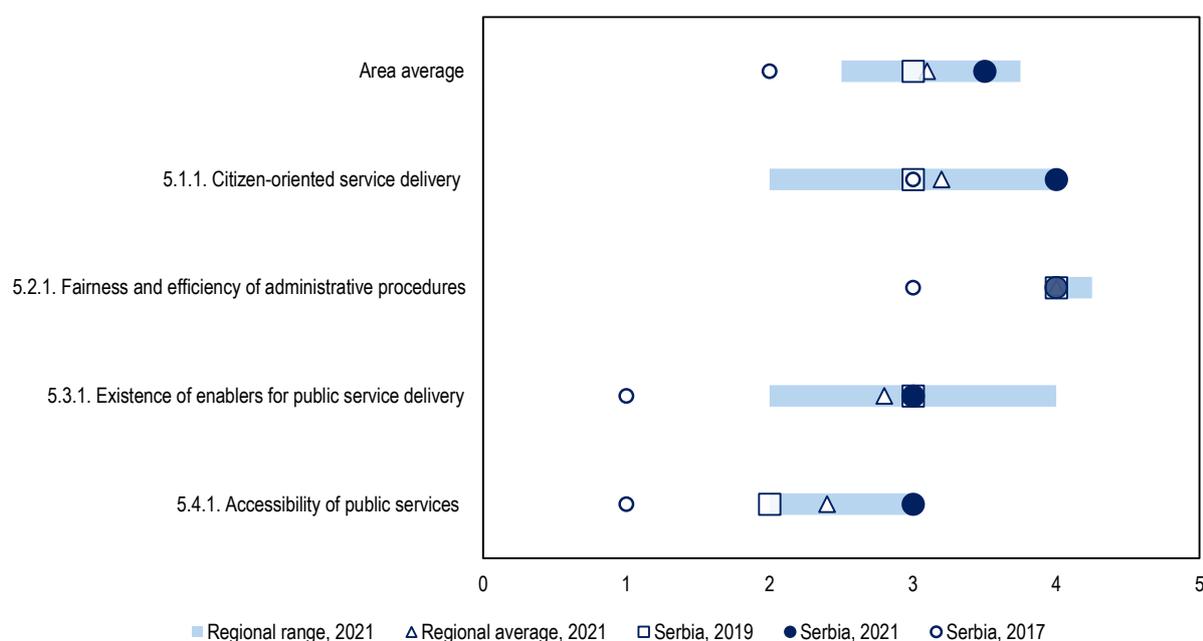
Principle 1	Policy for citizen oriented state administration is in place and applied.
Principle 2	Good administration is a key policy objective underpinning the delivery of public service, enacted in legislation and applied consistently in practice.
Principle 3	Mechanisms for ensuring the quality of public service are in place.
Principle 4	The accessibility of public services is ensured.

Service Delivery

Summary and recommendations

With an area average of 3.5 in service delivery, Serbia strengthens its position as a regional leader (together with Albania) in the Western Balkans in modernising service delivery. The overall value has been improving steadily from 2 in 2017 and 3 in 2019. This is reflected in the improvement of citizens' and businesses' perceptions of the different aspects of service delivery. The main developments have been in the overall strategic framework for service delivery and the accessibility of services. The digitalisation of public services is also continuously improving. As the main priority so far has been on digitalisation, clearer ownership for the overall provision of public services through all channels would help improve user orientation even further.

Service delivery has improved significantly from 2017. This is reflected in all indicator values. Serbia is above the regional average and consistently at the top end of the regional range

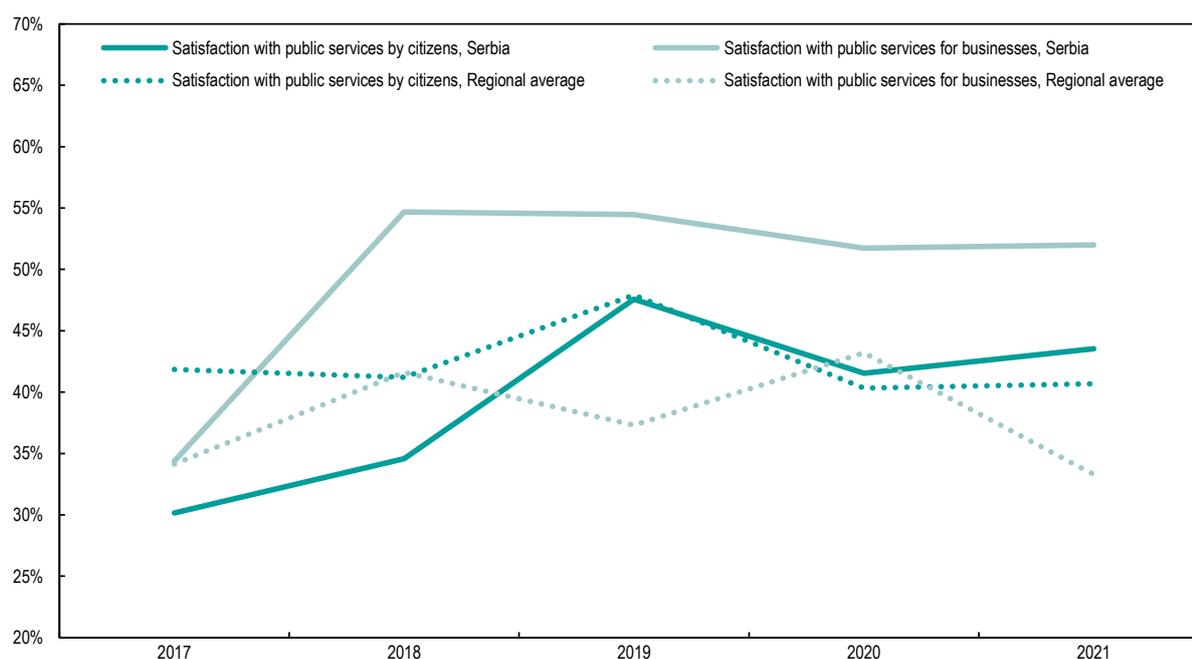


A sound policy framework is in place for service delivery in general and digital government more specifically. The Government is committed to reducing administrative burdens by strengthening the programme of process simplification and establishing a registry of administrative procedures. Although the dedicated teams are in place in several institutions, the **responsibility for the development of public services in general is still fragmented**, and some of the aspects remain uncovered. Several public authorities have partial responsibilities for improving public services, and integration of these responsibilities needs to be strengthened. Despite the good progress made in improving the enablers of digital government, an analysis of a sample of **services for citizens indicate that they are still highly bureaucratic and are at a low level of digitalisation (e.g. issuance of identity cards or registering a vehicle)**.

The implementation of the robust general legal framework established with the Law of General Administrative Procedures is still progressing slowly. The share of non-harmonised special laws and their legislation acts remains high. There is no monitoring mechanism in place to apply the once-only principle, and some public authorities still request documents that they already possess from citizens. The guidance and support on integrating different perspectives (legal, technological and user-centric service design) into a coherent approach to improving administrative procedures are missing.

The central monitoring of performance and quality of the delivery of public services remains a significant shortcoming. Despite the numerous public institutions dealing with the different aspects of service delivery, there is no clear responsibility in this area. No central service standards have been set, neither for digital nor in-person services. Performance data are regularly collected only for the digital services provided via the e-Government Portal. Although there are public institutions that use quality management and user engagement tools, no central guidelines nor co-ordinated support exist to increase their use. **The list of datasets connected to the Government Service Bus (GBS) has expanded,** including the Population Register as one of the registries in terms of interoperability of services. **Although the electronic signature is operational and has a free option for obtaining a certificate, the uptake is still very low.** This sets severe limits on the wider use of digital services.

Businesses are more satisfied with public services than citizens in Serbia



Note: The respondents were asked "Could you please tell how satisfied you are with each of the following in your place of living? The percentage shows the share of citizens and businesses who "strongly agree" or "tend to agree" in relation to the following statements: "Administrative services from central government (such as passports and personal identification [ID])" and "Public services for businesses".

Source: Regional Cooperation Council, Balkan Barometer Public and Business Opinion databases (<https://www.rcc.int/balkanbarometer>).

The number of municipal one-stop shops is increasing and, in this way, providing better access to public services across the country. A strategy exists to increase accessibility for people with disabilities but there is little evidence on implementation and monitoring. Although the government websites have common guidelines, the quality of the websites remains poor. The Government has acknowledged this issue and has conducted a comprehensive study on this issue recently. The perception of accessibility to public services has improved.

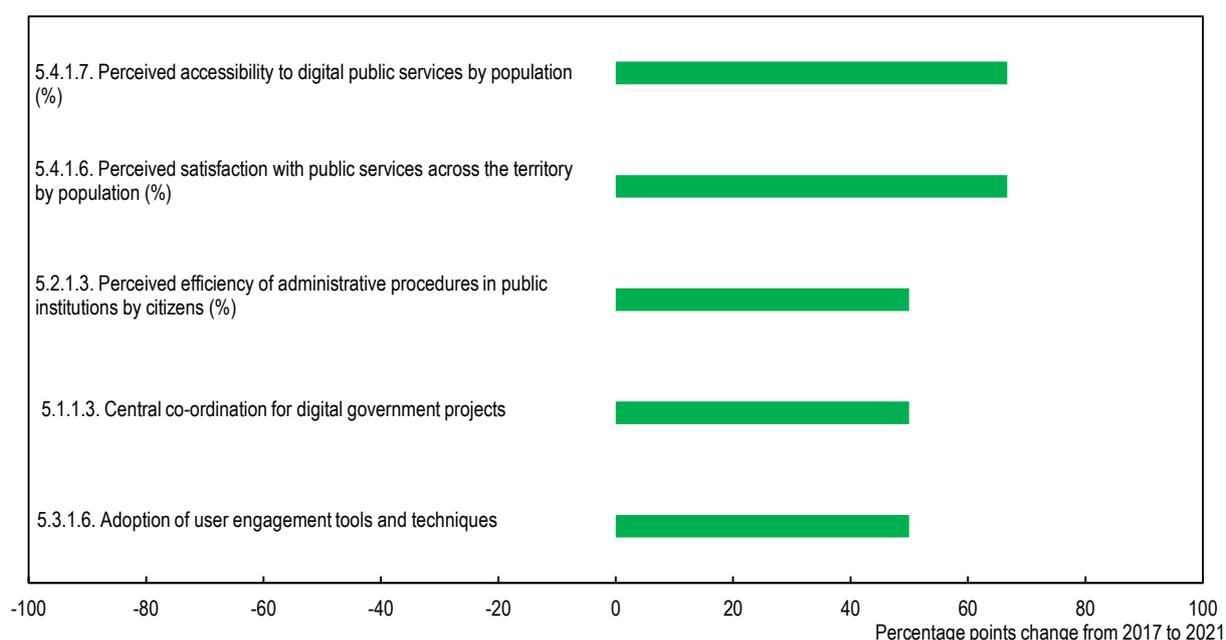
Short-term recommendations (1-2 years)

- 1) The Government should clearly assign ownership for overall service delivery to ensure a user-centric and integrated approach across the administration by establishing service standards and monitoring the performance of both digital and in-person services.
- 2) The e-Government Office should continue making the digital signature more useful for individual citizens by ensuring the successful launch of cloud and mobile phone-based solutions in co-operation with other stakeholders and by actively promoting the digital signature across the administration and among citizens.
- 3) The e-Government Office, with the backing of the Government, should further enforce the implementation of the interoperability framework and increase the number of registries connected to it.
- 4) The Ministry of Public Administration and Local Self-Government (MPALSG) should evaluate the implementation of the physical one-stop shops in the territory and expand support to this initiative by strategically targeting those municipalities and services where benefits are more relevant for citizens.
- 5) The Government should set clear deadlines for the authorities to harmonise their legislation with the Law on General Administrative Procedures (LGAP) and regularly monitor the situation. The MPASLG and the Public Policy Secretariat (PPS) should also integrate the harmonisation process with the efforts done in simplifying and re-engineering administrative procedures.
- 6) The Government should appoint an administrative body responsible for a central review process to examine the purpose and implementation of large impact government IT projects.

Medium-term recommendations (3-5 years)

- 7) The co-ordinating body should establish a policy framework on quality management complemented by an operational roadmap on how to increase the use of quality management instruments and tools in public institutions, including awareness-raising, promotion, knowledge sharing, recognising good practices and capacity building.
- 8) The Government should develop an action plan with civil society organisations to improve accessibility for people with disabilities to the most demanded public services (physical and digital). A regular public report should be published on the efforts of government bodies and municipalities concerning improving accessibility to public services for those with disabilities.

There were no negative trends at sub-indicator level from 2017 to 2021. Rising public satisfaction with public service delivery reflects the actual progress made



Analysis

Principle 1: Policy for citizen-oriented state administration is in place and applied.

Overall, the value for the indicator 'Citizen-oriented service delivery' is 4. It represents a positive trend compared to the value of 3 in 2017 and 2019. The improvement since 2019 is mostly due to the approval of policies for physical and digital service delivery.

Indicator 5.1.1 - Citizen-oriented service delivery						
This indicator measures the extent to which citizen-oriented service delivery is defined as a policy objective in legislation or official government plans and strategies. It furthermore measures the progress of implementation and evaluates the results achieved, focusing on citizens and businesses in the design and delivery of public services. Implementation and results are evaluated using a combination of quantitative and perception-based metrics.						
Overall 2021 indicator value  since 2017	0	1	2	3	4	5
				Points 2021	Change from 2019	Change from 2017
Policy framework for citizen-oriented service delivery						
1.	Existence and extent of application of policy on service delivery		8/8	+2	+2	
2.	Existence and extent of application of policy on digital service delivery		8/8	+8	+2	
3.	Central co-ordination for digital government projects		2/4	=	+2	
4.	Established policy on administrative simplification		10/12	+2	=	
Performance of citizen-oriented service delivery						
5.	Perceived quality of public service delivery by the population (%)		2/6	=	+2	
6.	Renewing a personal identification document		1/6*	-1	+1	
7.	Registering a personal vehicle		0/6	-1	=	
8.	Declaring and paying personal income taxes		3/6	=	=	
9.	Perceived quality of public service delivery and administrative burdens by businesses (%)		3/6	-0.5	+1.5	
10.	Starting a business		5/6	-0.5	+0.5	
11.	Obtaining a commercial construction permit		5/6	+2	+2	
12.	Declaring and paying corporate income taxes		6/6	=	=	
13.	Declaring and paying value-added taxes		5/6	=	=	
Total			58/86	+11	+13	

Note: *Data not available or provided. The point allocation in 2017 for sub-indicators 6, 7, 9 and 10 were revised retrospectively due to miscalculations. Points for sub-indicator 6 changed from 3 to 0, sub-indicator 7 from 2 to 0, sub-indicator 9 from 2 to 1.5 and sub-indicator 10 from 5 to 4.5.

The service delivery area has a comprehensive policy framework in place. The challenges of digital (and physical) service delivery and administrative burdens are tackled in different policy documents. The Public Administration Reform (PAR) Strategy (2021-2030), the more general umbrella document for service delivery, was renewed and approved in 2021²¹⁴. Other documents focussing on specific areas are the E-Government Development Programme in the Republic of Serbia 2020-2022²¹⁵, the Artificial

²¹⁴ The Strategy for Public Administration Reform (PAR) in the Republic of Serbia for the Period 2021-2030 is available at <http://mduls.gov.rs/wp-content/uploads/PAR-Strategy-2030-eng.pdf>.

²¹⁵ The E-Government Development Programme of the Republic of Serbia 2020-2022 is available at <http://mduls.gov.rs/wp-content/uploads/e-Government-Development-Programme-2020-2022-FINAL-2.pdf>.

Intelligence Development Strategy 2020-2025²¹⁶, and the Programme for Simplification of Administrative Procedures and Regulation “e-Paper” 2019-2021²¹⁷.

The Government established co-ordinating bodies for the digital and simplification strategies. Regarding digitalisation, the Co-ordination Council for E-Government became operational in 2018 and was replaced in 2021 by the PAR Council²¹⁸. The PAR Council gathered on four occasions in 2019, but it did not convene in 2020. This is partially explained by the fact that public authorities and non-governmental organisation representatives met on this topic under the umbrella of the general Working Group for the Development of the PAR Strategy²¹⁹. Regarding simplification, the government established in 2019 a co-ordination body under the supervision of the Public Policy Secretariat (PPS) to monitor the implementation of the “e-Paper” Programme for 2019-2021²²⁰.

However, some weaknesses remain in terms of realising the full potential of the different strategies. First, a body with the exclusive competence of drafting policies on service delivery, common standards and quality management strategies is still missing. Different units deal with the projects related to service delivery: the PPS (simplification and the registry of procedures), the MPALSG (integration of services in one-stop shops), the Office for Information Technologies and Electronic Government (ITE) in charge of digital one-stop shops and the simplification of digital services. The degree of integration of these institutions and their outcomes regarding service delivery remains unclear.

Second, a central mechanism to review the purpose and implementation of government information technology (IT) projects above a minimum threshold value of EUR 500 000²²¹ is lacking. Its implementation would avoid different strategies related to the procurement of high-impact projects and would also ensure the harmonisation of technical standards adopted by different institutions.

Improvement in the policy framework has mixed results. From a selected sample of services, only one sub-indicator, ‘Obtaining a commercial construction permit’, has improved. The median number of days to obtain such a permit was reduced from 156 in 2017 to 106 and 99 in 2019 and 2021, respectively. Also, the cost for the permit (percentage of warehouse value) dropped from 1.7% in 2019 to 1.4% in 2021. Yet, the number of procedures (11) to obtain the permit is still high in 2021. ‘Opening a business’ continues to be at the same performance level in the assessment since 2017²²².

The full adoption of e-payment for public services represents a considerable advancement in this area. Yet, the digital uptake by citizens is still modest in most non-compulsory services. For example, 35% of personal income taxes are filed online²²³. The three sample citizen services considered in this

²¹⁶ The Strategy for the Development of Artificial Intelligence in the Republic of Serbia for the Period 2020-2025 is available at <https://www.srbija.gov.rs/tekst/en/149169/strategy-for-the-development-of-artificial-intelligence-in-the-republic-of-serbia-for-the-period-2020-2025.php>.

²¹⁷ Government of Serbia, “Vlada usvojila Program za pojednostavljenje administrativnih postupaka” (Government Adopts Programme for Administrative Procedures Simplification).

²¹⁸ Government Decision (02-5103/2021) of 3 June 2021 establishing a new PAR Council. Article 8 sets that the Council will replace the Co-ordination Council for E-Government, which ceased to exist. The first session of the PAR Council took place on 10 June 2021. A record of the session is available at <https://monitoring.mduls.gov.rs/strukture/savet-za-reformu-javne-uprave/225121/odrzana-prva-sednica-saveta-za-reformu-javne-uprave.html>.

²¹⁹ Information provided by the authorities by e-mail correspondence.

²²⁰ PAR Strategy, <http://mduls.gov.rs/wp-content/uploads/PAR-Strategy-2030-eng.pdf>, p. 49.

²²¹ SIGMA (2019), *Methodological Framework for the Principles of Public Administration*, OECD, Paris, p. 153, <http://www.sigmaweb.org/publications/Methodological-Framework-for-the-Principles-of-PublicAdministration-May-2019.pdf>.

²²² World Bank (2021), *Doing Business 2020, 2019, 2017*. Comparisons drawn from the custom query feature of the website <https://www.doingbusiness.org/en/custom-query>.

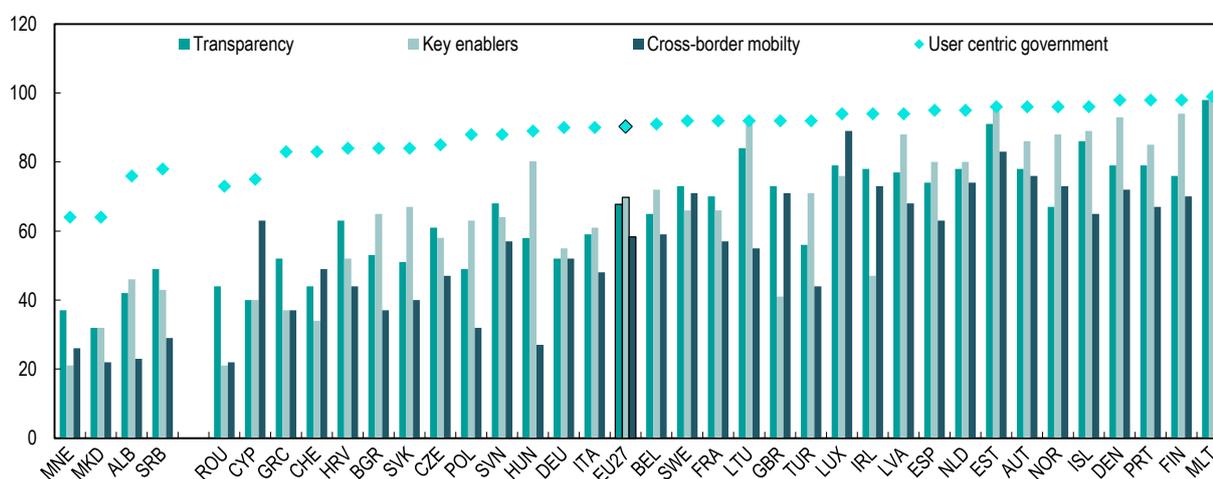
²²³ Information provided by the authorities.

assessment²²⁴ show little progress apart from the availability of e-payment. The application process is fully digital for paying personal income tax only. Registering a vehicle requires filing many different forms and interaction with several institutional contacts. Basic performance data regarding waiting time to renew a personal identity document is not available.

Finally, the roadmap for simplification has been established, but the pace of reducing red tape remains slow. An inventory with 2 527 procedures for businesses with nationwide scope has been created. The list also covers 105 procedures from the entities from the Autonomous Province of Vojvodina. Some 1 948 procedures for citizens have been mapped, and they are expected to be part of the inventory by the end of 2022²²⁵. Until December 2020 (since the programme's initiation), public authorities implemented the recommendations to simplify 136 procedures and digitalised 27 procedures. Yet, implementing a Regulatory Impact Assessment (RIA) does not yield outstanding results related to simplification. The analysis of a sample of the five most recent laws shows that RIA is performed, but simplification issues are not adequately considered in most of the sample cases studied.

Despite the developments achieved in the area, the EU eGovernment Benchmark 2021 places Serbia in the lowest decile in user-centricity in the list of the EU27 Member States and selected accession countries²²⁶ (Figure 1) showing that there is ample untapped potential.

Figure 1. User centricity, transparency, key enablers and cross-border mobility



Note: Biannual average 2019 and 2020.

Source: European Commission (2021), "User Centricity compared to Transparency, Key Enablers and Cross-Border Mobility", in *eGovernment Benchmark 2020 Insight Report*, <https://digital-strategy.ec.europa.eu/en/library/egovernment-benchmark-2020-egovernment-works-people>, p. 21.

Conclusion

The service delivery policy framework is in place and receives strong support from the Government. Serbian authorities are committed to reducing administrative burdens by strengthening the programme of process simplification, and the approval of a register of administrative procedures is a step in this process. A major hindrance in this area is that several public authorities have partial responsibilities for improving public services, and the integration of these responsibilities needs to be strengthened. Also, progress in

²²⁴ The three sample services considered for this assessment were renewing an ID card, registering a used vehicle and declaring personal income tax.

²²⁵ E-mail from a representative from the European Policy Centre, 15 June 2021.

²²⁶ European Commission (2021), *eGovernment Benchmark 2021 Report*, p. 18, <https://op.europa.eu/en/publication-detail/-/publication/d30dcae1-436f-11ec-89db-01aa75ed71a1>.

process simplification for several services studied is slow and would benefit from a greater implementation effort. The slow pace of simplification of processes also hampers the digitalisation of services.

Principle 2: Good administration is a key policy objective underpinning the delivery of public service, enacted in legislation, and applied consistently in practice.

Overall, the value for the indicator 'Fairness and efficiency of administrative procedures' is 4, the same as in 2019 but higher than in 2017 (3). Public perception levels on the efficiency of administrative procedures have improved.

Indicator 5.2.1 - Fairness and efficiency of administrative procedures						
The indicator measures the extent to which the regulation of administrative procedure is compatible with international standards of good administration and good administrative behaviour. This includes both the legal framework for administrative procedure and its practical applications.						
Overall 2021 indicator value  since 2017	0	1	2	3	4	5
				Points 2021	Change from 2019	Change from 2017
Legal framework for administrative procedure						
1. Existence of legislation on administrative procedures of general application				3/3	=	=
2. Adequacy of law(s) on administrative procedures to ensure good administration				7/7	=	=
Fairness and efficiency of administrative procedures						
3. Perceived efficiency of administrative procedures in public institutions by the population (%)				3/4	+1	+2
4. Repeals of, or changes to, decisions of administrative bodies made by the administrative courts (%)				2/4	=	+2
Total				15/18	+1	+4

Citizen perception of the efficiency of administrative procedures in public institutions has increased remarkably (from 39% to 64%) since 2017²²⁷. Furthermore, in 2020, 68% of citizens agreed or strongly agreed that the time needed to obtain administrative services has decreased in the past two years²²⁸. Likely explanations for such improvement include the gradual impact of the LGAP²²⁹ adopted in 2016 and consolidated in 2020; the simplification of procedures; the adoption of a one-stop-shop philosophy in some territorial and service areas; and the digitalisation of public services. For further development of this area, the Parliament adopted the Law on the Register of Administrative Procedures on 29 April 2021. It foresees that the register will cover all administrative procedures for citizens and businesses by January 2025. In addition, the lack of citizen access to the list of fully digital public services²³⁰ was partially remedied in

²²⁷ Balkan Barometer, annual survey conducted by the Regional Co-operation Council. The responses "tend to agree" and "totally agree" have been combined.

²²⁸ Western Balkan PAR Monitor data, 2019-2020, <https://cep.org.rs/en/publications/western-balkan-par-monitor-2019-2020/>.

²²⁹ LGAP, Official Gazette, No. 33/97.

²³⁰ OECD (2020), *Government at Glance: Western Balkans*, OECD Publishing, Paris, <https://doi.org/10.1787/a8c72f1b-en>.

2021 on the e-Government Portal, which provides a list of digital services, though it does not yet include all services²³¹.

The impact of the implementation of the LGAP is twofold. First, it implies the harmonisation of several laws. More than half (150 in 2020)²³² of the laws that require harmonisation have already been updated in line with the LGAP. However, the two agreed targets for harmonisation have been subsequently missed. The legal deadline for harmonising all 270 laws was 2018²³³. The deadline for full harmonisation set by the Action Plan of the PAR Strategy (2018-2020) was 2020. Secondary legislation also presents issues of harmonisation, where harmonised regulations are most needed²³⁴.

Furthermore, the COVID-19 pandemic impacted the harmonisation of laws. Only 3 laws were harmonised in 2020, compared to 147 laws adjusted in the previous three years²³⁵. In 2021, the harmonisation rate has somewhat increased, as six more laws were harmonised by March²³⁶.

Second, the LGAP also includes a mechanism meant to ease citizens' lives: the once-only principle. Once the administration has a document or relevant data, a citizen should not be asked to provide it again in connection to any application. The authorities have 15 days to reply to a data/document request from another public sector organisation²³⁷. In principle, a transitional provision is required to repeal any other laws contradicting the once-only principle within 90 days of the LGAP²³⁸ entering into force. Furthermore, MPALSG issued detailed, non-binding instructions on sharing citizen information, records, and documents to apply the principle²³⁹. The enforcement of this article and the follow-up of the guidelines cannot be assessed due to the lack of relevant data. However, adoption does not seem high in most areas, according to interviews and a comparative assessment of the LGAP in the Western Balkans²⁴⁰. According to SIGMA's analysis, only one (construction permit) out of three procedures²⁴¹ selected for the assessment applied the once-only principle in Serbia. The other countries in the region also do not have an example in the sample where the once-only principle is applied.

Finally, another slight improvement in this Principle refers to the quality of the decisions of the administrative bodies. As a proxy of quality, the percentage of cases that favoured the claimant and returned to the affected entities decreased from 27.5% in 2019 to 22.4% in 2021²⁴².

²³¹ The Register of Administrative Procedures can be consulted at <https://rap.euprava.gov.rs/privreda/home>.

²³² Ligi, T. and A. Kmecl (2021), "Implementation of laws on general administrative procedure in the Western Balkans", *SIGMA Papers*, No. 62, OECD Publishing, Paris, p. 11, <https://doi.org/10.1787/e5162057-en>.

²³³ LGAP, Article 2014.

²³⁴ Ligi, T. and A. Kmecl (2021), "Implementation of laws on general administrative procedure in the Western Balkans", *SIGMA Papers*, No. 62, OECD Publishing, Paris, <https://doi.org/10.1787/e5162057-en>.

²³⁵ Report on the Implementation of the PAR Action Plan 2018-2020, p. 38.

²³⁶ Interview with MPALSG representatives.

²³⁷ LGAP, Articles 9, 103 and 207.

²³⁸ LGAP, Article 215.

²³⁹ MPALSG, Instructions for the Application of the Provisions of Articles 9 and 103 of the Law on General Administrative Procedures, <https://www.paragraf.rs/dnevne-vesti/070616/070616-vest3.html>.

²⁴⁰ Ligi, T. and A. Kmecl (2021), "Implementation of laws on general administrative procedure in the Western Balkans", *SIGMA Papers*, No. 62, OECD Publishing, Paris, p. 18, <https://doi.org/10.1787/e5162057-en>.

²⁴¹ The sample included the following procedures: construction permit, application for a social benefit and a value-added tax audit.

²⁴² Administrative Court, Report for 2020 of 32 968 incoming cases, 7 379 were repealed. There is no data for 2017 to compare.

Conclusion

Although the general legal framework is robust and well-aligned with the principles of good administration, the harmonisation of special laws with the provisions of the LGAP is progressing far slower than subsequent targets set by the Government. The amount of laws to be harmonised is also high, and the harmonisation of secondary legislation is still a weakness. Moreover, there is no monitoring of the implementation of the once-only principle, and public authorities still request documents from citizens despite the explicit prohibition of the law. Nevertheless, citizen satisfaction regarding the efficiency of administrative procedures is gradually increasing.

Principle 3: Mechanisms for ensuring the quality of public service are in place.

Overall, the value for the indicator ‘Existence of enablers for public service delivery’ is 3, the same as in 2019 but an improvement from 2 in 2017. The uptake of quality-management tools and techniques has decreased, while the interoperability of basic registers has improved.

Indicator 5.3.1 - Existence of enablers for public service delivery						
This indicator measures the extent to which citizen-oriented service delivery is facilitated by enabling tools and technologies, such as public service inventories, interoperability frameworks, digital signatures and user feedback mechanisms. It evaluates how effective the central government is in establishing and using these tools and technologies to improve the design and delivery of public services.						
Overall 2021 indicator value  since 2017	0	1	2	3	4	5
			Points 2021	Change from 2019	Change from 2017	
Central and shared mechanisms to better enable public service provision are in place						
1. Central monitoring of service delivery performance			0/3	=	=	
2. Adequacy of interoperability infrastructure			3/3	=	+1	
3. Existence of common standards for public service delivery			0/3	=	=	
4. Legal recognition and affordability of electronic signatures			3/3	=	+1	
Performance of central and shared mechanisms for public service delivery						
5. Use of quality-management tools and techniques			1/4	-1	+1	
6. Adoption of user engagement tools and techniques			3/4	=	+2	
7. Interoperability of basic registers			3.5/4	+1.5	+1.5	
Total			13.5/24	+0.5	+6.5	

Digital government benefits from continuous support from the Government as in previous years. The digital framework includes the most relevant building blocks for improving the quality of service delivery: an interoperability policy, a Government Service Bus (GSB) to integrate different registries, the digital identity system, a shared information and communication and technology (ICT) infrastructure, the adoption of e-payment and the implementation of a one-stop-shop philosophy for digital services.

However, the most relevant weaknesses identified in previous assessments remain. Serbia lacks a central system on service standards and an institution to monitor the services against those standards. In this regard, real performance metrics (e.g. volume of yearly transactions, average transaction costs or process time for each service) are not centrally reported. There is performance information for digital services, but these metrics are not compared against the uptake of offline service delivery²⁴³. The current PAR Action

²⁴³ Interview with representatives from the Office for Information Technologies and e-Government.

Plan 2021-2025 tries to remedy this. It aims to approve a methodology for measuring the performance of public service providers by 2022²⁴⁴.

The Serbian authorities offer two lists of procedures relevant for citizens and businesses. The eGovernment Portal includes the list of services accessible online²⁴⁵, some of which are categorised following life-event logic: ten life events are listed in the portal. In 2019, an inventory of administrative procedures for businesses was also set up²⁴⁶. The information of this inventory became part of the registry established in April 2021²⁴⁷ and made available in June 2021. Currently, only 1 600 procedures (out of 2 600) are publicly available²⁴⁸. The number of active users of the eGovernment Portal has increased from 300 000 to 500 000 since 2019 (as of 18 June 2021)²⁴⁹.

In previous assessments, there were some examples of integration of services like “Baby, welcome to the world” and services from the local tax administration, civil service exams and exams for registry officers. New examples include the registration of residency for foreigners²⁵⁰ and e-enrolment in pre-school²⁵¹.

Quality management is not dealt with as an overall policy at the central level. The adoption of quality management instruments is not compulsory for public institutions, and there are no standards for quality management. Of eight institutions considered for this assessment, only two²⁵² had used a quality management framework²⁵³. Regarding the adoption of user engagement tools and techniques, more than half of the institutions²⁵⁴ from the sample adopted some form of conventional user consultation tools, but none of these institutions used advanced user engagement tools. As a partial remedy, there is a plan to create an independent body to monitor and control service quality by 2025²⁵⁵.

There is progress regarding the digital building blocks available for service delivery. For example, the technical interoperability standards were updated in 2020²⁵⁶. The list of datasets linked to the GSB, an interoperability platform, expanded from 23 in 2019²⁵⁷ to 28 datasets as of March 2021²⁵⁸. In fact,

²⁴⁴ PAR Action Plan 2021-2025.

²⁴⁵ The list of services can be consulted at <https://euprava.gov.rs/>.

²⁴⁶ OECD (2019), *Monitoring Report: The Principles of Public Administration, Serbia*, OECD, Paris, p. 43, <http://www.sigmaweb.org/publications/Monitoring-Report-2019-Serbia.pdf>.

²⁴⁷ Law on the Registry of Administrative Procedures, Official Gazette, No. 44/2021.

²⁴⁸ The Work of the Register of Administrative Procedures, <https://rsjp.gov.rs/cir/vesti-cir/pocetak-rada-registra-administrativnih-postupaka/>.

²⁴⁹ Data received via e-mail from the Office for Information Technologies and Electronic Government (ITE) on 17 September 2021.

²⁵⁰ Registration of residency for foreigners, <https://welcometoserbia.org/en/services/residence-permit/>.

²⁵¹ New e-service “Expression of interest in enrolling in primary school”, <https://www.srbija.gov.rs/vest/en/152853/new-e-service-expression-of-interest-in-enrolling-in-primary-school.php>.

²⁵² The Ministry of Economy and the national statistics office.

²⁵³ Given the extraordinary circumstances caused by the COVID-19 pandemic, 2019 data was also used; according to the *Methodological Framework for the Principles of Public Administration*, only 2020 data should have been accepted.

²⁵⁴ The five institutions are ministries responsible for healthcare, interior affairs, the economy, the national tax administration and the national statistics office.

²⁵⁵ PAR Action Plan 2021-2025.

²⁵⁶ List of interoperability standards (2020), version 2.1.

²⁵⁷ OECD (2019), *Monitoring Report: The Principles of Public Administration, Serbia*, OECD, Paris, p. 43, <http://www.sigmaweb.org/publications/Monitoring-Report-2019-Serbia.pdf>.

²⁵⁸ List of official records available on the Government Service Bus, 3 March 2021.

8 institutions and 332 government bodies are interoperable as part of the system²⁵⁹. The GSB is applied to all levels of government, including the municipalities. Furthermore, a gap was filled by integrating the Population Register with the GSB²⁶⁰. This is a crucial development, given the interconnectedness of this registry with other registries, in terms of facilitating the once-only principle.

Direct payments at the point of service through the online system are possible and applicable to various services. The Treasury posed some challenges in 2019 by recognising only a receipt with a valid stamp as a valid proof of payment²⁶¹. This challenge has been overcome by introducing the online system for creating payment slips for payment of fees and charges²⁶².

Trust services (including e-signature) are major prerequisites for increasing the uptake of digital services. To increase the appeal of digital signatures to users, they should be secure and user-friendly. In Serbia, the digital signature is backed by proper legislation²⁶³ and applies European standards²⁶⁴.

Currently, six authorities issue the certificate²⁶⁵, and it comes free with a citizen's ID card, issued by the Ministry of Interior²⁶⁶. Other providers like the Serbian Post, for instance, charge for a USB-enabled e-signature. The cost is around EUR 38 for three years. In 2019, there were plans to work with mobile operators to introduce digital signatures using cell phones²⁶⁷, but the results have been modest so far. Citizens can currently use a mobile app for authentication (i.e. only login) purposes for the services listed in the e-Government Portal²⁶⁸. However, they cannot sign documents with mobile devices. A cloud-based digital signature solution has been under development since 2017. The office for IT and e-Government has been registered for issuing qualified cloud digital signatures²⁶⁹ and plans to roll it out free of charge for users at the end of 2021.

The number of certificates issued since the appearance of certification bodies has increased. It rose from 340 000 certificates in 2017 to over 1 million in 2021 (Table 1). While the number of issued certificates has almost doubled, the percentage of valid certificates has only tripled since 2017. This might indicate that the usefulness of the certificate does not pay off, and citizens decide not to renew, which is a worrying trend in terms of building trust in digital signatures.

²⁵⁹ PAR Strategy 2021-2030.

²⁶⁰ Law on the Central Population Register, Official Gazette, No. 17/19. Articles 4 and 11 state that central and local public organisations can access the Population Register.

²⁶¹ OECD (2019), *Monitoring Report: The Principles of Public Administration, Serbia*, OECD, Paris, p. 44, <http://www.sigmaweb.org/publications/Monitoring-Report-2019-Serbia.pdf>.

²⁶² <https://plati.euprava.gov.rs/#/>.

²⁶³ Law on Electronic Documents, Electronic Identification and Trust Services in Electronic Business, No. 94/2017, Articles 43 and 59.

²⁶⁴ Regulation (EU) No. 910/2014 of the European Parliament and of the Council of 23 July 2014 on Electronic Identification and Trust Services for Electronic Transactions in the Internal Market and repealing Directive 1999/93/EC. More information is available at <https://www.eid.as/>.

²⁶⁵ <https://epotpis.mtt.gov.rs/eng/trusted-qualified-providers-register/>.

²⁶⁶ <http://www.mup.gov.rs/wps/portal/sr/gradjani/dokumenta/licna+karta/licna+karta+>.

²⁶⁷ OECD (2019), *Monitoring Report: The Principles of Public Administration, Serbia*, OECD, Paris, <http://www.sigmaweb.org/publications/Monitoring-Report-2019-Serbia.pdf>.

²⁶⁸ Government bodies providing eServices, <http://www.euprava.gov.rs/eusluge>.

²⁶⁹ <https://epotpis.mtt.gov.rs/eng/trusted-qualified-providers-register/>.

Table 1. Number of certificates issued since the beginning of the activities of certification agencies

Cut-off date	Number of certificates issued	Number of valid certificates	Percentage of valid certificates
2017 ¹	340 000	300 000	88%
2018	521 666	417 784	80%
2019	664 707	487 128	73%
2020	838 204	614 422	73%
2021 ²	1 015 923	636 874	63%

Notes: 1) The source for 2017 data is OECD (2019), *Monitoring Report: The Principles of Public Administration, Serbia*, <http://www.sigmaweb.org/publications/Monitoring-Report-2019-Serbia.pdf>. 2) The cut-off date was 28 February 2021.

Source: MPASLG. Information provided by the authorities via e-mail. Document: [Dopuna za izveštaj - SIGMA].

Conclusion

The monitoring of performance and quality remains a weakness. The government collects some data on service activities, but real performance is not monitored or acted upon. The adoption of quality management tools is limited. As a service delivery enabler, the GSB has expanded and includes now the population register. Although the electronic signature is operational, the uptake by users is still low. This severely limits the wider use of digital services.

Principle 4: The accessibility of public services is ensured.

Overall, the value for the indicator 'Accessibility of public services' is 3, which represents a steady improvement from 2017 (1) and 2019 (2). There are two positive developments. First, the Strategy for Improving the Position of Persons with Disabilities (2020-2024)²⁷⁰ was adopted. Second, citizens' service satisfaction and the accessibility of services via digital channels have improved.

Indicator 5.4.1: Accessibility of public services						
This indicator measures the extent to which the access to public services is promoted in policy formulation and implementation. It evaluates whether this policy framework leads to measurably easier access for citizens, measures citizens' perceptions of accessibility to public services and tests the actual accessibility of government websites. Dimensions covered are territorial access, access for people with disabilities and access to digital services.						
Overall 2021 indicator value  since 2017	0	1	2	3	4	5
			Points 2021	Change from 2019	Change from 2017	
Policy framework for accessibility						
1. Existence of policy for the accessibility of public services			3/3	+2	+1	
2. Availability of statistical data on accessibility to public services			2/3	+1	+1.5	
3. Adequacy of policy framework for public service users with special needs			2/4	=	=	
4. Existence of common guidelines for government websites			2/2	+1	+1	
Government performance on accessibility						
5. Compliance of government websites with Web Content Accessibility Guidelines (WCAG)			1/3	-1	=	
6. Perceived satisfaction with public services across the territory by the population (%)			2/3	=	+2	
7. Perceived accessibility of digital public services by the population (%)			2/3	+1	+2	
8. Perceived time and cost of accessing public services by the population (%)			1.5/3	=	+1	
Total			15.5/24	+4	+8.5	

The accessibility of public services has improved thanks to the gradual expansion of one-stop shops. In 2019, eight projects were funded²⁷¹. In 2020, 14 one-stop shops were operating, and the plan is to reach 24 in 2022²⁷². The MPALSG runs the one-stop-shop project through supporting funds that municipalities apply for. They need to prove a minimum set of technical conditions to apply for these funds²⁷³. For instance, 12 cities applied for these funds in 2020, but only 3 managed to get them²⁷⁴. The one-stop shops are running as pilots, but Serbia still lacks secondary legislation setting the conditions and criteria needed to implement one-stop shops, as well as co-operation among public authorities²⁷⁵.

²⁷⁰ Strategy for Improving the Position of Persons with Disabilities (2020-2024), Official Gazette, No. 30/2018.

²⁷¹ OECD (2019), *Monitoring Report: The Principles of Public Administration, Serbia*, OECD, Paris, p. 46, <http://www.sigmaweb.org/publications/Monitoring-Report-2019-Serbia.pdf>.

²⁷² Information provided by representatives of the MPALSG.

²⁷³ Public Invitation for Application of Local Self-Government Units and City Municipalities for Support When Establishing a Single Administrative Point, <http://mduls.gov.rs/obavestjenja/javni-poziv-za-prijavu-jedinica-lokalne-samouprave-i-gradskih-opstina-za-podrsku-prilikom-uspostavljanja-jedinstvenog-upravnog-mesta/?script=lat>.

²⁷⁴ The municipalities of Kosjerić, Paraćin and Topola, http://skipcentar.rs/en_GB/vesti/jos-tri-opstine-u-srbiji-dobijaju-jedinstvena-upravna-mesta/.

²⁷⁵ CEP (2021), *Western Balkan PAR Monitor (2019-2020)*, p. 129; PAR Strategy 2021-2030, p. 25.

The eGovernment Portal²⁷⁶ is the one-stop shop for digital services. As of February 2020, it contained information on 648 services and had 1 026 347 registered users²⁷⁷. Still, the potential of the eGovernment Portal has not materialised. A report shows that only 30% of public administration bodies provide access to their services through the central portal. Furthermore, the services are not always presented on a separate part of the website with links to the eGovernment Portal²⁷⁸. As of June 2021, the actual availability of services was 46 for citizens, 120 for businesses and 8 for state authorities, although there is no information on the level of maturity of these services. There is a considerable area of improvement to reach all the services listed on the portal. A way forward would be to expand the number of agencies that offer services on the portal and improve the level of maturity of existing services.

A report that analyses citizens' satisfaction with ten priority services located on the eGovernment Portal²⁷⁹ shows that 82% of respondents would recommend the eGovernment Portal to others²⁸⁰. Yet, 27% stated that the portal did not meet their expectations. Uneven accessibility of services was given as a reason since e-services are not available everywhere in Serbia. Moreover, the transactions on the eGovernment Portal are not fully digitalised. Some parts of the process have to be carried out outside the portal by citizens.

The Government approved the guidelines in 2014²⁸¹ and issued a by-law in 2018 requiring public authorities to comply with the Web Content Accessibility Guidelines (WCAG)²⁸² and offer harmonised official websites. Yet, the implementation offers varied results. An analysis of sample governmental websites shows that the average number of accessibility errors has increased from 16.5 in 2019 to 29 in 2021 (Figure 2). A self-assessment following the specific regulation²⁸³ of the accessibility of the portals carried out by 79 public authorities and monitored by the Office of IT and eGovernment between May and September 2020²⁸⁴ is aligned with the findings of this study. The average compliance with the by-law of 57.7% masks a high disparity between the best average complier with all features. Moreover, the accessibility of government portals for people with disabilities scores limited compliance. Accessibility refers to the parameters set by the World Wide Web Consortium (W3C) Unicorn validator²⁸⁵, which only shows 47.5% of the fulfilment of criteria of the assessed websites in Serbia²⁸⁶.

²⁷⁶ Government bodies providing eServices, <http://www.epravna.gov.rs/eusluge>.

²⁷⁷ CEP (2021), *Western Balkan PAR Monitor (2019-2020)*, p. 126. The number of services was calculated manually.

²⁷⁸ Office for IT and eGovernment (2020), "Compliance of the Web Presentations of the State Administration Bodies with the 'Regulation on Detailed Conditions for the Development and Maintenance of the Web Presentations of Bodies': Evaluation for 2020", p. 12.

²⁷⁹ PwC Poland (April 2021), *Assessment of User Satisfaction with Quality and Efficiency of E-government Services, with Recommendations for their Enhancement*.

²⁸⁰ The response merges the categories "fully agree" and "agree" of the question: I would recommend using this e-service to others. PwC Poland (April 2021), *Assessment of User Satisfaction with Quality and Efficiency of E-government Services, with Recommendations for their Enhancement*

²⁸¹ The Government's Conclusion 05 No. 093-12777 / 2014 of 22 October 2014 adopted the document "Guidelines for the preparation of web presentations of state administration bodies, territorial autonomy bodies and local self-government units v.5.0". <http://arhiva.ite.gov.rs/projekti-smernice-za-izradu-web-prezentacija.php>.

²⁸² Regulation on Web Page Development 2018, Article 5.

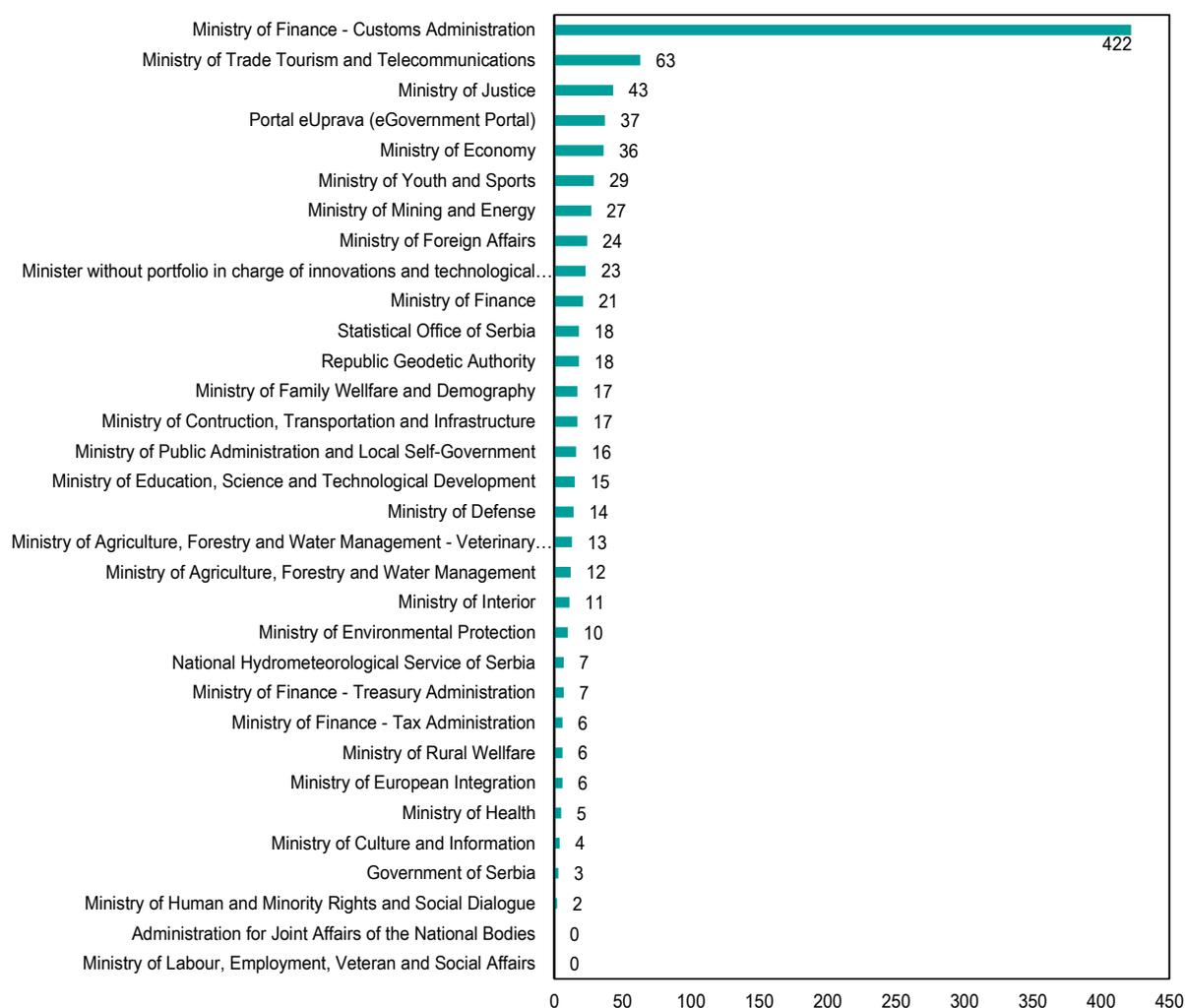
²⁸³ Regulation on Detailed Conditions for Creating and Maintaining a Web Presentation of Public Entities, Official Gazette, No. 104 of 28 December 2018.

²⁸⁴ Report on the Consistency of Web Presentations of State Administration Bodies 2020 (Uskladjenost veb prezentacija organa drzavne uprave 2020).

²⁸⁵ This validator aggregates the results from different validators, each one of them focusing on a particular standard (mobile device suitability, html and the like). The validator assesses elements that make the website and documents readable and adapted to several disabilities, <https://validator.w3.org/>.

²⁸⁶ Report on the Consistency of Web Presentations of State Administration Bodies 2020 (Uskladjenost veb prezentacija organa drzavne uprave 2020).

Figure 2. Number of content accessibility problems on selected Serbian Government websites, 2021



Source: SIGMA test of compliance with Web Content Accessibility Guidelines (WCAG), 19 May 2021.

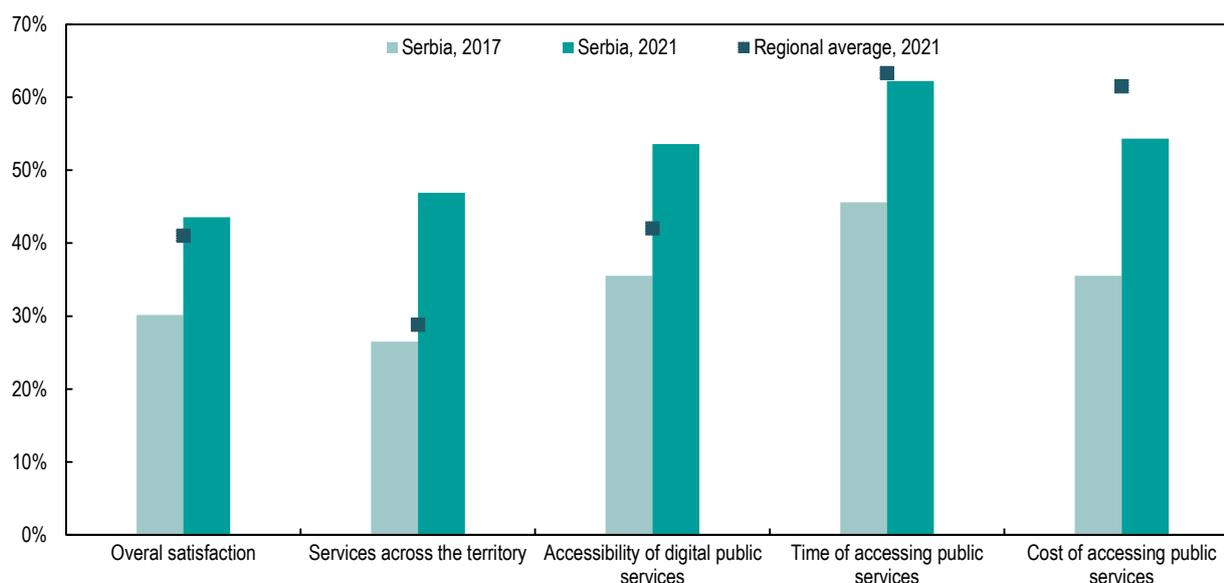
Finally, accessibility can be enhanced thanks to the Strategy for Improving the Position of Persons with Disabilities (2020-2024)²⁸⁷. A downside is the lack of information regarding the real access of people with disabilities and access to services. The data used in the Strategy for identifying the main problems is not sufficient for taking evidence-based decisions. A survey shows that people with disabilities do not have a high uptake of digital services²⁸⁸. This can be partially explained by the absence of central guidance on how to better cater for people with disabilities.

In the accessibility area, the use of plain language in official documents is still outside the scope of reform activities.

²⁸⁷ Strategy for Improving the Position of Persons with Disabilities (2020-2024), Official Gazette, No. 30/2018.

²⁸⁸ PwC Poland (2021), *Assessment of User Satisfaction with Quality and Efficiency of E-government Services, with Recommendations for their Enhancement*, April.

Figure 3. Citizen's satisfaction with aspects of service delivery (%) in Serbia, 2017-2021



Note: The average share of citizens who answered “mostly satisfied” or “completely satisfied” to the statements: “Could you please tell how satisfied you are with each of the following in your place of living?” in relation to: “Administrative services from central government (such as passports and personal identification [ID])”, “Accessibility to public services” and “Accessibility to public services via a digital channel”. The average share of citizens who answered “good”, “very good” and “excellent” to the following question: “How would you grade the following issues?” in relation to: “Time required to obtain public services” and “Price of public services”. *Only those respondents who have been in contact with central government services in the past year are included.

Source: Regional Cooperation Council, Balkan Barometer Public Opinion database (<https://www.rcc.int/balkanbarometer>).

Citizen's perception of accessibility to public services has improved in the last five years. The percentage of Serbians satisfied with public services across the territory expanded from 27% to 47% in 2021. Likewise, satisfaction with the accessibility of services via digital channels also improved from 35% to 54% between 2017 and 2021. Similarly, the perception of the cost and time spent on accessing public services has improved considerably since 2017.

Conclusion

One-stop shops as facilitators of service delivery are growing in the municipalities. The Strategy for Improving the Position of Persons with Disabilities (2020-2024)²⁸⁹ was adopted, but there is no evidence on real progress. Web accessibility guidelines also exist. Although common guidelines for government websites also exist, the quality of government websites remains poor. The Government has acknowledged this issue and has conducted a comprehensive study on it recently. Citizen satisfaction with services and the accessibility of services via digital channels have improved.

²⁸⁹ Strategy for Improving the Position of Persons with Disabilities, Official Gazette, No. 30/2018.

Public Financial Management

The Principles of Public Administration

Public Financial Management

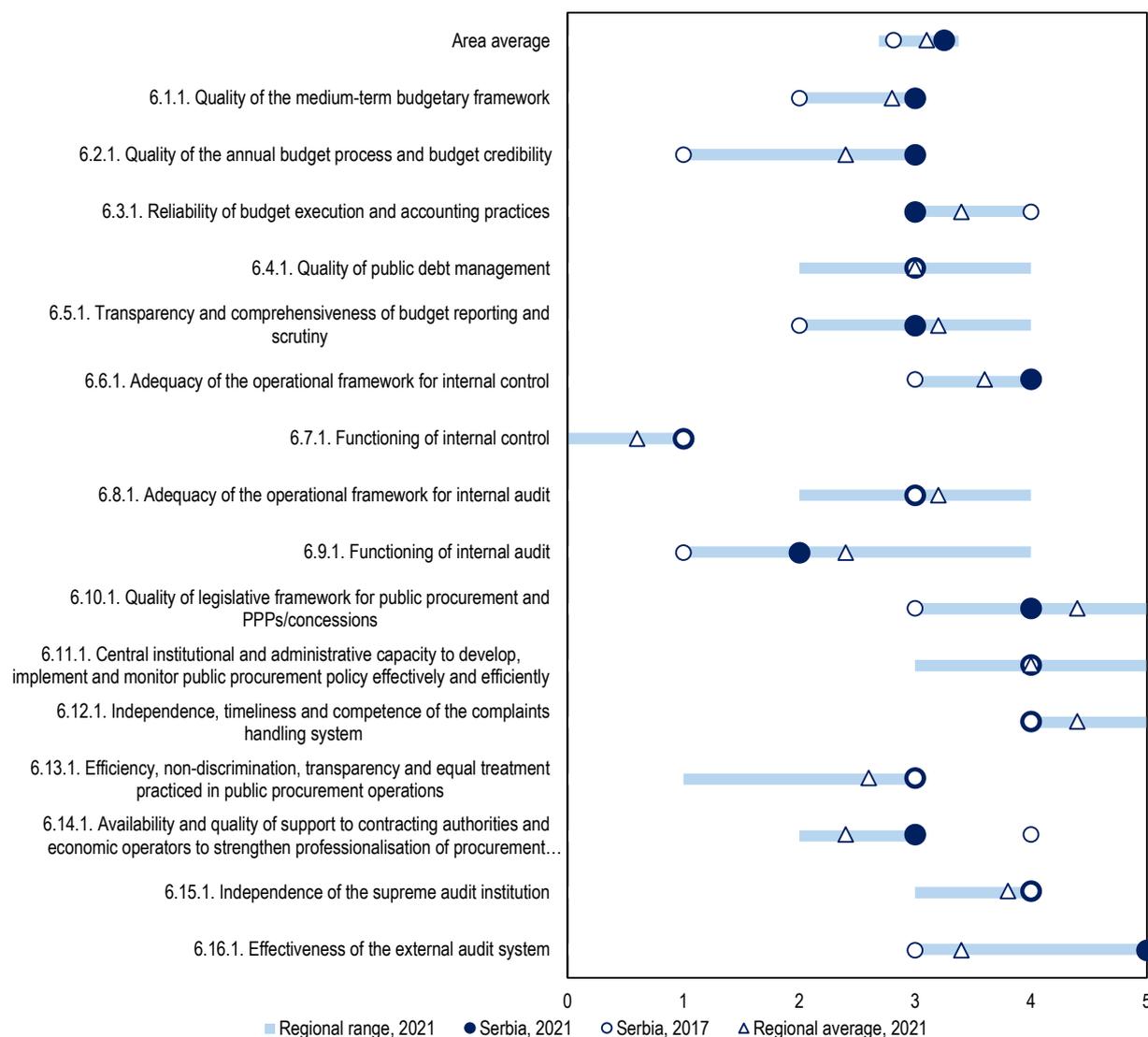
Budget Management	
Principle 1	The government publishes a medium term budgetary framework on a general government basis that is founded on credible forecasts and covers a minimum period of three years; all budget organisations operate within it.
Principle 2	The budget is formulated in line with the national legal framework, with comprehensive spending appropriations that are consistent with the medium term budgetary framework and are observed.
Principle 3	The ministry of finance (or authorised central treasury authority) centrally controls disbursement of funds from the treasury single account and ensures cash liquidity.
Principle 4	There is a clear debt management strategy in place and implemented so that the country's overall debt target is respected and debt servicing costs are kept under control.
Principle 5	Transparent budget reporting and scrutiny are ensured.
Internal audit and control	
Principle 6	The operational framework for internal control defines responsibilities and powers, and its application by the budget organisations is consistent with the legislation governing public financial management and the public administration in general.
Principle 7	Each public organisation implements internal control in line with the overall internal control policy.
Principle 8	The operational framework for internal audit reflects international standards, and its application by the budget organisations is consistent with the legislation governing public administration and public financial management in general.
Principle 9	Each public organisation implements internal audit in line with the overall internal audit policy documents, as appropriate to the organisation.
Public Procurement	
Principle 10	Public procurement regulations (including public private partnerships and concessions) are aligned with the European Union acquis, include additional areas not covered by the acquis, are harmonised with corresponding regulations in other fields, and are duly enforced.
Principle 11	There is central institutional and administrative capacity to develop, implement and monitor procurement policy effectively and efficiently.
Principle 12	The remedies system is aligned with the European Union acquis standards of independence, probity and transparency and provides for rapid and competent handling of complaints and sanctions.
Principle 13	Public procurement operations comply with basic principles of equal treatment, non-discrimination, proportionality and transparency, while ensuring the most efficient use of public funds and making best use of modern procurement techniques and methods.
Principle 14	Contracting authorities and entities have the appropriate capacities and practical guidelines and tools to ensure professional management of the full procurement cycle.
External audit	
Principle 15	The independence, mandate and organisation of the supreme audit institution are established, protected by the constitutional and legal frameworks and respected in practice.
Principle 16	The supreme audit institution applies standards in a neutral and objective manner to ensure high quality audits, which positively impact on the functioning of the public sector.

Public Financial Management

Summary and recommendations

The quality of public financial management (PFM) in Serbia has developed positively. The overall area average increased from 2.8 in 2017 to 3.3 in 2021, and is one of the highest values in the Western Balkan region. The regional average is 3. The relative stronger performance applies to some of the budget management indicators and especially to the effectiveness of the external audit system. The indicators for public internal financial control (PIFC), while improving, are below regional average (except for “functioning of internal control”). The functioning of internal control (IC) and the functioning of internal audit (IA) remain the weakest areas, although the latter has improved. There has been some improvement in public procurement, however the positive impact of the new Public Procurement Law was reduced by the adoption of special regulations and insufficient professional support to contracting authorities.

Overall development since 2017 shows that Serbia is now ahead of the regional average in several indicators



The quality of the medium-term budgetary framework has improved because the Fiscal Strategy (FS) was published on time and that there was a slight increase in its forecasting accuracy. However, forecast on expenditure and revenue are still calculated as a percentage of gross domestic product (GDP), which can lead to complications as GDP itself is subject to forecasting uncertainties. **The quality of the annual budget process has also been strengthened due to the improved credibility of the budget for both revenue and expenditure.** However, there is little time for the Parliament to assess the budget. In addition, the budget documentation submitted to the Parliament, is not comprehensive.

Despite the well-established treasury system, the **reliability of budget execution and accounting practices deteriorated in 2021, reflecting the fact that the management of arrears is still not sufficiently robust.** Cash flow forecasting by the Treasury administration could be improved by early input from budget users and by a more detailed breakdown for the forecasts for budget users.

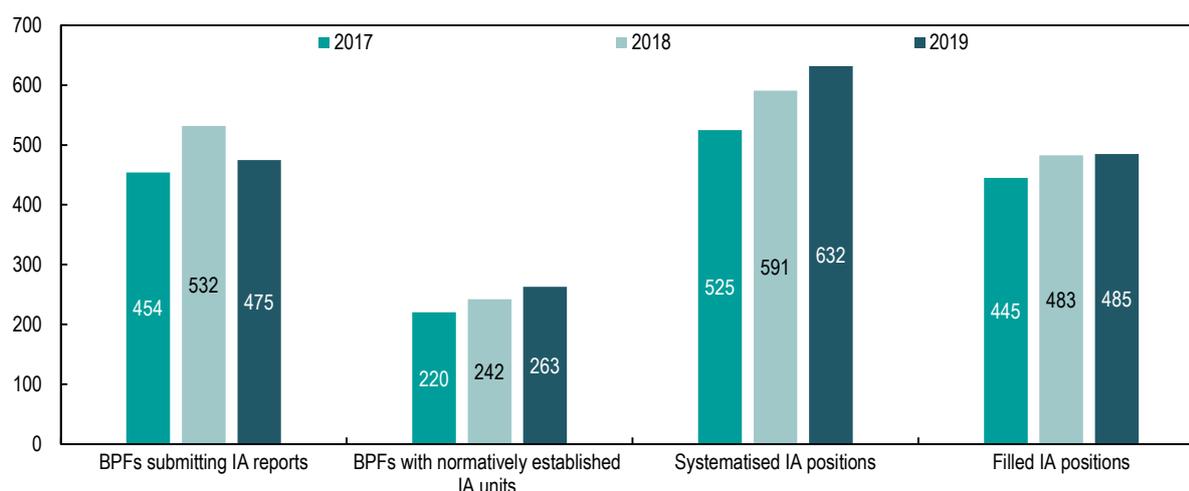
The well-managed debt management area, shows the same indicator value overall for the **quality of public debt management** despite a divergence in 2019 between the target and the actual outturn. Government debt had decreased steadily since the last monitoring in 2017, only increasing in 2020 with the impact of the COVID-19 pandemic.

The transparency and comprehensiveness of budget reporting and scrutiny has improved, given greater parliamentary consideration to the annual financial statement. However, more detail could be given in the financial report, particularly on divergences from the original budget. The current system for in-year budget reporting, however, has weaknesses, as it does not show deviations in administrative expenditure headings and reports budget execution only on an economic classification basis.

The regulatory and operational framework for IC is largely in place, and further development is supported by strategies, the latest one being the Public Financial Management Reform Programme for the Period 2021-2025 (PFM Reform Programme) and the Public Administration Reform in the Republic of Serbia for the Period 2021–2030 (PAR Strategy). In addition, the Central Harmonisation Unit (CHU) has considerably improved the operational framework for financial management and control (FMC) over recent years. **However, the effective functioning of IC in practice is lagging behind,** with managerial accountability and delegation of decision making, reporting on irregularities, management of arrears and alignment of management and budget structures needing improvement.

The regulatory and operational framework for IA is largely in place and broadly in line with the requirements of international standards. However, while the number of established IA units and internal auditors continue to increase, overall, the IA capacity remains weak. Only a low number of IA units are established effectively, and an even lower number of those meet the legal requirement of a minimum of three internal auditors. **Overall, the functioning of IA has improved** in comparison to 2017 as the number of functional IA units that prepare strategic and annual plans and the overall quality of plans have increased. However, most audits appear not to address systemic weaknesses and add only limited value regarding improving the management of public funds.

Steadily increasing internal audit capacity in the number of auditors since 2017



Note: BPFs stands for beneficiaries of public funds; IA for internal audit.

Source: Consolidated Annual Report on the Status of Public Internal Financial Control (CAR) 2019, Section 2.2.2.

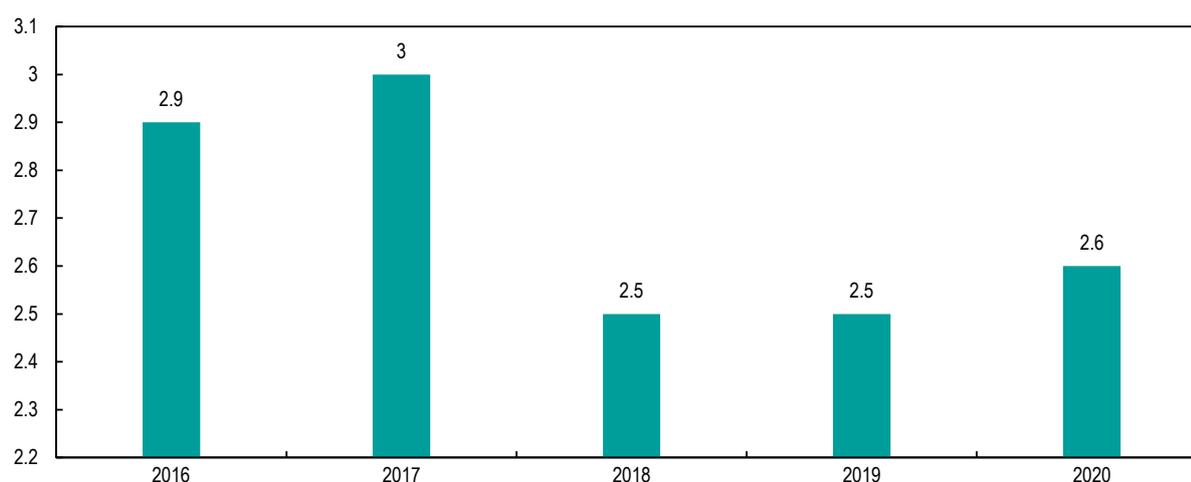
In December 2019, a new Public Procurement Law (PPL) was adopted. The new provisions are in force from 1 July 2020. The PPL covers the classic and the utilities sectors, as well as defence and security procurement. It regulates all stages of the public procurement procedure, including the preparation phase. All pieces of secondary legislation foreseen in the PPL were in place in July 2020. The new PPL is compliant to a very high level with the EU Directives.

However, this generally positive development was negatively affected by the adoption (in February 2020) of the Law on Special Procedures for the Implementation of the Project of Construction and Reconstruction of Line Infrastructure Structures of Particular Importance to the Republic of Serbia (Law on Special Procedures), which foresees a few major derogations from the PPL. This law applies to infrastructure projects of high monetary value and international interest. Exemptions and derogations provided in this special law significantly reduce the transparency of the contract award process.

The regulatory framework and institutional set-up for handling complaints are in place. The remedies system covers the classic and utilities sectors, as well as public-private partnerships (PPPs) and concessions.

A new advanced electronic Public Procurement Portal (PP Portal), launched in July 2020, enables e-submission of tenders and submission of requests for protection of rights. It provides access to good quality of monitoring and data collection on award procedures, but not on contract management and execution. It is also challenging to identify the contracts that were awarded under the Law on Special Procedures. The positive changes in the legislation do not translate to positive performance in daily practice. The public procurement market is not attractive for economic operators. The average number of tenders submitted for each competitive procedure is low (only 2.6), and in more than 40% of the procedures only one tender was submitted.

The average number of tenders per procurement procedure, 2016-2020



Sources: Annual Report on Public Procurement in the Republic of Serbia for the Period 1 January 2020-1 December 2020; Annual Report on Public Procurement in the Republic of Serbia for the Period 1 January 2019-1 December 2019.

The Public Procurement Office (PPO) provides a helpdesk facility to answer questions about the practical application of procurement rules for contracting authorities and economic operators. However, there is still a need for training and high-quality materials focusing on practical issues rather than legal compliance or technical instructions for using the PP Portal.

The independence of the supreme audit institution (SAI) remains well-protected and respected. The constitutional and legal framework governing the SAI is generally aligned to international standards but could be strengthened in some aspects. Appreciation of the SAI's independence among the public, however, remains at a low level, although it has significantly increased since 2017. **The effectiveness of the external audit system has improved significantly, particularly because the SAI is ensuring better audit coverage through performance audits and an improved audit quality control and review system.** The increased transparency of the SAI's work through its website and engagement with civil society has also contributed. Parliament's recent interest in the SAI's reports is vital to the system's overall effectiveness and needs to develop and continue.

Short term recommendations (1-2 years)

- 1) The Ministry of Finance (MoF) should improve the FS by including actual figures for the estimates of revenue and expenditure and not just expressing them as a percentage of GDP, including detailed expenditure targets to guide the annual budgets of budget users. More sensitivity analysis should also be included to assess, for example, the impact of revenue or expenditure forecasts not being met.
- 2) The Government should respect its legal deadlines for submission of the budget to the Parliament, revise the budget calendar to allow more time for the parliamentary process and provide better information in budget documentation sent to the Parliament.
- 3) The Treasury department should improve cash flow forecasting with providing more detail and continue to expand the compass of the financial information system to include all outstanding bodies.
- 4) The MoF should gather information on arrears, both commercial and non-commercial and in the state-owned enterprise (SOE) sector, to establish a baseline to function as a starting point for a revised system for ongoing reporting.
- 5) The annual financial report should contain a commentary on significant divergences between the outturn and the plan for the annual budget by budget user and by the main revenue headings.
- 6) The upcoming strategic planning period should focus on measures to further develop the implementation of IC in the Public Funds Beneficiaries (PFBs) and ensuring it effectively becomes part of daily management practices. This would need to include activities such as an analysis of the coherence of FMC and other horizontal legislation, alignment between management and budget structures and further awareness-raising and capacity development of managers and ensuring

follow-up of Government conclusions regarding CAR, thereby also empowering the CHU in its role as coordinating and guidance-giving body.

- 7) The overall capacity of the IA system needs to be significantly enhanced to ensure that internal auditors' work effectively adds value to managers and to this effect, the CHU should support and guide internal auditors to make better use of the comprehensive guidance framework put in place.
- 8) The Parliament should repeal the Law on Special Procedures, and all contracts for line infrastructure projects should be awarded exclusively in accordance with the 2019 PPL.
- 9) The PPO should prepare and disseminate guidelines and models of tender documentation adjusted to the PPL, with a specific focus on practical examples and particular sectors (for example, for information technology services and supplies, health supplies, road construction, or office supplies), including model tender documents, standard technical specifications and methodologies for tender evaluation.
- 10) The PPO and the RCPRPP should establish a permanent, stable, and efficient mechanism for co-operation.
- 11) The Government and the Parliament should clarify and redefine within legislation the central functions and duties in the area of PPPs and concessions.
- 12) The SAI should further deepen and broaden its relationship with Parliament and other external stakeholders.

Medium-term recommendations (3-5 years)

- 13) Documentation for the annual budget should be improved by including a European System of Accounts (ESA) version of the budget.
- 14) In relation to capital expenditure, the new system introduced in 2019 should be reviewed and evaluated by the MoF to ascertain if the system has improved the assessment process of projects and led to improved project selection.
- 15) The Treasury and MoF, should establish a system to report to the Government on arrears on a quarterly basis – including SOE arrears - and to publish such reports in the Official Gazette. After that, appropriate commitment controls for managing payment arrears should be established and responsible public bodies assigned to carry out ongoing monitoring.
- 16) The MoF should compile a monthly budget execution profile at the beginning of the year based on inputs from budget users.
- 17) Reporting regarding large investment projects to the national bodies and to the donors should be harmonised to minimise bureaucracy.
- 18) The Government should ensure the sustainability of the future coherent, single framework for PPPs and concessions so that it fully serves its purposes.
- 19) The PPO should develop mechanisms for data gathering and monitoring on contract management and offer more support in this respect for contracting authorities by providing guidelines (supported with training sessions) and models of internal regulation referring to the contract management.
- 20) The Government and the Parliament should amend the legal framework to ensure contracting authorities can challenge RCPRPP decisions before the Administrative Court.
- 21) The Parliament should bring some details of the SAI law further in line with current international standards and good practice, like the term of appointment for Council Members; the requirement of the SAI to submit its proposed budget and staffing plans to the MoF; the provisions on reporting misdemeanours and criminal offences; and the provisions on the SAI's follow-up of audit recommendations.

Analysis

Budget management

Principle 1: The government publishes a medium-term budgetary framework on a general government basis that is founded on credible forecasts and covers a minimum period of three years; all budget organisations operate within it.

Overall, the value for the indicator 'Quality of the medium-term budgetary framework' is 3, an improvement from 2017 when it was 2. This reflects the fact that the Fiscal Strategy (FS) was published on time, unlike in 2017 and a slight increase in forecasting accuracy.

Indicator 6.1.1 - Quality of the medium-term budgetary framework						
This indicator measures how well the medium-term budgetary framework (MTBF) is established as a fiscal plan of the government, focusing on the process of budget preparation and four areas that influence the quality of the budget documents. A good MTBF should increase transparency in budget planning, contribute more credible forecasts and ultimately lead to a better general government budget balance.						
Overall 2021 indicator value  since 2017	0	1	2	3	4	5
				Points 2021	Change from 2017	
1. Strength of the medium-term budgetary framework				8/12	+4	
2. Strength of the fiscal rules				2/5	=	
3. Credibility of medium term revenue plans (%)				3/4 ²⁹⁰	=	
4. Credibility of medium-term expenditure plans (%)				3/4 ²⁹¹	=	
Total				16/25	+4	

The MoF is required to and prepares a medium-term strategy (the FS) every year that covers the coming year and two years following²⁹². The law²⁹³ requires this to be approved by the Government in April each year, for it to be submitted to the Fiscal Council (FC) that month and then in June. The Government, taking note of the FC views, approves the FS and submits it to the Parliament, who then provides its opinion by end of June. The FS gives the macro-economic background for the coming three years, covers possible risks to the forecasts and sets the revenue and expenditure forecasts within that overall approach. The FS is further updated in the autumn (1 October is specified in the legalisation), and the revised FS is submitted to the Parliament (5 October) before the annual budget law for the forthcoming year. The updating is brief and updates FS figures in light of economic changes since the FS version published earlier in the year. The FS is forward-looking and does not review the outcomes in the previous FS. The FS was delayed in 2020 for understandable reasons, due to the COVID-19 pandemic, but it was published on time in 2019 and again in 2021.

²⁹⁰ The sub-indicator was determined on the basis of 2019 data due to the COVID-19 pandemic in 2020.

²⁹¹ The sub-indicator was determined on the basis of 2019 data due to the COVID-19 pandemic in 2020.

²⁹² Fiscal Strategy (FS) 2021-2023, <https://www.mfin.gov.rs/en/documents/fiscal-strategy-for-2021-with-projections-for-2022-and-2023/>.

²⁹³ Budget System Law (BSL) 2020, Official Gazette, No. 54/2009, 73/2010, 101/2010, 101/2011, 93/2012, 62/2013, 63/2013, 108/2013, 142/2014, 68/2015, 103/2015, 99/2016, 113/2017, 95/2018, 31/2019, 72/2019 and 149/2020, Article 27v.

The FC was appointed in 2011²⁹⁴ and has since become an important voice in public finance in Serbia. It provides comments on the annual budget, the FS, the debt management strategy and the Annual Financial Statement. Informally, it also interacts with the MoF each autumn before the Budget is finalised. The FC presents its view before the Parliament.

In addition to the FC, Serbia has a set of Fiscal Rules that aim to limit the deficit to 1% of GDP in the medium term and debt to 45% of GDP²⁹⁵, a target that has never been reached. Where the deficit is more than 1%, the Government must take corrective action to bring it back into line in the medium term. Temporary deviations from these Fiscal Rules are provided for in the legislation in the event of emergencies, such as the COVID-19 pandemic²⁹⁶.

The FS outlines the current opening fiscal position, sets out the macro-economic forecast and the likely evolution of the main fiscal parameters – expenditure, revenue and debt. It also contains a section on fiscal risk and issued guarantees, but there is little sensitivity analysis in the FS. Spending forecasts are not broken down by budget beneficiary but into broad economic categories (e.g. transfers capital spending and subsidies). There is also a brief overview comparing the fiscal measurements in the new FS with the previous FS. However, one notable feature of the FS is that in forecasting revenue and expenditure, it expresses the figures/targets as a percentage of GDP rather than forecasting actual amounts. This can lead to complications, as GDP itself is subject to forecasting uncertainties, and recalibration of GDP is not unusual. Therefore, it is less discernible whether targets are being met and the actual revenue and expenditure forecast amounts are realised. While the FS sets indicative ceilings for expenditure, they do not act as firm targets and the annual budget, which sets the expenditure targets for the coming year and the following two years, carries more weight.

Nevertheless, the fiscal consolidation programme has had a marked impact in recent years, as demonstrated by the decreasing debt burden. In terms of target delivery, the medium-term forecast for revenue and expenditure has been reasonably accurate, continuing the trend noted in the 2017 SIGMA Monitoring Report. In 2019, the revenue outturn was 3% below the forecast in the FS two years previous, while the expenditure was 4% below target. The FS is not compiled on a basis compliant with the European System of Accounts (ESA).

Conclusion

Serbia produces annually a three-year FS that sets the framework for the period concerned. There are Fiscal Rules in place and an independent FC which reports to the Parliament. Accuracy of the forecasts have been close to target and the FS provides some explanation of divergences from the previous FS. However, the FS projects its forecast on expenditure and revenue as a percentage of GDP, which reduced its accuracy.

²⁹⁴ BSL 2020, Article 92a.

²⁹⁵ BSL 2020, Article 27e.

²⁹⁶ BSL 2020, Article 27z.

Principle 2: The budget is formulated in line with the national legal framework, with comprehensive spending appropriations that are consistent with the medium-term budgetary framework and are observed.

Overall, the value for the indicator ‘Quality of the annual budget process and budget credibility’ is 3, an increase from 1 in 2017, mainly due to lower deviations of the budget targets for revenue and expenditure.

Indicator 6.2.1 - Quality of the annual budget process and budget credibility						
This indicator analyses the process of budget preparation and the level of transparency and quality of the budget documents. Quality parameters include the link between the multi-annual and annual budget, the budget preparation process, selection of priorities for new expenditures, comprehensiveness and transparency of budget documentation, scrutiny and oversight of the budget proposal and rules for in-year budget adjustment.						
Overall 2021 indicator value  since 2017	0	1	2	3	4	5
	Points 2021	Change from 2017				
1. Operational alignment between the MTBF and the annual budget process	3/4	+1				
2. Reliability of the budget calendar	2/4	+1				
3. Transparency of the budget proposal before its adoption in parliament	2/8	=				
4. Quality in the budgeting of capital investment projects	3/5	=				
5. Parliamentary scrutiny of the annual budget	3/5	+2				
6. Transparency and predictability of procedures for in year budget adjustments	3/4	+1				
7. Credibility of revenue plans in the annual budget (%)	2/4	+2				
8. Credibility of expenditure plans in the annual budget (%)	3/4	+3				
Total	21/38	+10				

Note: The 2017 indicator value and sub-indicator 7 and 8 were revised retrospectively due to miscalculations. Points for sub-indicator 7 changed from 1 to 0 and sub-indicator 8 from 3 to 0. Due to the change, the 2017 indicator value changed from 2 to 1.

Serbia has a well-defined budget system. Its budget calendar is set out clearly²⁹⁷ and outlines the various aspects of the annual budget, including its scope, input from budget users and budget documentation. The budget calendar requires that the budget instruction to budget users be issued on 5 July with their responses by 1 September – a sufficient amount of time. In 2018, however, this deadline was missed because of the need to finalise a support arrangement with the International Monetary Fund (IMF). In 2019 and 2020, the deadline was close to the prescribed time (8 July 2019, 10 July 2020).

The budget calendar requires that the draft budget be submitted to the Parliament on 1 November and adopted by 17 December. This is a very short time limit and is much less than the three months before the start of the fiscal year, as recommended by international best practice²⁹⁸. In 2019 and 2020, this deadline was missed: the budget was submitted to the Parliament on 23 November and approved on 7 December, and in 2020, it was submitted on 20 November and approved by Parliament on 10 December.

Documentation supplied to the Parliament includes the budget law and a document entitled Justification of the Budget (of about 30 pages), which explains the rationale behind the budget law, including revised macro-economic forecasts, details of the forecast under various tax headings and changes in expenditure and some rationale for this. However, multi-annual commitments are not included, and it is not compiled on a general government basis, although the authorities have indicated that ESA-type data can be derived from their data and they do so for the Economic Reform Programme (ERP) submitted annually to the European Commission. The financial plans for the large funds (pension, health, social security and

²⁹⁷ BSL 2020, Article 31.

²⁹⁸ OECD (2002), "OECD Best Practices for Budget Transparency", *OECD Journal on Budgeting*, Vol. 1/3, Article 1.1, <https://doi.org/10.1787/budget-v1-art14-en>.

employment) are also submitted for approval at the same time as the annual budget law but are not integrated into it. In addition, the Explanation to the Budget outlines new spending commitments (e.g. salary increases for public servants or, more recently, pension law changes) at a high level.

In terms of accuracy, the revenue and expenditure estimates are close to the final outturn, indicating accuracy in the forecasts and better budget discipline and controls during execution.

In 2019, revenue exceeded the target by almost 3%, while expenditure was on target. Because of the COVID-19 pandemic, expenditure was almost 8 % over budget in 2020, although revenue was close to the target (less than 1% deviation). The annual budget law sets the ceilings for the coming year and the following two years and has a larger role in determining the medium-term limits than the FS. It would be a more common approach to determine the medium-term ceilings in the FS rather than in the annual budget.

Capital investment procedures were overhauled under the Decree on Capital Project Management issued in 2019 and the subsequent implementing regulations²⁹⁹. This new legislation, which was only implemented in 2020, establishes the method of dealing with capital projects, including the standardisation of documentation and the division of projects into three categories (under EUR 5 million, EUR 5-25 million and over EUR 25 million). Projects of up to EUR 5 million are nominated directly for implementation, while those over EUR 5 million are subject to an assessment of their strategic relevance. The Decree establishes the steps that must be taken in proposing a capital project for implementation, including linking any project to wider government plans and policies and the procedural steps necessary for the project to advance.

A new section within the MoF has been established to deal with the capital investment area, and the MoF maintains a database on projects. A Commission on Capital Investment (which is chaired by the Prime Minister) has the final say on determining the list of priority projects. For projects above EUR 25 million, an *ex post* evaluation is required to be carried out three years after project completion and a report sent to the Capital Investment Commission via the MoF. This new approach is a major change in this area, but as it only became operational in 2020, it is too early to judge the impact of the new approach.

Conclusion

The annual budget procedures are set out clearly in legislation. However, parliamentary oversight is not allowed sufficient time to assess the budget, and the government has not met its legal deadlines in recent years, giving the Parliament even less time for debate. Budget documentation submitted to the Parliament is basic and provides limited information. The government has adopted new capital investment procedures, which are being implemented, but it is too early to judge their impact.

²⁹⁹ Decree on Capital Project Management 2019, Official Gazette, No. 51/2019.

Principle 3: The ministry of finance (or authorised central treasury authority) centrally controls disbursement of funds from the treasury single account and ensures cash liquidity.

Overall, the value for the indicator 'Reliability of budget execution and accounting practices' is 3. This is a decrease from the value of 4 in 2017 and reflects mainly the fact that the arrears position has not been fully tackled.

Indicator 6.3.1 - Reliability of budget execution and accounting practices						
This indicator measures the quality of cash and commitment management, controls in budget execution and accounting practices. These aspects ensure reliable information on government spending and thus a foundation for management decisions on government funds.						
Effective cash flow and planning, monitoring, and management of commitments by the treasury facilitate predictability of the availability of funds for budgetary units. Reliable accounting practices that include constant checking and verification of the recording practices of accountants are important to ensure good information for management.						
Overall 2021 indicator value  since 2017	0	1	2	3	4	5
	Points 2021	Change from 2017				
1. Presence of a treasury single account (TSA)	2/2	=				
2. Frequency of revenue transfer to the TSA	1/1	=				
3. Frequency of cash consolidation	1/1	=				
4. Credibility of cash flow planning	1/2	-1				
5. Budget classification and chart of accounts	2/2	=				
6. Frequency of bank account reconciliation for all central government bank accounts	1/2	-1				
7. Availability of data on the stock of expenditure arrears	0/2*	-2				
8. Expenditure arrears (%)	1/3	=				
Total	9/15	-4				

Note: *Data not available or provided.

The Treasury is required to record all transactions executed through the Treasury Single Account (TSA)³⁰⁰. The central government's bank balances are consolidated on a daily basis. Bank accounts are linked to the TSA and are reconciled with the accounting and treasury information systems. Budget formulation, execution and reporting present expenditures that are classified by level of administrative, economic and functional criteria. The Treasury system is extensive, with 212 direct users and 541 indirect users in the system.

The Treasury prepares cash flow forecasts³⁰¹. It prepares these centrally, and they are updated monthly in light of developments and returns mainly by budget beneficiaries and revenue information. The cash flows are at an aggregate level only and broken down into the main revenue headings and the main expenditure headings, e.g. expenditures are classed as employee expenses, other goods and services, transfers, and subsidies, as well as capital. However, there is no further detail, and they are not broken down into an administrative classification showing the budget users, such as ministries or other bodies. The use of only economic classifications restricts the amount of detail that can be used for analysis.

The Treasury does not assess the accuracy of their forecast by, for example, undertaking a post-factum review at the end of the year to compare the actual evolution of the cash flow in the year to their forecast.

According to the Treasury, suspense accounts are used, but there is no formal requirement for them to be cleared within the year – only by the end of the year. In the 2017 Monitoring Report, it was noted that

³⁰⁰ BSL (as amended) 2020, Article 93.

³⁰¹ *Idem*.

the Treasury hoped to expand the Financial Management Information System to prisons and cultural institutions. This was done in 2018. In 2021, progress is being made on including bodies under the Ministry of Economy and Sport, youth promotion bodies and certain bodies under the Ministry of Education. Accounting standards are based on international standards (International Public Sector Accounting Standards [IPSAS]-cash), which is underpinned in law³⁰². IPSAS applies to all public sector entities except SOEs. While data is not compiled in ESA format (the accounting standards use a cash basis), the Treasury has developed a methodology to adjust reporting to an ESA-standard format.

The existing information on expenditure arrears is deficient. The level of arrears and related information is a long-running problem, and, as far back as 2014, the FC raised the issue in a report on budget processes in Serbia³⁰³. In its 2019 Article IV Report, the IMF also raised the issue of domestic arrears. Arrears, as defined by overdue payments beyond the statutory limit³⁰⁴, are not detailed in an annual report nor included in the annual financial statement, and so are not subject to audit by the SAI.

Currently, the Treasury administration completes reports on payment timeliness through the Registry of Settlement of Claims (RINO). The MoF then receives the Treasury reports on the stock of arrears and publishes tables on its website³⁰⁵. However, while the tables show the bodies concerned and the amount and number of outstanding payments, there is no detail or analysis to show how long payments have been overdue or analysis of the largest arrears, and the system only covers commercial transactions. In addition, the tables do not give historical information over a defined period of time, so it is hard to see the evolution of the arrears' position. While the published arrears data includes direct and indirect budget users and the large extra budgetary funds (EBFs), it does not include SOE arrears' data. Because SOEs are a large element of the economy, it would be important for data in this sector to be consolidated in a report to monitor the total position over time. The fact that other actors, such as Ministry of the Economy and the Budget Inspection department of the MoF have responsibilities with regard to the oversight of SOEs and the enforcement of payment obligations and collection of data in this area, adds to the complexity of the system, without solving the problem of insufficient availability of consolidated and publicly available information.

Conclusion

Serbia has a well-established treasury system with a solid legal underpinning and clear rules for budget users. Internationally recognised accounting standards are defined in law and are widely used by public sector bodies. While the financial information system has been extended to cover more bodies since 2017, it is not yet comprehensive. Cash flows are compiled centrally, although more detail could be included. Arrears' data reporting is an area that is still not sufficiently robust and lacks any analysis or time series. In addition, regular analysis of the arrears situation in the SOE sector is not compiled in a published report.

³⁰² BSL 2020, Article 75a.

³⁰³ Fiscal Council Report, Budget Processes in Serbia – Deficiencies and Recommendations, December 2014, p. 13.

³⁰⁴ The statutory limit is 45 or 60 days, depending on the particular transaction, as per the Law on Payment Deadlines in Commercial Transactions, Official Gazette, No. 119/2012, 68/2015, 113/2017, 91/2019, 44/2021 and 44/2021.

³⁰⁵ Review from RINO, <https://mfin.gov.rs/dokumenti2/pregled-iz-rino>.

Principle 4: There is a clear debt management strategy in place and implemented so that the country's overall debt target is respected and debt servicing costs are kept under control.

Overall, the value for the indicator 'Quality of public debt management' is 3, the same value as in 2017.

Indicator 6.4.1 - Quality of public debt management						
This indicator measures the procedures and organisation established for the management of public debt and the outcomes achieved, in terms of debt risk mitigation practices, the share of public debt to gross domestic product (GDP), and the difference between public sector debt outturn and target.						
Overall 2021 indicator value	0	1	2	3	4	5
				Points 2021		Change from 2017
1. Existence of requirements and limitations for borrowing in the legal framework				2/3		=
2. Existence and minimum content of a public debt management strategy				4/4		=
3. Clarity of reporting on public debt				4/4		+1
4. Risk mitigation in the stock of public debt				3/6*		+1
5. Difference between public sector debt outturn from target (%)				0/3		-3
6. Public debt as a share of GDP (%)				2/2		+1
Total				15/22		=

Note: *Data not available or provided.

The Law on Public Debt³⁰⁶ defines public debt to include central government, local government and large funds, such as the Pension and Disability Fund. It assigns responsibility for the operation of debt procedures to the Public Debt Administration (PDA)³⁰⁷, which is part of the MoF.

The level of government debt as measured as a percentage of GDP was estimated to be 58.2% in 2020³⁰⁸. Progress in reducing debt has been made since 2017, when it was 58.6%. It dropped to 54.4% in 2018 and 52.9% in 2019. The increase in 2020 and 2021 was to be expected, given the impact of the COVID-19 pandemic, but the forecast for 2021 is 58.7%³⁰⁹. This is nearly the same as in 2017 but significantly higher than the target level of 45% in the Fiscal Rules.

Serbia does not publish a separate debt management strategy as a standalone document. Instead, the debt management strategy forms part of the FS and covers the same periods as the FS. The Debt Strategy extract is published on the PDA website.

The Debt Strategy provides details on the total debt, currency and interest rate breakdown on a historical basis for the previous three years and details of projections for the main elements of debt for the coming three years. It also contains a comparison of different scenarios to inform its adopted strategy.

The risk exposure of the debt portfolio has decreased, but overall, the risk profile is still high. The majority of the debt is long term: 56.5% has maturity over seven years, while another 18.9% has a maturity between five to seven years. Progress continues to be made in reducing the foreign exchange exposure: it declined from 97.4% of government debt in 2008 to 69.5% in 2020, or taking a more recent base, from 84% in 2012 to 69.5% in 2020. Hedging is not actively used to reduce foreign currency risk. One of the aims of the

³⁰⁶ Law on Public Debt (as amended), Official Gazette, No. 61 of 18 July 2005, 107 of 23 December 2009, 78 of 19 October 2011, 68 of 4 August 2015, 95 of 8 December 2018, 91 of 24 December 2019, 149 of 11 December 2020.

³⁰⁷ Law on Public Debt 2005 (as amended), Article 42.

³⁰⁸ Public Debt Administration (PDA) Quarterly Report, June 2021, <http://www.javnidug.gov.rs/eng/default.asp?P=118&MenuItem=4>.

³⁰⁹ PDA, Debt Management Strategy 2021-2023, <http://www.javnidug.gov.rs/upload/Strategija/2021/ENG/DEBT%20MANAGEMENT%20STRATEGY%202021-2023.pdf>.

current strategy is to further increase borrowing in local currency and reduce further exposure to foreign currency borrowing, while another aim is to lengthen the debt maturity profile. The majority of the debt is held by multi and bi-lateral bodies, and the majority (86.2%) carries a fixed interest rate, while the majority (81.7%) of the variable rate debt is linked to EURIBOR (Euro Interbank Offered Rate) and LIBOR (London Inter-Bank Offered Rate) euro rates³¹⁰.

Reporting on the evolution of the debt is done by the PDA. Monthly updates on debt management are published on the website³¹¹ detailing borrowing activity, and quarterly reports are also published, providing an overview for the quarter in question. However, the monthly updates are mainly tables, are not discursive and do not analyse developments. An annual report on debt compiled for the Government is not published, but much of the detail is contained in the monthly reports. Scoring in this area was positive because of the amount of data in the monthly reports. It would be useful however, to have an annual report on debt which is more discursive and published right after the end of the year in question. The PDA is audited by the SAI every year.

The Law on Public Debt³¹² sets out the rules regarding the limitations on borrowing by the local government sector. Prior approval is required from the Minister of Finance in the case of local government, and there are restrictions on the level of borrowing permitted during the year (e.g. a limit of 5% of the previous year's revenue for liquidity borrowing and 50% for capital investment). The Government has also issued guarantees to local authorities and SOEs, and the annual FS gives details on these. In the FS 2020-2023, as of September 2020, the outstanding guarantees amounted to EUR 1.4 billion, of which EUR 200 million related to the local government level. The remainder related to SOEs, including, for example, Serbian Railways and the roads administration³¹³.

Conclusion

The PDA carries out the debt management function and produces a three-year Debt Strategy each year, which is contained in the FS and published separately on its website. Monthly details of debt are published, but these are mainly tables dealing with certain aspects of debt developments for the month. No public annual report is published analysing debt developments, although one is prepared for the Government. The Government debt/GDP ratio had been on a downward trend since the last monitoring in 2017, but the impact of the pandemic led to an increase in 2020. The objective for the 2021-2023 Debt Strategy is to resume the downward trend, although, at 56% by 2023, this will still be some way from the declared target in the Fiscal Rules of a debt/GDP ratio of 45%.

³¹⁰ PDA (2020), "Analysis of Public Debt and General Government Debt", Monthly Report, December 2020, www.javnidug.gov.rs/upload/Bilteni/2020%20Mesecni/Decembar/Mesecni%20izvestaj%20Uprave%20za%20javni%20dug%20-%20ENG%20Decembar%202020%20-%20final.pdf.

³¹¹ PDA website, <http://www.javnidug.gov.rs/>.

³¹² Law on Public Debt, Article 33.

³¹³ FS 2021-2023, p. 55.

Principle 5: Transparent budget reporting and scrutiny are ensured.

Overall, the value for the indicator ‘Transparency and comprehensiveness of budget reporting and scrutiny’ is 3. This improvement from 2 in 2017 reflects mainly the fact that the parliamentary scrutiny of the audited annual financial report has improved.

Indicator 6.5.1 - Transparency and comprehensiveness of budget reporting and scrutiny						
This indicator measures the extent to which the government facilitates external monitoring of the execution of the budget through the publication of relevant information, as well as the credibility of that information and whether it is used effectively to ensure accountability. The degree of budget scrutiny on the basis of the published information is also assessed.						
Overall 2021 indicator value  since 2017	0	1	2	3	4	5
				Points 2021	Change from 2017	
Comprehensiveness of published information						
1. Quality of in year reports of government revenue, expenditure and borrowing				3/7	-2	
2. Quality of the annual financial report of the government				2/7	-1	
3. Quality of annual reports of state owned enterprises, extra budgetary funds and local government				3/5	+2	
4. Clarity of national accounting standards and consistency with international standards				3/4	-1	
5. Existence of reporting on fiscal risks identified in the budget				0/1	=	
Scrutiny and oversight using published information						
6. Quality of the annual financial reporting on the use of public finances				3/3	+2	
7. Timeliness of submission of the SAI report to parliament				2/2	=	
8. Timeliness of parliamentary discussion on the report of the SAI				3/3	+3	
Total				19/32	+3	

The MoF does not publish a monthly or quarterly budget execution forecast at the beginning of the year (although this was recommended in the 2017 Monitoring Report). Instead, the MoF publishes a monthly paper on their website – the Public Finance Bulletin – which provides the latest macroeconomic and fiscal data as well as monthly tabular reporting of the main fiscal aggregates. There are no prescribed publication dates, but it is published 12 times each year. This is usually, but not always, published within four weeks of a month’s end. However, the fiscal data is at a very high, aggregated level and does not provide figures for individual budget users. It provides spending data by economic classification. In addition, without a published forecast profile for the budget execution, it is impossible to monitor the budget’s evolution over the year to see if it is on track. Budget execution reports are prepared by the MoF at the six- and nine-month periods and submitted to the Parliament³¹⁴.

The “Annual Financial Statement” is published and mirrors the budget format, but it contains only basic information, such as the allocation to budget users, the outturn and the difference. There is no analysis or detailed explanation of any differences between the allocation and outturn, though this had been recommended in the 2017 Monitoring Report. The Budget Law stipulates that only the consolidated report should be submitted to the Parliament by 1 November, i.e. the same date on which the Organic Budget Law requires the annual budget law to be submitted to the Parliament. The annual report does not provide any details on assets and liabilities (including contingent liabilities). The lack of these elements means that the annual report is closer to a budget execution report than an annual financial statement.

³¹⁴ BSL 2020, Article 76.

The Annual Financial Report is audited by the SAI. There has been significant progress in this area since 2017. The Final Accounts for 2002 to 2018 were adopted by the Parliament in 2019 *en bloc*. For 2019, the annual report was approved in December 2020³¹⁵. The SAI attended the sessions, as did the MoF.

Fiscal risks do not form part of the budget and are not part of the annual financial statement.

The monthly Public Finance Bulletin contains some information on local government finances, although again, there is little data on the arrears position at the local level of government. Although SOEs have to submit audited annual reports to their respective ministries, there is no consolidated report on the financial position of SOEs. In relation to EBFs, the MoF receives monthly reports from them, although the Health Insurance Fund's reports are not consolidated (they are only consolidated on a quarterly basis). These reports are not published.

Conclusion

The current system for in-year budget reporting, which is dependent on monthly reports, is at a rather general level and does not allow for analysis of where divergences in individual expenditure heading arise. This monitoring is also hampered by the fact that no published budget execution forecast is compiled at the beginning of the year. Although parliamentary consideration of the annual financial reports has improved, more detail could be provided in the financial report, especially on divergences from the original budget. There is no consolidated report on SOEs' financial position prepared annually.

³¹⁵ Ninth Session of the Committee on Finance, Republic Budget and Control of Spending Public Funds, http://www.parlament.gov.rs/%D0%94%D0%B5%D0%B2%D0%B5%D1%82%D0%B0_%D1%81%D0%B5%D0%B4%D0%BD%D0%B8%D1%86%D0%B0_%D0%9E%D0%B4%D0%B1%D0%BE%D1%80%D0%B0_%D0%B7%D0%B0_%D1%84%D0%B8%D0%BD%D0%B0%D0%BD%D1%81%D0%B8%D1%98%D0%B5..39659.43.html.

Internal control and audit

Principle 6: The operational framework for internal control defines responsibilities and powers, and its application by the budget organisations is consistent with the legislation governing public financial management and the public administration in general.

Overall, the value for the indicator 'Adequacy of the operational framework for internal control' is 4. Although there have been changes on the level of sub-indicators, the indicator value itself has not changed since 2017.

Indicator 6.6.1 - Adequacy of the operational framework for internal control						
This indicator measures the extent to which the operational framework for internal control (financial management and control) is established, in terms of policy and strategic content, the regulatory framework, and adequate review and reporting mechanisms.						
A separate indicator measures the implementation of the operational framework for internal control.						
Overall 2021 indicator value	0	1	2	3	4	5
					Points 2021	Change from 2017
1. Existence of policy for the development of internal control					5/6	+1
2. Completeness of the regulatory framework for internal control					4/5	+1
3. Comprehensiveness and regularity of the annual review and reporting on internal control					5/5	+1
Total					14/16	+3

Note: SIGMA has revised the 2019 Methodological Framework and removed the sub-indicator on alignment between national budget management and control systems and those for EU-funded programmes. The total number of points therefore changed from 20 to 16.

The Budget System Law (BSL)³¹⁶ is the main legislation on financial management and control (FMC) and is supported by secondary legislation, which includes the Rulebook on Joint Criteria and Standards for Establishing, Functioning and Reporting of the System of Financial Management and Control in the Public Sector³¹⁷ (the FMC Rulebook). More detailed guidance in the area of FMC is provided in various FMC guidance materials, which have no legal status. Accordingly, in 2020, a number of revised and new methodological materials in the area of FMC were published by the Central Harmonisation Unit (CHU)³¹⁸.

The CHU within the MoF is responsible for harmonising and co-ordinating FMC and IA³¹⁹ and now consists of five subunits³²⁰. In the area of FMC, the CHU is tasked with proposing legislation and drafting public policy documents; establishing and developing methodology, standards and guidance materials;

³¹⁶ BSL 2020, the latest changes published in the Official Gazette, No. 149/2020, 11 December 2020.

³¹⁷ MoF, Rulebook on Joint Criteria and Standards for Establishing, Functioning and Reporting of the System of Financial Management and Control in the Public Sector, the latest changes published in the Official Gazette, No. 89, 18 December 2019.

³¹⁸ The FMC guidelines were revised and prepared with the help of the Twinning Project (publishing information from the guidelines has been provided by the CHU). The guidelines include: 1) Financial Management and Control Manual (May 2020, published 2 October 2020); 2) Guidelines on FMC in Small Public Entities (published 7 October 2020); 3) Risk Management Guidelines (published 20 July 2020); 4) Guidelines for Management of Irregularities (published 20 July 2020); 5) Guidelines on Delegation (published 20 July 2020); and 6) Guidelines on the Managerial Accountability Concept (published 20 July 2020).

³¹⁹ BSL 2020, Official Gazette, No. 149/2020, 11 December 2020, Articles 80 and 83.

³²⁰ Rulebook on Internal Organisation and Systematisation Jobs in the Ministry of Finance, Articles 72-78 (Rulebook 08, No. 112-01-1 / 191-2019, 27 March 2019).

reviewing the quality of FMC in the public sector; co-ordinating training activities; and consolidating the annual statement on FMC and IA, among others.

Two strategy documents have been developed that address the actions relating to FMC in Serbia: 1) the Public Financial Management Reform Programme 2016-2020 (PFM Reform Programme), its revision for the period from July 2019 until December 2020³²¹ (especially Measures 3.1-3.4) and the new PFM Reform Programme, adopted on 24 June 2021; and 2) the Strategy for Development of Internal Financial Control in the Public Sector in the Republic of Serbia for the Period 2017-2020³²² (PIFC Strategy), embedded into the new PFM Reform Programme for the years 2021-2025. The PIFC Strategy is mainly a document for CHU actions, as the CHU is responsible for the implementation of 31 (out of 39) action items; 4 measures are the joint responsibility of the CHU and another institution, and 4 measures are the responsibility of the Ministry of Public Administration and Local Self-Government³²³. Some 35 measures in the PIFC Strategy have been implemented³²⁴. Overall implementation status of the PFM Reform Programme as of August 2020 stands at 44% (21 out of 48); 40% of measures are partially implemented, and 16% are not implemented. However, only Pillar 3: Effective Financial Control is considered for this assessment, where 8 out of 12 measures are implemented (67%)³²⁵.

In 2020³²⁶, the CHU used 886 (in comparison to 591 in 2016)³²⁷ self-assessment questionnaires completed by beneficiaries of public funds (BPFs),³²⁸ covering the financial year 2019, for the CHU Consolidated Annual Report on the Status of Public Internal Financial Control (CAR) in the Republic of Serbia in 2019 (Figure 1). While this reflects only around 10% of the total population of 8 601 BPFs, it still represents almost 87% of total expenditures and disbursements of the budget of Serbia for 2019³²⁹ because all central government organisations³³⁰ (CGOs) have submitted the self-assessment questionnaires.

³²¹ The Public Financial Management Reform Programme (PFM Reform Programme) was initially adopted by the Government of the Republic of Serbia on 28 November 2015, and the 2019-2020 revision was adopted on 26 September 2019.

³²² Strategy for Development of Internal Financial Control in the Public Sector in the Republic of Serbia for the Period 2017-2020 (PIFC Strategy), Official Gazette, No. 51, 25 May 2017.

³²³ CHU (2020), Consolidated Annual Report on the Status of Public Internal Financial Control (CAR) in the Republic of Serbia in 2019, October, Annex 2 – Implementation of the Action Plan or the PIFC Strategy. Updated information provided by the CHU in the Assessment Sheet, sub-indicator 6.6.1.1.

³²⁴ CHU, CAR 2019 and interview with the CHU on 17 March 2021 regarding a correction on the implementation status of the measure 2.1 (marked as finalised in the CAR, however the guidelines/manual on external quality control is pending to date).

³²⁵ This information is based on an e-mail from the MoF, dated 14 April 2021, about overall (not annual) PFM Reform Programme implementation status. SIGMA does not have information to verify whether this percentage is correct.

³²⁶ CHU, CAR 2019, Section 2.1.2.

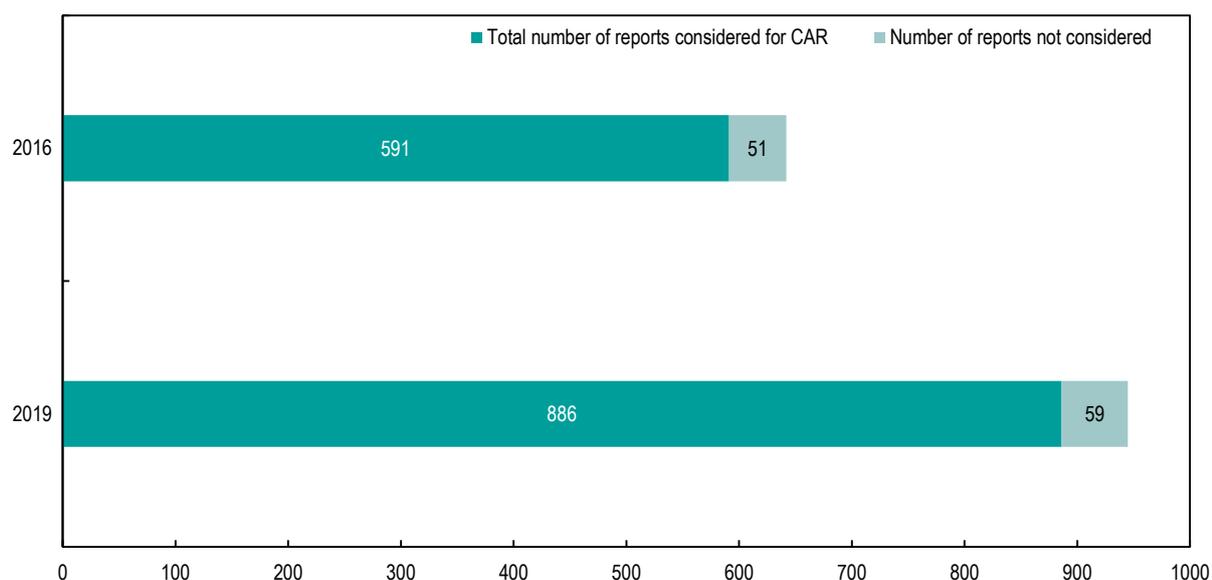
³²⁷ For the year 2016, the CHU considered 51 of the reports not being properly prepared; for 2019, the number was 59.

³²⁸ Beneficiaries of public funds include direct and indirect budget beneficiaries, including local authorities and public enterprises controlled by the central government or local authorities.

³²⁹ CHU, CAR 2019, Section 2.1.2.

³³⁰ As of the end of 2019, there were 22 central government organisations (18 ministries and 4 mandatory social insurance organisations). In October 2020, the new Law on Ministries was adopted and three new ministries were established.

Figure 1. Number of internal control self-assessment questionnaires submitted by beneficiaries of public funds 2016 and 2019



Note: CAR stands for “Consolidated Annual Report on the Status of Public Internal Financial Control”.

Source: Central Harmonisation Unit, CAR 2016 and CAR 2019.

While according to the BSL, Article 83, the CHU annually compiles a CAR and submits it to the Government, the CHU is not responsible for analysing the individual IC systems or for following up on the implementation of the recommendations made therein. The CAR 2019 was submitted to the Government on 28 October 2020 and adopted on 18 November 2020. The report includes recommendations regarding FMC and IA, and by Government conclusion, those become enforceable. Even though the Government conclusion itself did so far not require specific action to improve IC implementation, it provided the list of institutions to whom the report shall be submitted for implementation. The Government conclusion regarding 2020 CAR (adopted on 26 August 2021 – and therefore after the cut-off date of this assessment) is now much clearer and provides specific recommendations for the defined public institutions.

In order to enhance the implementation of IC within public sector institutions, IC would need to be embedded within their other daily responsibilities and enforced, next to the specific FMC legislation, also through other legislation. CHU has not yet performed an analysis of the coherence of FMC and other horizontal legislation. Such an analysis would lay the basis for planning the next steps to achieving high quality and adequate management systems, and ensuring that IC is not a standalone practice.

Conclusion

The CHU has managed to considerably improve the operational framework for FMC in recent years. Activities planned in the PIFC Strategy 2017-2020 were 90% implemented as of June 2021. However, the implementation of the PIFC-related activities included in the PFM Reform Programme 2016-2020 is lagging, even though three activities planned for the CHU have been realised.

Principle 7: Each public organisation implements internal control in line with the overall internal control policy.

Overall, the value for the indicator 'Functioning of internal control' is 1. It has not changed since 2017, although there have been changes at the level of sub-indicators.

Indicator 6.7.1 - Functioning of internal control			
This indicator measures the extent to which internal control systems are implemented in practice within the budget organisations and between ministries and their subordinate organisations, and the immediate results in terms of improved managerial accountability and governance arrangements between ministries and subordinated bodies.			
Overall 2021 indicator value	0	1	2 3 4 5
		Points 2021	Change from 2017
1. Number of first-level budget organisations that are neither ministries nor constitutional bodies		1/3	-1
2. Alignment between management and budget structures (%)		0/3*	=
3. Credibility of controls for avoiding commitments above the expenditure ceilings		0/2*	-1
4. Availability of reporting of total cost and physical progress of major investment projects		2/2	+1
5. Effectiveness of basic managerial accountability mechanisms for central government bodies		0/4	=
6. Delegation of decision-making authority within ministries		1/4	=
7. Regularity and completeness of risk management practices		0/3	=
8. Existence of reporting on irregularities		1/2	=
Total		5/23	-1

Note: *Data not available or provided. The point allocation in 2017 for sub-indicator 8 was revised retrospectively from 0 to 1 due to miscalculation.

All BPFs must introduce FMC³³¹. According to the latest Treasury data³³², there are 1 106 direct beneficiaries (including 21 ministries), 4 mandatory social insurance organisations (MSIOs) and 7 495 indirect budget beneficiaries. Ministries and MSIOs are CGOs. Table 1 provides an overview of the implementation of selected FMC elements in Serbian public sector institutions.

³³¹ BSL, Official Gazette, No. 149/2020, 11 December 2020, Article 81.

³³² Register of Users of Public Funds, <https://kjs.trezor.gov.rs/search?Tip=9> (accessed on 20 June 2021).

Table 1. Overview of financial management and control implementation in Serbia: Selected elements

Beneficiaries of public funds elements	Central level						Local level, total	Total
	Ministries	MSIOs ¹	Other direct budget beneficiaries	Indirect budget beneficiaries	Public enterprises at central level	Other public funds beneficiaries		
Financial management and control (FMC) reports submitted	18 (100%)	4 (100%)	36	295	30	154	393	945
Appointed FMC manager or working group	17 (94%)	4 (100%)	26 (72%)	118 (40%)	22 (73%)	109 (71%)	294 (75%)	601 (64%)
Business process maps	19 ¹	4 (100%)	19 (53%)	58 (20%)	20 (67%)	63 (41%)	227 (58%)	410 (43%)
Risk register established	22 ¹	4 (100%)	18 (50%)	81 (27%)	19 (63%)	78 (51%)	203 (52%)	425 (45%)
Implementation of FMC from the perspective of the COSO internal control framework ²								
1. Control environment	4.26	4.34	4.28	3.91	4.41	4.14	3.77	3.94
2. Risk management	4.23	4.73	4.04	3.55	4.29	4.02	3.69	3.76
3. Control activities	4.24	4.74	4.25	3.61	4.25	4.15	3.82	3.86
4. Information and communication	4.32	4.72	4.36	4.25	4.61	4.5	4.17	4.29
5. Monitoring and evaluation	3.98	4.42	3.75	2.95	4.06	3.53	3.46	3.37

Notes: 1. MSIO stands for mandatory social insurance organisations. The number relates to the ministries and their administrative bodies (in total, 32, out of which 18 are ministries). No information for the calculation of percentage was available. 2. COSO stands for Committee of Sponsoring Organisations of the Treadway Commission. This is the average result of PFBs' self-assessment of the institutions on a scale of one to five, where five is the highest assessment.

Source: Central Harmonisation Unit working table based on the summaries of the PFB self-assessment questionnaires and the Consolidated Annual Report on the Status of Public Internal Financial Control in the Republic of Serbia in 2019, October 2020. The figures are based on 945 reports received (out of those, 886 reports were used in the analysis for CAR).

As can be derived from the PFBs' self-assessments presented in Table 1, FMC implementation in the central government institutions is more advanced than the other PFBs, especially at the local level. While 63% of the other institutions that submitted FMC reports reported having appointed an FMC manager or established a working group, only 43% have prepared process maps, and 45% established a risk register. Self-assessments of FMC implementation, based on the Committee of Sponsoring Organisations of the Treadway Commission (COSO) IC framework, indicate the risk management and monitoring/evaluation components as the weakest.

While the self-assessment-based overview above is built around the abstract COSO elements used for the CHU monitoring and reporting, the following text analyses the elements considered by SIGMA as important for a well-functioning FMC system, and are expressed in the sub-indicators.

SIGMA examined the implementation of risk management practices in five public institutions³³³ (hereafter, the "sample institutions").

³³³ The sample institutions during the 2021 assessment included the ministry responsible for finance, the ministry responsible for transport, the ministry responsible for education, the Tax Administration, and the Road Administration.

Serbia has a high number of public bodies subordinated to the Parliament, in total 21 (excluding constitutional bodies). This may hinder the Government's capacity to ensure consistent implementation of its policies in relevant sectors.

Apart from one ministry that did not provide information, the other institutions have established risk registers, and risks are assessed at least annually against established objectives, except for one institution, where risks are assessed by processes and not by objectives.

The system of reporting irregularities is currently not centralised in Serbia. Irregularities in certain fields are reported to the institutions known to be responsible for a given area; however, the reporting institutions appear to have no overview of what has been reported. The CHU published the Guidelines on Irregularity Management on 20 July 2020³³⁴. Accordingly, each public institution shall centralise irregularity reporting within its institution. None of the sample institutions provided information on the procedure in place for irregularity reporting in their institutions or whether any irregularities have been reported to any responsible institutions (e.g. Budget Inspection).

Programme budgeting has been implemented since 2015, and there is a functioning information technology (IT) system for preparing the programme budget. Even though the PFM Reform Programme 2016-2020 foresees measures for improving multi-annual programme budgeting, the analysis of alignment between management and budget structures appears not to be planned or carried out. The IT system allows for assigning responsible people (ministers, state secretaries or the directors of the institution) as well as people in charge. The latter can be either assistant ministers or state secretaries³³⁵. Based on the test of sample institutions, the people in charge were both those highest in organisations' hierarchies (directors or ministers) as well as state secretaries and assistant ministers. In order to hold managers accountable for the results, they should be assigned responsibility and authority for decision making as well as autonomy and the resources necessary to achieve expected results, including responsibility for their budget lines. Promoting delegation of decision-making as a key component of managerial accountability in the internal governance of ministries remains a challenge, and not only in the budget management area. While the FMC Rulebook has been revised to allow transfer of certain responsibilities by means of written delegation from the head of PFB to other persons within the PFB, sample tests of implementation of delegation revealed that even minor technical decisions on staff require approval of high-level officials (for more information, please see the Accountability section of the report).

As mentioned under Principle 4, the payment arrears amounted to more than 2% of the budget. Information was not provided on whether the arrears recorded in the registry (RINO) relate only to those liabilities arising from commercial transactions between the public sector and economic entities and not the arrears between the public sector entities. Furthermore, the age of the liabilities is not shown in the RINO reports; there was no information on how and whether the age of payment liabilities is monitored; or what the consequences of late payments were. Finally, even though the Department for Budget Inspection within MoF supervises the implementation of the Law on Payment Terms for Settlement of Financial Obligations in Commercial Transactions³³⁶, such supervision is not continuous or related to the monitoring of arrears. It is rather triggered by complaints, requests for control or similar demands.

The legal base for reporting on the implementation of large investment projects is the Decree on Capital Project Management³³⁷, with accompanying by-laws. Accordingly, budget organisations are obliged to report on the monitoring of capital projects on a quarterly basis³³⁸ to the responsible Public Investment Management (PIM) Unit within the MoF. The PIM Unit shall perform analysis and report further to the Capital Investment Commission. The line ministries or any other direct PFBs, through which the proposer

³³⁴ The publishing date was provided by the CHU.

³³⁵ This information was provided by the MoF Budget Department representative at a meeting held on 17 March 2021.

³³⁶ Law on Deadlines for Settlement of Money Liabilities in Commercial Transactions, Official Gazette, No. 119/2012, 68/2015, 113/2017 and 91/2019, Article 8.

³³⁷ Decree on Capital Project Management, Official Gazette, No. 51/2019.

³³⁸ Decree on Capital Project Management, Official Gazette, No. 51/2019, Article 19, paragraph 4.

(i.e. a PFB for the needs of which the capital project is implemented) implements a capital project, are responsible for data accuracy in the forms submitted to the MoF (based on the data provided by a project proponent). Accordingly, it appears that the responsibility of the PIM Unit in this field is limited to carrying out analysis based on the forms received and maintaining an integrated database of capital projects³³⁹, and not verifying the correctness of the information on the forms. The line ministries or the proponents of capital projects shall additionally report to various donors using report formats established by them (e.g. EU-funded projects have an extensive reporting system in place for major projects). The national and donor reporting systems are currently not streamlined.

Conclusion

The legal and policy framework for internal control largely exists and supports the development of FMC. However, understanding of the significance of FMC activities as an integral part of strategic and operational processes remains weak. With a much higher number of PFBs submitting annual FMC reports now, CHU has good information on the stage of application of the most important FMC elements. However, management of payment arrears remains problematic, and the establishment of a centralised irregularity reporting system in the PFBs is at an early stage. In addition, programme-based budgeting is not yet enforced through the managerial accountability of the institutions' programme managers, and the decision-making authority for technical matters often remains with ministers. Finally, a high number of institutions still report directly to the Parliament.

Principle 8: The operational framework for internal audit reflects international standards, and its application by the budget organisations is consistent with the legislation governing public administration and public financial management in general.

The value for the indicator 'Adequacy of the operational framework for internal audit' is 3 and has not changed since 2017.

Indicator 6.8.1 - Adequacy of the operational framework for internal audit						
This indicator measures the extent to which the operational framework for internal audit (IA) has been established, assessing the adequacy of the regulatory framework, the institutional set-up, and co-ordination and quality assurance mechanisms.						
A separate indicator measures the implementation of the framework and the results achieved.						
Overall 2021 indicator value	0	1	2	3	4	5
			Points 2021	Change from 2017		
1. Adequacy of the regulatory framework for internal audit			5/5	+1		
2. Organisational capacity for internal audit			3/5	=		
3. Co-ordination, development and guidance of the internal audit system			3/5	+1		
4. Existence of a system for quality assurance for internal audit			1/3	=		
Total			12/18	+2		

The legal basis for establishing the internal audit (IA) function and carrying out IA is the BSL, Article 82, and the Rulebook on Joint Criteria for Organisation and Standards and Methodological Instructions for the Conduct and Reporting of Internal Audit in the Public Sector³⁴⁰ (the IA Rulebook). The new IA Manual was

³³⁹ Rulebook on the Contents of the Capital Projects Database, Official Gazette, No. 87, 12 December 2019.

³⁴⁰ IA Rulebook, Official Gazette, No. 99/2011 and 106/2013.

updated and distributed in December 2020 and covers audit planning, execution and reporting, as well as quality assurance and independence requirements.

IA is decentralised, with the CHU within the MoF tasked with, among others, central harmonisation, co-ordination and quality appraisal; defining common criteria for IA organisation and operation; maintaining a registry of internal auditors; providing occupational training, certification and supervision of the work of internal auditors; and consolidating annual IA reports³⁴¹.

The reform actions concerning IA are established in both the PFM Reform Programme (Measure 3.1) and the PIFC Strategy, focussing on improving IA guidelines, improving the perception of IA among PFBs and improving IA functions in terms of professionalism and scope of activities, efficient utilisation of available resources and development of the quality review system. Most of these actions have been implemented³⁴².

Some 475 BPFs submitted the mandatory annual self-assessment questionnaires³⁴³ (hereinafter the “IA reports”) to the CHU for the year 2019. That is almost 33% more than in 2016. According to the BSL, the CHU is not responsible for analysing the individual IA reports; rather, the CAR 2019 is a relatively technical summary of the submitted IA reports. The CAR 2019 includes an overview of the implementation of the CAR 2018 recommendations, whereby 40% of 2018 recommendations had been implemented by 2020.

According to the IA Rulebook (Article 4), a separate functionally independent organisational unit for IA shall be set up within the public fund beneficiaries having more than 250 employees. As of 31 December 2020 there were 318³⁴⁴ PFBs that were required to establish a separate IA function. Of those who submitted IA reports, 187 had functionally established IA units by the end of 2019 (71% of the normatively established IA units). Of 22 CGOs in place by the end of 2019, 2 institutions (ministries) had not established an IA unit by the end of 2019.

Among the 263 normatively established BPFs, 632 IA positions have been created (416 at the central/Republic level and 216 at the local level), and 77% are staffed. In total, there were 485 internal auditors in the BPFs at the end of 2019, out of whom 310 (64%) had IA certificates³⁴⁵. For comparison, in total, 463 internal auditors have been certified from the beginning, but due to fluctuations in staff, only 310 are still employed in the public sector. Figure 2 shows the steady increase in IA capacities since 2017.

³⁴¹ BSL, Article 83.

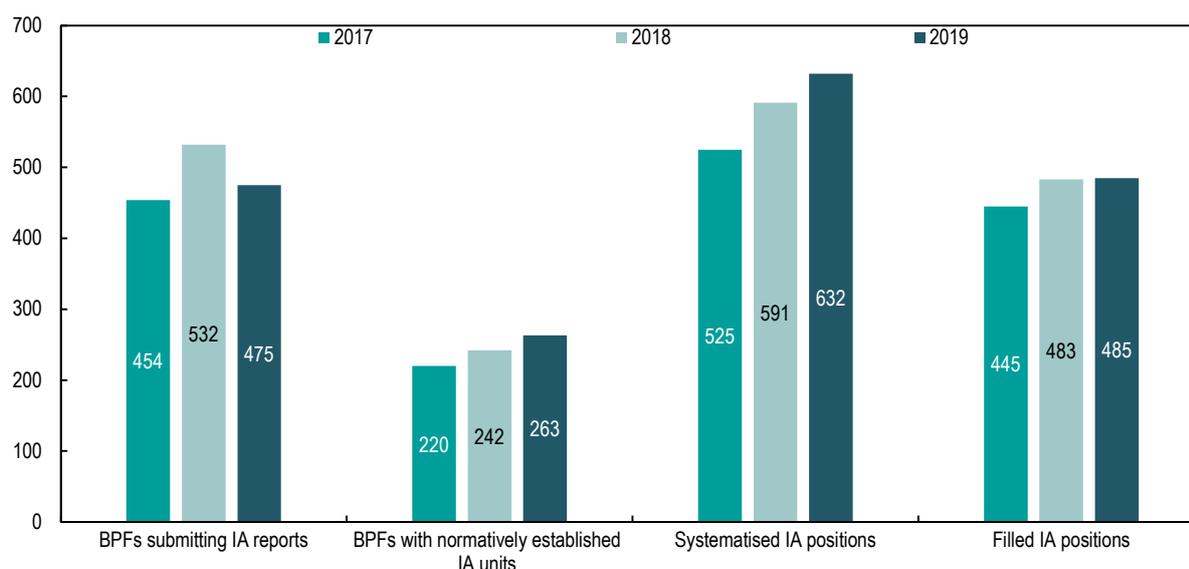
³⁴² CAR 2019, Annex 2 “Implementation of the Action Plan for the PIFC Strategy”.

³⁴³ BSL, Article 83 establishes the reporting requirements to the MoF on the operation of the internal audit.

³⁴⁴ Analysis prepared by the MoF, 13 December 2020.

³⁴⁵ CAR 2019, Section 3.5.5.

Figure 2. Internal audit capacities, 2017-2019



Note: BPFs stands for beneficiaries of public funds; IA for internal audit.

Source: Consolidated Annual Report on the Status of Public Internal Financial Control (CAR) 2019, Section 2.2.2.

All BPFs should ensure the IA function by establishing a unit, organising a joint unit with another PFB or having another PFB's IA unit perform the audit³⁴⁶. An IA unit shall have a minimum of three internal auditors. Only 23% of the established IA units have met the minimum national staffing requirement, with three or more internal auditors in place. At the end of 2019, 15% had two internal auditors, and 62% had only one³⁴⁷. This indicates a lack of compliance with international IA standards, as quality control cannot be ensured with only one auditor.

To support IA units in their work, the CHU has developed a model IA Charter and a code of ethics; the Model of Agreement for the Establishment of Internal Audit Function by Performing Internal Audit of Another Public Fund Beneficiary; various guidelines³⁴⁸ as well as the IA Manual (December 2020), which aims to assist the IA units in carrying out audits in compliance with national legislation and internationally accepted auditing standards.

A continuous professional development programme is defined in the Rulebook on Professional Development of Certified Internal Auditors in the Public Sector³⁴⁹. Despite the 2020 COVID-19 pandemic restrictions that impacted all public administrations' activities, of the total number of submitted reports on professional training, 63% of certified internal auditors in the public sector met the professional training requirements³⁵⁰.

³⁴⁶ IA Rulebook, Official Gazette, No. 99/2011 and 106/2013, Article 3.

³⁴⁷ CAR 2019, Section 2.2.2, Figure 8 "Number of auditors in PFBs with functional IAs in 2019".

³⁴⁸ Guidelines for the Implementation of Horizontal Audits; Guidelines on the Establishment of Joint Internal Audit Units; Guidelines for the Periodic Self-Assessment of Internal Audit Unit and Tools for Performing Audits of the IPA Funds of the European Union.

³⁴⁹ Rulebook on Professional Development of Certified Internal Auditors in the Public Sector, Official Gazette, No. 15/2019.

³⁵⁰ CAR 2019, Section 3.5.5.

Although the CHU and external partners organised various events and seminars for internal auditors in 2019³⁵¹, none were specifically meetings between the heads of IA units.

External assessments of quality assurance, according to the IA Standards, are currently not conducted. Section 2.2.7 of CAR 2019 provides information on the quality of IA, based on the CHU quality review of ten PFBs from 1 January 2019 to 30 September 2019. The review included a check of compliance with prescribed requirements for the establishment of IA units; audit scope; competence and training of internal auditors; functional and organisational independence of IA; IA charter and code of ethics; knowledge of IA standards; strategic and annual IA plans; implementation of IA methodologies; IA risk management; internal quality control; needs for future training; and membership in professional associations. However, the CAR 2019 states the facts in the above areas rather than assesses the quality of IA in compliance with the IA standards. The Rulebook on Supervision of the IA Work and Procedure and Methodology has been drafted and is expected to be enacted in 2021. According to the draft rulebook, supervision shall be carried out by the CHU.

Conclusion

The legal and procedural base for conducting IA is mostly in place, with the rulebook on external quality assurance to be enacted in 2021 to address the currently weak quality assurance system. While the number of established IA units as well as systematised and hired internal auditors continues to increase, overall, IA capacity remains weak and fragmented, with a low number of functional IA units and an even lower number of those meeting the legal requirement of a minimum of three internal auditors. In addition, COVID-19 restrictions have impacted the implementation of a continuous professional development programme.

³⁵¹ Information received by the MoF.

Principle 9: Each public organisation implements internal audit in line with the overall internal audit policy documents, as appropriate to the organisation.

Overall, the value for the indicator 'Functioning of internal audit' is 2. This constitutes an improvement from 1 in 2017, as the number of functional IA units that prepare strategic and annual plans and the overall quality of plans have increased.

Indicator 6.9.1 - Functioning of internal audit						
This indicator measures the extent to which internal audit is implemented and whether activities effectively contribute to improved management of public finances within the budget organisations.						
Overall 2021 indicator value  since 2017	0	1	2	3	4	5
			Points 2021		Change from 2017	
1. Strength of planning of internal audit in budget organisations			4/7		+1	
2. Quality of audit reports			2/6		+2	
3. Follow-up and implementation of audit recommendations (%)			1/3*		-1	
Total			7/16		+2	

Note: *Data not available or provided.

IA work in each BPF is to be carried out in compliance with a three-year strategic plan, an annual plan and an individual engagement plan³⁵². Strategic plans shall be adopted by the end of the year for the next three-year period, while annual plans are adopted by the end of the year for the following year. The strategic plans shall be based on the long-term goals of the BPFs, risk assessment and consultations with the BPF management. In accordance with the CHU working documents for the CAR 2019, 172 functional IA units (out of a total of 187) have a strategic plan, and 178 have annual plans in place.

Strategic and annual planning practices in five sample institutions were tested against national legal requirements. Overall, the plans present annual and long-term audit objectives. However, none of the tested institutions prepares rolling strategic plans. While in most of the tested institutions, audit areas are selected based on risk assessment, in some cases, evidence of risk assessment was not provided. Some institutions do not formalise amendments to the annual plans, nor have amendments approved by managers of the relevant PFB.

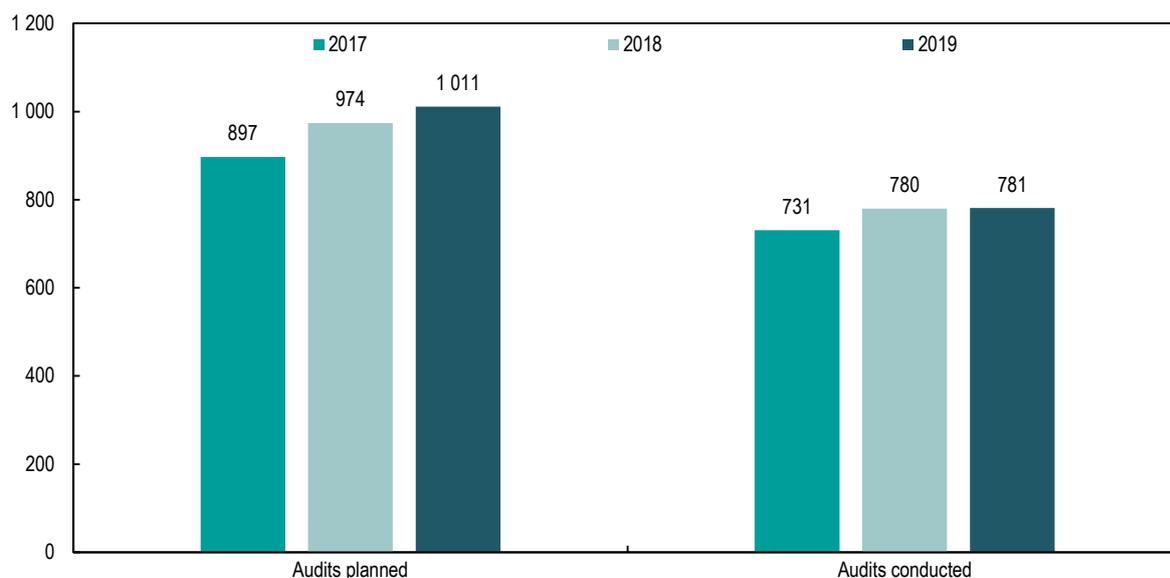
In 2019, 885 internal audits were planned, and 781 were carried out, whereby 12% were not implemented³⁵³. Accordingly, on average, one functional IA unit (of 172) conducts 4.5 audits per year. This relatively small number of audits per IA unit appears to reflect limited resources rather than the actual needs of institutions. As shown in Figure 3, the number of planned audits has increased over the years. However, the number of conducted audits has remained almost the same, indicating a 19% increase in audit engagements not implemented relative to the previous year. The number of recommendations issued in 2019 has remained the same in comparison to 2018, according to the CAR 2019. However, there is an increasing trend in the number of recommendations not implemented. Of those not implemented, 785 had passed the deadline³⁵⁴.

³⁵² IA Rulebook, Official Gazette, No. 99/2011 and 106/2013, Articles 23-27.

³⁵³ CAR 2019, Section 2.2.2, Table 7.

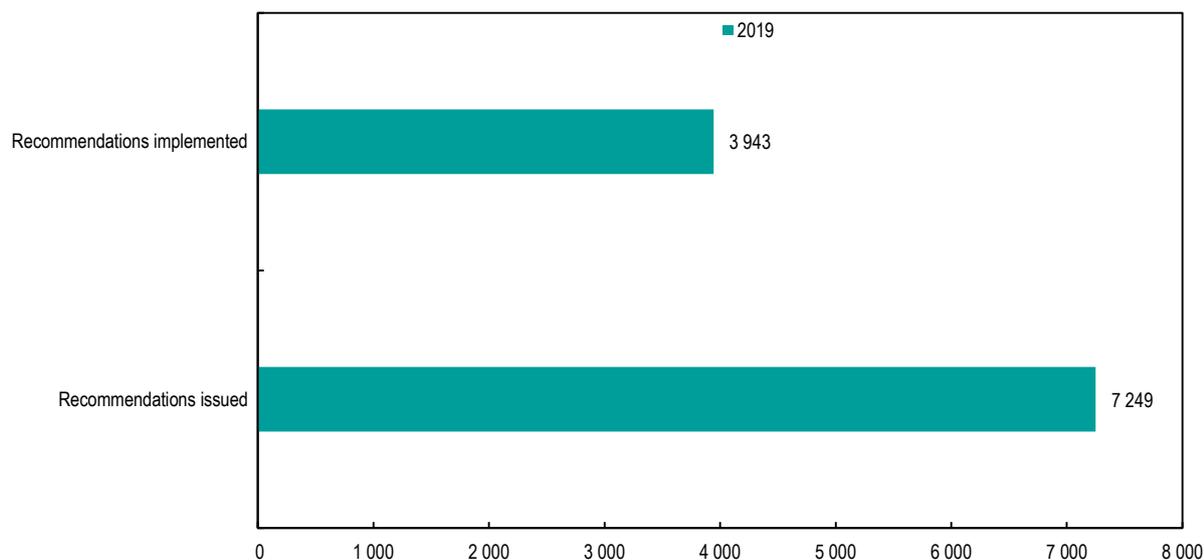
³⁵⁴ CAR 2019, Section 2.2.5.

Figure 3. Output of internal audit work, 2017-2019



Source: Consolidated Annual Report on the Status of Public Internal Financial Control (CAR) 2019, Sections 2.2.4 and 2.2.5.

Figure 4. Recommendations



Note: In the 2019 reporting year, 3 943 recommendations were implemented, 1 306 recommendations have yet to be implemented, but the deadline for their implementation had not yet passed, while 785 recommendations were not implemented past the deadline. The number of recommendations issued in 2019 relative to the previous year has remained almost at the same level (registering a 1% decline relative to the previous year).

Source: Consolidated Annual Report on the Status of Public Internal Financial Control (CAR) 2019, Sections 2.2.4 and 2.2.5.

The quality of audit reports was tested based on the sample of five institutions' reports. Except for one institution that did not provide its audit report, the reports are well structured, with clear statements of audit scope and objectives, and the recommendations issued were relevant. However, none of the five IA units analyse whether weaknesses in internal control systems are systematic nor address weaknesses in achieving value for money in their audits.

The number of recommendations followed up in 2020 from the previous reporting period was 1 027³⁵⁵, representing 14% of total recommendations issued in 2019.

Conclusion

IA planning is based on strategic and annual plans, but such plans do not always respect established requirements. Audits appear to deal mainly with compliance issues. While in this aspect, the quality of the IA reports is relatively good, they do not address systematic weaknesses or value for money, and therefore add only limited value regarding improvement of the management of public funds. The BPFs' implementation of IA recommendations has slightly decreased (1 %), which might be partially explained by the low number of follow-up audits.

³⁵⁵ According to the information received from the MoF, the 2020 IA Report included a new question regarding the number of recommendations followed up from the previous reporting period. The total number reported was 1 027, out of 7 249 recommendations issued in 2019. The IA questionnaire is planned to be improved further by adding questions regarding implementation of recommendations.

Public procurement

Principle 10: Public procurement regulations (including public private partnerships and concessions) are aligned with the European Union *acquis*, include additional areas not covered by the *acquis*, are harmonised with corresponding regulations in other fields, and are duly enforced.

Overall, the value for the indicator ‘Quality of legislative framework for public procurement and PPPs/concessions’ is 4. The value is higher than in 2017, when it was 3, primarily due to the adoption of the new Public Procurement Law (PPL).

Indicator 6.10.1 - Quality of legislative framework for public procurement and PPPs/concessions						
This indicator measures the quality of the legislative framework for public procurement and public private partnerships (PPPs)/concessions, above and below EU thresholds. Opportunities for participation of small and medium-sized enterprises (SMEs) in public procurement are assessed, as well as whether practical measures are taken to allow proper implementation of the legislation. The other indicators in the public procurement area analyse the actual implementation of laws and regulations and the results thereof.						
Overall 2021 indicator value  since 2017	0	1	2	3	4	5
					Points 2021	Change from 2017
Compliance of public procurement legislation with the <i>acquis</i> above EU thresholds						
1. Level of alignment of public procurement legislation with the EU Directives					3/6	+1
2. Scope of public procurement legislation					4/6	+3
3. Public procurement procedures					4/4	+3
4. Publication and transparency					5/5	=
5. Choice of participants and award of contracts					4/5	+1
6. Availability of procedural options					4/4	+1
Public procurement procedures below EU thresholds						
7. Advertising of public procurement procedures					3/3	+1
8. Contract award procedures					5/7	-1
Opportunities for participation of SMEs in public procurement						
9. Opportunities for participation of SMEs in public procurement					5/5	+2
Availability of measures for the practical application of the legislative framework						
10. Availability of measures for the practical application of the legislative framework					4/5	=
Quality of legislation concerning PPPs/concessions						
11. Coverage of legislation on PPPs/concessions					2/2	=
12. Value for money, free competition, transparency, equal treatment, mutual recognition and proportionality for PPPs/concessions					6/8	=
Total					49/60	+11

In December 2019, the new PPL³⁵⁶ was adopted, replacing the law adopted in 2012 and amended twice in 2015. The new provisions were applied from 1 July 2020 to procedures, which commenced from that day. The PPL covers the classic and utilities sectors as well as defence and security procurement and regulates all stages of the public procurement procedure, including preparation of the procedure (e.g. estimation of the value of the procurement, drafting the tender documentation, etc.), conducting the procedure, contract award and amendments to concluded contracts. All by-laws foreseen in the PPL were in place in July 2020. The adoption of the PPL was preceded by public consultations: interested parties

³⁵⁶ Public Procurement Law (PPL), Official Gazette, No. 91/19, 24 December 2019.

could take part in organised meetings and send remarks, and all received proposals and suggestions were answered³⁵⁷.

The new PPL is highly compliant with the 2014 EU Directives and removes the shortcomings of the previous legislation, including the abolishment of domestic preferences, which was recommended in SIGMA Monitoring Report 2017. The PPL covers both classic and utilities procurement. The regulation follows all the main policy goals: competition and prohibition of discrimination, transparency, equal treatment of economic operators, proportionality, and cost-effectiveness and efficiency³⁵⁸.

Transparency is ensured by the announcement of all notices (including notices on exempted procurement) on the Public Procurement Portal (PP Portal). The PP Portal is also used for communication between the contracting authority/entity and economic operators. The PP Portal enables the implementation of e-submission and also provides for the possibility of e-evaluation.

At the stage of choice of participants, the provisions ensure the application of mandatory grounds of exclusion and enable contracting authorities to apply non-mandatory grounds of exclusion. The institution of self-cleaning is open for any economic operator who undertook measures to demonstrate its reliability. PPL provides for price-quality ratio award criteria; however, this criterion is neither prescribed nor recommended.

The procedural options, such as occasional joint procurement, dynamic purchasing systems, or qualifications systems in the utilities sector, are available to contracting authorities.

The new PPL foresees instruments aiming to support the participation of small- and medium-sized enterprises (SMEs). The contracting authorities may divide contracts into lots, and, in cases of procurements exceeding the EU thresholds, the law imposes the obligation to justify the decision not to do so. The selection criteria must be determined following the proportionality principle. In the request to participate/tender, economic operators confirm meeting the selection criteria by presenting the standard self-declaration³⁵⁹.

The Law on Payment Terms in Commercial Transactions³⁶⁰ states that public authorities or public undertakings cannot exceed the 45-day payment period, with an exemption for the National Healthcare Fund and public health care providers when the 90-day period applies.

Concessions and PPPs are subject to a separate Law on Private-Public Partnership and Concession (PPP Law). Implementing secondary legislation is in force. The main principles and rules are well reflected in the national legislation, the list of exclusions does not extend beyond the exclusions permitted by EU rules, and competitive procedures for the award of concession contracts are provided in the PPP Law. However, the new Directive 2014/23/EU on concessions has not been transposed yet.

The positive picture is negatively affected by the Law on Special Procedures for the Implementation of the Project Construction and Reconstruction of Line Infrastructure Structures of Special Importance to the Republic of Serbia (Law on Special Procedures), adopted in February 2020³⁶¹. The law is applied to line infrastructure projects that are typically of high value and international interest. Under the Law on Special Procedures, procurement necessary for project implementation shall be in principle conducted based on PPL, but with some major changes and exceptions – such as lack of prior notices, manner of proving

³⁵⁷ Public remarks and responses can be consulted at <http://www.ujn.gov.rs/vesti/nacrt-zakona-o-javnim-nabavkama-nakon-sprovedene-javne-rasprave>.

³⁵⁸ PPL, Articles 6-10.

³⁵⁹ The draft of the standard self-declaration is determined by the Public Procurement Office (PPO) in accordance with the European single procurement document (ESPD). It is available on the PPO's website and the Public Procurement Portal.

³⁶⁰ Law on Payment Terms in Commercial Transactions, Official Gazette, No. 119/2012, 68/2012, 113/2017, 91/2019.

³⁶¹ Law on Special Procedures for the Implementation of the Project Construction and Reconstruction of Line Infrastructure Structures of Special Importance to the Republic of Serbia, Official Gazette, No. 9/2020, 4 February 2020.

mandatory and additional conditions for participation in the public procurement procedure, deadlines for submission of bids and a possibility to conclude the contract before the deadline for submitting the request for protection of rights to the Republic Commission for the Protection of Rights in Public Procurement Procedures (RCPRPP) (no standstill period). Moreover, in cases of projects carried out based on international agreements and bilateral agreements, the procedure for selecting the contractor, the provider of design and control of planning and technical documentation or the provider of project management or part of the project management, as well as expert supervision of the execution of works and technical inspections are to be governed by the rules defined in those agreements. Bearing in mind all the above-mentioned derogations, the application of the PPL to these projects is highly limited. The lack of transparency in procurement based on special law and bilateral agreements is perceived as the major obstacle in procurement development by Transparency Serbia³⁶².

Conclusion

The legal framework for public procurement is, to a large extent, compliant with the 2014 EU Directives. The main issue identified is the possibility of awarding contracts for infrastructure projects outside the PPL system, based on a special law and bilateral agreements with other countries. This causes a serious threat to the integrity of the whole public procurement system.

³⁶² Transparency Serbia (2020), "Business Integrity Country Agenda: Assessment Report Serbia", November, p. 61, https://www.transparentnost.org.rs/images/dokumenti_uz_vesti/BICA_ENG_ONLINE.pdf.

Principle 11: There is central institutional and administrative capacity to develop, implement and monitor procurement policy effectively and efficiently.

Overall, the value for the indicator 'Central institutional and administrative capacity to develop, implement and monitor public procurement policy effectively and efficiently' is 4, the same as in 2017. The key institutions in the public procurement system (the Public Procurement Office [PPO] and RCPRPP) are well established. There is no change in the value compared to 2017, when it was also 4. The distribution of responsibilities in the area of PPP/concessions remains unclear.

Indicator 6.11.1 - Central institutional and administrative capacity to develop, implement and monitor public procurement policy effectively and efficiently						
This indicator measures to what extent public procurement policy is systematically developed, implemented and monitored, how central public procurement functions are distributed and regulated, and to what extent the preparation and implementation of policies is open and transparent.						
Overall 2021 indicator value	0	1	2	3	4	5
					Points 2021	Change from 2017
Quality of the policy framework for public procurement						
1. Quality of the strategy for development of public procurement and PPPs/concessions				4/5	=	
2. Quality of the operational action plan				5/5	+1	
3. Implementation of the strategy and the action plan (%)				4/5	=	
4. Monitoring of strategy implementation				5/5	+1	
Capability of central procurement institutions and their performance						
5. Adequacy of the legal framework to ensure capable institutions				8/10*	=	
6. Clarity in definition and distribution of central procurement functions in the legislation				8/10	=	
7. Performance of the institutions involved, their capacity and resources				14/20	+1	
Comprehensiveness and efficiency of systems for monitoring and reporting on public procurement						
8. Presence and quality of monitoring and data collection				6/10	+2	
9. Accessibility of public procurement data				8/10	+2	
Total				62/80	+7	

Note: *Data not available or provided.

The PPO performs almost all the functions of the central administrative body responsible for public procurement. It is accountable directly to the Government. The PPO prepares the strategy for the development and improvements of public procurement; performs monitoring functions and prepares an annual report; provides professional assistance to contracting authorities and economic operators; and is responsible for the certification of public procurement officers. The PPO is also responsible for managing the PP Portal – as mentioned above, a tool enabling the introduction and implementation of e-procurement in the Republic of Serbia – while the technical management is ensured by the government office in charge of the electronic administration system. PPO plays an important role in elaborating legislative drafts and holds the power to adopt several secondary legislative acts (such as the Rulebook on the Content of Tender Documentation in Public Procurement Procedures and the Statement on Fulfilment of the Criteria for Qualitative Selection of an Economic Operator)³⁶³. The Ministry of Finance is officially in charge of submitting proposals for changes in the primary legislation to the Government. The PPO has the

³⁶³ The full list of legal acts adopted by the PPO is available at <http://www.ujn.gov.rs/propisi/podzakonski-akti/>.

necessary resources to perform its duties; the constant need for additional human resources is partially fulfilled by hiring officers with adequate skills and experience on temporary contracts³⁶⁴.

In the area of concessions and PPPs, the distribution of responsibilities between central institutions is still unclear. The Ministry of Economy is, under Article 4 of the Law on Ministries³⁶⁵, responsible for preparing, proposing, and implementing regulations and measures in the field of concessions and PPPs.

The Ministry of Economy plays the most important role within the Commission for Public-Private Partnership, where it holds the position of president. The Commission is an interdepartmental public body, with nine members (including its president and vice-president), who are representatives of various ministries, the autonomous provinces and the City of Belgrade. The Commission provides expert assistance in the realisation of PPP and concession projects. It also provides opinions in the approval procedure for PPP project proposals without elements of concession and in the procedure for proposing of concession acts. However, in the area of PPP, many functions are not performed at all, such as monitoring and control or professionalisation and capacity-strengthening functions, or are performed less efficiently, as in the case of advisory and operations' support, or publication and information functions.

The Government adopted the Programme of the Development of Public Procurement in the Republic of Serbia for 2019-2023 in November 2019. The objectives set in the strategy aim to increase the efficiency and cost-effectiveness of public procurement procedures; strengthen competition; reduce the risk of irregularities; and promote and stimulate environmental, social and innovative aspects in public procurement.

The Action Plans define the activities, responsible institutions, periods for implementation, sources of financing, and performance indicators. The most important activity foreseen in the first Annual Action Plan (covering 2020) was the adoption of the new PPL accompanied by secondary legislation, which was successfully finalised. Among the activities not realised is the preparation of amendments to the Law on PPP and Concessions. The PPO has submitted a report to the Government on the implementation of the 2020 Action Plan and published it on its website³⁶⁶.

The co-ordination between the main institutions responsible for the public procurement system was sporadic. The COVID-19 pandemic situation might have had an impact.

The PPO collects and disseminates data related to the public procurement process. From July 2020, the new PP Portal became operational, and all the procedures are announced there. Therefore, the PPO has full access to the tender documentations and results of the procedures. The PPO undertakes preventive and control actions, on or without the request of competent bodies. In 2020, the PPO performed activities on 42 requests from state authorities or other competent institutions, 35 applications from business communities or contracting authorities; additionally, 274 cases were monitored through the new PP Portal³⁶⁷. Despite the obligatory publication of the notice on contract modification in some specific cases, the data on contract management is not gathered in a central database and is not available to the public. Based on the data gathered, the PPO prepares annual reports and publishes them on the PP Portal. Information is freely available to the public without requiring any specific registration. The PP Portal allows for information retrieval: the data can be downloaded in an Excel file and processed.

However, the PPO does not monitor or gather data on the procurement conducted in accordance with the special regime of the Law on Special Procedures. The contracts and their values are not included in the annual reports, and their importance and influence on the procurement system cannot be assessed.

³⁶⁴ According to the Report on PPO dated 19 March 2021, 55 officers shall be employed in the PPO; 33 positions are filled.

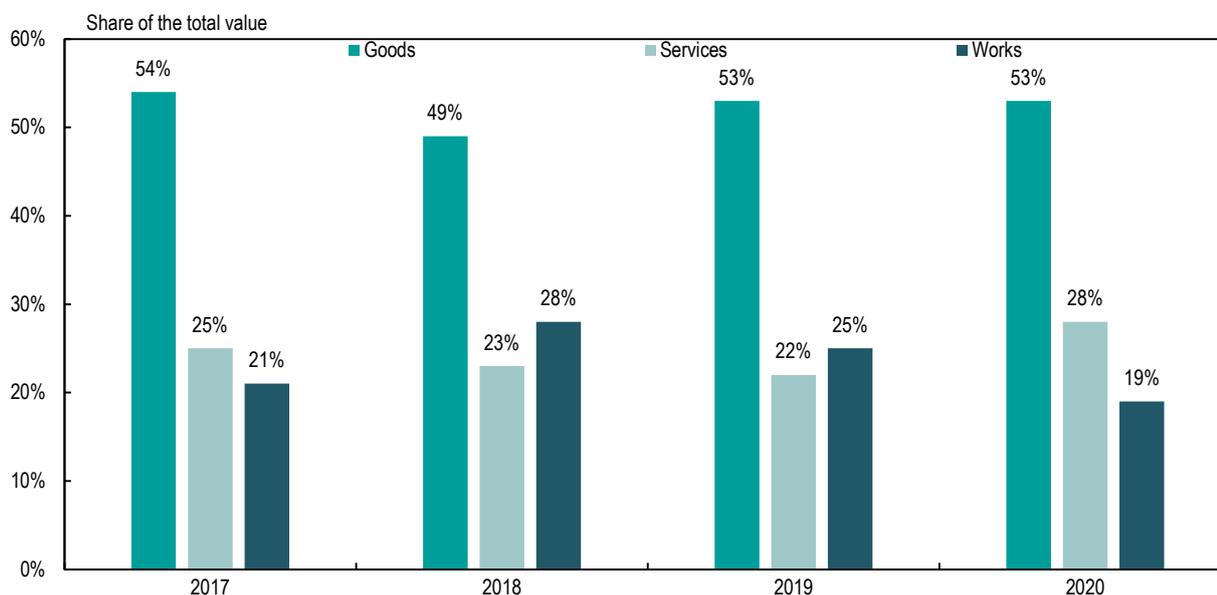
³⁶⁵ Law on Ministries, Official Gazette, No. 128/20.

³⁶⁶ Report on the Implementation of the Implementation Action Plan for Public Procurement Development Programmes in the Republic of Serbia for 2020, <http://www.ujn.gov.rs/wp-content/uploads/2021/06/Izvestaj-o-sprovodjenju-AP-2020-final.pdf>.

³⁶⁷ Annual Report on Public Procurement in the Republic of Serbia for the Period 1 January 2020-1 December 2020, p. 28.

Figure 5 shows that the share of the value of works reported in 2020 for the procurement market dropped below the level of 2017, which might be a clue to the “hidden” information related to the contracts awarded based on the special law.

Figure 5. Value of procurement by goods, services and works, 2017-2020



Source: Annual Report on Public Procurement in the Republic of Serbia for the Period 1 January 2020-1 December 2020; Annual Report on Public Procurement in the Republic of Serbia for the Period 1 January 2019-1 December 2019, Annual Report on Public Procurement in the Republic of Serbia for the Period 1 January 2018-1 December 2018.

Conclusion

The institutional set-up for the management of the public procurement system performs all the main functions. However, some contracts are awarded based on special law and bilateral agreements, and remain outside monitoring and control. Shortcomings are also observed in the area of PPPs and concessions. The Strategy adopted for 2019-2023 is accompanied by action plans and is monitored. The activities foreseen in the field of concessions and PPPs were not executed. The cooperation between central bodies responsible for public procurement may have suffered due to the COVID-19 pandemic. Thanks to the new PP Portal, the PPO has access to a comprehensive range of data, but contract management remains beyond the data collection system.

Principle 12: The remedies system is aligned with the European Union acquis standards of independence, probity and transparency and provides for rapid and competent handling of complaints and sanctions.

Overall, the value for the indicator 'Independence, timeliness and competence of the complaints handling system' is 4, unchanged since 2017, even if the new PPL removed some obstacles in the review proceedings. However, the problem of contracting authorities not being able to challenge a decision to the Administrative Court persists.

Indicator 6.12.1 - Independence, timeliness and competence of the complaints handling system			
This indicator measures the effectiveness of the system for handling complaints on public procurement. First, the quality of the legislative and regulatory framework is assessed, specifically in terms of compliance with EU Directives. Then, the strength of the institutional set-up for handling complaints is analysed. Next, the actual performance of the review system is measured. Finally, the performance of the remedies system for PPPs/concessions is evaluated.			
Overall 2021 indicator value	0	1	2 3 4 5
			Points 2021 Change from 2017
Legislative mechanisms for handling complaints in compliance with EU Directives			
1. Right to challenge public procurement decisions		5/5	=
2. Time limit for challenging decisions taken by contracting authorities/entities		2/2	=
3. Transposition of mechanisms to avoid ineffectiveness of contracts and impose penalties		3/3	+1
4. Mechanisms to ensure implementation of the review body's resolutions		2/2	=
5. Right to challenge decisions of the review body		0/3	=
Institutional set-up for handling complaints			
6. Legal provisions ensure the independence of the review body and its members		7/7	=
7. Adequacy of the organisational set-up and procedures of the review body		3/4	=
8. Public availability and timeliness of data on the review system		2/4	-1
Performance of the review system			
9. Fairness of fee rates for initiating review procedures		0.5/3	-0.5
10. Actual processing time of complaints		2/3	+1
11. Complaint submission in practice		3/4	+3
12. Quality of decision making by the review body		4/4	=
13. Cases changed or returned after verification by the court (%)		2/2	+1
Performance of the remedies system in PPPs/concessions			
14. Right to challenge lawfulness of actions/omissions in PPP/concessions procedures		5/5	=
15. Legal provisions ensure independence of the review body for PPPs/concessions and its members		5/5	=
16. Timeliness and effectiveness of complaints handling system for PPPs/concessions		5/5	=
Total		50.5/61	+4.5

The protection of rights in public procurement is regulated in the PPL³⁶⁸, and legal protection in PPP and concession procedures is granted in the Law on PPP and Concessions³⁶⁹. All economic operators having or having had an interest in obtaining a contract, irrespective of the value of the procurement and type of procedure, have the legal right to challenge the decisions taken by contracting authorities/entities. The

³⁶⁸ PPL, Chapter XVII.

³⁶⁹ PPL, Article 58.

time limits for challenging decisions, the standstill period, and the mechanism for ensuring the ineffectiveness of the contracts are in line with the requirements of EU Directive 2007/66/EC667.

The procedure of reviewing the request for protection of rights is based on the principles of lawfulness, efficacy, accessibility and adversariality. The procedure consists of two steps. The first is a preliminary procedure conducted by the contracting authority/entity, and the second is a procedure before the RCPRPP. The person seeking the protection of rights is obliged to pay a fee as prescribed by the PPL, depending on the stage of the procedure and its value. Proof of payment must be attached to the request for protection of rights under pain of dismissal of that request, and, in case of failure to do this, it cannot be supplemented. The fairness of fee rates for initiating the review procedures is assessed as low (0.5 points out of 3), mainly because even in low-value procurement, the amount exceeds EUR 1 000.

The PPL does not impose a mandatory model form for complaint, but it shall include minimal information³⁷⁰. The RCPRPP website provides guidance and relevant information about formal requirements for lodging complaints (e.g. attachments required, fee payment, etc.). The request may be submitted electronically through the PP Portal or in writing. The PP Portal provides instructions on the preparation and submission of an e-request.

The RCPRPP is the first-instance review body in Serbia for both public procurement and PPP/concessions procedures. It is an autonomous institution and is accountable only to the Parliament. The PPL prescribes the current statute, responsibilities, and composition of this institution, which complies with general EU requirements. The RCPRPP consists of the president and eight members elected for a term of five years. The president and members can be appointed and removed only by the Parliament in the cases specified by the PPL. The RCPRPP makes final decisions in panels comprised of three members.

The RCPRPP adopted an internal act regulating the procedures in detail (Rules of Procedure of the RCPRPP, dated 12 June 2020), but the Rules are not published on the website and can be obtained only in the manner prescribed in the provisions on access to public information. Currently, 45 staff support the work of the members, including more than 20 senior legal advisers who possess a thorough knowledge of public procurement issues. In the organisation, the mechanisms ensuring the uniformity and coherence of decisions are in place.

An analysis of a sample of the RCPRPP's decisions indicates that the decisions are based on the applicable laws and reflect the principles of transparency, competition and equal treatment. The good quality of decisions is confirmed by the low level of decisions challenged to the court (90 cases in 2020) and cases changed or returned (10%).

The decisions of the RCPRPP can be challenged before the Administrative Court, but only by economic operators. Due to the interpretation by the Administrative Court of the rules on administrative procedures, contracting authorities are not allowed to challenge the decisions of the RCPRPP. This interpretation denies contracting authorities' access to justice. The problem existed before 2020 and was not solved in the new PPL.

The number of requests for protection of rights solved by the RCPRPP in 2020 was 835, comparable to the number of requests solved in 2019 (872 cases)³⁷¹ and lower than the number of cases solved in 2018 (1 094 cases)³⁷². Most cases (777 out of 835) were based on the 2012 PPL.

According to the new 2019 PPL, the RCPRPP is required to decide on the request for protection of rights within 30 days of the date of receipt of complete documentation required, while according to the 2012 PPL, the period was 20 days. In 2020, the median length of the review procedure was 18 days. In 14% of all solved cases, the RCPRPP exceeded the maximum time limit.

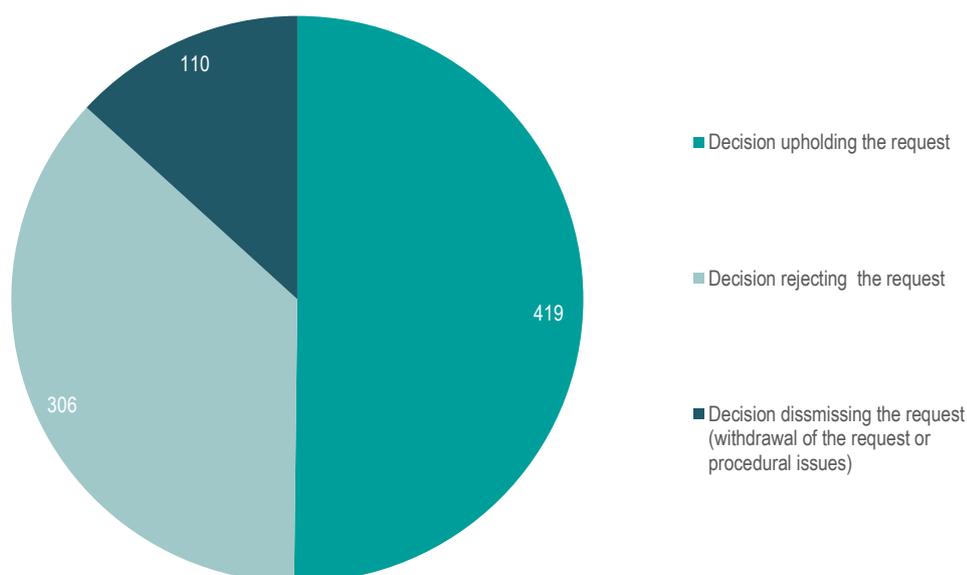
The types of RCPRPP decisions are presented in Figure 6.

³⁷⁰ PPL, Article 217.

³⁷¹ Report on the Work of the Republic Commission for the Protection of Rights in Public Procurement Procedures (RCPRPP) in the Period from 1 January 2019 to 31 December 2019, p. 5.

³⁷² Report on the Work of the RCPRPP in the Period from 1 January 2019 to 31 December 2019, p. 5.

Figure 6. Types of RCPRPP decisions, 2020



Source: Report on the Work of the Republic Commission for the Protection of Rights in Public Procurement Procedures (RCPRPP) in the Period from 1 January 2020 to 31 December 2020, p. 11.

All decisions issued are available on the official RCPRPP website and the PP Portal managed by the PPO. However, in some cases, the period between the adoption of the decision and its publication exceeds 14 days. The search facilities on the website allow interested parties to search decisions by using predefined fields, including keywords. The rules and practices for publishing the Administrative Court's decisions differ significantly.

Conclusion

The remedies system is aligned with the EU *acquis* standards. The introduction of the opportunity to lodge the request for protection of rights through the PP Portal solved the problem of submission outside working hours of the RCPRPP. The RCPRPP successfully adopted instruments for work co-ordination, and the quality of decisions is good. Accessibility to decisions issued by the RCPRPP may be improved with faster publication times, while the mechanism ensuring the availability of Administrative Court judgments need to be created.

Principle 13: Public procurement operations comply with basic principles of equal treatment, non-discrimination, proportionality and transparency, while ensuring the most efficient use of public funds and making best use of modern procurement techniques and methods.

Overall, the value for the indicator 'Efficiency, non-discrimination, transparency and equal treatment practised in public procurement operations' is 3, the same as in 2017. The assessment covers 2020, while the new provisions came into force in the middle of the year. The penetration of e-procurement will be probably much higher and may positively influence the scoring in coming years.

Indicator 6.13.1 - Efficiency, non-discrimination, transparency and equal treatment practised in public procurement operations						
This indicator measures the extent to which public procurement operations comply with basic principles of equal treatment, non-discrimination, proportionality and transparency, while ensuring most efficient use of public funds. It measures performance in the planning and preparation of public procurement, the transparency and competitiveness of the procedures used, the extent to which modern approaches and tools are applied, and how the contracts are managed once they have been concluded.						
Overall 2021 indicator value	0	1	2	3	4	5
				Points	Change from	
				2021	2017	
Planning and preparation of the public procurement procedure						
1. Due attention is given to the planning process				3/5	+2	
2. Presence and use of cost estimation methods and budgeting				2/2	+1	
3. Perceived quality of tender documentation by contracting authorities and economic operators (%)				2/4	=	
Competitiveness and transparency of conducted procedures						
4. Perceived fairness of procedures by businesses (%)				4/4	+2	
5. Contracts awarded by competitive procedures (%)				5/5	=	
6. Contracts awarded based on acquisition price only (%)				0/5	-1	
7. Average number of tenders submitted per competitive procedure				1/3	=	
8. Contracts awarded when one tenderer submitted a tender (%)				0/2	=	
Use of modern procurement methods						
9. Adequacy of regulatory framework for and use of framework agreements				4/5	=	
10. Adequacy of regulatory and institutional framework and use of centralised purchasing				5/5	=	
11. Penetration of e-procurement within the procurement system				3/5*	=	
Contract management and performance monitoring						
12. Presence of mechanisms requiring and enabling contract management				2/6	=	
13. Contracts amended after award (%)				3/4	-1	
14. Use of <i>ex post</i> evaluation of the procurement process and of contract performance				0/6	=	
Risk management for preserving the integrity of the public procurement system						
15. Existence of basic integrity tools				4/4	=	
Total				38/65	+3	

Note: *Data not available or provided. The point allocation in 2017 for sub-indicators 3 and 4 were revised retrospectively due to errors related to manual data entries. Points for sub-indicators 3 and 4 changed from 3 to 2.

Under the PPL, contracting authorities are required to adopt an annual procurement plan and to publish it (together with its modifications) on the PP Portal. Contracting authorities usually observe this legal obligation; in more than 97% of procedures above the national thresholds, they published procurement plans in advance. All the obligations under the public procurement contract have to be stipulated in

accordance with the budgetary system (allocation of the financial means). The Budget System Law³⁷³ states the general rule that the financial obligation of the contracting authority must correspond to the appropriation approved for that purpose in the budget year. Under the conditions defined by the Law, the contracting authority may assume obligations for the period exceeding one year. More than 80% of contracting authorities reported that budgetary constraints are considered when preparing tender documents³⁷⁴.

The new PPL 2019 permits preliminary market consultations, but they are not often used in practice. The share of contracting authorities using consultations when preparing tender documents dropped by 27.7 percentage points compared to 2017³⁷⁵.

The splitting of contracts in order to avoid application of public procurement procedure is forbidden by law. However, the State Audit Institution (SAI) states in its report covering 2018-2019 that there were practices of awarding a public contract that did not follow the relevant procedure³⁷⁶.

It is important to stress that statistical data collected by the PPO and presented in the annual report do not contain the contracts awarded based on the Law on Special Procedures or in accordance with international agreements. In 2020, 135 022 contracts were concluded, amounting to RSD³⁷⁷ 376 billion (approximately EUR 2.67 billion). The share of public procurement in gross domestic product (GDP) was only 6.88% in 2020 (the lowest share since 2010³⁷⁸), decreasing from 8.14% in 2019. This could be explained by the lack of information regarding some of the procurement procedures.

More than 97% of all procedures commenced in 2020 were competitive procedures. The share of negotiated procedures without prior publication of a notice is currently low (slightly over 2%). However, there was a significant increase in the value of procedures without notice in the second half of 2020 (15% of the total value spent based on the 2019 PPL). The PPO reports that the increase reflects the COVID-19 pandemic situation in Serbia and the need to eliminate its consequences by the contracting authorities³⁷⁹.

All procurement notices and tender documents must be published on the PP Portal, including those for low-value contracts. However, despite extensive publication rules and preference for open competition procedures, in practice, the public procurement market does not seem to be very attractive to the business sector.

The average number of tenders submitted for each competitive procedure is only 2.6, and in more than 40% of the procedures conducted under the PPL 2019 regime, only one tender was submitted (Figure 7).

³⁷³ Law on Budget System (Official Gazette, No. 54/2009, 73/2010, 101/2010, 101/2011, 93/2012, 62/2013, 63/2013, 108/2013, 142/2014, 68/2015, 103/2015, 99/2016, 113/2017, 95/2018, 31/2019, 72/2019, 149/2020, Article 54.

³⁷⁴ 2021 SIGMA Public Procurement Survey of contracting authorities.

³⁷⁵ *Ibid.*

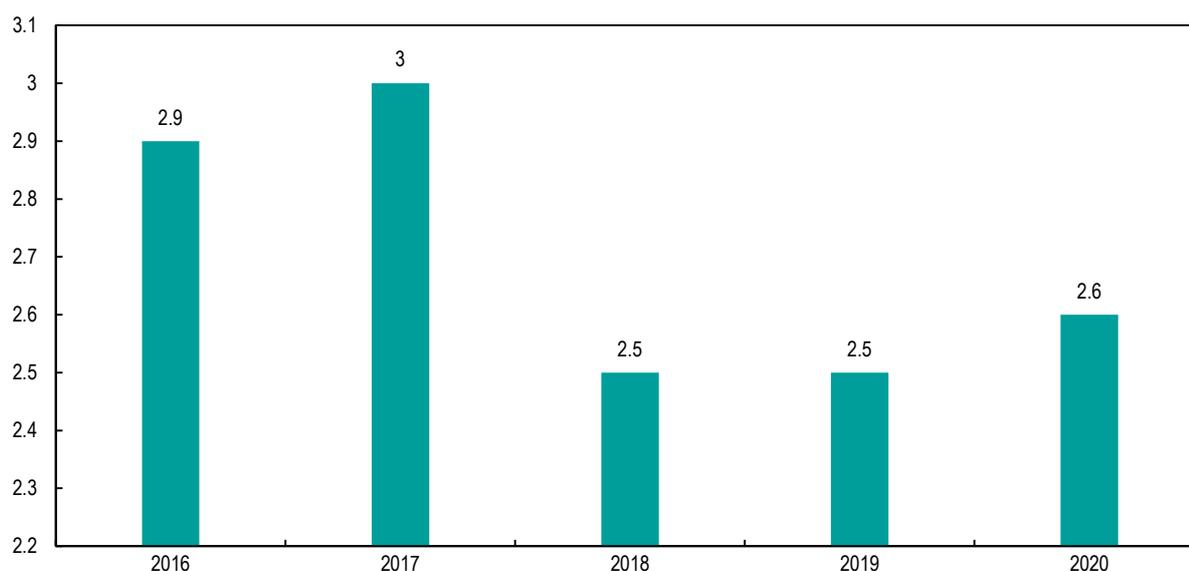
³⁷⁶ Report on the activities of the State Audit Institution in 2020, p. 32.

³⁷⁷ Serbian Dinar.

³⁷⁸ Annual Report on Public Procurement in the Republic of Serbia for the Period 1 January 2020-1 December 2020, p. 3.

³⁷⁹ Annual Report on Public Procurement in the Republic of Serbia for the Period 1 January 2020-1 December 2020, p. 13.

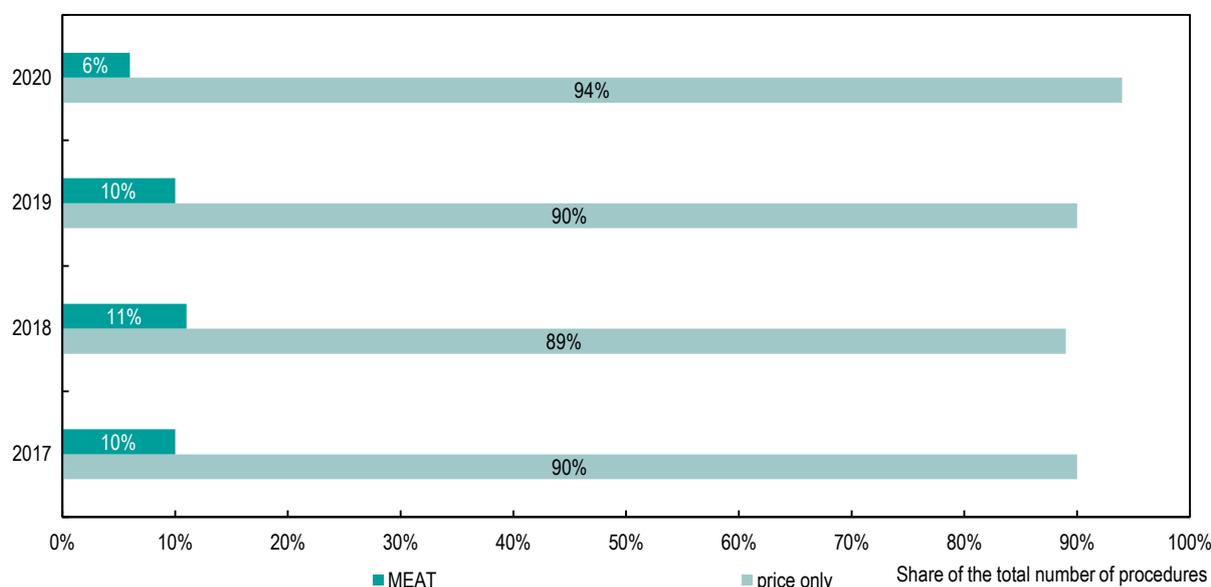
Figure 7. Average number of tenders per procurement procedure, 2016-2020



Sources: Annual Report on Public Procurement in the Republic of Serbia for the Period 1 January 2020-1 December 2020; Annual Report on Public Procurement in the Republic of Serbia for the Period 1 January 2019-1 December 2019.

For more than 94% of procedures, contracting authorities awarded the contracts based on the lowest-price criterion only in 2020 (Figure 8). The quality criteria are hardly ever used, although the PPL contains no limitations or restrictions on their use.

Figure 8. Use of lowest price and other award criteria, 2017-2020

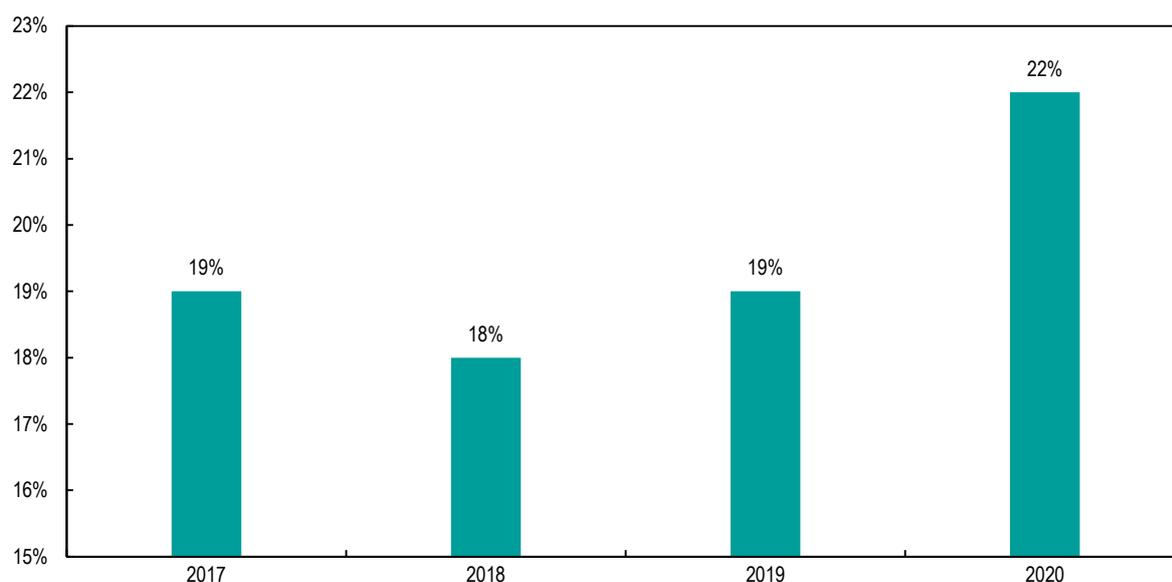


Note: MEAT stands for “most economically advantageous tender”.

Sources: Annual Report on Public Procurement in the Republic of Serbia for the Period 1 January 2020-1 December 2020; Annual Report on Public Procurement in the Republic of Serbia for the Period 1 January 2019-1 December 2019; Annual Report on Public Procurement in the Republic of Serbia for the Period 1 January 2018-1 December 2018.

In 2020, a total of 2 779 framework agreements were concluded, for a total value of RSD 81.4 billion (approximately EUR 577 million). The interest of contracting authorities in the use of framework agreements has been stable the last four years (Figure 9). Medical equipment and pharmaceutical products remain the most common products bought in framework agreements.

Figure 9. Share of contracts concluded by using framework agreements, 2017-2020



Sources: Annual Report on Public Procurement in the Republic of Serbia for the Period 1 January 2020-1 December 2020; Annual Report on Public Procurement in the Republic of Serbia for the Period 1 January 2019-1 December 2019; Annual Report on Public Procurement in the Republic of Serbia for the Period 1 January 2018-1 December 2018.

Framework agreements are often used for centralised purchasing. The Administration for Joint Services of Republic Bodies plays the role of a centralised purchasing body for government bodies and organisations, including judicial authorities. The Republic Fund for Health Insurance is a centralised purchasing body for the purchase of medications required by health institutions. In 2020, central purchasing bodies concluded 22 740 contracts (17% of all contracts), with the value amounting to RSD 70.2 billion (approximately MEUR 597).

Starting from July 2020 – when the new PPL came into force – e-procurement became the central pillar for the practice of contracting authorities and economic operators. The functions of e-noticing and e-tender documentation were in place before the change, but e-submission was rarely accepted by contracting authorities. In the procedures based on the new law, e-submission is mandatory, and e-evaluation is possible and used in practice³⁸⁰ (mainly because of the dominant share of procedures where the price-only criterion is applied). The PPL includes provisions for e-auctions, but for the time being, no contracting authorities have made use of this e-tool.

The 2019 PPL introduced new rules on contract modifications consistent with the provisions of Directives. More than 6% of contracts concluded in 2020 were amended, but not all the modifications were communicated using the contract modification notice. The methods of contract management are neither regulated in the PPL or its by-laws; and no special guidelines or instructions were adopted. There is no evidence that systematic *ex post* evaluation is conducted by contracting authorities. In practice, the level of contract management depends on the knowledge and skills of the employees of the contracting authority. The weaknesses of contract execution are confirmed in the SAI's report. Observed irregularities during execution of the contracts amount to RSD 6.75 billion (approximately EUR 57.5 million) and are related to the modification of contractual conditions during implementation without deciding on amending the contract, improper performance of contracted works, or non-compliance with contractual obligations.

The PPL includes provisions on preventing corruption and conflicts of interest, providing for mandatory adoption of the rules on the manner of planning, conduction and execution of contracts, which should be

³⁸⁰ In 80% of all procedures conducted on the basis of the 2019 PPL, e-evaluation was used.

published on the website. Conflict of interest is defined and the mechanism of exclusion from activities undertaken in the course of the procedure is in place³⁸¹.

In accordance with Article 95 of the Law on the Prevention of Corruption³⁸², public authorities and organisations are required to adopt integrity plans, indicating the measures and activities envisaged to mitigate the risks of corruption, conflicts of interest and other ethically and professionally unacceptable behaviour. The employees of public authorities may take part in training on integrity, organised free of charge by the Anti-Corruption Agency³⁸³. The adequate mechanisms for ensuring integrity are adopted, but still, there is room for improvement, as business perceives public procurement as a possible area of corruption incidents³⁸⁴.

Conclusion

The e-submission of tenders enabled by the new PP Portal is a significant step toward the efficiency of public procurement operations. Framework contracts and centralised procurement play an important role in the system. Despite the positive changes, the public procurement market appears not very attractive to the business sector. The extremely high number of awarded contracts based on price-only criterion and the number of procedures in which only one tenderer submitted an offer affect the expected effects of the procurement procedures. *Ex post* evaluation of procurement procedures and contract management remains an important area for improvement.

³⁸¹ PPL, Articles 49-50.

³⁸² Law on the Prevention of Corruption, Official Gazette, No. 35/2019 and 88/2019.

³⁸³ <https://www.acas.rs/portal-za-obuke/>

³⁸⁴ Balkan Barometer (2021), *Business Opinion*, Figure 113. Some 18% of respondents answered “frequently” or “always” “to obtain a government contract” in response to the question: “Thinking now of unofficial payments/gifts that companies like yours would make in a given year, could you please tell me how often would they make payments/gifts for the following purposes?”

Principle 14: Contracting authorities and entities have the appropriate capacities and practical guidelines and tools to ensure professional management of the full procurement cycle.

Overall, the value for the indicator 'Availability and quality of support to contracting authorities and economic operators to strengthen professionalisation of procurement operations' is 3. In 2017, it was 4. The reduction is mainly because of the delays in preparing good-quality materials adjusted to the new law. However, it must be noted that the COVID-19 pandemic probably influenced the situation.

Indicator 6.14.1 - Availability and quality of support to contracting authorities and economic operators to strengthen professionalisation of procurement operations						
This indicator measures the availability and quality of support given to contracting authorities and economic operators to develop and improve the knowledge and professional skills of procurement officers and to advise them in preparing, conducting and managing public procurement operations. This support is usually provided by a central procurement institution.						
This indicator does not directly measure the capacity of contracting authorities and entities. The assessment is of the scope of the support (whether all important stages of the procurement cycle are covered), its extent, and its quality and relevance for practitioners (whether it provides useful, practical guidance and examples). Surveys of contracting authorities and economic operators are used to gauge the relevance and practical applicability of the support.						
Overall 2021 indicator value  since 2017	0	1	2	3	4	5
				Points 2021	Change from 2017	
Availability and quality of manuals, guidelines, standard tender documents and other operational tools						
1. Availability and quality of manuals and guidelines				3/5	+1	
2. Availability and quality of standard tender documents, standard forms and standard contract models				1/5	-3	
Availability and quality of training and advisory support						
3. Access to quality training for procurement staff				3/5	=	
4. Availability of advice and support for contracting authorities and economic operators				3/5	-1	
Procurement procedures cancelled						
5. Procurement procedures cancelled (%)				4/5	=	
Total				14/25	-3	

According to the PPL, among other tasks, the PPO is responsible for providing expert assistance to contracting authorities and economic operators and for preparing guidelines and manuals and other publications in the field of public procurement. The function of support to interested parties was especially important in 2020 as the new PPL came into force at the time of the COVID-19 pandemic, which made communication more difficult. The instructions and guidelines concerning using the new PP Portal were in place in advance, and are comprehensive and user-friendly. The selection of manuals and guidelines on different procurement instruments, such as market consultations, framework agreements, selection of the most economically advantageous tender, methodology for determining the estimated value of public procurement, centralised procurement and many others³⁸⁵, were mostly prepared before the 2019 PPL entered into force, but can still be used by interested parties. Some 43% of contracting authorities and economic operators assessed the guidelines and manuals as useful³⁸⁶. The PPO published five models of tender documentation adjusted to the 2019 PPL for procurement of certain goods. Nevertheless, there

³⁸⁵ The materials are published on <http://eupodrska.ujn.gov.rs/dokumenta/> and <http://www.ujn.gov.rs/strucna-pomoc/>.

³⁸⁶ Balkan Barometer (2021), *Business Opinion*, Figure 85.

is still room to prepare publications that include practical examples and refer to particular sectors. Only 16% of respondents used the standard forms or models provided by the PPO in the past three years³⁸⁷.

The PPO operates a call centre (help desk), providing an opportunity for economic operators and contracting authorities to ask questions on public procurement procedures and the use of the PP Portal. In 2020, the PPO reported an average of 800 phone calls per week³⁸⁸. More than 60% of contracting authorities and economic operators find the support useful³⁸⁹. Contracting authorities and economic operators may also send written requests for opinions on the interpretation of legal provisions. In 2020, the PPO issued 297 such opinions³⁹⁰.

The COVID-19 pandemic situation influenced the organisation of training sessions for participants in the procurement market; thus, most of them were conducted in the form of distance learning. The events organised by the PPO focused on the new PPL³⁹¹. However, the interviewed contracting authorities were not satisfied with the accessibility of the training sessions, which is confirmed in the Balkan Barometer research (4% of respondents took part in the training in the last three years)³⁹².

According to the PPL³⁹³, the contracting authority shall ensure continuous training of persons involved in public procurement activities, including training for taking the exams for public procurement officers. The PPO determines the procedure and conditions for obtaining the public procurement officer certificate and maintains the relevant register. In 2020, the Manual for the Preparation of Examination for Public Procurement Officers, which provides comprehensive and good-quality material for preparation for the exam, was updated and made available on the website. Due to the COVID-19 pandemic, the exams were not organised in 2020.

In 2020, contracting authorities cancelled 3 945 procurement procedures fully or partially, representing more than 5% of the total number of procedures.

Conclusion

Key materials are available to assist contracting authorities in complying with procedural regulations, but they do not cover all stages of the procurement process in-depth. More practical examples are needed. The introduction of the new PP Portal was accompanied by the preparation of good-quality instructions, which refer mainly to technical operations. Training activities are available on the market for both contracting authorities and economic operators but are not of high interest. The PPO provides advice and support on the interpretation of legal provisions and on certain practical matters.

³⁸⁷ Balkan Barometer (2021), *Business Opinion*, Figure 86. The contracting authorities interviewed by SIGMA also confirmed that the models published are not used by them.

³⁸⁸ Annual Report on Public Procurement in the Republic of Serbia for the Period 1 January 2020-1 December 2020, p. 27.

³⁸⁹ SIGMA procurement survey of contracting authorities and Balkan Business Barometer, conducted February-March 2021

³⁹⁰ Annual Report on Public Procurement in the Republic of Serbia for the Period 1 January 2020-1 December 2020, p. 27.

³⁹¹ Annual Report on Public Procurement in the Republic of Serbia for the Period 1 January 2020-1 December 2020, p. 24-25.

³⁹² Balkan Barometer (2021), *Business Opinion*, Figure 88.

³⁹³ PPL, Article 185.

External audit

Principle 15: The independence, mandate and organisation of the supreme audit institution are established, protected by the constitutional and legal frameworks and respected in practice.

Overall, the value for the indicator 'Independence of the supreme audit institution' is 4, which is the same as in 2017.

Indicator 6.15.1 - Independence of the supreme audit institution						
This indicator measures the extent to which external audit by the supreme audit institution (SAI) is conducted independently, and the internationally recognised conditions for the effective functioning of the SAI are found in law and practice.						
Overall 2021 indicator value	0	1	2	3	4	5
					Points 2021	Change from 2017
1. Constitutional and legal independence of the SAI					4/4	=
2. Organisational and managerial independence of the SAI					5/5	=
3. Adequacy of the SAI mandate and alignment with International Standards of Supreme Audit Institutions (ISSAIs)					3/3	=
4. Access to information and premises					1/1	=
5. Perceived independence of the SAI by the population (%)					1/3	+1
Total					14/16	+1

The Constitution provides sufficient overall independence for the SAI³⁹⁴. This independence is further reinforced in the Law on the State Audit Institution³⁹⁵, which stipulates that the SAI is the supreme state body for the audit of public funds in Serbia. The audit mandate is comprehensive³⁹⁶, and the SAI is empowered to undertake financial, compliance and performance audits³⁹⁷ in accordance with national and international auditing standards³⁹⁸. All public financial operations are subject to audit by the SAI³⁹⁹.

The SAI Law⁴⁰⁰ ensures the independence of SAI Council members, including its president. No members of the Council have been removed from office since the SAI was established. The current president was elected in 2018 by the Parliament, at the proposal of the Committee on Finance, Republic Budget and Control of Spending of Public Funds. The term of office of Council members (including the president) runs for five years, which can be renewed once through a further vote in Parliament. This is short in terms of international practice and represents a potential threat to Council members' independence. There was no evidence in the assessment period that this threat had restricted the work of the SAI, however, in any way.

³⁹⁴ The Constitution of the Republic of Serbia, Official Gazette, No. 98/2006, Article 96.

³⁹⁵ Law on the State Audit Institution (SAI), Official Gazette, No. 101/2005, November 2005; Amending Law, Official Gazette, No. 36/2010, May 2010.

³⁹⁶ SAI Law, Articles 9-11.

³⁹⁷ SAI Law, Article 34.

³⁹⁸ International Organization of Supreme Audit Institutions (INTOSAI) Framework of Professional Pronouncements, www.issai.org.

³⁹⁹ The Constitution of the Republic of Serbia, Article 92; SAI Law, Articles 10 and 11.

⁴⁰⁰ SAI Law, Articles 19-24.

The SAI Law requires that the funding of the SAI is provided from the state budget within a special budget line⁴⁰¹. The SAI is required to submit a proposed annual budget to the relevant parliamentary committee and to the MoF. The involvement of the MoF in the setting of the budget represents a threat to the SAI's independence to manage and conduct its audits as it determines. This threat became real in 2016 when the Ministry reduced the funding available to the SAI. This was not repeated subsequently.

The SAI's mandate includes all institutions of the Republic of Serbia, autonomous territories, local government, public enterprises and other BPFs. It also extends to the audit of political parties.

The SAI Law⁴⁰² lists seven annual audits as mandatory. In 2020, the SAI completed six of these audits. The exception was the National Bank of Serbia due to an amendment to the BSL, which redefined the bank as not being a recipient of public funds, thus removing it from the SAI's mandate.

The SAI is empowered to submit reports to the Parliament⁴⁰³ and to make them public. In 2020, the SAI submitted 255 reports to the Parliament⁴⁰⁴, and these are published on the SAI's website⁴⁰⁵.

The SAI Law⁴⁰⁶ specifies a number of specific audits which the SAI should include in its programme of work each year, including the implementation of the annual state budget. For the remainder of its annual programme, the SAI must independently determine the subject, scope, and type of audits carried out. In addition to providing Parliament with reports on these audits, the SAI must also provide Parliament with an annual report on its activities⁴⁰⁷.

The SAI's Strategic Plan 2019-23⁴⁰⁸ provides a high-level framework within which to develop its annual programmes of audit activity, as well as further measures to strengthen the SAI and its role. The plan identifies ten main areas of public expenditure where it will respond to current and urgent challenges and six cross-sectoral problems across government where solutions are necessary to enhance accountability and transparency.

Public awareness of the independence of the SAI remains relatively low at 39% (2020)⁴⁰⁹, but this represents a significant improvement over the last monitoring in 2017, when it was 24%.

Conclusion

There have been no significant changes to the constitutional and legal framework governing the work of the SAI since the monitoring in 2017. Taken together, the Constitution and the SAI Law provide a solid framework for the independence, mandate and organisation of the SAI, which is generally aligned to international standards. It continued to be applied and respected in practice over the assessment period. However, the rating is negatively affected by a low level of appreciation of the SAI's independence among the public.

⁴⁰¹ SAI Law, Article 51.

⁴⁰² SAI Law, Article 12.

⁴⁰³ SAI Law, Articles 43-47 and 49.

⁴⁰⁴ SAI Activity Report 2020.

⁴⁰⁵ SAI website, www.dri.rs.

⁴⁰⁶ SAI Law, Article 12.

⁴⁰⁷ SAI Law, Article 43.

⁴⁰⁸ SAI Strategic Plan 2019-23, available at www.dri.rs.

⁴⁰⁹ Balkan Barometer Survey 2020.

Principle 16: The supreme audit institution applies standards in a neutral and objective manner to ensure high quality audits, which positively impact on the functioning of the public sector.

Overall, the value for the indicator ‘Effectiveness of the external audit system’ is 5, representing an improvement from 3 in the 2017 assessment⁴¹⁰. The key areas of improvement are the SAI’s coverage of the mandate, the embedding of new methodologies and quality assurance procedures and, crucially, greater engagement from Parliament.

Indicator 6.16.1 – Effectiveness of the external audit system						
This indicator measures the extent to which external audits contribute to improved management of public finances and how the supreme audit institution applies standards to ensure high-quality audits (e.g. through its manuals and quality assurance system).						
Overall 2021 indicator value  since 2017	0	1	2	3	4	5
					Points 2021	Change from 2017
1. Coverage of mandate by external audit					6/6	+2
2. Compliance of audit methodology with ISSAIs					6/6	=
3. Quality control and quality assurance of audits					6/6	+3
4. Implementation of SAI recommendations (%)					5/6	=
5. Use of SAI reports by the legislature					6/6	+4
Total					29/30	+9

Note: The point allocation in 2017 for sub-indicator 1 was revised retrospectively from 3 to 4 due to error related to manual data entry in 2017.

In total, the SAI reported on 241 audits completed in 2020, encompassing financial audits (137), compliance audits (74), performance audits (13) and others (17). This represents a significant shift of resources away from compliance to financial and performance audits since the previous assessment.

The SAI’s Strategic Plan 2019-23 provides a sound framework for expanding the SAI’s coverage of its mandate and establishes a clear link with two strategic goals focussed on raising audit impact. The growing programme of performance audits covered seven of the Government’s ten main expenditure programmes. The President’s objective is that the programme of financial and compliance audits should cover at least 70% of budget expenditure, which was met in 2020⁴¹¹. This was achieved through a risk-based approach focussing on the biggest spending, higher risk entities.

The number of audit staff employed by the SAI was 292 in 2020, up from 269 the previous year. However, this is below the planned number. Securing sufficient professionally qualified staff is a potential constraint on the ability of the SAI to implement this ambitious strategy, as is the requirement to submit its staffing plan to the MoF.

The SAI is legally required⁴¹² to submit evidence relating to misdemeanours or criminal offences to the competent authority and has done so extensively, resulting in critical comments in the 2017 Monitoring Report. Many of these cases were of low value yet consumed significant SAI resources. While the SAI continues to report on those cases, which are material, the Strategic Plan shifts the emphasis of the Institution to focus on the greater added value to be derived from audit work.

The SAI Law⁴¹³ details the process the SAI must follow when engaging with auditees before completing an audit. Once the audit is completed, auditees are required to implement the recommendations of the

⁴¹⁰ As an example, the Public Expenditure and Financial Accountability (PEFA) Report 2020.

⁴¹¹ Discussion with the Auditor General.

⁴¹² SAI Law, Article 41.

⁴¹³ SAI Law, Article 39.

SAI⁴¹⁴. In 2019, the SAI made 1 970 recommendations, and auditees implemented 1 473 (75%)⁴¹⁵. The main reason for non-implementation was timing, for example, where a law or regulations needed to be amended. While this structure has benefits, it is not necessarily a good fit with the timescales often necessary to implement performance audit recommendations.

A database of the SAI's recommendations is available on the SAI's website, which includes the audited entities' responses and action plans. It includes the outcome of the SAI's follow-up activity and the subsequent actions of the audited entity. The recommendations of the SAI each year are also summarised in the SAI's Annual Activity Report, which is provided to Parliament and is published on the website. In addition, the recommendations from the SAI reports presented to Parliament (mandatory reports, all performance audit reports and the most significant financial and compliance audit reports) are included in the Parliament's own electronic database of the recommendations from all independent constitutional bodies. This is available on the Parliament's website⁴¹⁶.

The SAI's Strategic Plan 2019-23 commits the SAI to ensuring its audit methodologies are regularly updated to reflect the latest developments in international standards and that any changes are reflected in staff training. Accordingly, revised audit manuals for financial, compliance and performance audits were adopted in December 2019.

The SAI also adopted a new Quality Assurance and Control Policies and Procedures Manual in December 2019, which generally meets the requirements of international standards. In addition to the use of checklists throughout the audit process, the Manual requires the identification of "high" risk audits, which are to be the subject of "hot" review prior to report finalisation, called Audit Quality Control Reviews (AQCRs). The Institution conducted 19 AQCRs in 2019 and 25 in 2020 (including all performance audits). The Sector for Audit Methodology and Development has started to conduct independent Audit Quality Assurance Reviews (AQARs) or "cold" reviews on a sample of completed audits to assess whether the implementation of the process of quality control is operating as intended. The results were reported to senior management and resulted in improvements in the methodology, initiatives to improve the consistency across the Institution (for example, defining irregularities) and updated staff training⁴¹⁷.

In 2015, the SAI and Parliament's Committee on Finance, State Budget and Control of Public Spending concluded a Memorandum of Understanding⁴¹⁸ to manage between the two institutions. A sub-committee was set up to consider reports on completed audits. From 2016 onwards, it discussed the SAI's Annual Activity Reports but rarely examined individual audit reports. Following consideration of the SAI's Annual Activity Report 2019, the Committee made its own recommendations to Government and, for the first time, Parliament discussed the report in plenary.

Between 2002 and 2018, Parliament did not approve the Final Accounts of the Budget of the Republic of Serbia and did not discuss the SAI's report on it. Following concerted action by the SAI working with the MoF and the Parliament, all of these accounts were approved together in 2019. The Account for 2019 was considered and approved alongside the SAI's report in December 2020 before the Parliament approved the budget for 2021. The sub-committee held a number of sessions to discuss the SAI's reports in 2020. A number of sessions were also held to discuss the SAI's reports on the budgets of local authorities. The SAI was fully engaged in this process and expects this pattern to become the standard practice for future years with an increased number of Committee hearings on individual reports.

⁴¹⁴ SAI Law, Article 40.

⁴¹⁵ SAI Annual Activity Report 2019.

⁴¹⁶ The Parliament's website can be consulted at www.parlament.rs.

⁴¹⁷ Discussion with the Auditor General.

⁴¹⁸ National Assembly of Serbia, Memorandum of Understanding, Document No. 02-1582/15.

Conclusion

The SAI's Strategic Plan 2019-23 is ambitious in seeking to significantly improve the impact of the SAI's audit. Good progress has been made in embedding new methodologies based on international standards, resulting in a significant expansion in the number of financial and performance audits undertaken. The recent interest of Parliament in the SAI's reports is vital to the overall effectiveness of the system of external audit and needs to develop and continue. The increased transparency of the SAI's work through its website and engagement with civil society has also contributed to improving its impact.

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