

Public administration in Serbia 2024

Assessment against the Principles of Public Administration



SIGMA Monitoring Reports

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This report provides analysis on how Serbia performs based on the standards set by the Principles. It covers the six thematic areas of the Principles (strategy, policy development and co-ordination, public service and human resource management, organisation, accountability and oversight, service delivery and digitalisation, and public financial management) and provides indicator values and comparison of overall trends across the public administration.



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Abbreviations and acronyms

AP	Action Plan
APC	Agency for the Prevention of Corruption
BO	Budget organisation
BSL	Law on the Budget System
CaaS	Container as a service
Capex	Capital expenditures
CAR	Consolidated Annual Report (on the Status of Public Internal Financial Control)
CERT	Computer emergency response team
CGB	Central government body
CHU	Central Harmonisation Unit
CLRAE	Congress of Local and Regional Authorities of Europe
CoG	Centre of government
COSO	Committee of Sponsoring Organisations of the Treadway Commission
CPD	Continuous professional development
CSL	Law on Civil Service
DBB	Direct budget beneficiary
ECLSG	European Charter of Local Self-Government
EFA	Equal Future Audit
EI	European Integration
EQR	Engagement quality review
ERP	Economic Reform Programme
eUprava	e-Government portal
FIA	Financial impact assessment
FIRST	Forum of Incident Response and Security Teams
FMC	Financial management and control
FS	Fiscal strategy
FY	Financial year
GAWP	Government Annual Work Plan
GSG	General Secretariat of the Government
HCSC	High Civil Service Council
HRM	Human resource management

HRMIS	Human Resource Management Information System
HRMS	Human Resource Management Service
IA	Internal audit
IaaS	Infrastructure as a service
IAU	Internal audit unit
ICT	Information and communications technology
IIA	Institute of Internal Auditors
IMC	Inter-municipal co-operation
IMPG	Inter-Ministerial Project Group (for Co-ordination and Monitoring the Implementation of the PAR Strategy)
INTOSAI	International Organization of Supreme Audit Institutions
IPSAS	International Public Sector Accounting Standards
ISKRA	Centralised payroll service under Ministry of Finance management
ISSAI	International Auditing Standards of Supreme Audit Institutions
ISTRA Plus	Ministry of Finance analytical platform to collect and analyse proposals of first-level budget organisations
IT	Information technology
ITE	Information Technology and Electronic Administration (Office for)
KUTAK	Employment website for candidates
LAI	Local autonomy index
LEA	Law on Electronic Administration
LFAI	Law on Free Access to Information of Public Importance
LGAP	Law on General Administrative Procedure
LNAPA	Law on the National Academy for Public Administration
LPA	Law on Public Agencies
LSA	Law on the State Administration
LSCSSE	Law on Salaries of Civil Servants and State Employees
MEI	Ministry of European Integration
MIT	Ministry of Information and Telecommunications
MoE	Ministry of the Economy
MoF	Ministry of Finance
MP	Member of Parliament
MPALSG	Ministry for Public Administration and Local Self-Government
MTFF	Medium-term fiscal framework
NALAS	Network of Associations of Local Authorities of South-East Europe
NALED	National Alliance for Local Economic Development
NAPA	National Academy of Public Administration
NGO	Non-governmental organisation

NIS	Network and Information Security
NPAA	National Programme for the Adoption of the Acquis 2022-2025
PaaS	Platform as a service
PAR	Public Administration Reform
PFB	Public fund beneficiary
PFM	Public Financial Management
PFMR	Public Finance Management Reform
PIFC	Public internal financial control
PIMIS	Public Investment Management Information System
PPL	Law on Public Procurement
PPO	Public Procurement Office
PPP	Public-private partnership
PPPC	Private-Public Partnership and Concession (Law on)
PPS	Public Policy Secretariat
RAP	Registry of Administrative Procedures
ReSPA	Regional School of Public Administration
RIA	Regulatory impact assessment
RoP	Rules of Procedure
SAI	State Audit Institution
SL	Secretariat for Legislation
SMEs	Small and medium-sized enterprises
SoE	State-owned enterprise
SPIRI	System for preparation, execution, accounting and reporting (financial information)
TA	Tax administration
TNA	Training needs assessment
TPM	Top public management
TQM	Total quality management
TSA	Treasury Single Account
WCAG	Web Content Accessibility Guidelines

Introduction

The Principles of Public Administration and the European integration path: Measuring the fundamentals

*The Principles of Public Administration*¹ sets out what good public governance entails in practice and outlines 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 administration. In its 2014 Enlargement Strategy, the European Commission (EC) highlighted public administration reform (PAR) as one of the “fundamentals” of the EU enlargement process. The 2023 EC communication on the EU Enlargement Policy reaffirms this conviction: “The functioning of democratic institutions and public administration reform continue to be among the three fundamentals for the EU accession process.”²

Overall approach: Focus on implementation and results, analysing a variety of primary data sources against precise criteria and benchmarks for an objective and balanced assessment

The updated 2023 edition of *The Principles of Public Administration* reflects the most recent international standards, applicable EU *acquis* and citizen expectations for modern public administration in Europe. Endorsed by the OECD and the European Commission, it covers the same broad scope and thematic areas as the previous edition.

The *Assessment Methodology of the Principles of Public Administration*³ contains a set of standard indicators that SIGMA applies consistently to measure the state of play against the Principles, including the preconditions and enablers for successful reforms (appropriate laws, policies, procedures, institutional structures and human resources); the public administration’s actual implementation practices; and subsequent results (how the administration performs in practice). In the new *Assessment Methodology*, more than half of all criteria focus on implementation practices and results.

While the overall approach recognises that no single measurement method can fully cover the complex issues related to all organisational and behavioural aspects of public administration, SIGMA relies on information from a comprehensive range of sources: administrative data from public registries; national statistics; legislation reviews and government reports; citizen, business, public servant and contracting authority surveys; case reviews of sample government documentation; and over 100 interviews with public servants and civil society. This information is cross-checked and triangulated to arrive at a balanced assessment.

¹ OECD (2023), *The Principles of Public Administration*, OECD, Paris, <https://www.sigmaweb.org/publications/Principles-of-Public-Administration-2023.pdf>.

² European Commission (2023), *2023 Communication on EU Enlargement Policy*, p. 2, https://neighbourhood-enlargement.ec.europa.eu/system/files/2023-11/COM_2023_690%20Communication%20on%20EU%20Enlargement%20Policy_and_Annex.pdf.

³ OECD (2024), *Assessment Methodology of the Principles of Public Administration*, OECD, Paris, <https://www.sigmaweb.org/publications/Assessment-Methodology-Principles-Public-Administration.pdf>

A regional series with long-term perspective

This monitoring report assesses the state of play in public administration and progress in improving its quality. Given the geostrategic importance of the Western Balkans to the European Union and the ongoing EU accession negotiations, SIGMA conducts regular monitoring of the region. While SIGMA's assessments in 2015, 2017 and 2021 covered the full scope of the Principles of Public Administration, this 2024 report also addresses all Principles and provides a comprehensive and detailed picture of the state of public administration in the region.

This report is based on the *Assessment Methodology* developed to accompany the updated Principles of Public Administration (2023). While the narrative sections clearly describe developments since the last assessment and enable comparisons with previous monitoring, the significant methodological differences between this report and previous ones make comparisons of indicator values inapplicable.

Key insights and recommendations for decision makers, and detailed performance data for practitioners

Thirty-two Principles make up the framework for the six thematic areas, and each Principle has one or two indicators. There are 36 indicators in total, with 289 sub-indicators and 1 732 individual criteria. Indicator values for each Principle are presented at the top of every overview table, ranked on a scale of 0 (lowest) to 100 (highest) and based on the total number of points received for the sub-indicators.⁴ The indicator values provide a comparative picture of the state of play as of 30 June 2024.

The structure of the report mirrors that of the Principles. Each Principle contains a dedicated overview of associated indicator(s) and a summary analysis of the main strengths and weaknesses. Analytical findings and the most relevant recommendations are provided to guide reform efforts and inform the policy dialogue and discussions within the government administration and between the European Commission and the Government.

SIGMA provides an executive brief and summaries for each of the six thematic areas to facilitate understanding at different levels of detail and insight. While the monitoring report shows overall indicator values only, the SIGMA data portal⁵ offers a detailed criteria-level analysis.

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 validation process to ensure the factual accuracy of all information used. We also thank the experts who contributed to this report. Finally, EC partnership and support has enabled SIGMA to prepare this comprehensive long-term focus on public administration reform.

⁴ Point conversion tables can be found in the *Assessment Methodology*.

⁵ <https://par-portal.sigmaweb.org/>

Executive brief

Serbia has continued to improve its performance in service delivery and digitalisation, maintaining regional leadership while establishing itself as a front-runner in strategy and accountability. At the same time, Serbia's positions in ensuring high-quality policies and legislation, as well as managing public finances effectively, have declined in comparison to its regional peers and are now slightly below the regional averages.

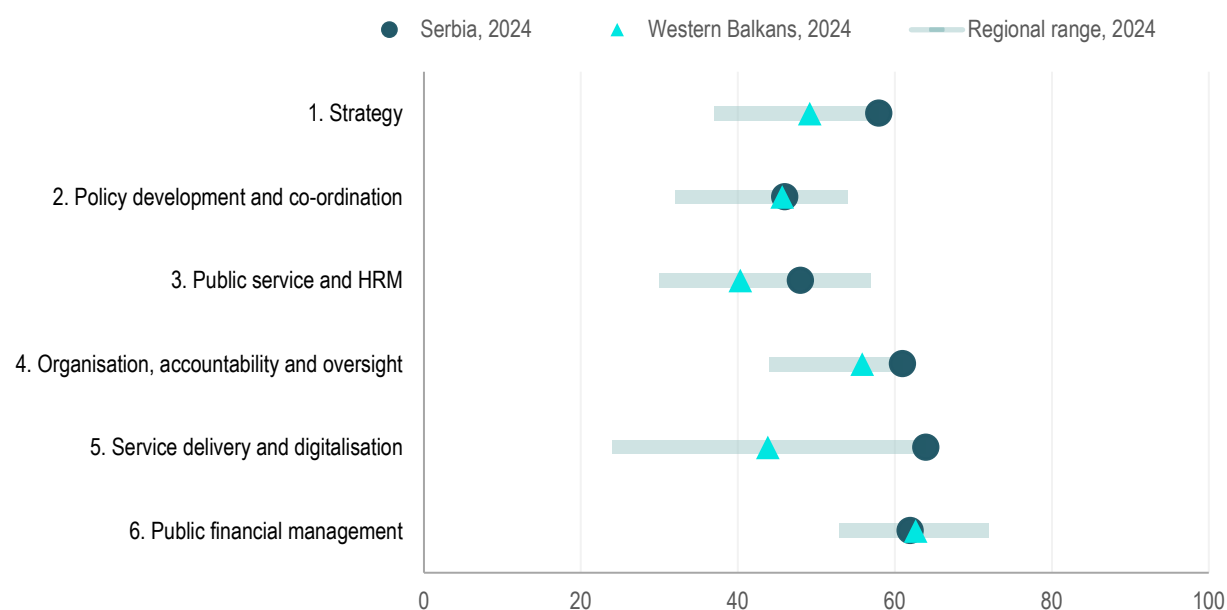
Since the last SIGMA assessment, Serbia has completed a comprehensive public administration reform (PAR) strategic framework and enhanced transparency by launching a publicly accessible PAR monitoring portal. In July 2024, the Government also adopted a new National Anti-Corruption Strategy to 2028.

The 2021 revision of the Law on Free Access to Information improved the transparency of public institutions by removing the “abuse of right to information” clause, preventing authorities from denying access due to repeated or unreasonable requests. Furthermore, the Law on Protector of Citizens, adopted in late 2021, enhanced the mandate and basic guarantees of the Ombudsperson's independence.

New approaches have been introduced to attract talent, such as the creation of a user-friendly website for candidates, “KUTAK”, leading to an increase in the average number of eligible candidates.

The regulatory framework for capital investment management improved in 2023, with changes to the Decree on Capital Projects aiming to introduce a single project pipeline; enhancing the capacity for capital project evaluation, monitoring, and appraisal; and introducing mandatory feasibility studies for certain capital projects.

Figure 1. The overall indicator values in the PAR area



Notes: The area average is a simple average of the Principles within the area. The Western Balkan average is calculated as a simple average of all administrations.

Some systemic and longstanding challenges remain:

- Political steering of PAR agenda implementation through substantive high-level discussions remains formalistic and needs to be enhanced to drive the implementation forward.
- Transparency of Government decision-making remains low, and stakeholder involvement and dialogue with civil society in policy- and law-making are insufficient, hindering an inclusive and participatory governance process.
- The centre-of-government (CoG) institutions still lack both a sufficient mandate and a practical capacity to effectively serve as gatekeepers and provide support and guidance to institutions to improve policy quality.
- The lack of practical co-ordination and collaboration between institutions and between CoG bodies persists and is further aggravated by organisational fragmentation, including within the CoG itself.
- Issues related to the professionalisation of the senior civil service remain, including an excessive number of acting top managers.
- The organisation of the central public administration has not been streamlined and does not ensure strong ministerial steering and supervision, thus weakening managerial accountability.
- The effectiveness and transparency of the public financial management (PFM) system is hampered by multiple exemptions that allow bypassing public investment management and public procurement procedures.

Although data availability has not been an issue of great concern in Serbia during the assessment, the biggest data gaps relate to sample cases of actual practice in public administration. The areas of public service and human resource management, accountability, and PFM were affected most.

Since the last assessment in 2021, Serbia has held two general parliamentary elections, both followed by extended government formation periods. This has slowed the pace of implementation of the PAR agenda, including delaying critical decisions needed to address longstanding issues. It is crucial that the current Government take a firmer stance in tackling these pressing challenges across various PAR areas. Meanwhile, public trust in the central government and the National Assembly is high, providing opportunities for the Government to implement more ambitious public administration reforms.

A solid PAR framework is in place, but stronger political steering is needed to boost prioritisation and implementation

Since the 2021 monitoring assessment, Serbia has established a solid framework for the PAR agenda with a comprehensive set of objectives, measurement framework, and elaborate operational plans. Inclusive PAR co-ordination mechanism and procedures were also formalised. The transparency of the PAR agenda has increased with the launching of a publicly accessible platform for PAR monitoring. The key challenge is the declining pace of implementation of the PAR agenda, with annual progress reaching just over 30% in 2023. Political steering of PAR implementation has been insufficient, with deliberations at the PAR Council becoming more formalistic and irregular. The new Government's programme emphasises only selected areas of PAR, not signalling that PAR as a whole is an important priority. Only 12% of citizens strongly agree they have seen information on improvement of public administration, thus correlating with a declined implementation rate and a lack of high-level communication on PAR.

Policy development and planning show signs of stagnation

Overall, progress in the area of policy development and co-ordination has been limited and is the lowest-performing of the policy areas that the assessment covers. While legal frameworks are generally well-established, problems of implementation and compliance remain, and in some cases have worsened since the last assessment. The institutional set-up for policy planning and co-ordination remains fragmented, with insufficient co-ordination among CoG institutions. The transparency of government decision-making and of the Parliament's legislative work is inadequate. Current regulations on public consultation do not translate into consistent opportunities for citizens to voice their concerns, with only 45% of laws being subject to public consultation in 2023. The use of monitoring and evaluation in policymaking

is under-developed, as line ministries do not consistently publish annual reports, or ex-post evaluations of sector strategies.

A sound legal and institutional framework exists in public service and human resource management, but longstanding issues related to top management, temporary employment, and remuneration remain

Over the years, Serbia has established a sound legislative framework and capable institutions to develop and implement public service and human resource management policies. The competency model has continued to be rooted in HRM practices. Recruitment is based on a competency model, with new initiatives such as the KUTAK website increasing talent attraction and candidate interest. Bureaucracy slows the process, however, due to the lack of a government-wide HRM plan and managerial autonomy of administrative bodies. The deeply rooted problem of an excessive number of acting top managers remains, without substantial improvement. Furthermore, recruitment for top managers lacks competitiveness, with low financial incentives and significant career risks. Temporary employment remains high, with over 10% of civil servants in short-term roles. The salary system is sound but partly disintegrated through special solutions for certain bodies, undermining the “equal pay for equal work” principle. While the robust centralised payroll information technology (IT) system offers an abundance of data, it has not translated into transparency of salaries. The HRM information system has still not been rolled out.

Progress in the accountability area is overshadowed by major limitations in access to administrative justice and the lack of a clear vision for organisation of the administration

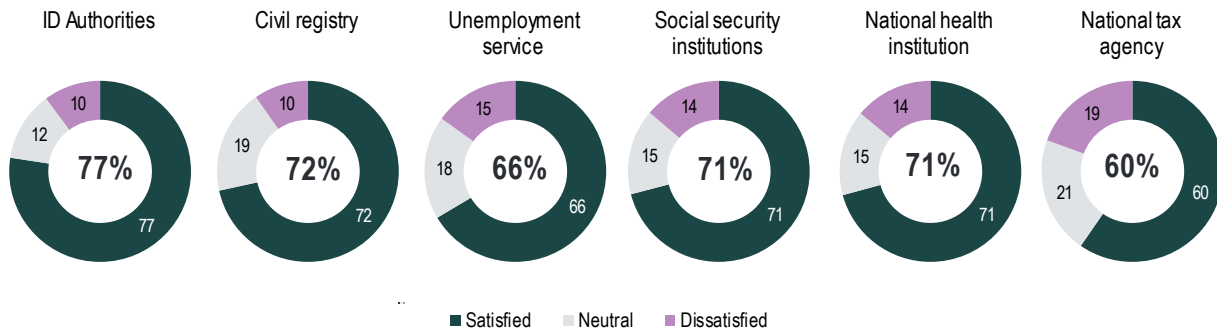
A good legislative framework for administrative procedure and judicial review of administrative actions stands in stark contrast to the low actual accessibility of administrative justice. The Administrative Court faces significant delays, and case clearance rates have reached historical lows.

The organisation of public administration is not streamlined, lacking clear functional categorisation that hinders efficiency. No progress has been made in promoting managerial accountability among senior officials by increasing their decision-making powers in technical, staff, and financial management matters. Access to information is formally guaranteed, but the system struggles with a sharp surge in appeals in cases of access to public information. This likely results from legal professionals’ abuse of remedies established in the law, leading to delays and huge financial costs for administration. Lastly, while anti-corruption legislation is comprehensive, its scope has been significantly limited by the National Assembly’s narrow official interpretation of the law. The legislative framework for multi-level governance in Serbia meets the required standards, supported by the European Charter of Local Self-Government, though local self-government still needs improvement in supervision and capacity-building.

The service delivery and digitalisation area retains political support, leading to tangible results

The area of service delivery and digitalisation is an example how strong political support can drive meaningful improvements. The overall quality of administrative services in Serbia has improved significantly in recent years. Public satisfaction of citizens and businesses with services has increased, too, though there are notable disparities in satisfaction levels across different services and aspects. A comprehensive policy and strategic framework support service modernisation, with key programmes addressing electronic government (e-government), administrative simplification, the information society, and artificial intelligence (AI) development. The institutional structure is complex, however, and no permanent co-ordination mechanism is in place for service delivery and digitalisation efforts. While basic laws on administrative procedures and e-government are mostly aligned with international standards, some need updating to harmonise with recently adopted EU regulations. Despite advancements in the digital government infrastructure, variations remain in the user-friendliness and digitalisation of services. Additionally, performance measurement and the setting of quality standards for services are still not common practices, highlighting room for improvement in service delivery. The use of back-end digital tools within public administration, such as electronic access to laws, e-consultation, and HRM systems, needs boosting as well.

Figure 2. Citizen satisfaction with selected administrative services



Note: Percentage of valid responses to the question: "How satisfied were you with the overall procedure with the institution this last time?" The percentage in the middle is the share of the respondents who answered "completely satisfied" and "very satisfied".

Source: SIGMA Survey of Citizens on public administration 2024.

Public finance management shows some positive reforms, but overall its performance has stagnated

The quality of PFM has stagnated and, compared to other regional peers, Serbia's performance backslid slightly to below the regional average. The fiscal council and the State Audit Institution perform well and have leading positions in the Western Balkans. Closer engagement with the Parliament would make their work even more effective.

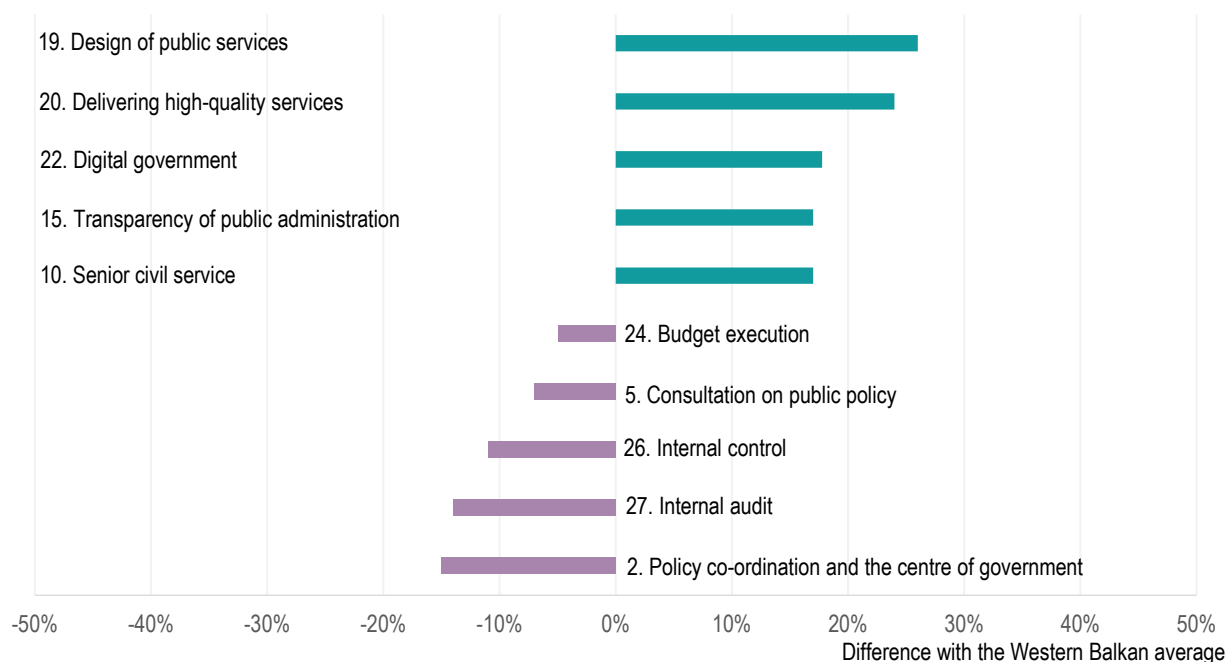
Budget preparation in Serbia is orderly and benefits from a comprehensive medium-term fiscal framework, though stronger connections between budget and policy priorities are needed. The high number of first-level budget organisations (BOs) complicates further progress in policy-based budget preparation. Significant efforts were put into the improvement of public investment management, but their effectiveness is compromised by some major exemptions. The regulatory frameworks for internal control and internal audit are largely in place, but gaps in the practical application of guidelines and standards remain. In particular, the application of some elements of financial management and control (FMC) are lagging. Although the number of internal auditors has slightly increased, the institutional set-up remains fragmented and understaffed.

The legal framework ensures fiscal autonomy of local governments with a diverse range of resources, but the equalisation system is not effectively reducing disparities. Controls and inspections do not address issues like overdue payments and delayed budget approvals, while the share of local governments in general government revenues and expenditures remains small.

Public procurement is largely aligned with EU standards, but continues to be hampered by exemptions

The legal framework for public procurement (PP) is largely aligned with EU requirements. In 2023, the PP system was further improved with the introduction of new provisions promoting award criteria other than price, wider use of electronic communication, and environmental protection principles. Nevertheless, the PP system continues to be hampered by the parallel awarding of contracts for large infrastructure projects through special laws that circumvent the application of PP legislation, thus undermining fair competition and transparency. The effectiveness of institutions overseeing public-private partnerships (PPPs) and concessions could be enhanced. Improvements in the electronic PP Portal have enabled better data collection and monitoring, but the level of participation in procurement procedures remains low. The remedies system aligns with EU standards, with the Republic Commission efficiently handling complaints. Access to the Administrative Court's rulings needs improvement.

Figure 3. Principles with highest and lowest indicator values compared to the Western Balkan average



Notes: Green bars show the five highest indicator values. Purple bars show the five lowest indicator values.

The way forward:

Drawing on the comparative weaknesses in the functioning of public administration, and understanding the potential of Serbian administration to implement reforms, the following directions merit the highest level of attention and support:

- The Government should mobilise substantial political attention and support to PAR agenda implementation in practical terms, including by resolving longstanding issues, steering the implementation of the PAR agenda through PAR Council meetings, and leading the development of new action plans for PAR Strategy implementation.
- The Government should increase the transparency and openness of its decision-making and consolidate the capacity of the COG to effectively perform the policy co-ordination function.
- There is an urgent need to resolve the longstanding issue of an excessive number of top managers in acting positions, while strengthening the necessary pre-conditions for establishing a competitive and professional senior civil service in the long term.
- The Government should remove the obstacles significantly limiting access to administrative justice and prevent the abusive practice of submitting judicial complaints related to access to information.
- The organisation of public administration should be streamlined, following a clear functional typology.
- Urgent action is needed to remove multiple exemptions in the area of public investment management and PP to strengthen the effectiveness and transparency of the PFM system.
- The IT tools used to manage public administration back-end processes (e.g., policy monitoring, e-consultation, access to legislation) should be designed and developed to ensure full functionality, interoperability, and consolidation.



Strategy

The government ensures a strategic **vision and leadership** for an agile, innovative and continuously improving public administration responsive to new challenges.

The Principles of Public Administration

- Principle 1** A comprehensive, credible and sustainable public administration reform agenda is established and successfully implemented, fostering innovation and continuous improvement.

Summary and recommendations

Serbia has established a solid strategic framework for public administration reform (PAR) and set up mechanisms and procedures for co-ordination and monitoring of the reform. However, the implementation rates of planned reform actions and the achievement rate of set policy objectives remain low. The low implementation rates might be explained partly by the fact that PAR as such, except for service delivery and digitalisation, is not prioritised in the government programme or key horizontal planning documents, and there is a low share of planned domestic financing for PAR implementation.

Since the publishing of the last SIGMA monitoring report, the Government has adopted some new and revised public policy documents in the PAR areas: revision of the PAR Strategy for 2021-2030,⁶ amendments to the Public Financial Management (PFM) Reform Programme for 2021-2025⁷ with an Action Plan (AP), adoption of the Programme for the Improvement of Public Policy Management and Regulatory Reform for 2021-2025 with an AP,⁸ and the development of the new AP for the Implementation of the reform of the local self-government system programme 2021-2025.⁹

The launch of the new publicly accessible open platform for monitoring the progress in implementing the PAR agenda,¹⁰ with the support of EU technical assistance, has increased the transparency of PAR. Nevertheless, monitoring information is published very late in the year, although in line with national regulations, thus not allowing for timely review by decision makers or the introduction of required policy changes to improve overall implementation. The Government has established clear accountability lines for the implementation of planned reform actions as well as PAR management and co-ordination bodies at both the political and administrative levels, but the political deliberation of the PAR agenda progress is formalistic and irregular.

The key challenges identified during the current assessment period are the lack of clear ownership and political commitment, characterised by the low level of domestic funding dedicated to the implementation of the PAR agenda, **as well as the low implementation rate of planned PAR activities** (only 32% of planned actions) **and of the fulfilment of PAR objectives** (only 33% of set objectives). This is further demonstrated by the fact that only 12% of citizens strongly agree that they have seen some government information about improving public administration.

The existing institutional set-up, strategic plans and related guidance for reform planning and implementation are largely in line with the Principles of Public Administration. However, day-to-day implementation and results in the area include some gaps and inconsistencies that limit the effectiveness and impact of the PAR agenda.

⁶ Public Administrative Reform (PAR) Strategy 2021-2030, <https://mduls.gov.rs/wp-content/uploads/PAR-Strategy-in-the-Republic-of-Serbia-for-the-period-2021%E2%88%922030.pdf>, Action Plan (AP) for 2021-2025, <https://mduls.gov.rs/wp-content/uploads/Action-plan-2021-2025-for-the-implementation-of-the-PAR-Strategy-in-Republic-of-Serbia.pdf>

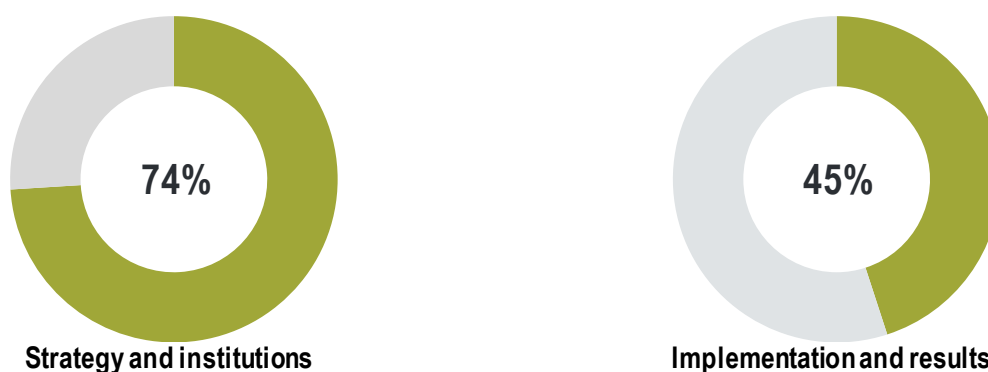
⁷ Public Financial Management (PFM) Reform Programme for 2021-2025 with the AP, https://mfin.gov.rs/upload/media/s47t6d_62612f05e7604.pdf

⁸ The Programme for the Improvement of Public Policy Management and Regulatory Reform for 2021-2025, https://rsjp.gov.rs/wp-content/uploads/PPM_RR_Programme_final.pdf, the AP, https://rsjp.gov.rs/wp-content/uploads/AP_PPM_RR_Programme_final.pdf

⁹ Call for participation in public debate on the new AP: <https://mduls.gov.rs/obavestjenja/javni-poziv-za-ucesse-u-javnoj-raspravi-o-predlogu-akcionog-plana-za-period-od-2024-do-2025-godine-za-sprovođenje-programa-za-reformu-sistema-lokalne-samouprave-u-republici-srbiji-za-period-od-2/?script=lat>

¹⁰ The PAR monitoring platform: <https://monitoring.mduls.gov.rs>

Figure 4. State of play by type of criterion in the area of strategy and continuous improvement of public administration



Notes: The results are split. The first combines points from legislation, policy and guidance, and institutional set-up. The second aggregates points from implementation practice and results. The percentage in the centre represents the ratio of points in relation to the maximum.

Recommendations

1. The Government should increase the share of domestic resources to finance the implementation of the PAR agenda, thus reducing dependency on donor financing.
2. The Government should ensure better coherence of the PAR agenda with the Government work/legislative plan and prioritise PAR within horizontal planning documents, especially in the coming National Development Plan and subsequently the Investment Plan. Further, the Ministry of Public Administration and Local Self-Government (MPALSG) should ensure that implementation progress across all PAR areas is extensively and regularly discussed at PAR Council meetings.
3. The Government should prepare legislative amendments to shorten the deadlines for annual reporting set by the Law on Planning System and ensure that monitoring information with adequate analysis, especially regarding the lower-than-planned implementation rate and achievement of objectives, is available by the end of the first quarter of the year following the implementation year in order to ensure timely provision of information to decision makers.
4. The MPALSG should increase the visibility of the public platform for monitoring the implementation of the PAR planning documents via social media and other channels, and promote the re-use of data available on the platform in an open, machine-readable format.
5. The MPALSG should ensure more active communication on the PAR agenda and ensure that the Government's PAR promotion and awareness-raising activities go beyond service delivery and encompass all PAR areas.

Analysis

Principle 1: A comprehensive, credible and sustainable public administration reform agenda is established and successfully implemented, fostering innovation and continuous improvement.

Serbia has set up an elaborate PAR agenda; however, for the most part it is not acknowledged as a priority of the Government. Although all substantive areas of PAR are covered through several planning documents, the exposé that the Prime Minister presented¹¹ on 1 May 2024 mentioned only service delivery and digitalisation of public services as key priorities of the new government, without explicitly mentioning any other PAR areas. While the Government Action Plan for the Implementation of the Government Programme is still under development, other horizontal planning documents do not cover the PAR agenda as a priority. Similarly, the National Programme for the Adoption of the Acquis 2022-2025 (NPAA) does not have any specific measures envisaged for PAR. Most importantly, SIGMA analysis shows that the share of domestic funding for the implementation of the PAR agenda amounts to only 28% of the total planned budget, indicating the lack of domestic ownership over planned PAR measures.

Indicator 1. Quality of public administration reform (PAR) agenda		2024 indicator value	58/100
Sub-indicators		Points	
1.	Prioritisation of PAR in key horizontal planning documents	2/8	
2.	Scope and comprehensiveness of PAR agenda	20/23	
3.	Reported implementation rate of PAR agenda	3.5/30	
4.	Management and co-ordination of PAR agenda	12/12	
5.	Monitoring implementation of PAR agenda	8/10	
6.	Stakeholder involvement and communication	7.4/9	
7.	Promotion of innovative practices	5/8	

The PAR agenda is set up through several hierarchically interlinked planning documents in full alignment with the national regulations on planning. The umbrella planning document covering all PAR areas is the PAR Strategy for 2021-2030,¹² with three areas described in more detail through dedicated policy programmes: the Programme for the Improvement of Public Policy Management and Regulatory Reform for 2021-2025 with an AP,¹³ the PFM Reform Programme for 2021-2025¹⁴ with an AP, and the Local Self-Government System Programme 2021-2025.¹⁵ All of the planning documents meet the set

¹¹ The Prime Minister's exposé is available at: <https://www.srbija.gov.rs/tekst/330252/ekspoze.php>

¹² PAR Strategy 2021-2030 is available at: <https://mduls.gov.rs/wp-content/uploads/PAR-Strategy-in-the-Republic-of-Serbia-for-the-period-2021%E2%88%922030.pdf>, while the Action Plan for 2021-2025 is available at: <https://mduls.gov.rs/wp-content/uploads/Action-plan-2021-2025-for-the-implementation-of-the-PAR-Strategy-in-Republic-of-Serbia.pdf>

¹³ The Programme for the Improvement of Public Policy Management and Regulatory Reform for 2021-2025 is available at: https://rsjp.gov.rs/wp-content/uploads/PPM_RR_Programme_final.pdf, while its Action Plan can be found at: https://rsjp.gov.rs/wp-content/uploads/AP_PPM_RR_Programme_final.pdf

¹⁴ PFM Reform Programme for 2021-2025 with the Action Plan is available at: https://mfjn.gov.rs/upload/media/s47t6d_62612f05e7604.pdf

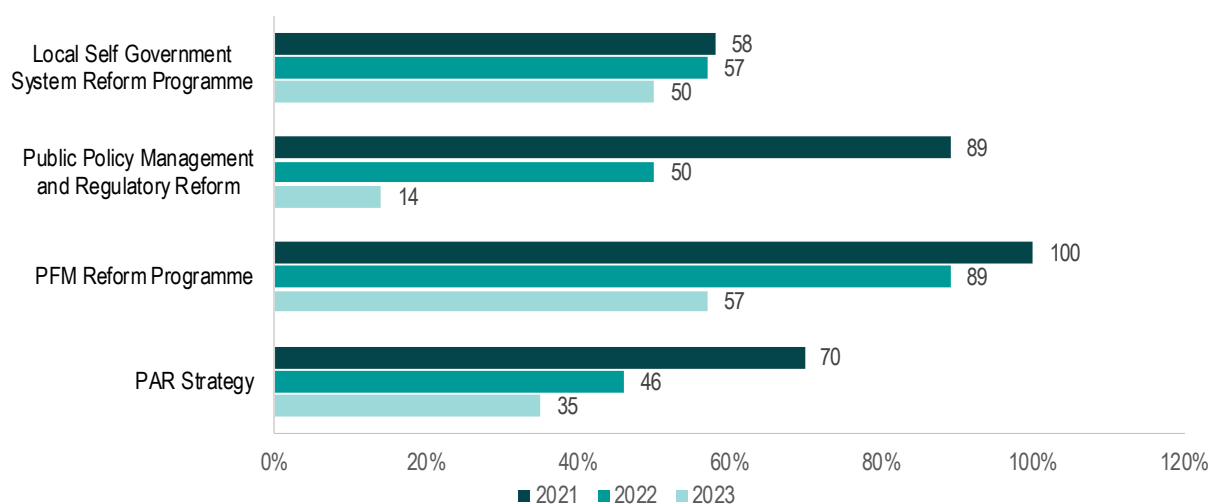
¹⁵ Call for participation in public debate on the new AP is available at: <https://mduls.gov.rs/obavestjenja/javni-poziv-za-ucesce-u-javnoj-raspravi-o-predlogu-akcionog-plana-za-period-od-2024-do-2025-godine-za-sprovođenje-programa-za-reformu-sistema-lokalne-samouprave-u-republici-srbiji-za-period-od-2/?script=lat>

quality criteria, having clearly identified problems, set objectives along with performance indicators establishing ambition level for those, as well as a set of actions with deadlines and responsible institutions.

Institutional responsibility for the overall co-ordination, monitoring and reporting of PAR is clearly assigned to the MPALSG. The political level co-ordination body – the PAR Council – comprehensively covers all PAR areas and met once during 2023.¹⁶ It should be noted, however, that the PAR Council rarely discusses substantive issues, focussing mostly on horizontal aspects like monitoring reports, budget support, etc. Administrative-level co-ordination bodies¹⁷ comprising representatives from relevant institutions have also been formally established covering all PAR planning documents and have met regularly to discuss the implementation modalities of those documents.

Despite an elaborate set of planning documents setting out the PAR agenda, the reported implementation rate of PAR activities and the reported fulfilment rate of PAR objectives remain low. Out of 148 actions planned with an implementation date during 2023 in relevant PAR planning documents, 48 have been fully implemented (32%) based on the information available in the annual implementation reports for 2023. Equally, out of 27 general and specific objectives identified in relevant PAR planning documents, only 9 objectives (33%) are fully achieved as per SIGMA's calculation.

Figure 5. Reported implementation rate of planned actions of PAR agenda (% from planned)



Note: Only "fully implemented" actions are taken into account.

Source: Information taken from <https://monitoring.mduls.gov.rs/> (last checked 12 July 2024).

¹⁶ Information on the PAR Council meeting is available at: <https://monitoring.mduls.gov.rs/struktura/savet-za-reformu-javne-uprave/225142/odrzana-treca-sednica-saveta-za-reformu-javne-uprave.html>

¹⁷ For the umbrella PAR Strategy 2021-2023, the Inter-Ministerial Project Group for Co-ordination and Monitoring the Implementation of the PAR Strategy (IMPG) met once in person and held two e-discussions during 2023; for the PFM Programme 2021-2025, the operational Working Group for Drafting, Monitoring and Reporting on the Implementation of PFM Programme 2021 met three times during 2023; for the Programme for the improvement of Public Policy Management and Regulatory Reform 2021-2025, the operational Working Group for Monitoring the Implementation, Analysis and Revision of the Programme for the Improvement of Public Policy Management and Regulatory Reform for the period 2021-2025 met twice during 2023; for the Local Self Government System Reform Programme 2021-2025, co-ordination of monitoring and reporting takes place through IMPG for umbrella PAR Strategy, while co-ordination of drafting the new AP 2024-2025 takes place through Special Working Group for Drafting Action Plan 2024-2025 for the Implementation of the LSG System Reform Programme 2021-2025, and it met twice in 2023.

The PAR monitoring and reporting system has been formally set up, including through a specialised, publicly available, online PAR monitoring platform managed by the MPALSG. Although it provides information on the progress in implementing the PAR planning documents, the major downside of the monitoring system is that the full annual data, as per requirements of the national regulations,¹⁸ are prepared and published only by the end of April each year at the earliest, thus not ensuring timely information to decision makers. In line with the Indicator passports, annual monitoring reports include information on the achievement of the outcome-level indicators as well as delivered outputs. However, as per national planning requirements, a consolidated report on implementation of the PAR Strategy containing a wider analysis of challenges, achievements and recommendations is prepared only every three years. Furthermore, political deliberation on PAR progress is formalistic and irregular, with the PAR Council last discussing the PAR report for 2021 only in 2023, i.e., at least a year later than it should have.

Stakeholder involvement in developing and monitoring the implementation of PAR planning documents is mostly ensured. Non-state actors regularly participate in the meetings of PAR management and co-ordination mechanisms at the administrative level. Nonetheless, there is still some room for improvement in the frequency and quality of engagement in the relevant working groups for drafting and monitoring the documents, especially in the public financial management area.

The communication of the PAR agenda and its key objectives to the general public and key stakeholders can be further improved. Based on the SIGMA Survey of Citizens on public administration in the Western Balkans 2024, conducted in March-April 2024, only 28% of respondents “tended to agree” and 12% “strongly agreed” they had seen government information related to the improvement of the work of public administration in the previous six months. The overall promotion and awareness-raising activities regarding the PAR agenda and innovative approaches in public administration are mainly focussed on service delivery and digitalisation, and do not cover other areas.

¹⁸ Law on the planning system, Article 43.



Policy development and co-ordination

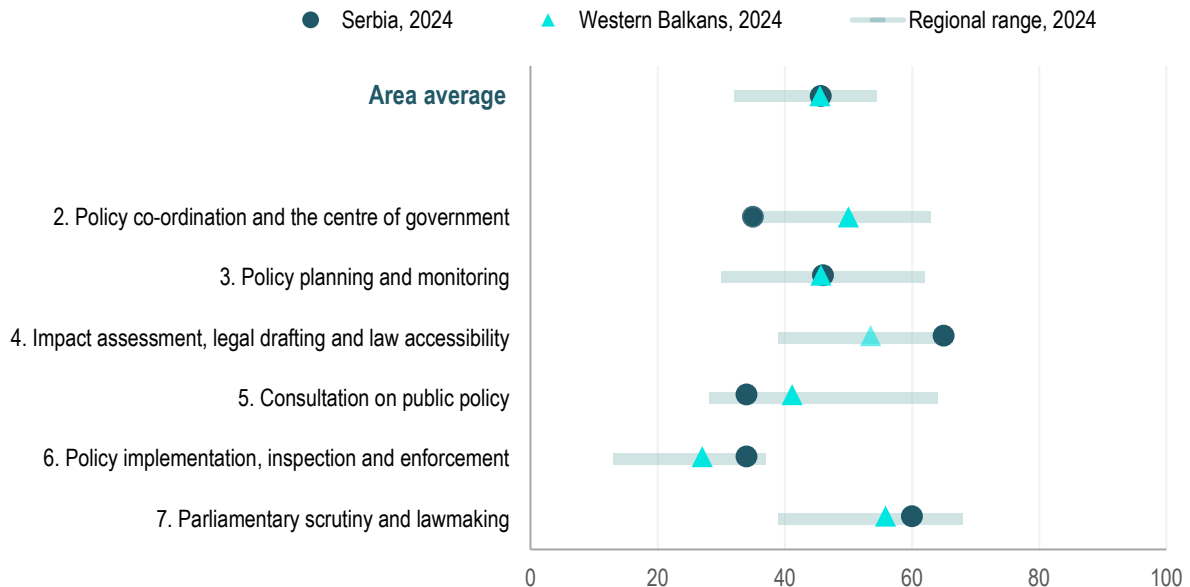
The government ensures that **policies and budgets are harmonised**, effectively planned, co-ordinated across the whole-of-government, implemented, monitored and evaluated against clearly defined policy objectives. Ministries develop coherent public policies through an open and participatory process, informed by sound evidence and analysis.

The Principles of Public Administration

- Principle 2** Public policies are coherent and effectively co-ordinated by the centre of government; decisions are prepared and communicated in a clear and transparent manner.
- Principle 3** The government plans and monitors public policies in an effective and inclusive manner, in line with the government fiscal space.
- Principle 4** Public policies are developed based on evidence and analysis, following clear and consistent rules for law making; laws and regulations are easily accessible.
- Principle 5** All key external and internal stakeholders and the general public are actively consulted during policy development.
- Principle 6** Public policies are effectively implemented and evaluated, enhancing policy outcomes and reducing regulatory costs and burdens.
- Principle 7** The parliament effectively scrutinises the government policymaking and ensures overall policy and legislative coherence.

Summary and recommendations

Figure 6. The overall indicator values in the policy development and co-ordination area



Notes: Area average is a simple average of the Principles within the area. Western Balkan average is calculated as a simple average of all administrations.

Key centre-of-government (CoG) functions are mostly established by relevant legislation and assigned to responsible bodies, except the functions of risk and crisis management and co-ordination of government transitions after elections. Despite this, there is some institutional fragmentation in policy development and, in practice, there is still **insufficient internal co-ordination among CoG units in responding to line ministry policy proposals**.

The level of openness and transparency of government decision-making remains low. The agendas of government sessions are not made available online beforehand, and the criteria for choosing the decisions from government sessions that will be published and communicated to the public are not clear.

The policy planning system is established in the regulatory framework. However, some challenges remain in implementation, particularly in ensuring alignment among key policy planning documents. The quality of the costing of planning documents could be improved, with some currently lacking appropriate cost estimates for planned activities. The reports on sector strategies are not regularly published, and the quality of reporting is underdeveloped.

While the national policy framework for better regulation, including regulatory impact assessments (RIAs) and the use of evidence during policymaking, is well established, there are still issues relating to the application of RIA standards. The co-ordination between the Ministry of Finance (MoF) and the Public Policy Secretariat (PPS) in terms of financial impact assessment needs to be well co-ordinated. The perceived clarity and stability of government policy making by businesses is rather low.¹⁹

Although the general standards for public policy consultations are set in the legal framework, there is no effective quality control of public consultations that line ministries conduct. The mandate for the management of the central e-consultation portal is unclear, undermining the usefulness of the system.

¹⁹ SIGMA Survey of Businesses on public administration in the Western Balkans 2024.

As for internal policy consultation, the **minimum duration for interministerial consultation is not established**, and the outcomes of such consultations are not consistently reported.

Despite the established regulatory framework and available guidelines, the **capacities of line ministries to plan, implement and evaluate sector strategies are underdeveloped**. For example, ministries do not routinely adopt and publish annual workplans or annual reports, and evaluations are conducted sporadically. There has been progress in the overall steering of administrative simplification, but the visibility of tools promoting regulatory compliance by businesses remains low. The co-ordination of inspection controls has, however, improved through the work of the Co-ordinating Commission and related working groups.

The regulatory framework for parliamentary scrutiny of policymaking is generally well established. The **openness and transparency of the Parliament's legislative work, however, could be strengthened**. Specifically, the National Assembly does not publish regular annual reports, and information on the status of laws is incomplete. Public consultations are not held on draft laws that members of parliament (MPs) sponsor. The National Assembly is not obligated to carry out an ex-post evaluation of the implementation of laws, nor must it prepare reports on the results of such evaluations when these do take place.

Overall, the existing legal framework, institutional set-up and related strategies and guidance are mostly in line with the Principles of Public Administration, but implementation practice and results include weaknesses and inconsistencies that limit effectiveness of the government policymaking system.

Figure 7. State of play in policy development and co-ordination by type of criterion



Notes: The results are split. The first combines points from legislation, policy and guidance, and institutional set-up. The second aggregates points from implementation practice and results. The percentage in the centre represents the ratio of points in relation to the maximum.

Recommendations

1. The Government should improve the openness and transparency of its decision-making, especially by publishing the agendas of government sessions and all government decisions except for justified cases based on clear and transparent criteria.
2. The Government should establish a central quality control system of policy proposals whereby the respective CoG institutions have the right to analyse the quality of policy proposals and send them back to initiating institutions if the package content is insufficient.
3. The Government, under the co-ordination of the GSG and the PPS, should ensure the timely preparation and reporting of key central government work planning documents, the alignment between key policy planning documents and improve the quality of the costing of activities.
4. The PPS, together with responsible ministries and other institutions, should ensure timely preparation and publication of reports on implementation of sector planning documents.
5. The MoF and PPS should improve the co-ordination of the RIA process, especially between financial information in RIAs that the PPS monitors and the financial impact assessment registered in the MoF's FIA system, and the quality of RIA.
6. The Government should streamline and establish a clear public and interministerial consultation system, including defining clear requirements, mandates, quality control and reporting.
7. The National Assembly should increase the openness and transparency of its legislative work and ensure the availability of reports on its regular annual activity.

Analysis

Principle 2: Public policies are coherent and effectively co-ordinated by the centre of government; decisions are prepared and communicated in a clear and transparent manner.

Key CoG functions are mostly established by relevant legislation and assigned to responsible bodies, except the functions of risk and crisis management and co-ordination and facilitation of smooth government transitions after elections. Internal co-ordination among CoG units in responding to line ministry policy proposals remains insufficient. The level of openness and transparency of government decision-making is low. The agendas of government sessions are not made available online beforehand. The criteria for choosing the decisions from government sessions that will be published and communicated are not clear. The European Integration (EI) plan, the NPAA, is not regularly updated.

Indicator 2. Effectiveness of the centre of government (CoG), policy co-ordination and government decision-making		2024 indicator value	35/100
Sub-indicators		Points	
1.	Assignment of critical functions to CoG institutions by legislation	7.5/9	
2.	Internal co-ordination between CoG institutions	3/6	
3.	Preparation of government sessions and openness of decision making	4/28	
4.	Central quality check on procedural compliance	10.3/30	
5.	Co-ordination of government communications	0/6	
6.	Co-ordination of risk and crisis management	0/5	
7.	Assignment of EI-functions to CoG institutions by legislation	4/4	
8.	Availability of guidelines on EI processes	4/4	
9.	Effectiveness of EI co-ordination in practice	2/8	

CoG functions are mostly established and assigned to Serbia's CoG institutions, specifically through the Law on Government,²⁰ the Law on Ministries,²¹ the Law on Planning System,²² the Rules of Procedure (RoP) of the Government,²³ and in various government decrees and rulebooks. The functions of risk and crisis management, as well as co-ordination and facilitation of smooth government transitions after elections, have not yet been formally assigned to relevant CoG bodies.

²⁰ The Law on Government of the Republic of Serbia, Official Gazette, Nos. 55/2005, 71/2005, corrected, 101/2007, 65/2008, 16/2011, 68/2012; Decision of Constitutional Court, Nos. 72/2012, 7/2014; Decision of Constitutional Court, Nos. 44/2014 and 30/2018.

²¹ The Law on Ministries of the Republic of Serbia, Official Gazette, No. 128/2020.

²² The Law on the Planning System of the Republic of Serbia, Official Gazette, No. 30/2018; <https://rsjp.gov.rs/wp-content/uploads/Law-on-Planning-System.pdf>

²³ The RoP of the Government of the Republic of Serbia, Official Gazette, No. 61/2006 - consolidated text, Nos. 69/2008, 88/2009, 33/2010, 69/2010, 20/2011, 37/2011, 30/2013, 76/2014 and 8/2019; <https://www.paragraf.rs/propisi/poslovnik-vlade-republike-srbije.html>

Compared to the last assessment in 2021, there have been no changes in the distribution of CoG functions. The same five institutions are mandated to perform the critical functions of the CoG, namely:

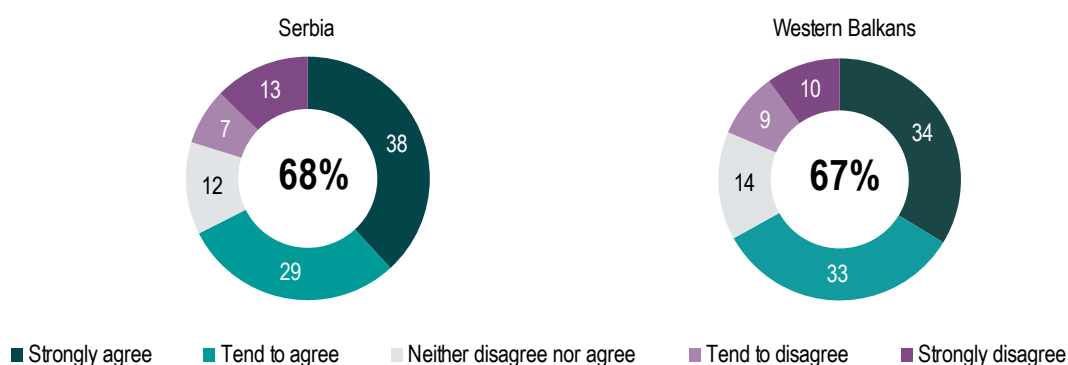
1. The General Secretariat of the Government (GSG) co-ordinates the preparation of the government sessions and the preparation of the Government Annual Work Plan (GAWP), co-ordinates the content of policy proposals, co-ordinates government communication activities and manages relations with other state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

In terms of policy development in practice, there is still insufficient evidence of effective internal co-ordination among CoG units in responding to line ministry policy proposals before submission for discussion by government committees. Although the government committee can conclude that the proposer should revise the proposal, there is no clear RoP provision requiring drafts to be sent back based on the CoG institutions' quality assessments. The General Secretariat scrutinises the proposals from the point of view of formal compliance with the RoP (procedural check) and can return them if they are not prepared in line with the rules,²⁴ but legislative proposals can still proceed to decision without necessarily having a positive evaluation from CoG institutions. Based on the analysis of sample draft laws,²⁵ the quality checks are not consistently done in terms of compliance with government priorities and financial viability. According to the SIGMA Survey of Public Servants, 68% of Serbian civil servants "tend to agree" or "strongly agree" that CoG institutions adequately co-ordinate decision-making at the government level to ensure its quality and coherence (Figure 8).

²⁴ The RoP of the Government of the Republic of Serbia, Article 50.

²⁵ The following five draft laws were selected for analysis: Draft law on workplace safety and health, Draft law on the amendments to the Law on the railway, Draft law on the amendments to the Law on the fees for the use of public goods, Draft law on health documentation and records in the field of health, Draft law on electronic media.

Figure 8. Civil servants' perceived effectiveness of the centre of government in policy co-ordination



Note: Percentage of valid responses to the question: "To what extent do you agree or disagree with the following statement? The CoG institution is adequately co-ordinating decision making at government level to ensure its quality and coherence". The question is filtered to relevant officials in line ministries. The percentage in the middle is the share of the respondents who answered "strongly agree" or "tend to agree".

Source: SIGMA Survey of Public Servants on public administration in the Western Balkans 2024.

The level of openness and transparency of government decision-making remains inadequate. The RoP of the Government do not prescribe strict deadlines for submission of materials to the government sessions. The agendas of these sessions are not made available online beforehand. In addition, records of decisions from government sessions are not publicly available. The Government Office for Co-operation with the Media selects the decisions taken at government sessions that will be communicated to the public, based on a consideration of public interest and current government priorities.²⁶ Since the agendas of government sessions are not publicly available, however, it is not possible to establish precisely which decisions and conclusions of the sessions are published and which are not.

Central co-ordination of government communications is relatively weak, with the Government Office for Co-operation with the Media focusing on press briefings but not on cross-administration co-ordination and planning. There is no central government communications calendar or similar planning tool in use that would enable central planning and alignment of government communications. No communications strategy (or similar strategic/planning document) has been developed over the past two years to promote co-ordinated approaches to communicating key messages. Co-ordination with other ministries on communications issues is mostly informal. There is no written guidance or guideline for line ministries on working with digital media. There is also no assessment of feedback from users, and the impact of government communication activities is not routinely analysed/evaluated.

With respect to central co-ordination of risk and crisis management, the administration reported that there is currently no assignment of central co-ordination or oversight functions in this area, either assigned to a CoG unit or delegated to another body.

The effectiveness of the CoG in co-ordinating the EI-related policy process could be strengthened. Over the course of 2023, the administrative-level co-ordination body, the Council of the Co-ordination Body, met three times. The Co-ordination Body itself, however, did not meet at all at the political level.

The NPAA 2022-2025 has not been updated since its adoption in 2022. The MEI prepares quarterly reports on the implementation of the NPAA and submits them to the Government for consideration and decision-making, as well as to the National Assembly and the National Bank of Serbia for information. The adopted quarterly reports for 2023 are available on the MEI website.²⁷

²⁶ The press releases on the activities of the Government are prepared by the Government Office for Co-operation with the Media and are available at: <https://www.srbija.gov.rs/sekcija/249/saopstenja-vlade.php>

²⁷ The reports are available at: <https://www.mei.gov.rs/документа/национална-документа.733.html>.

Principle 3: The government plans and monitors public policies in an effective and inclusive manner, in line with the government fiscal space.

The hierarchy of the key central government planning documents is established in the regulatory framework. Some challenges remain in implementation, particularly in ensuring alignment between central policy planning documents. The implementation of government commitments remains low or impossible to calculate due to missing plans and reports. The quality of the costing of planning documents is currently inadequate, with the NPAA and some sectoral strategies lacking published cost estimates for planned activities. The reports on sector strategies are not regularly published, and the quality of reporting is underdeveloped.

Indicator 3. Quality of policy planning and reporting		2024 indicator value	46/100
Sub-indicators		Points	
1.	Adequacy of the legislative and institutional framework for policy planning and reporting	7/7	
2.	Availability of guidance to line ministries during the policy planning and reporting process	5.5/7	
3.	Alignment between central policy planning documents	3.9/10	
4.	Quality and transparency of policy planning documents	16/21	
5.	Financial sustainability of policy planning documents	3/7	
6.	Implementation of government commitments	0/15 ⁱ	
7.	Quality and transparency of policy reporting and monitoring	5/17	
8.	Quality and transparency of European integration (EI) policy planning	3/6	
9.	Implementation of European integration (EI) commitments	0/6	
10.	Quality and transparency of EI monitoring and reporting	2.5/4	

Note: i = data not available or not provided.

The overall policy planning system is established and consists of several central government planning documents and sector strategies, including the Prime Minister's exposé (Government Four-year Programme), the APIGP,²⁸ the GAWP, the NPAA, the Fiscal Strategy (FS), the Economic Reform Programme (ERP) and a series of sector strategies. Since the last SIGMA 2021 assessment, on 29 June 2023 the Government adopted the Regulation on the procedure for preparing the Draft Development Plan

²⁸ Based on the Law on the Planning System (LPS), Article 21, the PPS prepares and annually updates the APIGP, 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 APGIP is an operational document of the Government, established as an instrument for monitoring the implementation of the Government Programme, by further elaborating the Programme priorities through priority objectives that the Government wants to achieve during the mandate. The GAWP is prepared based on the APIGP, the FS, the ERP, and the NPAA 2022-2025. It contains normative activities planned for the next budget year, including laws, secondary legislation, internal acts and information on the projects conducted by government bodies.

of the Republic of Serbia,²⁹ which stipulates the procedure for preparing a Development Plan as well as reporting on its implementation.³⁰

The Law on the Planning System (LPS)³¹ and related by-laws have brought greater standardisation of the types and content of planning documents. This law has also contributed to greater legislative and methodological clarity on the CoG's role in co-ordinating the preparation and approval of the Government's strategic priorities and work programme. 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,³² which elaborates, among other things, the methodology for preparing sector strategies. The same Regulation also specifies the content and method for maintaining an information system for planning, monitoring and reporting on public policies (Unified Information System), as well as the digital format used to enter documents into the system. In addition, the development of the key medium-term planning documents is established in the Regulation on the Methodology for Medium-term Planning.³³ To provide further practical guidance to line ministries on applying the standards and rules mentioned above, the PPS has prepared a Handbook on Public Policy and Regulatory Impact Assessment.³⁴

Although the overall system is well regulated, in practice systemic weaknesses should be addressed in terms of the timeliness and preparation of strategic planning documents and reports. The alignment between central government policy planning documents could not be assessed, as no GAWP for 2024 had been adopted as of the end of June 2024 (notably because of the elections). It is not possible to measure the alignment of the priorities or objectives of the government work plan with the priorities or objectives of the medium-term budgetary framework, nor the consistency of action plans for sector strategies with the annual government work plan.³⁵ Nevertheless, the concordance between planned and approved draft laws has improved compared to the 2021 assessment. Of 86 Government-initiated adopted laws in 2023, 68 had been included in the 2023 GAWP legislative plan (78%) (Figure 9).

²⁹ The Regulation can be found at: <https://rsjp.gov.rs/en/news/draft-decree-on-the-procedure-for-preparing-the-draft-development-plan-of-the-republic-of-serbia-adopted/>

³⁰ Official Gazette, No. 54 of 30 June 2023. Based on the Regulation, the Government is expected to establish a Management Body for the preparation and monitoring of the implementation of the Development Plan (chaired by the minister responsible for European integration affairs). The Management Body will also establish an Expert Group for the preparation and monitoring of the implementation of the Plan, as well as special expert groups for specific thematic areas. The Public Policy Secretariat will provide expert and administrative-technical support to the Management Body and Expert Group,

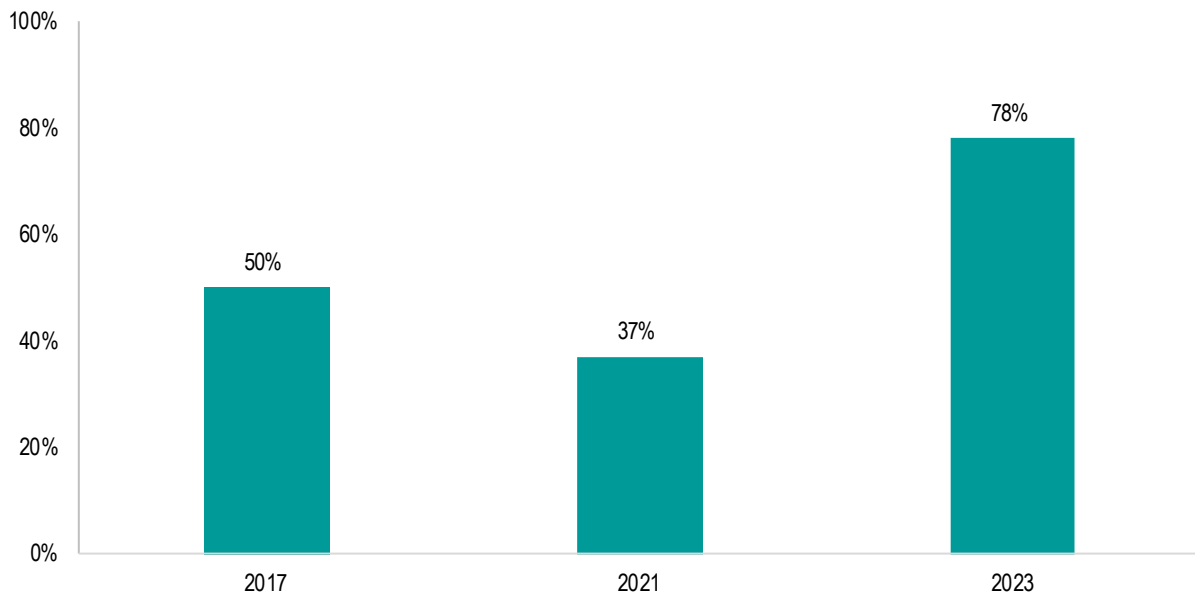
³¹ The Law on the Planning System of the Republic of Serbia, Official Gazette, No. 30/2018.

³² The Regulation (English version) is available at: <https://rsjp.gov.rs/wp-content/uploads/Regulation-on-the-methodology-of-public-policy-management-with-Annex.pdf>. It is currently under revision.

³³ The Regulation is available at: <https://rsjp.gov.rs/wp-content/uploads/Regulation-on-medium-term-planning-eng.pdf>

³⁴ The Handbook is available at: <https://rsjp.gov.rs/wp-content/uploads/Public-Policy-and-Regulatory-Impact-Assessment-Handbook-071020.pdf>.

³⁵ No GAWP was adopted for 2022.

Figure 9. Alignment between planned and approved draft laws

Source: SIGMA calculations based on data provided by the government.

Due to delays in publishing the GAWP report for the last full calendar year (2023) and lack of references to the GAWP, it is not possible to assess the implementation rate of planned activities.³⁶

Sector strategies are mostly in line with the quality requirements set out in relevant legislation and manuals. In some cases, however, the strategies lack important elements; for example, adequate situational/problem analysis, estimation of additional expenditure needs, or clear requirements for monitoring, reporting, and evaluation. Finally, none of the strategy reports analysed in the sample that SIGMA selected has a separate section presenting recommendations and, where necessary, remedial actions.³⁷

In terms of transparency, adopted sector strategies are available on the central government website.³⁸ However, the level of availability and public accessibility of reports on the implementation of sector strategies is quite low. Only 24% of reports on the implementation of valid sector strategies are prepared and publicly available. Moreover, the available reports on the implementation of strategies often do not contain information on budget spending for implemented activities.

With respect to quality control of financial information in planning documents, the MoF has adopted an instruction providing guidance on how to report financial information in draft laws, regulations and policy

³⁶ The annual report on the implementation of the Government's work was published on 19 September 2024; <https://www.srbija.gov.rs/prikaz/583756>.

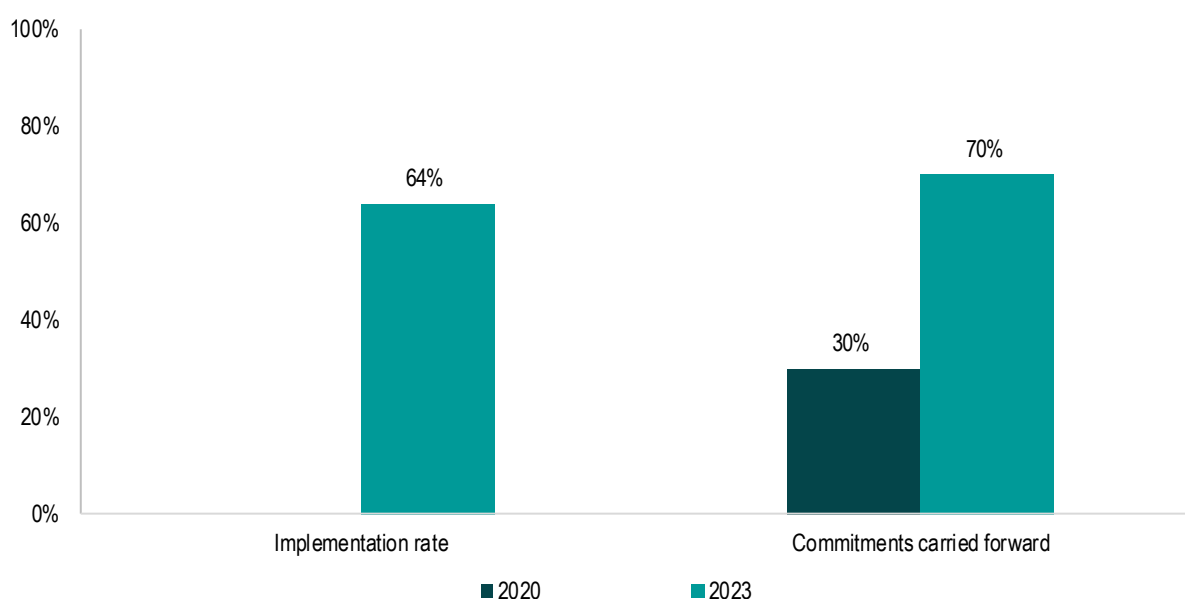
³⁷ The following reports on the implementation of sector strategies were analysed: Annual report for 2022 on the implementation of the Action Plan for the implementation of the industrial policy strategy of the Republic of Serbia from 2021 to 2030 for the period from 2021 to 2023, Annual report for 2022 on the implementation of the Action Plan for the implementation of the Information Society and Information Security Development Strategy for the period from 2021 to 2023, Annual report for 2022 on the implementation of the Action Plan for the period from 2021 to 2023 for the implementation of the Employment Strategy in Republic of Serbia for the period from 2021 to 2026, Annual report for 2022 on the implementation of the Public administration reform Strategy 2021-2030, Annual report for 2022 on the implementation of the Action Plan for the period from 2021 to 2025 for the implementation of the Programme for the Improvement of Public Policy Management and regulatory reform.

³⁸ The adopted strategies are available at: <https://www.srbija.gov.rs/dokument/45678/strategije-programi>

documents that have budgetary implications.³⁹ Although these guidelines require ministries to develop funding estimates for sector strategy implementation, the information presented in policy planning documents is still not detailed enough. Monitoring is ensured through quarterly and annual reports on budget implementation, published on the MoF website.

EI-related planning could be strengthened. The NPAA 2022-2025 was adopted in July 2022⁴⁰ but has not been updated. The NPAA does not contain any published cost estimates or sources of funding for planned activities.⁴¹ The implementation level of established EI commitments is quite low. The reported NPAA implementation rate is 30%, with 70% of planned EI-related legislative commitments being carried forward, which is even higher than in 2020 (Figure 10).⁴² Also, no recommendations or remedial actions are included in the NPAA report.

Figure 10. Implementation of EI-related commitments



Note: Data about implementation rate was not available in 2020.

Source: SIGMA calculations based on data collected for the assessment.

Despite the above-mentioned challenges with respect to ensuring compliance with policy planning standards and rules, the perceived availability of support for preparing policy planning documents among Serbian public servants is still high, with 80% agreeing that central support is available for preparing the

³⁹ The Ordinance on the Manner of Presenting and Reporting on Estimated Financial Effects of Laws, Other Regulations, or Other Acts on the Budget or Financial Plans of Mandatory Social Security Organisation The Ordinance is available at: <https://www.mfin.gov.rs/sr/propisi-1/pravilnik-o-nacinu-iskazivanja-i-izvestavanja-o-procenjenim-finansijskim-efektima-zakona-drugog-propisa-ili-drugog-akta-na-budzet-odnosno-finansijske-planove-organizacija-za-obavezno-socijalno-osiguranje-sluzbeni-glasnik-rs-br-3215-1>

⁴⁰The NPAA is available at: https://www.mei.gov.rs/upload/documents/nacionalna_dokumenta/npaa/NPAA_2022-2025_002.pdf

⁴¹ The NPAA reports are available at: <https://www.mei.gov.rs/sr/dokumenta/nacionalna-dokumenta/npaa>

⁴² NPAA implementation rate: <https://www.sigmaweb.org/publications/Monitoring-Report-2021-Serbia.pdf>

relevant policy planning documents and 78% agreeing that support for reporting on policy implementation is available.⁴³

Principle 4: Public policies are developed based on evidence and analysis, following clear and consistent rules for law making; laws and regulations are easily accessible.

The national policy framework for better regulation, including RIA and use of evidence during policy making, is well established. However, there are still challenges in the observance of RIA standards. Although RIAs are performed for 63% of all draft laws, the quality of analysis is underdeveloped. The perceived clarity and stability of government policy making by businesses are rather low.

Indicator 4. Use of evidence and impact assessment during policy making, and quality and accessibility of laws		2024 indicator value	65/100
Sub-indicators		Points	
1.	Strength of the national policy framework for better regulation	3/3	
2.	Effectiveness of internal co-ordination and procedures for evidence-based policymaking in ministries	1.6/5	
3.	Comprehensiveness of the regulatory impact assessment (RIA) system, and consistency and quality of implementation	18.7/33	
4.	Effectiveness of regulatory oversight, central guidance and support for RIA	6.6/9	
5.	Predictability, coherence and consistency of legislation	11.7/17	
6.	Accessibility and availability of laws	12.4/17	
7.	Effectiveness of the regulatory framework and special procedures and tools for evidence-based EU law transposition	11/16	

The general regulatory framework for evidence-based policy making is clearly established through the LPS and its Regulation on the Methodology of Public Policy Management, Impact Analysis of Public Policies and Regulations, and Content of Individual Public Policy Documents, as well as through the RoP.⁴⁴ These documents set out the key steps that must be followed when proposals for government approval are prepared, including the scope, process and quality control of impact analysis before and after the adoption of a new regulation. Moreover, since 1 January 2024, the MoF has rolled out the FIA information technology (IT) system for collecting data on budget impact assessment. The application is used by all responsible institutions and helps them to develop more consistent estimates.

There is also a specific strategy for better regulation, co-ordinated by the PPS, the Programme for Improving Public Policy Management and Regulatory Reform for the period 2021-2025, which sets out priorities and measures related to improving the business environment and decreasing the burden for citizens and businesses.⁴⁵

RIAs are required for both primary and secondary legislation. They are expected to assess both a “do nothing” and alternative options, and to review budgetary impacts, socioeconomic and environmental impacts, impacts on SMEs and administrative-burden impacts and institutional impacts. In addition, there is a distinction between full and basic RIAs, depending on the estimation of overall impacts. RIA is required

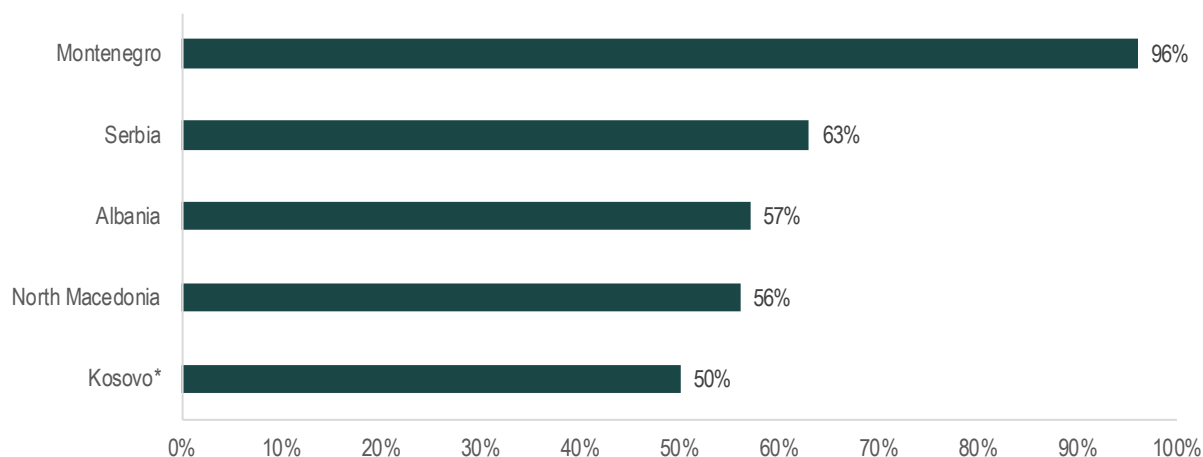
⁴³ SIGMA Survey of Public Servants on public administration in the Western Balkans 2024.

⁴⁴ Minimum basic requirements and standards for conducting analysis of impacts and risks are established by the regulation on the Methodology of Public Policy Management, Impact Analysis of Public Policies and Regulations, and Content of Individual Public Policy Documents; namely, in Article 49, which prescribes minimum quality standards for conducting RIAs. Article 39 of the RoP requires that ministries prepare the budgetary impact assessment for each draft act submitted to the Government.

⁴⁵ Official Gazette, No. 021-10359 / 2021-2, adopted 18 November 2021: https://rsjp.gov.rs/wp-content/uploads/PPM_RR_Programme_final.pdf

for laws and by-laws which significantly change the way of realising the rights, obligations and legal interests of natural and legal persons (Article 41 of the LPS), but in practice the scope of RIAs for laws is not particularly high. In 2023, the share of draft laws for which an RIA was prepared was 63%, while the share of Government-approved regulations for which an RIA was prepared was 32% (Figure 11).

Figure 11. Scope of RIA for primary legislation, 2023



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: SIGMA calculations based on data provided by the governments.

While the overall system is relatively complete in comparison with other countries in the region, attention is needed to ensure that quality control is done consistently and in a co-ordinated manner, for example with respect to assessment of financial impacts.

In terms of support for ministries, the Manual for Regulatory Impact Assessment provides solid guidance to carry out a comprehensive/broad RIA for different types of policies with respect to different impacts.⁴⁶ The PPS website contains a number of additional tools and guidance, including the Guide for the Calculation of Costs for Planning Documents and Regulations.⁴⁷ Furthermore, although evidence was not provided to confirm that quality control is carried out for all draft laws, a review of sample RIA reports confirmed that the PPS checked all five draft laws and published its opinion in the RIA database.⁴⁸

Despite the availability of methodological support, the quality of RIAs remains inadequate. An analysis of a sample of RIA reports for draft laws in 2023, for example, suggested that ministries generally do not analyse alternative options for addressing the issues in question. Moreover, RIA reports for draft laws that transpose EU directives do not always make reference to EU impact assessments. Overall, however, the system is relatively comprehensive and, when surveyed, 75% of public servants considered the guidance and support that the relevant CoG body had provided during the preparation of RIAs to be adequate.⁴⁹

⁴⁶ The Manual is available at: <https://rsjp.gov.rs/wp-content/uploads/Prirucnik-za-analizu-efekata-javnih-politika-i-propisa-21012021-1-srb.pdf>. Additional guidance is provided in the Manual for managing public policies.

⁴⁷ The Guide for the Calculation of Costs for Planning Documents and Regulations is available at: <https://rsjp.gov.rs/en/calculation-of-costs-for-planning-documents-and-regulations/>

⁴⁸ PPS check of draft laws: https://rsjp.gov.rs/cir/misljenja-na-propise-i-djp/?godina=&tip_misljenja=misljenja&pretraga=&prikazi=20#misljenja-filter

⁴⁹ SIGMA Survey of Public Servants in the Western Balkans 2024.

With respect to drafting new legislation, the Unified Drafting Methodology Rules⁵⁰ establish rules and procedures for policy development and legal drafting, while the Secretariat for Legislation has issued a methodology for the preparation of secondary legislation and it acts as the CoG quality-control body for legal texts.⁵¹

The process of central review appears to work relatively well in practice, although data on the consistency of review were not provided. Based on the analysis of a sample of draft laws, the Secretariat for Legislation reviewed and provided opinions on all five sample draft laws before approval. The MEI is responsible for reviewing the alignment of draft legal texts with EU regulations. Tables of concordance are consistently prepared and included in the supporting documentation for draft laws, as are MEI opinions on the drafts and on the tables of concordance.

Although only 3% of laws were amended within one year of adoption in 2023 (a slight increase compared to 2021), the perceived clarity and stability of government policy making by businesses is rather low. Only 49% of surveyed business representatives consider that laws and regulations affecting their company are clearly written, are not contradictory, and do not change too frequently (similar to the 51% reported in 2021).⁵²

⁵⁰ The Rules were published in the Official Gazette, No. 21/2010, and are also available at: <http://www.parlament.gov.rs/upload/documents/brochures/Pravila%20propisi%20ENG.pdf>

⁵¹ The rules that the Unified Drafting Methodology Rules established are applied to the drafting of laws, decisions, and RoP of the National Assembly, and are accordingly applied to other general acts that the National Assembly has passed. The methodology for drafting by-laws that the Government adopted establishes methodological rules for drafting by-laws adopted by the Government and state administration bodies (ministries and special organisations). The rules established by that methodology are applied, specifically, to the drafting of ordinances and decisions, as well as to the drafting of regulations, orders, and instructions (regulations of state administration bodies); accordingly, they are also applied to other general acts that, in accordance with the law, the Government has adopted.

⁵² SIGMA Survey of Businesses on public administration 2024.

Principle 5: All key external and internal stakeholders and the general public are actively consulted during policy development.

Although the general standards for public policy consultations are set in the legal framework, there is no effective quality control of public consultations that line ministries conduct and no designated institution to undertake such quality controls. Only about half of draft laws are published for consultation. The mandate for the management of the central e-consultation portal has just been clarified and could improve its use. The outcomes of results of interministerial consultations are not always reported in terms of accepted/non-accepted comments.

Indicator 5. Functioning of consultations during policy development		2024 indicator value	34/100
Sub-indicators		Points	
1.	Effectiveness of procedures for public consultation and stakeholder engagement during policy development	8.5/35	
2.	Quality and effectiveness of public consultation practices in selected cases	8.2/25	
3.	Procedures for an effective interministerial consultation process	10/15	
4.	Quality and effectiveness of interministerial consultation practices in selected cases	7/25	

Public consultation for public policy documents, laws and secondary legislation is regulated by the LPS, the Law on State Administration (LSA) and the Rules of Procedure of the Government (RoP).⁵³ The requirement to organise a public debate for laws is specified in the LSA and RoP, with more detailed guidance provided in a separate rulebook.⁵⁴ The LPS also mandates public consultation for strategies. Article 77, paragraph 5 of the LSA, prescribes the implementation of consultations for secondary legislation, in the same way that consultations are conducted for laws that are additionally elaborated by those acts.

The LPS, the Law on Public Agencies (LPA) and the RoP are only partially aligned, which makes the system more complex and opens a space for different interpretations of the applicable rules when consultations/public debate are conducted. There is divergence in the provisions regulating the scope of legal acts for which consultations or public debate are mandatory (and the exceptions), and this may contribute to a relatively low rate of public consultation by ministries.

Another complicating factor is that the public consultation process includes two distinct elements: “consultations” in the early stage of designing a new law and “public debates” on the draft act/policy proposal itself. In practice, the initial phase of consultations has not yet been fully recognised as an integral part of the policymaking process, and ministries often do not carry it out.

A further issue is the relative underuse of the e-consultation system, which was designed to simplify the work of the ministries in managing public consultations and to increase the number of public consultations. The recent reassignment of the mandate to manage the system to the PPS should help to increase its use.

The requirements for the minimum duration for public consultation are established, but they differ by regulation and range. The minimum period for conducting consultations on systemic laws is 15 days, while

⁵³ LPS, No. 30 of 20 April 2028, Official Gazette, No. 30/18, Article 34; LSA, No. 79 of 16 September 2005, Article 77; The RoP of the Government, No. 51 of 11 July 2006, Official Gazette, No. 51/06, Article 41.

⁵⁴ Rulebook on Good Practice Guidelines for Public Participation in the Preparation of Draft Laws and Other Regulations and Acts, published in Official Gazette, No. 51/19, available at: https://pravno-informacioni-sistem.rs/eli/rep/sgrs/ministarstva/pravilnik/2019/51/5/ulebook_reg

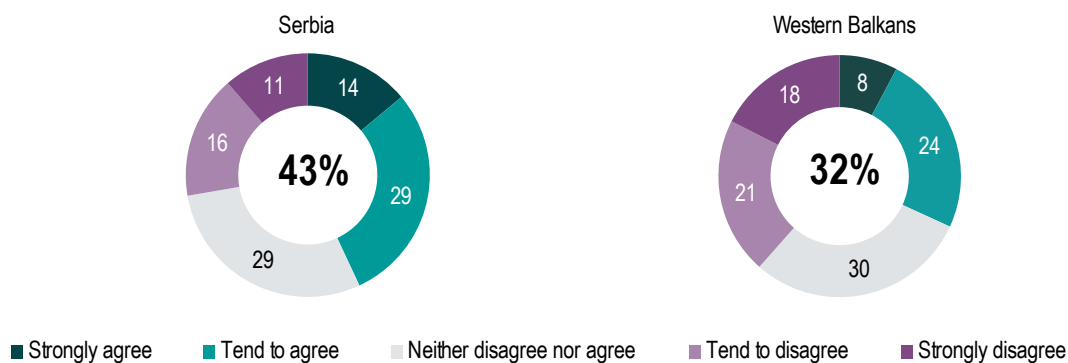
for laws and subordinate acts, it is 7 days. There is room for better alignment of the defined timelines for consultations and public debates.⁵⁵

No central oversight body is assigned to review the process or outcome of consultations. According to the RoP,⁵⁶ the GSG evaluates whether materials submitted for the government's consideration meet procedural requirements. Although the PPS does not have a formal mandate to review the consultation process or its outcomes, it may do so as part of its oversight function related to impact assessment.

Even without a formally designated central oversight body for public consultation, 76% of civil servants surveyed agree that guidance for conducting public consultation is available.⁵⁷

The consistency in conducting public consultations remains low. Of all draft laws and sectoral planning documents that the Government adopted in 2023, only 56% were published for public consultation. The SIGMA Survey of Citizens reports that while only 43% of Serbian citizens believe they are consulted when new legislation or other policy documents are developed, the figure is higher than the Western Balkan average (Figure 12).

Figure 12. Citizen perception of public consultation practices



Note: Percentage of valid responses to the question: "To what extent do you agree or disagree with the following statement?" The government consults and involves stakeholders from the private sector and civil society when developing new legislation or other policy documents". The percentage in the middle is the share of the respondents who answered "strongly agree" or "tend to agree".

Source: SIGMA Survey of Citizens on public administration in the Western Balkans 2024.

The process and quality of public consultations carried out in 2023 remain insufficient. An analysis of a selection of draft laws and draft strategies from various ministries indicates shortcomings similar to those identified during 2021 assessment. Public consultations are not announced in advance, and the use of public consultation methods beyond written consultation remains limited. Reports on the outcomes of

⁵⁵ The minimum duration of the public debate on draft laws is set in RoP, Article 41, establishing that the "deadline for submission of initiatives, proposals, suggestions and comments in written or electronic form is at least 15 days from the date of publication of the public call. The public debate lasts at least 20 days." The LPS does not prescribe minimum duration for public consultation of strategies. Article 3 of the Rulebook on good practice guidelines for achieving public participation in the preparation of draft laws and other regulations and acts (Official Gazette, No. 51/19) establishes that a deadline for submission of proposals and objections to the published basic information on the draft law cannot be shorter than seven days from the day of their publication on the proponent's website and e-Consultation portal. If it is a draft law of special interest to the public, the deadline for submission of objections and proposals is a minimum of 15 days from the day when the document for the preparation of the draft law is published on the proponent's website and the e-Consultation portal.

⁵⁶ RoP, Article 50.

⁵⁷ SIGMA Survey of Civil Servants in the Western Balkans 2024.

public consultations are not consistently prepared and made publicly available as required by regulations,⁵⁸ preventing participants in consultations from seeing the impact of their contributions.

The requirements for interministerial consultation of policy proposals are established. The regulatory framework sets out the scope and procedure for interministerial consultation of all draft Government-approved legislation (primary and secondary) and for draft sector policy planning documents that the Government has adopted.⁵⁹ The Secretariat for Legislation and the MoF must be consulted on all draft proposals, the PPS's opinion must be obtained on matters related to impact assessment and the MEI's opinion is obligatory for draft proposals that align Serbian regulations with *acquis*. Other institutions are consulted when the scope of the proposal concerns their competence.

A clear minimum duration for interministerial consultation is not established. Article 47 of the RoP defines only the maximum duration within which the opinion must be provided: a standard 10 working days, and 20 working days allocated for draft system laws. Since the submission dates of draft laws and strategies to the Government were not available, it was not possible to analyse the time allowed for interministerial consultations. Interviews with line ministries suggested that in some cases significantly shorter deadlines are given in practice, which means the ministries may need to provide their opinions with insufficient time to thoroughly review the draft documents.

The obligation to inform the Government about the outcomes of interministerial consultations is stipulated in RoP Article 39a, which requires proponents of draft acts to attach a statement on the co-operation achieved with authorities, organisations and bodies providing opinions based on special regulations, but not with other ministries or agencies. If certain objections from authorities, organisations and bodies were not accepted, the statement should also state the reasons for the rejection. An analysis of sample draft laws and strategies shows that ministries usually provide supporting documentation (explanatory notes, RIA reports, etc.) necessary for consultation, but do not submit an overview of accepted or rejected comments of other ministries or CoG bodies consulted during interministerial consultation.

Government commissions, as permanent working bodies, act as the basic conflict-resolution mechanisms in the decision-making process at the top administrative level, before government sessions.⁶⁰ While this channel can iron out differences of opinion, legislation can progress without written explanation of diverging perspectives.

⁵⁸ RoP, Article 41.

⁵⁹ Specifically, RoP, Article 46, stipulates the institutions that must provide their mandatory opinion for all acts that the Government has adopted. LSA, Article 77, stipulates the obligation to consult other public administration bodies when preparing sub-legal acts.

⁶⁰ RoP, Articles 9 and 19.

Principle 6: Public policies are effectively implemented and evaluated, enhancing policy outcomes and reducing regulatory costs and burdens.

The average reported implementation rate of activities in sector planning documents is low (37%), and the average reported fulfilment rate of objectives of such documents is even lower (22%). Despite the established regulatory framework and available guidelines, the capacities of line ministries to implement sector strategies and integrate evaluations into the policymaking cycle are underdeveloped. There has been progress in the overall steering of administrative simplification, but the visibility of tools promoting regulatory compliance by businesses remains low. The co-ordination of inspection controls has improved through the work of Co-ordinating Commission and related working groups.

Indicator 6. Effectiveness of policy implementation, evaluation and simplification		2024 indicator value	34/100
Sub-indicators		Points	
1.	Effectiveness of policy implementation	2.8/30	
2.	Timeliness of adoption of mandatory by-laws	0/10	
3.	Monitoring and evaluation of policy implementation	4/20	
4.	Application of administrative simplification measures	20/20	
5.	Preconditions for conducting inspections in a proportional manner	4/5	
6.	Perceived availability of tools promoting regulatory compliance by businesses	2.9/5	
7.	Application of international regulatory co-operation	0/10	

Although regulations establish requirements for policy planning, monitoring and evaluation, actual policy implementation, including sector strategies, is quite weak. An analysis of five sector strategy reports⁶¹ shows that only 37% of activities and 22% of objectives are implemented. The adoption of mandatory by-laws has deteriorated compared to the 2021 assessment; none of the 14 required by-laws were adopted within the legally required time frame, compared to an estimated 30% enactment rate in 2020.

Guidelines with instructions and good practices on how to plan and conduct policy evaluations or ex-post impact assessments are available in the LPS and in several related regulations.⁶² These regulations stipulate the methodology for the performance evaluation of a public policy (Article 67) and method for the performance evaluation of a regulation (Article 68). However, no precise criteria are established in law or in guidance documents to identify which policies are liable for evaluation. Furthermore, no institution is specifically responsible for co-ordinating the Government's approach to evaluation or for providing practical guidance and support to ministries to plan and conduct the policy evaluations.

⁶¹ The following reports were included in the sample: Annual report for 2022 on the implementation of the Action Plan for 2021-2023 for the implementation of the industrial policy strategy of the Republic of Serbia from 2021 to 2030, Annual report for 2022 on the implementation of the Action Plan for 2021-2023 for the implementation of the Information Society and Information Security Development Strategy, Annual report for 2022 on the implementation of the Action Plan for the period from 2021 to 2023 for the implementation of the Employment Strategy in Republic of Serbia for the period from 2021 to 2026, Annual report for 2022 on the implementation of the Action Plan for 2021-2025 for the Public administration reform Strategy 2021-2030, Annual report for 2022 on the implementation of the Action Plan for the period from 2021 to 2025 for the implementation of the Programme for the Improvement of Public Policy Management and regulatory reform.

⁶² Notably the Regulation on the methodology of public policy management, impact analysis of public policies and regulations, and the content of individual public policy documents, as well as in the Public Policy and Regulatory Impact Assessment Handbook. Key questions regarding the evaluation of the performance of public policy are provided in Appendix 12 of this Regulation.

The capacities of line ministries to integrate evaluations into the policymaking cycle are underdeveloped. The small number of recent ex-post evaluations appear to have been predominantly driven by international donors, with the support of external experts.

With respect to administrative simplification, PPS has been assigned overall responsibility for promoting good regulatory practice, including a register of administrative procedures designed to monitor the impact of regulations.⁶³ Indeed, the PPS-administered Portal for the Register of Administrative Procedures (RAP)⁶⁴ won a European Public Sector Award for public-sector innovation. According to the Law of Planning System, all new draft laws and regulations go through regulatory impact assessment (RIA), which should include an analysis of administrative burdens. PPS has issued guidance on how to assess administrative burdens through an RIA report. However, the practice of ex-ante assessment of administrative burden is not well established.

Administrative simplification of existing policies has improved thanks to the implementation of the PPS-led “ePaper” programme, under which 451 procedures have been optimised and 99 digitalised. Furthermore, citizens and businesses can suggest simplifications via a designated public form on the ePaper and RAP websites.

Nonetheless, the visibility of tools promoting regulatory compliance by businesses remains low. Only 56.5% of business representatives agree that information and guidance on the application of regulatory requirements affecting their company are easy to obtain from the authorities.⁶⁵

Overall, central co-ordination of inspections is well-established by law, and there are provisions to promote co-ordination and co-operation among inspectorates in planning and conducting inspections.⁶⁶ In addition to co-ordination by the inspectors themselves, a more comprehensive supervision and avoidance of overlapping and repetition is ensured by the Co-ordination Commission⁶⁷ and through working groups for joint inspection planning. Based on this joint planning process, inspectors from various ministries conduct inspections in small teams to avoid unnecessary administrative pressure. In terms of targeting inspections to where they have the most impact, responsible ministries use risk analysis as the basis for developing their inspection plan.⁶⁸

Regarding communication with stakeholders, a series of video tutorials has been developed and posted on the Co-ordination Commission website⁶⁹ to explain the purpose of inspections and key steps in the inspection process. At the same time, due to the fragmentation of inspection authority across national, regional and local administrative levels, explanation of the competencies of different actors and the steps taken to limit the administrative burden on citizens and businesses remains insufficient.

⁶³ Based on the Law on Register of Administrative Procedures, Official Gazette, No. 44/2021, Article 4, the PPS establishes and manages the Register, to ensure the implementation of regulatory reform and the analysis of the effects of regulations, with the technical support of the Office of Information Technology and eGovernment.

⁶⁴ The Register is available at: <https://rap.euprava.gov.rs/privreda/home>

⁶⁵ SIGMA Survey of Businesses on public administration 2024.

⁶⁶ The Law on Inspection Supervision, Official Gazette, Nos. 36/2015, 44/2018 and 95/2018, prescribes the co-ordination of inspection activities. The Law on Inspection Supervision, Article 11, paragraph 1, stipulates that increasing the comprehensiveness and effectiveness of inspection supervision and avoiding overlapping and unnecessary repetition of inspection supervision is ensured through mutual co-operation in determining the work programme and co-operation in the process of performing independent or joint inspection supervision; Law on Inspection Supervision, Article 12.

⁶⁷ More information on the Co-ordinating Commission for Inspections is available at: <https://inspektor.gov.rs>

⁶⁸ Law on Inspection Supervision, Article 10.

⁶⁹ <https://inspektor.gov.rs>

Principle 7: The parliament effectively scrutinises the government policymaking and ensures overall policy and legislative coherence.

The regulatory framework for parliamentary scrutiny of policymaking is generally well established. The openness and transparency of the Parliament's legislative work could be improved. The National Assembly does not publish regular annual reports, and information on the status of laws is incomplete. Laws are generally processed without delay; the majority are adopted in less than 20 days on average. Public consultations on MPs' sponsored draft laws are not held. The National Assembly is not obligated to carry out an ex-post evaluation of the implementation of the laws, nor must it prepare reports about the results of such evaluations.

Indicator 7. Effectiveness of parliamentary scrutiny of policymaking		2024 indicator value	60/100
Sub-indicators		Points	
1.	Regulatory framework for parliamentary scrutiny of policymaking	10/10	
2.	Government participation in parliamentary discussions	8/8	
3.	Openness and transparency of the legislative work of the parliament	4.8/14	
4.	Planning and co-ordination of legislative activities between government and parliament	7.9/12	
5.	Timeliness of parliamentary processing of draft laws submitted by the government	10/10	
6.	Completeness of supporting documentation for draft laws submitted to the parliament	0/10	
7.	Use of extraordinary or shortened proceedings for the adoption of government-sponsored draft laws	9.1/12	
8.	Quality of law making by members of parliament (MPs)	4/16	
9.	Parliamentary review and evaluation of the implementation of policies	6/8	

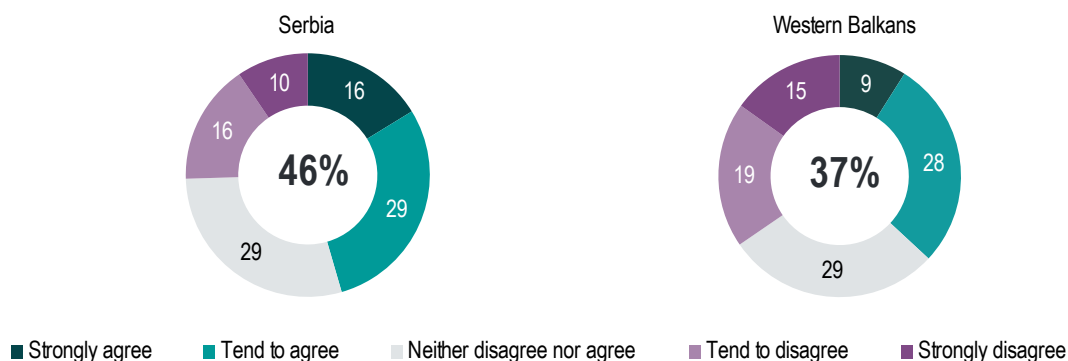
The regulatory framework for parliamentary scrutiny of policymaking is generally well established. The Rules of Procedure of the National Assembly⁷⁰ enable the National Assembly to carry out a comprehensive oversight function over the government, and they establish criteria and rules on when and how non-standard procedures for parliamentary scrutiny and approval can be used.

The openness and transparency of the Parliament's legislative work could be improved. Results of individual MPs' voting during plenary sessions are not available on the official website, nor is full information about the status of all individual draft laws.⁷¹ The website only separates adopted laws from those that are in process. Proposed amendments are not available on the parliamentary website. Limited supporting information – such as explanatory notes, opinions and RIA reports – is provided along with draft laws. The National Assembly does not publish regular reports on its legislative activities. Fewer than half of all citizens agree that the process of how laws are made in Parliament is open and transparent to the public (though this is still above the regional average) (Figure 13).

⁷⁰ The Rules of Procedure of the National Assembly of the Republic of Serbia, Official Gazette, No. 20/12 (consolidated text), Articles 204-229.

⁷¹ Parliament website: <http://www.parlament.gov.rs/akti/zakoni-u-proceduri/zakoni-u-proceduri.1037.html>

Figure 13. Citizen perception of openness and transparency of parliamentary law-making



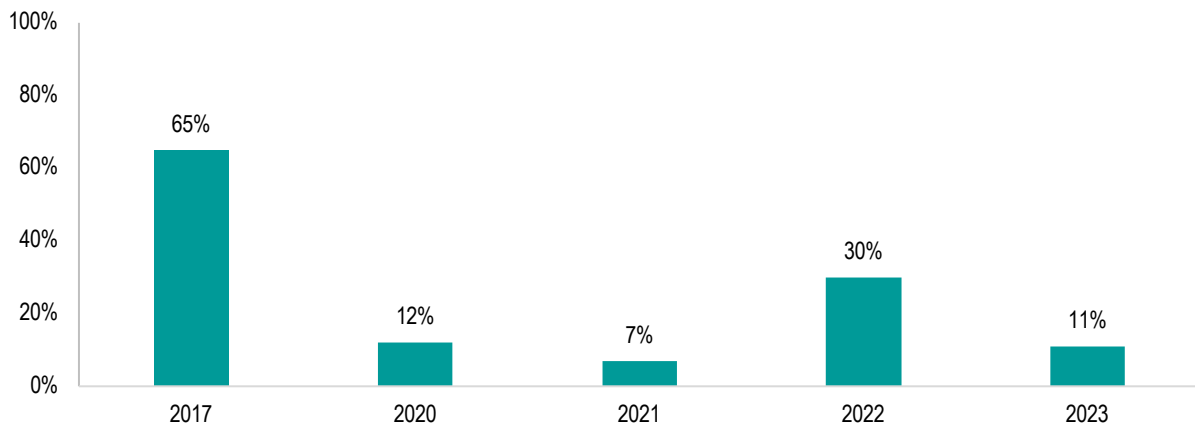
Note: Percentage of valid responses to the question: "To what extent do you agree or disagree with the following statement? The legislative process, how laws are made in Parliament, is open and transparent for the public". The percentage in the middle is the share of the respondents who answered: "strongly agree" or "tend to agree".

Source: SIGMA Survey of Citizens on public administration in the Western Balkans 2024.

The planning and co-ordination of legislative activities between the Government and the Parliament is still to be developed. There are no minutes/records of meetings between parliamentary and governmental officials to discuss legislative priorities and agendas. While the Parliament plans its legislative work based on the work plan that the Government has submitted, the alignment rate between planned and actually submitted draft laws that the Parliament approved in 2023 is still low (58%).

The timeliness of parliamentary processing of draft laws that the Government has submitted is good. Of 36 draft laws that the Government submitted in 2022, all were processed within 12 months. That said, the analysis of the processing duration suggests that, on average, MPs have only 25 days to deliberate and adopt draft laws, with 83% of draft laws being adopted in less than 20 days.⁷² The rate of use of non-standard scrutiny proceedings for adoption of Government-initiated draft laws is not transparent enough to allow a clear picture of whether extraordinary procedures are over-used.

⁷² Compared to other Western Balkans administrations, the next available shortest time frame for deliberation and adoption is 63 days in Albania.

Figure 14. Share of Government-initiated laws adopted in non-standard procedure

Source: Based on National Assembly data and from public sources.

The completeness of supporting documentation for draft laws submitted to the Parliament should be improved. While Article 41 of the RoP requires the preparation of the report on conducted public consultations for all draft laws submitted to the Government, the Parliament's Rules of Procedure do not require the consultation report as a compulsory part of supporting documentation. The list of laws that the Government submitted to the Parliament in 2023 does not include information on supporting documents. Therefore, it could not be confirmed that the Parliament received all supporting documentation.

According to Article 151 of the Rules of Procedure of the Parliament, the MPs as initiators of draft laws must provide an explanatory statement including an analysis of the policy problem, objectives, reasons for proposing the law, and basic analysis of the impacts of the proposal. The draft laws can also be accompanied by the RIA report, but this is not as a requirement. There is no requirement for MPs to consult with key affected stakeholders when preparing draft laws before these are officially registered for parliamentary scrutiny. It was not possible to comprehensively assess the quality of MP-initiated draft laws, as the Parliament did not adopt any of these in 2023. The two MP-initiated laws adopted in 2022 were technical in nature and lacked substantial analysis or evidence of conducted consultations.

The National Assembly is not obligated to carry out an ex-post evaluation of the implementation of the laws, nor must it prepare reports about the results of such evaluations. In other words, despite the possibility that the RoP provide,⁷³ there are no formal requirements and no established mechanisms to carry out regular ex-post reviews of the implementation of adopted laws.

The National Assembly did not prepare or publish any evaluation reports during 2023. The interviews with the Parliament administration and a search of its website confirmed the absence of ex-post evaluation reports for adopted laws.

An analysis of web archives of National Assembly public hearings confirms that the review of the implementation of adopted laws is generally not included in the agenda of these hearings.⁷⁴ There was one public hearing in 2021, on the implementation of the UN Agreement on Climate Change, as well as one hearing in 2019, on the National Report on the implementation of the Sustainable Development Goals.

⁷³ The Rules of Procedure of the National Assembly, Articles 228 and 229, 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, implementation of laws or other acts, but also require ministers to inform the competent parliamentary committees about the work of their ministries every three months.

⁷⁴ National Assembly: <http://www.parlament.gov.rs/prenosi/arhiva.3703.html>



Public service and human resource management

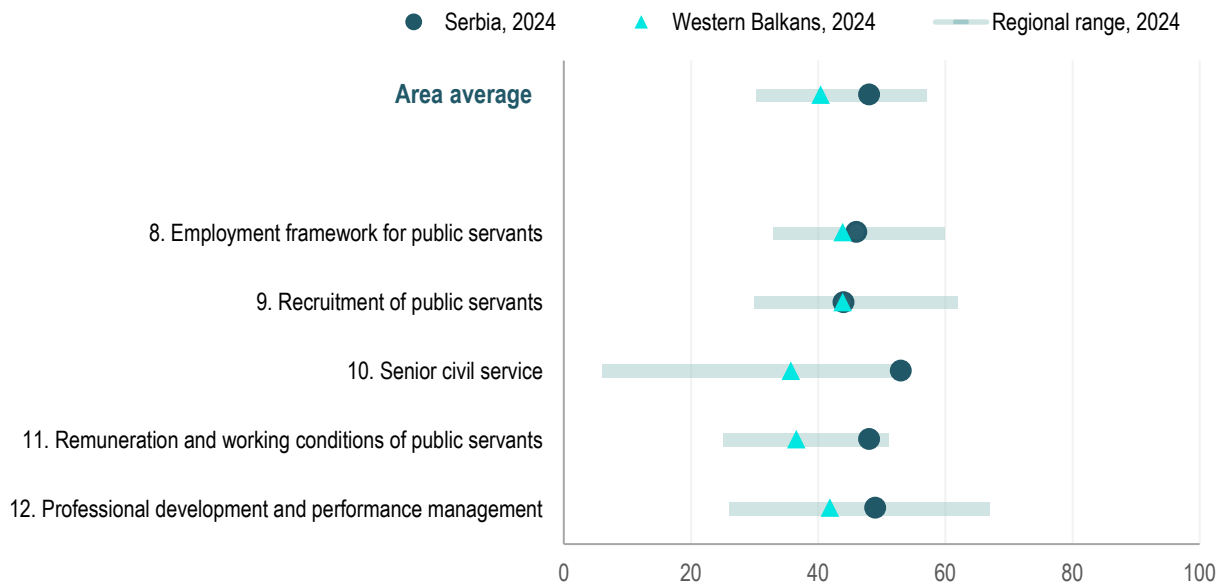
Public servants act with **professionalism, integrity** and **neutrality**. They are recruited and promoted based on merit and equal opportunities and have the right competencies to deliver their tasks effectively.

The Principles of Public Administration

- Principle 8** The employment framework balances stability and flexibility, ensures accountability of public servants and protects them against undue influence and wrongful dismissal.
- Principle 9** Public administration attracts and recruits competent people based on merit and equal opportunities.
- Principle 10** Effective leadership is fostered through competence, stability, professional autonomy and responsiveness of accountable top managers.
- Principle 11** Public servants are motivated, fairly and competitively paid and have good working conditions.
- Principle 12** Professional development, talent and performance management enhance the skills, efficiency and effectiveness of public servants and promote civil service values.

Summary and recommendations

Figure 15. The overall indicator values in the public service and human resource management area



Notes: Area average is a simple average of the Principles within the area. Western Balkan average is calculated as a simple average of all administrations.

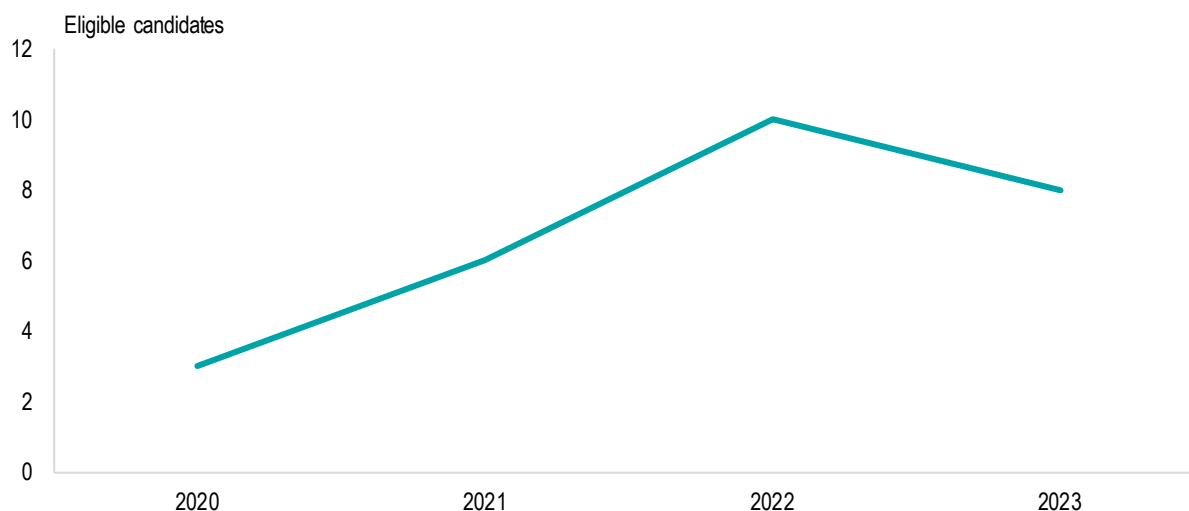
Political and institutional responsibilities for the public service are well established. The Ministry of Public Administration and Local Self-Government (MPALSG) is responsible for the public service legislation. The Human Resource Management Service (HRMS), acting as a central co-ordinating body for human resource management (HRM), **has improved its capacities** in recent years. The public service policy as a part of the Public Administration Reform (PAR) Strategy meets the quality standards, with moderate implementation (52% of planned activities for 2023 were implemented). The **human resource management information system (HRMIS) was recently developed but has not yet been rolled out to public administration bodies**. While the Law on Civil Service (CSL) regulates all relevant aspects and has a broad scope of application, most **regulatory bodies and some other public administration bodies** (for example, the National Employment Service) **are excluded from its application**.⁷⁵ Public servants are protected against unfair dismissal and demotion, but there is still room for improvement. Disciplinary procedures are well regulated. It is impossible to assess the practice, however, as data on the outcome of appeals to courts against disciplinary measures and dismissals are missing. **Temporary employment is used excessively**. Around 10% of civil servants are employed on a temporary basis, mostly for an allegedly temporarily increased workload.

Recruitment is based on a **competency model**, and a wide range of techniques are used to assess competencies, knowledge and skills. Since the 2021 assessment, the competency model has been increasingly rooted in HRM practices. The competency framework is flat: it does not differentiate proficiency levels, except for managerial positions. **New approaches have been introduced to attract talent**; for example, the HRMS has developed a user-friendly website for candidates ("KUTAK"). **The average number of eligible candidates increased** over the past few years and reached eight in 2023. In spite of the legal obligation, **the Government has not yet adopted the HRM plan** and, as a

⁷⁵ The fact that the National Employment Service (NES) is not included in the CSL had a significant impact on the indicator values, as the Assessment Methodology defines the "employment agency" (in the case of Serbia, the NES plays this role) as one of the sample institutions. Given that the NES does not apply the CSL, they could not provide files for the assessment of a number of criteria relating to the practice of implementation.

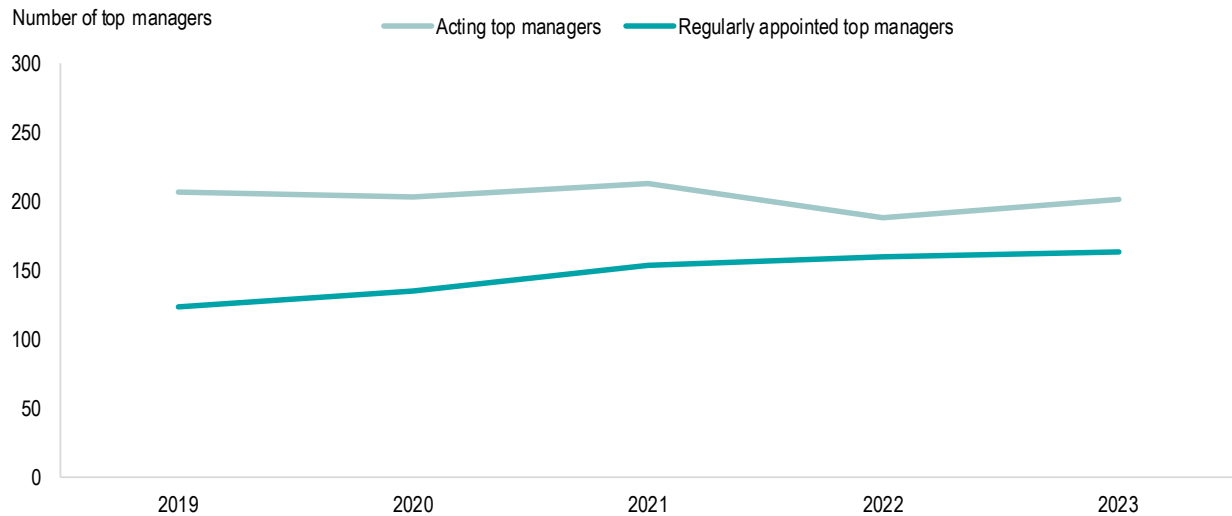
consequence, **administrative bodies need to submit individual new recruitments to a burdensome bureaucratic procedure** of approval by a government commission.

Figure 16. Average number of eligible candidates per announced vacancy



Source: HRMS.

Top public service management is clearly distinguished in the legislation. The recruitment system for top managers formally ensures independent, professional assessment, followed by discretionary selection from a shortlist of candidates. Nevertheless, **recruitment procedures lack competitiveness** as the number of eligible candidates is very low (only about 5% of recruitment procedures attracted at least five candidates in 2023). The attractiveness of positions is low due to, at the least, insufficient financial motivation (the ratio between a top manager's salary and the nominal GDP per capita is significantly lower than the EU and OECD average) and career risks (early end of term, e.g., through reorganisations, job uncertainty after the end of term). On the other hand, the vast majority of top managers participate in training. Some 46% of top managers are women, a share exceeding the average for OECD Members. The problem of **excessive use of acting top public management (TPM) appointments** persists: a majority of TPM positions are still occupied on an acting basis, although the share of regularly appointed top managers has slightly increased. The **turnover at the top management level is relatively low**, which can be attributed to the high degree of political stability (the same ruling party leading the government since 2012).

Figure 17. Acting and regularly appointed TPM, 2019-2023

Source: HRMS.

While the salary system is sound, different base values for the calculation of the base salary for a few groups of public servants undermine compliance with the “equal pay for equal work” principle across public institutions. The centralised payroll system, “ISKRA”, managed by the Ministry of Finance (MoF), provides an opportunity to access a broad variety of analytical data; however, its use for evidence-based policymaking and enhancing transparency of salaries remains suboptimal.

Public servants with higher education earn 91% of the average salary for this level of education in Serbia; more precise data about comparability of salaries for similar types of jobs (by responsibility and complexity) in the public service and private sector, which would enable a comprehensive analysis of salary competitiveness, are not available. Flexible working schedules and teleworking are practically non-existent. Voluntary turnover is low, at 1.9% in 2023. A strong majority (67.8%) of public servants responding to the SIGMA Survey of Public Servants would recommend their organisation as a good place to work.⁷⁶ The HRMS monitors civil servants' job satisfaction and uses the results in periodical reports on turnover, which are submitted to the government. The performance management system is based on team performance (organisational units set the objectives). As the issue of inflation of ratings persists, however, performance assessments have limited value. The training system is well established and is managed by the National Academy of Public Administration (NAPA) on the basis of a training needs assessment (TNA).

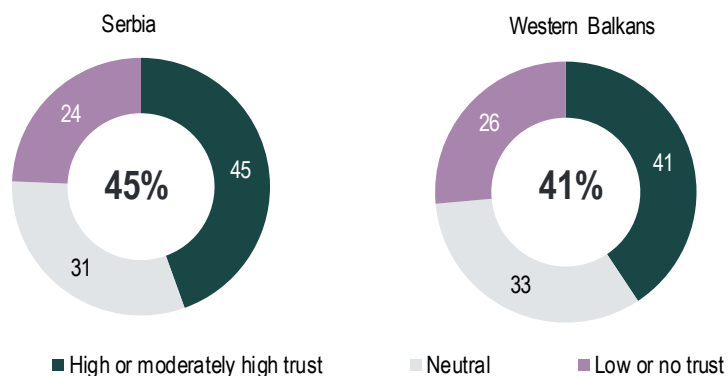
Citizens' trust in civil servants in Serbia is 45%, slightly higher than the regional Western Balkan average (41%).⁷⁷

⁷⁶ SIGMA Survey of Public Servants on the functioning of public administration in the Western Balkans 2024.

⁷⁷ Trust is an important indicator of how people view and evaluate their government institutions. The OECD has developed a comprehensive framework to understand what drives trust in public institutions and applies this framework in the biennial OECD Trust Survey (OECD, 2021), which up to now has been implemented in OECD member countries and Brazil. The OECD Trust Survey examines what affects trust by measuring people's perceptions of government competence (reliability and responsiveness) and values (integrity, fairness, and openness), then connecting these factors to trust levels across various institutions. More information can be found here: https://www.oecd.org/en/publications/oecd-survey-on-drivers-of-trust-in-public-institutions-2024-results_9a20554b-en.html

Recognising trust as a valuable indicator of public governance performance, the SIGMA Survey of Citizens on public administration—while distinct from the OECD Trust Survey—includes specific questions about trust in public institutions to complement existing indicators from the Assessment Methodology.

Figure 18. Citizen trust in civil servants



Notes: Percentage of aggregated responses to survey questions: "How much trust do you have in the civil servants? Using a 5-point scale where 1 means you don't trust it at all and 5 means you completely trust it". 1-2 = Low or no trust, 3 = Neutral, 4-5 = High or moderately high trust. The percentage in the middle is the share of respondents who answered "trust completely" or "tend to trust". Source: Serbia and Western Balkans data: SIGMA Survey of Citizens on public administration in the Western Balkans 2024.

Overall, the existing legal framework, institutional set-up and related strategies and guidance in public service and human resource management are largely in line with the Principles of Public Administration. However, day-to-day implementation and results in the area include more gaps and weaknesses.

Figure 19. State of play in public service and human resource management by type of criterion



Notes: The results are split. The first combines points from legislation, policy and guidance, and institutional set-up. The second aggregates points from implementation practice and results. The percentage in the centre represents the ratio of points in relation to the maximum.

Recommendations

1. The Government should take the necessary measures, including proposing legislative changes, to enhance the attractiveness of top public management (TPM) positions and reduce the share of TPM positions occupied on an acting basis.
2. The Government should adopt the HRM plan (“kadrovski plan”) and abandon case-by-case decisions on recruitment requests.
3. The Government should limit the recruitment of civil servants on a fixed-term basis due to increased workload and introduce open competitions or at least an assessment of competencies for fixed-term hiring.
4. The HRMS should roll out the HRMIS and ensure its interoperability with other systems, including the ISKRA payroll system operated by the MoF. The Government should leverage the capacities of ISKRA for enhancing transparency of salaries and providing an analytical, evidence-based approach to HRM.
5. The Government should propose legislative changes to extend the CSL's application to public agencies, including regulatory bodies, while maintaining certain special regulations and/or adjusting CSL provisions, if necessary.
6. The Government should introduce, including through legislative proposals if needed, flexible working arrangements and the possibility for public servants to work remotely or in a hybrid mode whenever relevant and possible, in agreement with managers.
7. The Government should undertake steps to transform the system of public servants' salaries from applying different values of the base amount for groups of public servants according to where they work to differentiating the base salaries according to job families.
8. Building on the good work done thus far, the Government should further develop the competency framework, including differentiating competency proficiency levels for diverse levels of positions and developing competency profiles for job families.

Analysis

Principle 8: The employment framework balances stability and flexibility, ensures accountability of public servants and protects them against undue influence and wrongful dismissal.

Political responsibility for the public service is well established, and a capable body, the HRMS, performs key central co-ordination of HRM functions. A coherent public service policy is in place, though its implementation is moderate. While the scope of application of the CSL is relatively broad, regulatory bodies are excluded and the Labour Code⁷⁸ applies. The absence of an operational HRMIS hinders the effective exercise of HRM. Temporary employment, which does not follow robust selection procedures, is used excessively, circumventing regular, merit-based recruitment procedures.

Indicator 8. Adequacy of the policy, legal framework and institutional set-up for a professional and accountable public service		2024 indicator value	46/100
Sub-indicators		Points	
1.	Existence of political responsibility for the public service	5/5	
2.	Clarity and implementation of public service policy	6.8/10	
3.	Clarity and adequacy of the material, horizontal and vertical scopes of public service legislation	8.8/10	
4.	Protection of neutrality and professionalism of public servants against undue influence	4.6/10	
5.	Quality of the disciplinary system	4/10 ⁱ	
6.	Objectivity and fairness of dismissal and demotion of public servants	2/14	
7.	Grounds and limits for temporary employment in the public service	3/5	
8.	Existence of central and capable co-ordination bodies	6/12	
9.	Capacities for professional HRM in public administration bodies	6/12	
10.	Existence of an effective HRM information system	0/12	

Note: i = data not available or not provided.

The political responsibility for public service is clearly attributed to the MPALSG.⁷⁹ The HRMS is the central co-ordination body for HRM, responsible for effective implementation of the legislation and policies. The NAPA is responsible for the training system and the High Civil Service Council (HCSC) for the recruitment of TPM.

The PAR Strategy for 2021-2030 includes a comprehensive section on public service and HRM. It encompasses broader public service, is based on a thorough analysis of the state of affairs and includes policy objectives and indicators. Most activities included in the Action Plan are costed, and institutional responsibility is assigned. However, the progress in its implementation is moderate. In 2023, the government implemented 52% of planned activities and achieved 58% of the set targets; the most effective implementation was in the area of professional development.

⁷⁸ Labour Code, Official Gazette No. 24/2005, with later changes.

⁷⁹ Law on Ministries, Official Gazette No. 128, 26 October 2022, with later changes; Article 11.

The CSL comprehensively regulates the material scope of the civil service.⁸⁰ Specific topics are regulated in more detail in other pieces of legislation: training and the functioning of the NAPA,⁸¹ remuneration of public servants⁸² and integrity of senior civil servants.⁸³ Some additional rights of civil servants are regulated in the Collective Agreement.⁸⁴

The CSL covers several employment statuses and applies to a broad scope of public institutions. It applies to civil servants, including senior ones (government-appointed), as well as to general service employees.⁸⁵ It also applies to employees in the cabinets of ministers and the Prime Minister, appointed for the term of office of their political superiors;⁸⁶ their employment cannot be transformed into permanent civil service tenure. The CSL applies not only to the central government administration but also to the administration of the parliament, the president, the Supreme Audit Institution (SAI) and the Ombudsperson, as well as to courts' and prosecutors' employees.⁸⁷ While for several categories of public servants (tax administration, customs administration, administration for the execution of criminal sanctions, diplomats, police) certain aspects are regulated by specific legislation, special provisions broadly comply with the Principles of Public Administration. The CSL does not apply to most regulatory bodies⁸⁸ or to some other administrative bodies⁸⁹ (e.g., the National Employment Service); the provisions of the Labour Code and the Law on Public Agencies,⁹⁰ which do not ensure the application of the standards set forth in the Principles of Public Administration, apply.

The vast majority of public servants in central public administration bodies (89%), as regulated by the CSL, have the status of civil servants. Public servants' rights are protected, with some room for improvement. Public servants have a right to refuse the execution of orders only in cases when their implementation would constitute a criminal offence; in other situations, they must execute the orders upon written confirmation.⁹¹ Disciplinary procedures are well regulated, but relevant data are not available for an assessment of their application in practice.

⁸⁰ Law on Civil Service (CSL), Official Gazette No. 95/18 (consolidated text), with later amendments.

⁸¹ Law on the National Academy for Public Administration (LNAPA), Official Gazette No. 94, 19 October 2017.

⁸² Law on Salaries of Civil Servants and State Employees (LSCSSE), Official Gazette No. 62/2006, with later amendments.

⁸³ Law on the Prevention of Corruption, Official Gazette No. 88/2019, with later amendments.

⁸⁴ Official Gazette of the Republic of Serbia No. 38/19, 55/20, 51/22 - other regulations, 44/23, 44/23 - other regulations.

⁸⁵ CSL, Article 1.

⁸⁶ CSL, Article 63, paragraph 1, point 3). The second category of political advisors, the "special advisers to the ministers", are employed based on the civil contract, according to the Law on the State Administration (LSA); Official Gazette No. 79/2005, 16 September 2005, with later amendments; Article 27.

⁸⁷ CSL, Article 2.

⁸⁸ Some examples: the Securities Commission, Agency for Energy, Agency for Business Registries, Regulatory Body for Electronic Communication and Postal Services, Regulatory Body for Electronic Media, Agency for Medicines and Medical Devices. The legal status of the Regulatory Authority for Electronic Communication and postal Services (RATEL) is regulated by the Law on Electronic Communications (Official Gazette No. 35/23). Article 8, paragraph 6 stipulates the following: "In terms of the legality of operations, expertise, political neutrality, impartiality, the use of official language and script, academic credentials, and the competencies of employees for assigned tasks as well as office work, the regulations pertinent to state administration shall apply."

⁸⁹ Some examples: the National Employment Service, National Fund for Pension and Invalidity Insurance, National Fund for Health Insurance.

⁹⁰ Law on Public Agencies (LPA), Official Gazette, Nos. 52/2002, 51/2004 and 33/2011.

⁹¹ CSL, Article 18.

While the CSL includes sufficient guarantees in case of dismissal and demotion due to restructuring or downsizing, the legal provisions on dismissal in case of unsatisfactory performance fall short of meeting the standards: a public servant can be dismissed based on one negative performance appraisal. The right to appeal is ensured, at both the administrative and judicial levels.⁹² Most complaints to the Appeals Commission have pertained to the administration's silence, re-assignments, determination of ranks and salary coefficients, and termination of employment with the right to a pension. In most cases (65%), the Appeals Commission has ruled in favour of the civil servants.⁹³

The CSL limits temporary employment to justified situations and establishes reasonable time limits. For temporary employment due to an increased workload, the law envisages open competitions but their application has been postponed several times through amendments to the law. In practice, there is no assessment of competencies for temporary employment and hiring is based on a simple review of the CV. Temporary employment is used excessively: in December 2023, around 10% of civil servants were employed on a temporary basis.⁹⁴ These persistent problems mean that a significant share of public servants have been hired without an open competition, even without any assessment of competencies. On a positive note, temporary employment not based on open competition cannot be transformed into open-ended employment. The function of the central HRM co-ordinating body is exercised by several institutions: the HRMS, which reports directly to the Government; the NAPA (in the area of training), which reports to the MPALSG; and the independent HCSC, which is responsible for TPM. The MPALSG holds the main responsibility for the legislation (both primary and secondary), strategy and policy. Also, the MoF plays a role in managing the salaries of public servants. The HRMS issues guidelines on HRM, but their usefulness is limited as some manuals are outdated⁹⁵ and some are not widely used.⁹⁶ The HRMS organises regular meetings with HRM staff from central government institutions. The MPALSG and the HRMS do not produce a comprehensive periodical report on the public service. Instead, separate reports are prepared on training (produced by the NAPA), the implementation of the Code of Conduct (produced by the HCSC), performance appraisals, turnover and quality of job filling (all three produced by the HRMS). Not all of them are available online, and none of them includes data on salaries.

The HRMIS was recently developed (it was under development during the 2021 assessment) but has not yet been rolled out to public institutions,⁹⁷ which seriously affects the ability of the MPALSG and the HRMS to monitor the civil service and make evidence-informed decisions. The absence of the HRMIS also adversely affected the availability of data for this SIGMA monitoring report.

The analysis of the situation in the five selected institutions⁹⁸ shows that the professionalism of HRM units has improved in the institutions that the CSL covers. HRM staff frequently participate in training courses and in HRM networks. Most of the analysed institutions periodically provide the management of their institutions with HRM-related data/reports necessary for decision-making.

⁹² CSL, Article 16, paragraph 1; Article 143, paragraph 3.

⁹³ Report of the Government Appeals Commission for the period 1 September 2022 to 31 August 2023.

⁹⁴ This is at least partly due to the burdensome approval procedures for new recruitment (see analysis under Principle 9 below), which does not apply for temporary employment.

⁹⁵ Manual on performance appraisals issued in 2020.

⁹⁶ None of the five interviewed HR unit staff from public bodies uses the manual on the 360-degree performance feedback process.

⁹⁷ The regulation on central personnel records was adopted in January 2024.

⁹⁸ Ministry of Finance, Ministry of Internal Affairs, Ministry of Education, Tax Administration and National Employment Service.

Principle 9: Public administration attracts and recruits competent people based on merit and equal opportunities.

The HRMS has developed initiatives to improve the attractiveness of the public service to candidates, and the number of eligible candidates per position has increased to from three (2020) to eight (2023). A competency framework and various assessment methods and tools, including the involvement of professional psychologists, are used in the competitive selection procedures for the public service, which is not the case in public bodies that the CSL does not cover. Since 2012, workforce planning has not been implemented in practice and is replaced by case-by-case decisions on new employment, which hampers developing a strategic approach to recruitment.

Indicator 9. Transparency, professionalism, and effectiveness of recruitment of public servants		2024 indicator value	44/100
Sub-indicators		Points	
1.	Quality of human resource (HR) planning	0/10	
2.	Competitive and non-discriminatory recruitment	6/10	
3.	Transparency of recruitment	3.4/8	
4.	Inclusiveness of recruitment	1.9/6	
5.	Attraction of qualified candidates	6.5/8	
6.	Recruitment based on job profiles	6/8	
7.	Professionalism of the selection committees	3.5/14	
8.	Adequacy of selection methods	3.5/14	
9.	Efficiency and timeliness of recruitment procedures	5.5/10	
10.	Right to information on results and appeal	3/6	
11.	Quality of onboarding	5.1/6	

Despite a legal obligation,⁹⁹ staff planning has not been in place since 2012. It was replaced by the case-by-case decision that a special commission created to consider requests for new recruitment, after obtaining the MoF's opinion.¹⁰⁰ Exceptionally, the commission's approval is not needed to fill some of the positions that became vacant in the previous year.¹⁰¹ According to the current legislation, this special procedure will be in place until the end of 2026. With these arrangements in place, the bodies of public administration cannot plan their workforce strategically and must undergo bureaucratic procedures for recruitments. The obstacles related to the recruitment of civil servants are one reason for the excessive use of temporary employment (described in the previous section).

The CSL sets forth the principles of non-discriminatory, competitive access to the civil service. This is not the case for the regulatory bodies or other administrative bodies not covered by the CSL, which apply the Labour Code.¹⁰²

⁹⁹ Regulation on the preparation of personnel plans in state bodies, Official Gazette 8/2006, 27 January 2006.

¹⁰⁰ Budget System Law, Official Gazette No. 54/2009, with later changes; Article 27k.

¹⁰¹ Regulation on the procedure for obtaining requests for new employment and additional employment with users of public funds, Article 6.

¹⁰² In public agencies, open competition is required, but the procedures in place do not equal the ones resulting from civil service legislation, LPA, Article 34a.

While a systematic approach to employer branding of the public service has not yet been developed, the HRMS has started initiatives aimed at improving the attractiveness of the public service to candidates. It has developed an online platform for candidates, KUTAK,¹⁰³ which includes useful information in the form of blogs, frequently asked questions and guides, as well as a “knowledge corner of preparation materials”. KUTAK is a “living platform” that is regularly updated and has new content regularly added. The HRMS also widely uses social media to reach out to potential candidates. These efforts have translated into the second-highest percentage of newly employed public servants in the region who agree or tend to agree that they received clear information during the recruitment and selection process: 76%.¹⁰⁴ The MPALSG and the HRMS are putting efforts into attracting students to work in public administration. They have opened the possibility of professional practice for students, based on the collaboration between universities and public institutions.¹⁰⁵ The CSL allows successful interns (selected in an open competition) who have passed the state exam and a special professional exam to continue working on a permanent basis.¹⁰⁶

The average number of eligible candidates per position increased from three in 2020 to eight in 2023.¹⁰⁷ Some 79% of public servants who responded to the SIGMA Survey of Public Servants did not find it difficult to understand what was requested of them during the recruitment process.¹⁰⁸ There is still room for improvement in the user-friendliness of the application process. The job announcements are rather formalistic and do not include information on the salary or work conditions.¹⁰⁹ While there is a single web portal with job announcements, its functionalities could be further improved to include, e.g., the possibility to subscribe to new announcements or filter these with more criteria. Moreover, online application is not possible; only in some cases can the candidates submit their documents by e-mail.

The CSL explicitly stipulates (Article 9, paragraph 3) that the state should take into account the inclusion of persons with disabilities when hiring, ensuring their representation reflects the population structure. However, the share of persons with disabilities employed in the public service is very low, at 0.1%. The selection process for the civil service is well designed. Professional selection committees perform the selection, and qualified HRMS psychologists centrally verify behavioural competencies. The selection is based on a competency framework and is supported by guidelines. The regulations offer the possibility to use external experts in the selection processes, but the legal basis for remunerating them is missing; as a result, such expertise is not used.¹¹⁰ The regulations in place foresee the use of a variety of selection methods, including written tests and problem-solving simulations.¹¹¹ The testing of general competencies includes digital literacy, knowledge on organisation and operation of state bodies, and business communication.

¹⁰³ English “knowledge corner” at: <https://kutak.suk.gov.rs/> The MPALSG and the HRMS received a special recognition from SIGMA and the Regional School of Public Administration (ReSPA) in the framework of the 2022 Western Balkans Public Administration Award for the KUTAK employment website.

¹⁰⁴ SIGMA Survey of Public Servants on the functioning of the public administration 2024.

¹⁰⁵ Recognised by SIGMA and ReSPA during 2022 Public Administration awards: <https://www.respaweb.eu/118/pages/69/pa-awards-2022-winners>

¹⁰⁶ CSL, Article 106.

¹⁰⁷ The total number of applications (eligible and non-eligible ones) has increased from 8 in 2020 to 15 in 2023.

¹⁰⁸ SIGMA Survey of Public Servants on the functioning of the public administration 2024.

¹⁰⁹ Recently, the HRMS developed a salary calculator for candidates to the civil service, available on the KUTAK website. Candidates who do not use KUTAK will not know which level of salary they can expect.

¹¹⁰ Regulation on internal and public competition for filling positions in state bodies, Official Gazette No. 2/2019, 16 January 2019, with later amendment; Article 18.

¹¹¹ *Ibid.*, Chapter VIII.

The selection procedures for the civil service are quite lengthy: the average time from the announcement of a vacancy until the announcement of results was 137 days in 2023,¹¹² a value comparable to 2020 (148 days).¹¹³ Candidates to the civil service enjoy a right to appeal, which is not the case for staff in the regulatory or other bodies applying the Labour Code.¹¹⁴

The CSL regulates the probation of newly employed civil servants.¹¹⁵ Mentoring is foreseen as one form of professional development¹¹⁶ and is used in vocational training programmes for interns in the civil service. The NAPA has the obligation to train mentors.¹¹⁷

The level of satisfaction among public servants who responded to the SIGMA Survey of Public Servants on the onboarding is relatively high.

¹¹² According to the Assessment Methodology, the average of five sample institutions was taken into account for the purposes of calculating the indicator value. For central public administration, as a whole, the value is slightly lower – 122.

¹¹³ Assessed based on the data received from selected five institutions. The selection of institutions has changed compared to the SIGMA monitoring from 2021.

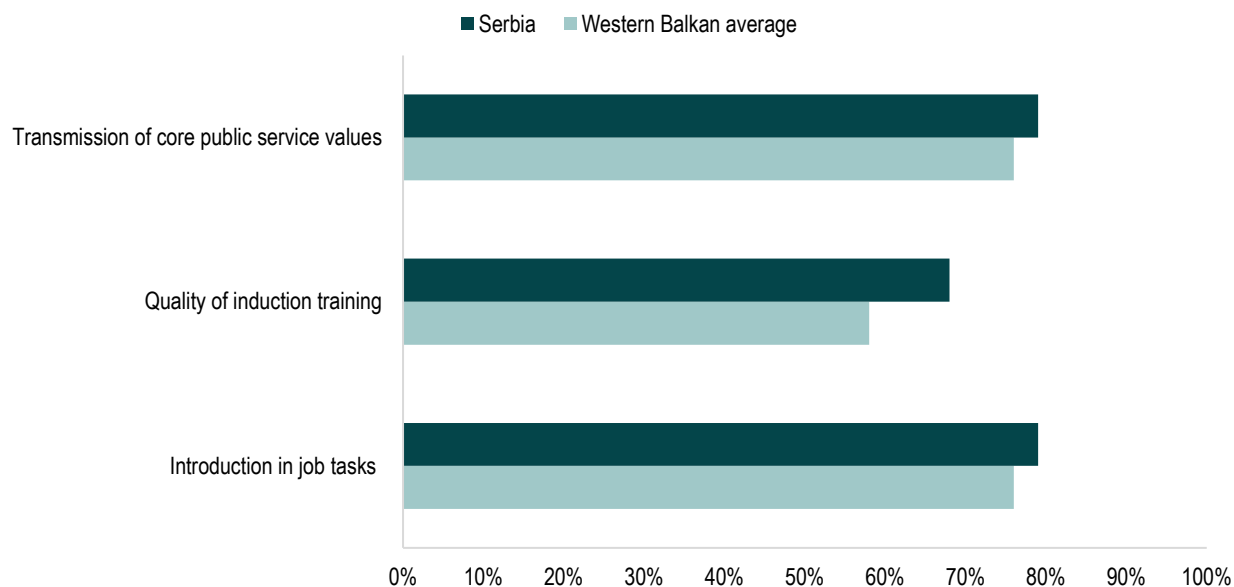
¹¹⁴ The right to judicial appeal is ensured by Article 34a, paragraph 10, of the LPA.

¹¹⁵ CSL, Articles 64-65.

¹¹⁶ CSL, Articles 97g and 97h.

¹¹⁷ CSL, Article 105. Mentoring is further regulated, among others, by the NAPA Instruction on the way of work of mentors during the training of trainees in state bodies, Official Gazette No. 101, 20 December 2018.

Figure 20. Satisfaction with onboarding and induction



Note: The share of newly employed public servants who “strongly agree” or “tend to agree” with the following three statements: “When I joined my current institution, I was made aware of the core values of my organisation and their importance”, “When I joined my current institution, I was given training to understand the rules, procedures and systems required to do my job”, and “When I joined my current institution, I was given a clear sense of my job tasks and expectations.”

Source: SIGMA Survey of Public Servants on the functioning of the public administration in the Western Balkans 2024.

The above-described recruitment mechanism applies only to public administration bodies that the CSL covers. In public bodies applying the Labour Code, announcing vacancies and carrying out competitive recruitment is not mandatory. In public agencies, open competition is required, but the procedures in place are less developed than the ones resulting from the CSL.¹¹⁸

¹¹⁸ LPA, Article 34a.

Principle 10: Effective leadership is fostered through competence, stability, professional autonomy and responsiveness of accountable top managers.

The scope of TPM is clearly and adequately established, and the legal regulation of selection and appointment procedures is sound. Gender parity in TPM positions is high. Still, the public service faces problems in attracting candidates to TPM positions, the excessive use of acting appointments in TPM positions persists, and the rights of persons removed from TPM positions are not sufficiently protected.

Indicator 10. Professional top managers		2024 indicator value	53/100
Sub-indicators		Points	
1.	A specific category and scope of the Top Public Management (TPM) system		8/11
2.	Attractiveness of top management positions		0.1/7
3.	Merit-based and competitive recruitment of top managers		21.6/47
4.	Diversity and gender parity in top management positions		3/5
5.	Management by objectives and performance evaluation		4/4
6.	Managerial autonomy		1.8/2
7.	Training and professional development		3.7/4
8.	Stability of top managers		11/20

The legislation clearly defines the scope of TPM. It encompasses assistant ministers, secretaries of ministries, directors, deputy directors and/or assistant directors of administrative bodies within ministries, special organisations of the state administration and government's services, the deputy and assistant secretary-general of the government, and state attorneys and deputy state attorneys¹¹⁹ (altogether 364 positions). The positions of the secretary of a ministry (with the function "to assist the minister in managing HR, financial, IT and other issues and in co-ordinating the work"¹²⁰) are not mandatory and were not created in all ministries.¹²¹ In ministries, the highest formal powers in HRM rest in the hands of ministers, creating a risk of politicisation of the HRM processes and decisions, including recruitment, promotion and dismissals.

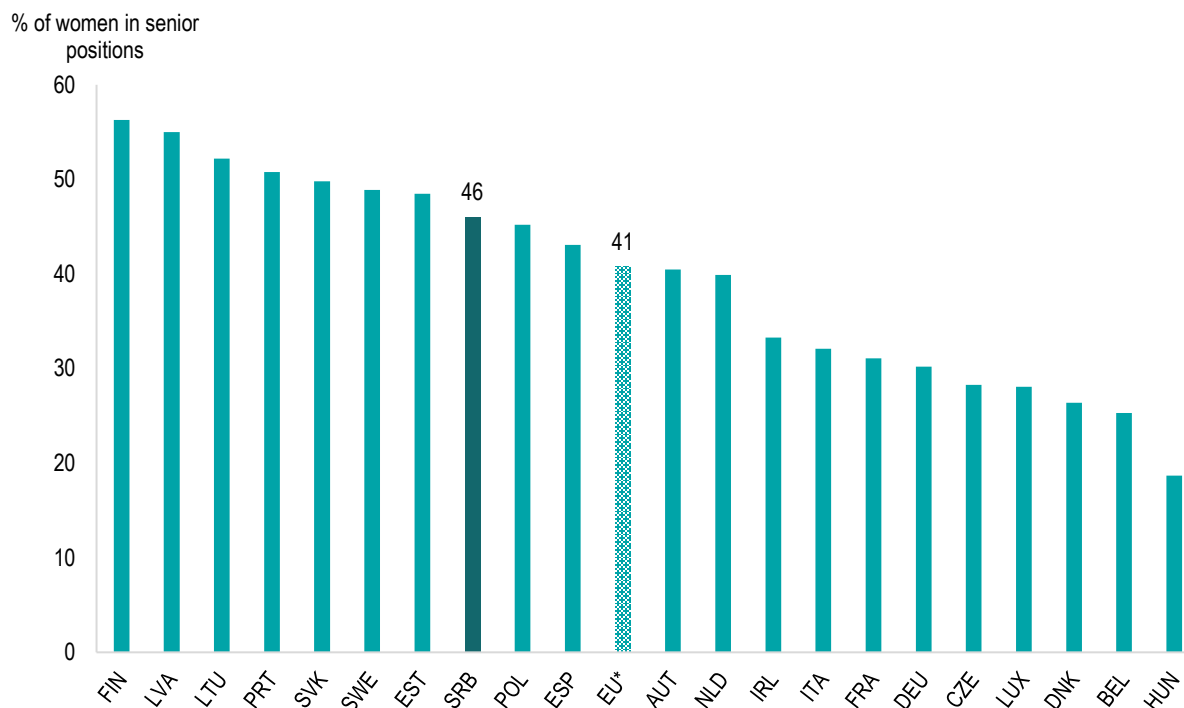
Some 46% of top managers are women. This value exceeds the average for OECD Members (40.8% in 2021).¹²²

¹¹⁹ CSL, Article 34.

¹²⁰ LSA, Article 26

¹²¹ LSA, Article 26. For example, the ministry responsible for labour has not created a secretary of a ministry position.

¹²² OECD (2023), *Government at a Glance 2023*, OECD Publishing, Paris, p. 183, <https://doi.org/10.1787/3d5c5d31-en>.

Figure 21. Gender equality in senior management positions, 2021

Notes: There are some differences in the methodology of calculation of the data from Serbia and the OECD. The OECD definition of senior positions is broader and encompasses middle managerial positions, which fall outside the scope of TPM positions in Serbia. EU* is the average of the 23 EU Member States included in the OECD Government at a Glance. See annex for the complete list of countries.

Source: OECD (2023), "Gender equality in senior management positions in national administrations, 2011 and 2021", in Government at a Glance 2023, OECD Publishing, Paris, <https://doi.org/10.1787/a61fdbbc6-en>. Data for Serbia provided by the HRMS.

TPM positions lack attractiveness. TPM position holders in Serbia earn less than their counterparts in the EU and OECD; the average salary is only 2.1 times higher than the GDP per capita,¹²³ and major risks exist for the tenure, professional career and income expectations of public servants. These risks stem from, e.g., the possibility of removing public servants from TPM positions through reorganisation, whereby they can be dismissed with relatively low severance pay or transferred to positions below their qualifications.

Only one in twenty recruitment procedures for TPM positions attracted at least five eligible candidates – in many cases, just one candidate. The possibilities for recruiting adequate candidates are therefore very limited.

A systemic problem in the functioning of TPM is the abuse of provisions related to acting positions. Acting appointments are possible for a maximum of nine months.¹²⁴ Although the share of regular appointments has slightly increased, most TPM positions are still staffed by acting senior civil servants, and the maximum length of such appointments set by the CSL is not respected. In addition, paradoxically, the appointment to TPM positions on an acting basis is a "safer" solution for existing civil servants, as they keep the right to return to their previous position; this is not ensured in case of dismissal of TPM holders who were appointed

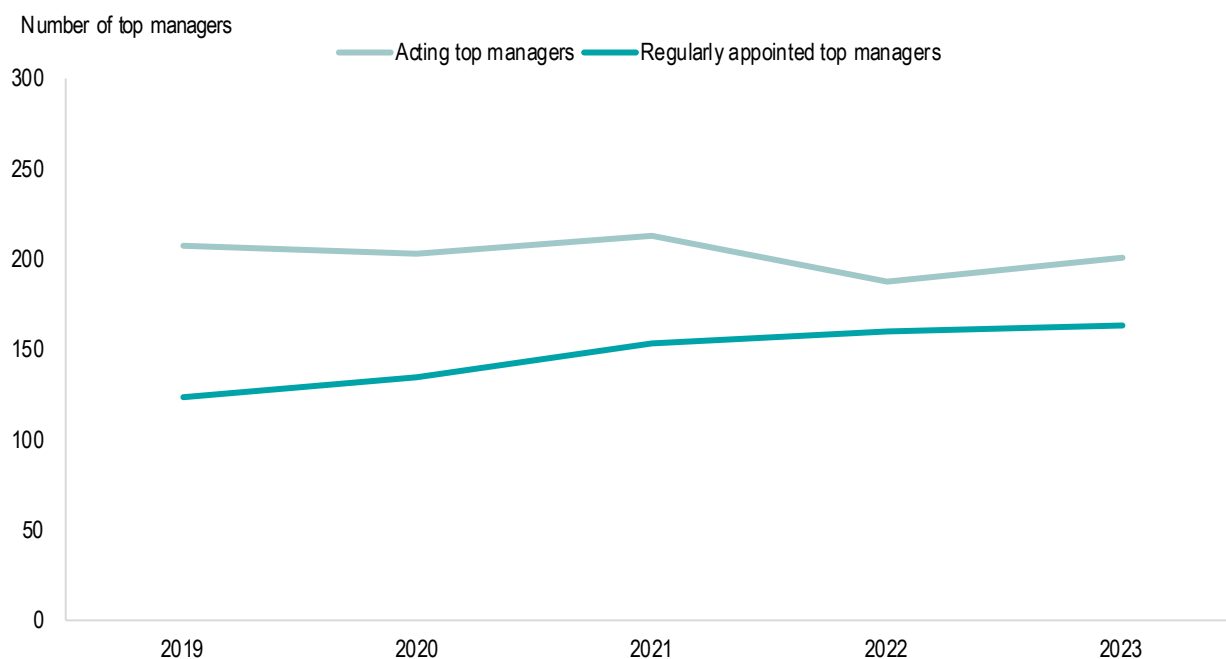
¹²³ The average ratio in the OECD countries was, when last measured, slightly below 6:1 for D1 positions and above, and 4:1 for D2 positions (see OECD, Government at a Glance, 2017, p. 105).

¹²⁴ CSL, Article 67a.

following the regular recruitment procedure. Therefore, the current practice can also be in the interest of public servants holding “acting” positions.

Acting appointments circumvent the regular, competitive procedures and prompt major risks of stimulating loyalty above professionalism and integrity. In a situation where half of top managers are “acting”, the system as envisaged by the legislation is largely distorted.

Figure 22. Acting and regularly appointed top managers, 2019-2023



Source: HRMS

The regular recruitment to TPM positions is performed by the HCSC, a government-appointed body consisting of senior civil servants and professors.¹²⁵ Although the government appoints all members and the majority come from the ranks of civil servants, which might prompt risks for the needed independence of the body, the legislation provides several safeguards for its autonomous functioning. On the other hand, in the composition of the selection commissions that the HCSC appoints, the aspect of area expertise is missing because the HCSC has abandoned the practice of appointing renowned external experts in the commissions as the legal basis for remuneration was abolished.

TPM holders benefit from abundant training opportunities. One of the NAPA's responsibilities is the preparation of a training programme for managers.¹²⁶ In 2022-2023, 100 TPM holders participated in a special programme that the NAPA organised, “Strengthening professional capacities of Senior Civil Servants in Serbia”. Some 76% of surveyed TPM holders benefitted from training in 2023.¹²⁷

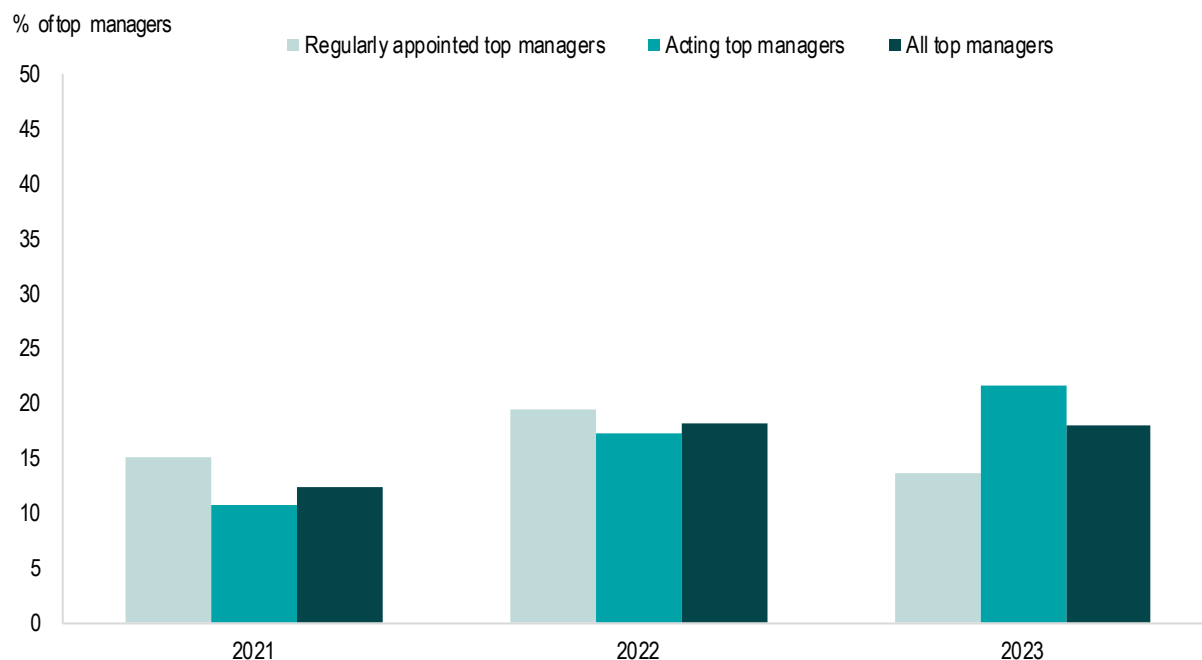
The turnover in TPM positions, including acting positions, has been moderate in the past five years, which can be attributed at least partly to political stability (there has been no major shift in the government's political orientation, with the same political party holding a majority).

¹²⁵ CSL, Article 165. The current composition is available at: <https://www.suk.gov.rs/tekst/66/predsednik-i-clanovi-visokog-sluzbenickog-saveta.php>

¹²⁶ LNAPA, Article 3.

¹²⁷ SIGMA Survey of Public Servants on the functioning of the public administration 2024.

Figure 23. Turnover of TPM positions



Source: HRMS.

The following conclusions can be drawn from the comparison of turnover in TPM positions staffed on an acting basis and on a regular basis:

- The stability in TPM positions is similar regardless of how people were appointed (in regular procedures or as “acting”).
- Moderate turnover among acting TPM holders confirms that, in most cases, the legally set maximum time limits for occupying TPM positions on an acting basis are not respected.

The Government established a working group to analyse the state of play and develop alternative solutions for senior civil service management. A policy paper addressing the key identified challenges is being finalised (with SIGMA’s support); an ensuing political decision will be critical for resolving the lingering problems.

Principle 11: Public servants are motivated, fairly and competitively paid and have good working conditions.

The public service has improved its ability to attract staff and does not face major problems with their retention. The salary system is sound but partly fragmented through a (possibly unjustified) differentiation of base salaries. Bonuses are not applied in the general civil service. An effective system for the ISKRA payroll provides abundant data, but their use is limited. A salary calculator has been made available to candidates. Flexible work arrangements and teleworking are practically non-existent, but the survey results demonstrate that public servants do not necessarily miss these.

Indicator 11. Attractiveness of employment and work conditions		2024 indicator value	48/100
Sub-indicators		Points	
1.	Attractiveness of employment in public administration	11/20	
2.	Fairness in the allocation of base salaries and allowances	13.6/23	
3.	Predictability of the wage budget of the public service	3/6 ⁱ	
4.	Availability and transparency of salary information	2/8	
5.	Salary progression opportunities	7/8	
6.	Performance-related pay and other incentives	4.2/8	
7.	Work conditions and well-being of public servants	5/13	
8.	Availability of flexible work arrangements	1.3/7	
9.	Social dialogue with the public sector employees	1/7	

Note: i = data not available or not provided.

All elements of the salary, criteria and procedures for allocating them are prescribed by the Law on salaries,¹²⁸ ensuring clarity, transparency and predictability of salary allocation. This does not apply to regulatory agencies or other public bodies applying the Labour Code.¹²⁹

The base salaries of public servants constituting the main part of the salary are based on a job classification and a non-analytical job evaluation methodology. The internal acts of public administration bodies ("systematisations") create positions in different grades based on the criteria related to the complexity, responsibility and other criteria, and the basic salary is defined according to the type of position (grade)¹³⁰. Salary steps for each grade offer a possibility for salary progression without promotion to a higher position. The compression ratio (between the highest and the lowest salary) is 1:6.4.¹³¹

The salary system is partly fragmented, and the inter-institutional fairness of the salary system is undermined because some groups of public servants/offices (Ministry of Interior, Ministry of Defence, Tax Administration, Customs Administration, Administration for the Execution of Criminal Sanctions, public

¹²⁸ LSCSSE.

¹²⁹ Employment in the agencies is regulated by the LPA and the Labour Code for the issues that the LPA does not regulate. The CSL could regulate certain issues (if the reference to the CSL is made in the LPA).

¹³⁰ Decree on classification of positions and on criteria for civil service job descriptions (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, 56/2021 and 63/2024).

¹³¹ LSCSSE, Article 13.

servants in courts and prosecutors' offices, etc.)¹³² apply different values for the calculation of their base salaries compared to those of general public servants. Thus, public servants in similar positions may earn different salaries depending only on where they work. Salaries differentiated by the place of work result in a low perception of fairness by civil servants (less than 30% believe that staff are paid fairly across the public administration).¹³³

An umbrella Law on the System of Salaries of the Employees in the Public Sector was enacted in 2016 with the aim to reform the salary system for the entire public sector (including health care, education, etc.). The application date has been postponed several times, the last time in 2021, with the envisaged date now 1 January 2025.¹³⁴ However, this reform is not crucial for the salary system in the public administration, which is in fact well regulated. The law is also not needed to address the unjustified differentiation of base salaries: this could be resolved simply by abandoning special base values in the annual budget law.

Performance-related pay and other bonuses are not applied in the general public service.¹³⁵ The Collective Agreement¹³⁶ includes the possibility of annual bonuses, but the resources are not planned in the budget law.

A centralised payroll is ensured through ISKRA, an excellent tool to reduce the possibilities of non-compliance and to control the payment of salaries. While ISKRA has the capacity to provide abundant data, including a variety of customised statistical reports, their availability has not been leveraged to increase transparency – no data from ISKRA have been exported to an open data platform. In contrast, the information system "Informator", managed by the Information Commissioner, offers the general public up-to-date information (organised by public administrative bodies) on actual salaries of top managers and on the wage bill of individual bodies.¹³⁷

While information on the salary is not included in the vacancy announcement, the website for candidates for the civil service includes a user-friendly calculator of the salaries of public servants.¹³⁸

Public servants enjoy certain financial and non-financial benefits. The Collective Agreement includes several benefits not regulated by the law; for example, solidarity assistance.¹³⁹ The annual leave of civil servants is longer than the minimum set in the Labour Code. A legal basis for teleworking and flexible work arrangements are not in place, but these aspects of flexibility – which are widespread in many EU Member States' public administrations, particularly since the COVID-19 epidemic – are practically non-existent in the public service. In fact, 56% respondents to the SIGMA Survey of Public Servants are satisfied (strongly agree or tend to agree) with the flexibility of their work schedule. A possible explanation could be that public servants are used to their relatively rigid schedules. On the other hand, 24% of surveyed civil servants are satisfied with the teleworking opportunities, a relatively low share but still high compared to official information that teleworking is practically non-existent.

The HRMS monitors civil servants' job satisfaction and uses the results in periodic reports on turnover, which are submitted to the Government, but absenteeism (an indirect measure of job satisfaction) is not

¹³² Budget Law for 2024, Official Gazette No. 92/2023, 27 October 2023; Article 10.

¹³³ SIGMA Survey of Public Servants on the functioning of the public administration 2024.

¹³⁴ Law on the System of Salaries of Employees in the Public Sector, Official Gazette Nos. 18/2016, 108/2016, 113/2017, 95/2018, 86/2019, 157/2020 and 123/2021.

¹³⁵ Special legislation regulates bonuses for certain groups of public servants, e.g., for the Tax Administration and the Administration for the Execution of Criminal Sanctions.

¹³⁶ Collective Agreement, Article 50.

¹³⁷ The information system is at: <https://informator.poverenik.rs/naslovna>; the data are provided by administrative bodies, not retrieved from ISKRA.

¹³⁸ The calculator is at: <https://kutak.suk.gov.rs/kalkulator-plate>

¹³⁹ Collective Agreement, Article 45. The solidarity assistance is offered to the public servant, e.g., in cases of serious illness of the public servant or a family member, and to the family in case of death of the public servant.

systematically monitored. A strong majority (67.8%) of public servants responding to the SIGMA Survey of Public Servants would recommend their organisation as a good place to work; however, (35%) think that the incentives (monetary and non-monetary rewards) offered translate into improved performance.¹⁴⁰

The ability to attract staff has been increasing (see Principle 9: Public administration attracts and recruits competent people based on merit and equal opportunities), and voluntary turnover in the public service is low (1.9% in 2023). A thorough analysis of the competitiveness of salaries in the public administration is not available. Only basic statistical data by level of education and by economic and non-profit activities are available. The HRMS periodically does a careful analysis of the turnover in the civil service. It regularly presents evidence-informed reports with recommendations to the government.

Public servants have the right to become members of trade unions,¹⁴¹ but evidence is lacking that the Government substantially co-operates (consultation on new policies, laws and regulations) with trade unions in policy development in the civil service. SIGMA has not received evidence that all representative trade unions were consulted during the elaboration of civil-service-related legislation regulating the rights and obligations of civil servants besides the Collective Agreement. The views on the quality of co-operation with the MPALSG of two interviewed representative trade unions differed significantly.

Principle 12: Professional development, talent and performance management enhance the skills, efficiency and effectiveness of public servants and promote civil service values.

The professional development system is well designed, with a high-performing responsible body (the NAPA). It is based on TNA and is effectively implemented. Performance appraisals of civil servants are based on team performance rather than individual targets, and the inflation of the highest ratings limits the value of performance assessment. The procedures for promotion lack the assessment of competencies. While a competency framework is broadly used, it does not differentiate between proficiency levels.

Indicator 12. Professional development and performance management of public servants		2024 indicator value	49/100
Sub-indicators		Points	
1.	Professionalism of performance assessment	10.9/21	
2.	Existence of training plans adapted to government priorities	8/8	
3.	Implementation and results of training	9.4/16	
4.	Regulation and use of horizontal mobility	10.5/16	
5.	Professionalism of vertical promotion	9/26	
6.	Support of professional development practices for diversity and inclusion	1/13 ⁱ	

Note: i = data not available or not provided.

The main institution responsible for professional training is the NAPA.¹⁴² The NAPA is supervised by the MPALSG, but it enjoys considerable independence due to its legal form – it has a separate legal personality – and because of its competencies resulting from the legislation. The NAPA not only plans and executes the general training programmes for public servants, it also helps public bodies develop specific training programmes tailored to their sectoral needs upon request, and it performs a standard-setting function

¹⁴⁰ SIGMA Survey of Public Servants on the functioning of the public administration 2024.

¹⁴¹ CSL, Article 15; Collective Agreement, Chapter XII, Labour Code, Article 206 et seq.

¹⁴² LNAPA.

attributed to it by the legislation: the NAPA can issue or propose to the government secondary and tertiary regulations.

The NAPA prepares the TNA, which is periodically updated. Both a top-down and a bottom-up approach are applied. The TNA considers policy documents and government strategic documents, as well as an analysis performed in public bodies. The results of performance appraisals are also taken into account. Based on the TNA, the NAPA prepares the training programmes; more precisely, the annual, publicly available catalogues of training courses and other professional-development activities offered that year. Based on the catalogue, the NAPA prepares annual operational plans with more detailed information. The training programmes include a variety of training methods, including workshops, lectures, coaching, online courses and webinars. In addition, an operational e-learning platform allows public servants to take part in online courses.¹⁴³

The implementation of training is monitored, including its quality. The training plan for 2023 was implemented at 99%. According to information that SIGMA received, 47% of civil servants in the central government administration received at least one training in 2023. Interestingly, in the SIGMA Survey of Public Servants, an even larger share (72.5%) responded that they had participated in a professional development activity. Among those, 85% agreed (strongly agreed or tended to agree) that the learning activities they completed in the previous 12 months had helped them to improve their performance.¹⁴⁴ In 2023, a comprehensive external evaluation of the training system report was prepared, including recommendations for improvement. These relate, among other items, to the necessity to better tailor the training programmes to the needs of public bodies and specific workplaces and to make training more practical.¹⁴⁵

The design of the performance appraisal system differs from that of other administrations in the region, as it does not assess civil servants' individual objectives. Civil servants are appraised against team/unit-level objectives,¹⁴⁶ and the second criterion is the assessment of professional competencies.¹⁴⁷ Some 77.5% of surveyed public servants report that managers regularly discuss goals and expectations with their team members.¹⁴⁸

According to the CSL, performance appraisal results feed into several HRM processes, including TNA, promotion, transfers and determination of salaries. They could also lead to the dismissal of public servants. The usefulness of the results of performance appraisals is limited due to the inflation of ratings; in 2023, 70.6% of public servants received the highest rating ("exceeded expectations") on a four-grade scale,¹⁴⁹ which represents a sharp increase compared to 2020. Only half of public servants believe the systems

¹⁴³ Available at: <https://lms.napa.gov.rs>

¹⁴⁴ SIGMA Survey of Public Servants on the functioning of the public administration 2024.

¹⁴⁵ Strbac Diana, Paunoviy Mihailo, Pavlović Dejana (2023), Report on the impact evaluation and quality of training programmes in public administration, Belgrade, December 2023.

¹⁴⁶ A high share (84.4%) of respondents to the SIGMA Survey of Public Servants agree (strongly agree or tend to agree) with the statement: "My department has a clear set of targets that we need to achieve." Interestingly, even though no individual objective-setting is formally envisaged, 89.6% are aware of their objectives, roles and responsibilities within the organisation. Some 85.2% responded positively to the question: "Do you discuss and agree with your superior(s) about goals and expectations, at least once a year?"

¹⁴⁷ Regulation on evaluation of work performance of civil servants, Official Gazette 2/2019, with later amendments; Articles 6-9.

¹⁴⁸ SIGMA Survey of Public Servants on the functioning of the public administration 2024.

¹⁴⁹ Some 29.2% received the second highest rating ("met expectations"). Only 0.2% received the third rating ("needs improvement"), and no-one received the last rating ("did not meet expectations").

improve performance.¹⁵⁰ Some public institutions have managed to curb the inflation of ratings by using calibration meetings; for example, the Customs Administration.¹⁵¹

The mobility and transfers of civil servants are well regulated. They include permanent and temporary transfers. One reason for transfers is re-organisation. In such cases, the main criterion for selecting which civil servants occupying redundant positions will be transferred is the performance appraisal result, but the Collective Agreement adds to it other criteria related to the civil servants' family and material situations.¹⁵²

Promotions of civil servants are possible owing to internal competition or at the proposal of the manager. In the latter case, an assessment of competencies is formally required only for promotion to managerial positions. While commissions created in public bodies perform the internal competitions, the HRMS centrally verifies behavioural competencies. The analysis of provided promotion files confirms that promotion without internal competition prevails, prompting risks of politicisation: the competencies are not checked before promotions to non-managerial positions, promotion commissions are not established, and civil servants are promoted by the decision of the head of a body (the minister, in the case of ministries).

The most important factor considered during promotions, according to the public servants' responses to the SIGMA Survey of Public Servants, is job performance (64%). However, around half of the surveyed public servants also pointed to personal connections (51%) or political connections (48%).¹⁵³

The competency framework is used in various HRM processes, including recruitment, promotion, transfers, performance appraisals and training.¹⁵⁴ The behavioural competencies are assessed in relation to positive behaviours; however, the competency descriptions are not broken down into proficiency levels required for jobs of different levels of complexity and responsibility. It is assumed that public servants whose competencies were tested when joining civil service do not need to be tested again during transfers or promotions unless they are transferred to managerial positions. This is a significant flaw in the system, as it does not allow for differentiation of the level of required behavioural competencies, e.g., among junior and senior non-managerial positions. In addition, the catalogue of described competencies is quite limited. It encompasses only five core behavioural competencies, only two additional ones for two levels of managerial positions, and three general functional competencies.¹⁵⁵ The rest are the special functional competencies for a certain field of work, which do not include or rarely include behavioural descriptions; under "special functional competencies", the knowledge and skills required for specific jobs are taken to be understood. As a result, the usefulness of competencies in the practice of recruitment, promotions, transfers and performance appraisals has not reached its full potential.

¹⁵⁰ A slight majority (51.6%) strongly agree or tend to agree that performance evaluations in their institution have improved employees' performance by identifying their strengths and weaknesses.

¹⁵¹ Zielinski W. et al. (2021), The self-assessment report on performance appraisals in the Western Balkans, ReSPA, pp. 19-20, <https://www.respaweb.eu/download/doc/Self-assessment+report+on+performance+appraisal+in+the+WBs+.pdf/4291fc77ac64ec4d3a35c043c01cb4f6.pdf>

¹⁵² Collective Agreement, Articles 53-55 and 57.

¹⁵³ SIGMA Survey of Public Servants on the functioning of the public administration 2024.

¹⁵⁴ Regulation on determining competencies for the work of civil servants, Official Gazette No. 9/2022.

¹⁵⁵ Knowledge of work and organisation of state institutions, digital literacy and business communication: Decree on the establishment of competencies, Official Gazette No. 9/22 for the work of public servants; Articles 11, 12 and 13.



Organisation, accountability and oversight

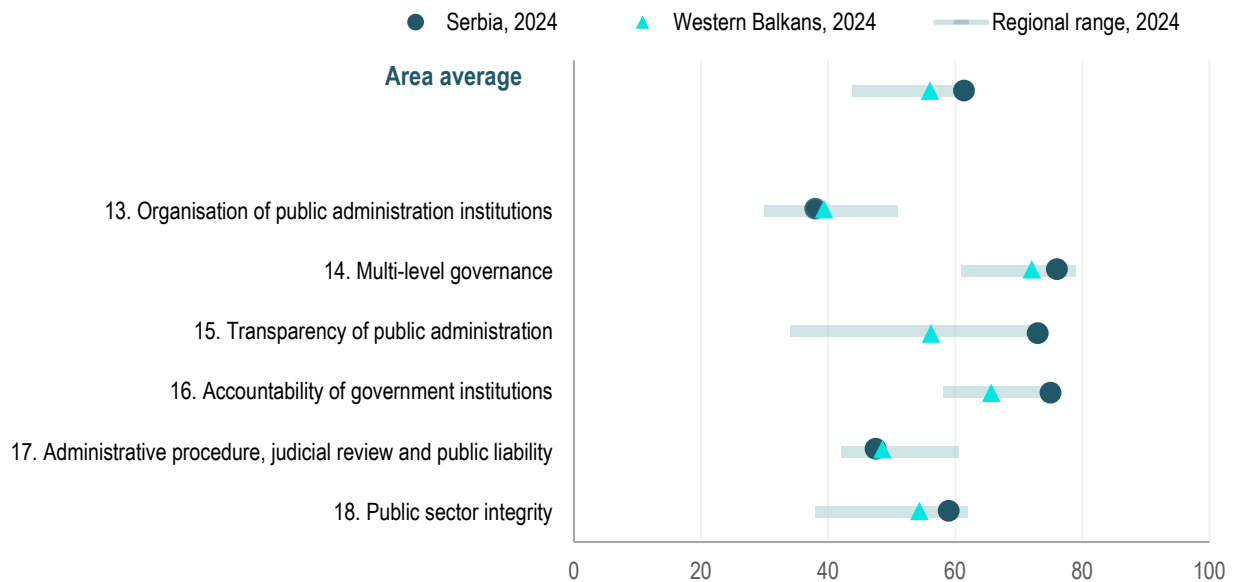
The organisation of the public administration is **efficient** and **effective** across all levels of government. Public administration bodies are **open** and **transparent** and apply clearly defined internal and external accountability mechanisms. Strong oversight bodies protect the rights of citizens and the public interest.

The Principles of Public Administration

- Principle 13** The organisation and management of public administration foster accountability, effectiveness and efficiency.
- Principle 14** Responsibilities are clearly distributed between levels of government, embracing the principle of subsidiarity and local autonomy, and facilitating inter-institutional co-ordination with effective oversight mechanisms.
- Principle 15** Public administration is transparent and open.
- Principle 16** The parliament, ombudsperson and supreme audit institution effectively scrutinise public administration.
- Principle 17** The right to good administration is upheld through administrative procedure, judicial review and public liability.
- Principle 18** A coherent and comprehensive public sector integrity system minimises the risks of corruption.

Summary and recommendations

Figure 24. The overall indicator values in the organisation, accountability and oversight area



Notes: Area average is a simple average of the Principles within the area. Western Balkan average is calculated as a simple average of all administrations.

No major progress has been observed in the organisation of public administration. The organisation of the central public administration was not streamlined, and the **typology of administrative bodies is not based on a clear concept of functional categorisation of public administration bodies and does not ensure strong ministerial steering and supervision**. The culture of centralised decision-making powers in internal management of ministries prevails. On a more positive side, the trend towards dissemination of total quality management (TQM) tools across public administration is a commendable development.

In general, the legislative framework for multi-level governance in Serbia meets the required standards, supported by the ratification and implementation of the European Charter of Local Self-Government (ECLSG, or “Charter”). It is noteworthy that Serbia has shown higher local autonomy index (LAI) values than the average of EU countries since 2010. **Nevertheless, the local self-government system requires improvement, particularly in terms of the supervision and inspection system, as well as the necessary capacities for effectively performing duties.**

The right of access to information is formally guaranteed, with extensive procedural remedies against unjustified restrictions. However, this area is seriously affected by difficulties in handling the **dramatic increase of appeals in access to public information cases, resulting from legal professionals’ potential abuse of remedies** established in the Law on Free Access to Information of Public Importance (LFAI).

The Ombudsperson enjoys sufficient independence and strong powers to hold the administration accountable and **introduced a mechanism for monitoring the actual implementation of its recommendations**. The institution is, however, not actively using its special powers, such as the right of legislative initiative, or initiating constitutional review of legislation.

A good legislative framework for administrative procedure and judicial review of administrative actions remains in stark contrast to the actual accessibility of administrative justice. There is not a comprehensive system of measuring and reporting the performance of administrative procedures in practice across the public administration. The average waiting time for handling cases by the Administrative Court exceeds five years, due to the increasing and extremely large number of cases received in 2022 (65 534 cases) and 2023 (78 017 cases). The clearance rate in administrative cases in

2023 reached a historical low of one-third of incoming cases being handled. The responsible actors undertook no urgent actions to resolve this systemic problem.

Legislation on public integrity comprehensively regulates all major areas of anti-corruption policy. While **only some data on integrity violations and their sanctioning are available, the asset-declaration system that the Agency for the Prevention of Corruption (APC) manages is well established.** Nevertheless, the **National Assembly's official interpretation of the Law on Prevention of Corruption effectively narrows the scope of anti-corruption obligations** only to officials directly elected by the citizens and directly appointed by the President of the Republic, Parliament, Government, local self-government bodies or top judicial institutions.

Overall, the existing legal framework, institutional set-up and related strategies and guidance are largely in line with the Principles of Public Administration for most Principles in this area. Implementation practice and results include more gaps and inconsistencies, hindering the development of an effective accountability and oversight system in public administration.

Figure 25. State of play in organisation, accountability and oversight by type of criterion



Notes: The results are split. The first combines points from legislation, policy and guidance, and institutional set-up. The second aggregates points from implementation practice and results. The percentage in the centre represents the ratio of points in relation to the maximum.

Recommendations

1. The Government, through the Working Group for Management Responsibility in the State Administration should initiate a reform to revise the legislative framework for the organisation of public administration based on a clear functional typology, requiring strict *ex ante* assessments of the rationale to create new bodies, and correct the current organisational landscape by the revised framework.
2. The Working Group for Management Responsibility in the State Administration should initiate reforms to ensure that strong ministerial steering of subordinate bodies for performance becomes the norm through transparent, outcome-oriented performance planning and reporting and regular performance dialogue between parent ministries and their subordinate bodies.
3. The Government and/or Ministers should systematically empower relevant management levels by delegating responsibilities to deliver on their objectives and tasks, by giving financial and operational decision-making authority and by making them accountable towards superiors and the public.
4. The Ministry of Public Administration and Local Self-Government (MPALSG) should initiate the necessary proposals to complement the existing system for supervision and inspections with an inter-ministerial mechanism to collect, systematise and disseminate relevant information and findings.
5. The Government should initiate, in co-operation with competent state authorities, the establishment of a co-ordination mechanism for central authorities regarding policies directly affecting local governments, with the participation of their national association, to increase synergies and policy coherence.
6. The Government, in co-operation with the Commissioner for Information of Public Importance and Data Protection, the judiciary and the bar association should put an end to the abusive practices of lawyers who submit judicial complaints for the sole purpose of collecting fees. The fees could be differentiated depending on the work required of the lawyer, or the courts could decide not to compensate fees even for successful outcomes if the complainant has abused procedural rights.
7. The Government should adjust special legislation on individual administrative procedures, especially to ensure the “once-only” principle is consistently applied in all proceedings that the public authorities conduct.
8. The Government should create a unified system for gathering essential data on administrative procedures. This system should provide common definitions for key metrics (such as duration of procedures, delays in payments of monetary transfers, number, causes and outcomes of administrative and court appeals, etc.) in order to improve the functioning of administrative procedures.
9. The Government, in co-operation with judicial authorities, should urgently develop procedural and technical measures to reduce the average disposition time in the Administrative Court, eliminate the backlogs and restore access to administrative justice in a reasonable time.
10. The Parliament should reconsider its official definition of “public official”, by ensuring that anti-corruption obligations apply to all persons in important public positions regardless of which body appointed them.

Analysis

Principle 13: The organisation and management of public administration foster accountability, effectiveness, and efficiency.

The fragmented typology of public administration bodies remains a significant shortcoming. The absence of progress in implementing results-oriented performance management of bodies subordinated to ministries weakens accountability. Additionally, the MPALSG's lack of strong policy ownership hinders reform efforts.

Indicator 13. The organisation and management of public administration foster accountability, effectiveness and efficiency		2024 indicator value	38/100
Sub-indicators		Points	
1.	Clarity and coherence of official typology of central government bodies	2/10 ⁱ	
2.	Effective mechanisms for keeping the organisation of public administration rational	3/10	
3.	Strength of basic accountability mechanisms between ministries and subordinated bodies	5.5/8	
4.	Strength of the accountability framework for promoting performance	5.2/15	
5.	Number of public bodies subordinated to the parliament	0/8	
6.	Autonomy of regulatory bodies according to the legislation	9/10	
7.	Effective internal organisation	3/6 ⁱ	
8.	Effective performance of public administration	2.1/6	
9.	Delegation of decision-making authority within ministries	3.6/15	
10.	Horizontal co-ordination in PAR areas	2.3/4	
11.	Use of Total Quality Management (TQM) tools	2.3/4	
12.	Level of focus on reducing the environmental footprint of public administration bodies	0/4 ⁱ	

Note: i = data not available or not provided.

No major changes were introduced in the organisation of central public administration since the last SIGMA assessment in 2021, which illustrates a lack of strategic guidance and policy ownership in this area. A simplification of the typology of administrative bodies was not implemented. The distinction remains unclear between key types of bodies that the Law on State Administration¹⁵⁶ recognises (administrative authorities within ministries and special organisations). The Law on Government¹⁵⁷ envisages additional types of auxiliary bodies, i.e., government services. Separate regulation on public agencies (Law on Public Agencies¹⁵⁸) sets only general rules for management of this type of public institution.

In addition, a broad group of bodies that do not fall under any category of the above-mentioned framework laws exists, operating solely based on the acts establishing them or based on the Law on public services. Among these are mainly classical administrative authorities that could clearly qualify as part of the state

¹⁵⁶ Law on State Administration (LSA), Official Gazette Nos. 79/2005, 101/07, 95/2010, 99/2014, 47/2018 and 30/2018.

¹⁵⁷ Law on Government, Official Gazette Nos. 55/2005 and 71/2005, 2005, 71/2005 – corrigendum, 101/2007, 65/2008, 16/2011, 68/2012; Constitutional Court decision 72/2012, 7/2014; Constitutional Court decision 44/2014 and 30/2018.

¹⁵⁸ Law on Public Agencies, Official Gazette Nos. 18/2005, 81/2005, corrigendum and 47/2018.

administration, and which are entrusted to perform specific public services, e.g., the Accreditation Body, Institute of Standardisation, Central Registry of Compulsory Social Insurance or Institute for Evaluation of the Quality of Education and Training. In addition, many executive bodies, including regulatory authorities, are exempt from government performance steering and report directly to Parliament.

Table 1. Number of central-level bodies by organisational type in Serbia

Type of body	Number
Ministry	25
Administrative authority within ministry	33
Special organisation	20
Agency	11
Government service	14
Sui generis bodies (not operating under any framework law)	11

Source: Data provided by the MPASLG available on the website of the Republic Election Commission, <https://www.rik.parlament.gov.rs/tekst/sr/95/sluzbe-vlade-javne-agencije-i-sluzbe.php>.

Some previous examples of the establishment of new administrative bodies illustrate that ex ante control mechanisms preceding organisational changes were not implemented. The creation of the Office for Cultural Diplomacy,¹⁵⁹ Energy Efficiency Financing and Promotion Administration¹⁶⁰ and Public Procurement Office¹⁶¹ was not based on a strongly justified need to establish new institutions or a thorough MPASLG review of this aspect.

Relations between ministries and subordinated administrative bodies are characterised by a sufficient level of autonomy of the latter, but the absence of results-oriented ministerial steering and monitoring weakens accountability. The annual plans of such bodies (if they exist) are output-oriented, and the role of the portfolio ministries in their development is confined to formal approval or processing of the planning and reporting documents. There is no evidence of active performance monitoring of the subordinated bodies, and the ministries do not provide feedback to them in a structured manner. The formal responsibility for overseeing these bodies is assigned to the ministers directly; the tasks related to steering and monitoring are not delegated further to any organisational units specialised in subordinated bodies' operations.

In the sphere of internal management of central public administration bodies, the emerging trend towards dissemination of TQM is observed. Still, no progress was made to widely promote managerial accountability of senior level officials in ministries through enhancing the delegation of decision-making powers in technical and organisational matters, relating particularly to the staff and financial management.

¹⁵⁹ Government Decision of 16 May 2024.

¹⁶⁰ Law on Energy Efficiency and Rational Use of Energy, Official Gazette No. 40/2021.

¹⁶¹ Chapter IV, Public Procurement Law, Official Gazette Nos. 91/2019 and 92/2023.

Principle 14: Responsibilities are clearly distributed between levels of government, embracing the principle of subsidiarity and local autonomy, and facilitating inter-institutional co-ordination with effective oversight mechanisms.

The legal framework for the effective functioning of local governments is well-developed. Their political and organisational autonomy, as well as collaboration and co-ordination among them is sufficiently established. Most of the legislation and institutional set-up align with the ECLSG. However, there is considerable scope for enhancing some functions of local governments to take on new or additional responsibilities for more effective and targeted service delivery.

Indicator 14. Multi-level governance		2024 indicator value	76/100
Sub-indicators		Points	
1.	Legal guarantees for the establishment and functioning of local governments ensuring multi-level governance across the public administration	6/7	
2.	Ensuring political autonomy of local governments and the right to organise their administration and establish local entities	16/16	
3.	Rules and procedures for the administrative supervision of local government activities and decisions	14/16	
4.	Rules and institutional set-up for resolving conflicts of competences among levels of government	6/6	
5.	Co-ordination and co-operation are ensured between the local governments and the central government	11/12	
6.	Co-operation between local governments	12/13	
7.	Functions for which local governments assume responsibility	11.3/30	

The average municipality size in Serbia is the largest in the Western Balkans and one of the largest in Europe, with almost 50 000 residents. The key factor driving changes in the system of multi-level governance and the strengthening of local autonomy in Serbia has been the ratification of the ECLSG in 2007. This inspired a significant part of the legislation concerning local governments and central-local government relations. It is widely accepted that also the EU accession process had a significant impact on the functioning of local self-government through reforms of the public administration system, enhanced consultations with local self-government in line with EU recommendations, and developments in the capacity of local authorities, notably in the effective use of EU funds.¹⁶²

Serbia established institutions for citizen participation and ratified the relevant protocol to the Charter in 2017. Additionally, it modernised the legal framework in the spirit of the Charter and adopted new legislation for local government staff. The latest Congress of Local and Regional Authorities of Europe (CLRAE) monitoring report (2017) acknowledged considerable progress but pointed out some persistent shortcomings concerning personnel, the scope of functions, supervision and the finance system. Serbia has not yet withdrawn its reservations regarding the Charter's Article 4, paragraph 3 (principle of subsidiarity, facing constitutional problems in Serbia – see Analysis section below); Article 4, paragraph 5 (discretion in delegated tasks);¹⁶³ Article 7, paragraph 2 (financial compensation of elected representatives); or Article 8, paragraph 3 (proportionality in administrative supervision). The proposal for an amendment to the Law on the Ratification of the European Charter on Local Self-Government, which would ratify three more provisions of the Charter¹⁶⁴, was approved by the Government in October 2023,

¹⁶² Congress of Local and Regional Authorities, Council of Europe, Local and Regional Democracy in Serbia, Strasbourg 2017.

¹⁶³ Under the provisions of Article 12 of the Charter, acceding states are obligated to accept the provisions of at least 20 paragraphs from the first part of the Charter. Serbia accepted 24 out of a total of 30 paragraphs in this part of the Charter.

¹⁶⁴ Article 6, paragraph 1 and 2, and Article 7, paragraph 2.

but due to the parliamentary elections the draft law was not adopted. The MPALSG has restarted the procedure to have it approved by the Government in 2024.

Nevertheless, reforms implemented after the ratification of the Charter and the EU membership application have been reflected in the study of the LAI in Europe, solicited by the European Commission (Table 2). In Serbia, the index of local autonomy – which has increased significantly, especially between 2000 and 2010 – is higher than the EU average.

Table 2. Local Autonomy Index (LAI) in Serbia

	2000	2010	2015	2020
Serbia	16.5	24.8	24.3	24.3
EU average	22.2	22.5	22.9	22.8

Note: The scores refer to municipalities where the majority of the Serbian population live (the score for cities and the city of Belgrade are slightly different). The maximum possible LAI score is 38.

Source: <http://local-autonomy.andreasladner.ch/>, A. Ladner, H. Baldersheim, N. Hlepas, N. Keuffer, C. Navarro, K. Steyvers, P. Swianiewicz (2019) *Patterns of local autonomy in Europe*, Palgrave, DOI: 10.1007/978-3-319-95642-8; Ladner, A., Keuffer, N. and Bastianen, A. (2021). *Self-rule Index for local authorities in the EU, Council of Europe and OECD countries (1990-2020)*, Release 2.0. Brussels: European Commission.

The Serbian Constitution¹⁶⁵ guarantees the autonomy of local governments as a right of citizens, limiting state power and including an indicative list of responsibilities. The law also allows local governments to assume additional responsibilities on their own initiative. The legislation secures the organisational autonomy of local governments and their ability to establish businesses and other legal entities.¹⁶⁶ Regarding staff regulations, Serbian legislation now aligns with the Charter following the enactment and amendments of the law on local government employees (which also included amendments to the law on public servants' salaries).¹⁶⁷ This increases the attractiveness of the jobs to quality personnel and facilitates continuous training.

There is, however, a deficit in internal control mechanisms. The capacities of local governments to implement internal control standards, including risk management, are insufficient.¹⁶⁸ The MPALSG exercises external administrative supervision over local governments, mainly through administrative inspections.¹⁶⁹ Sectoral ministries conduct inspections within their respective areas of responsibility, with legality checks conducted only on relevant matters. According to data from three ministries, approximately 60% of Serbia's municipalities were inspected in 2022 and 2023, however central info and analysis on findings of central government supervision is not available.

The law allows the dissolution of a municipal assembly by government decision if it does not meet for three months or fails to approve a statute or budget within the legal deadline.¹⁷⁰ The CLRAE monitoring report¹⁷¹ suggested that the law should specifically define the powers of the temporary body that would replace the municipal assembly, as the general reference of the existing legislation to "current and urgent matters" is

¹⁶⁵ The Constitution of the Republic of Serbia, Official Gazette Nos. 98/2006 and 115/2021.

¹⁶⁶ Law on Local Self-Government, Official Gazette No. 129 of 29 December 2007, as amended.

¹⁶⁷ Law on Employees in Autonomous Provinces and Local Self-Government Units, Official Gazette No. 21 of 4 March 2016, as amended; also the Law on Salaries of Civil Servants and Officials, Official Gazette No. 62 of 19 July 2006, as amended.

¹⁶⁸ See further analysis under Principle 26.

¹⁶⁹ Law on Local Self-Government, Article 78.

¹⁷⁰ *Ibid.*, Articles 85-87.

¹⁷¹ Congress of Local and Regional Authorities, Council of Europe, Local and Regional Democracy in Serbia, Strasbourg 2017

deemed insufficient. In any case, the law does grant local governments the right to appeal supervisory authorities' actions to the Constitutional Court,¹⁷² but municipalities seldom use this option. The Constitutional Court also resolves conflicts between different levels of government.

Co-operation between the central administration and local self-governments is facilitated by legislation that mandates prior consultation with local governments or their associations when legislation affecting their interests is prepared.¹⁷³ Serbia also has a Commission for Local Self-Government Financing, with local government participation. The co-operation is further supported by the existence of a ministry responsible for local self-government and an active national association representing all local governments in Serbia. However, there is no co-ordination mechanism for policies affecting local administrations between central authorities at the national level. As part of the broader strategy for public administration reform, there is a specific Programme for the Reform of the Local Self-Government System for the period 2021 to 2025. The implementation rate of the Programme has shown moderate progress with 50% in 2023 and 57% in 2022.

Legislation empowers local governments autonomously to manage and regulate their affairs in order to serve the interests of their citizens and develop their municipalities under transparent conditions.¹⁷⁴ The municipal assembly, following prior citizen consultation, can create local communities as forms of sub-municipal self-government. Since 2021, the legislation has included a wide range of institutions for citizen participation, including local referenda (also initiated by the public).¹⁷⁵

Regarding competencies, the principle of subsidiarity does not apply in Serbia, as the Constitution (Article 177) stipulates that the law determines which matters are of national, provincial or local interest (hence Serbia's reservation on Article 4, paragraph 3 of the Charter, which enshrines the principle of subsidiarity). Compared to other European countries, local governments in Serbia do not have a broad range of responsibilities. It is notable that local self-government does not play a significant role in primary health care and hospitals, organised social housing, or primary and secondary education.

Despite the relatively large population and area of Serbian municipalities, significant disparities between municipalities persist. Responsibilities are borne at the local level without proper analysis of the required capacity and human/financial resources. Inter-municipal co-operation (IMC) can offer solutions in this respect. The central administration provides training and financial incentives. The total number of IMC agreements was 48 in 2023, involving 87 local governments (60% of the total). The most common IMC agreements include communal activities (joint management of communal waste, concession for animal-hygiene activities), and disaster and flood risk reduction.¹⁷⁶ In order to provide further incentives for IMC, the MPALSG introduced an additional purpose for funding the development of the local self-government system that now supports also new or enhanced co-operation between local government units.¹⁷⁷

The level of trust in local government is similar to the regional average (39%) with 10% of surveyed citizens expressing that they trust completely and 29% expressing that they tend to trust the local government.¹⁷⁸

¹⁷² Law on Local Self-Government, Article 96.

¹⁷³ *Ibid.*, Article 80.

¹⁷⁴ Law on Local Self-Government, Articles 2, 5, 11, 67, 68 and 71.

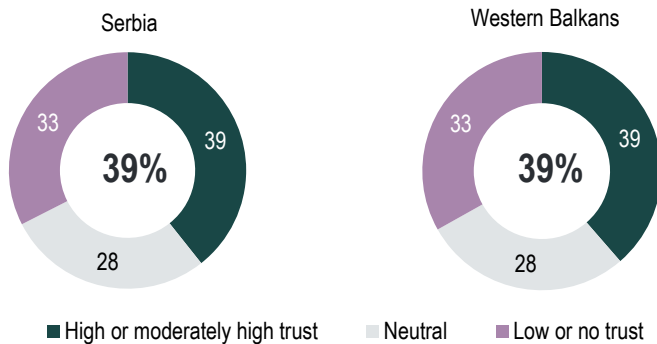
¹⁷⁵ Law on Referendum and People's Initiative, Official Gazette, No. 111 of 25 November 2021 and 119 of 10 December 2021.

¹⁷⁶ Kurian, M., P. Swianiewicz and F. Teles (2024), "Inter-municipal co-operation in the Western Balkans", *SIGMA Papers*, No. 70, OECD Publishing, Paris, p. 11, <https://doi.org/10.1787/a78a01e6-en>

¹⁷⁷ Rulebook on the Method and Criteria for Allocating Funds for the Programme to Support the Development and Functioning of the Local Self-Government System.

¹⁷⁸ SIGMA Survey of Citizens on public administration in the Western Balkans 2024, conducted March-April 2024.

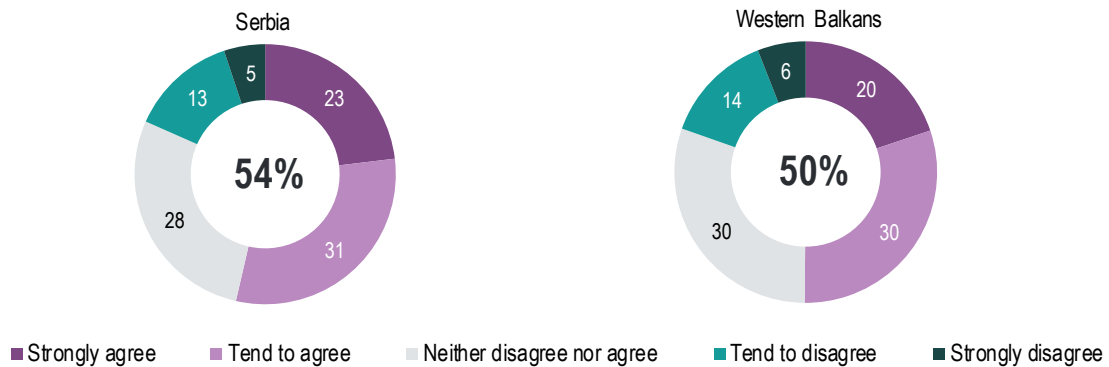
Figure 26. Citizens' trust in local governments



Note: Percentage of valid responses to survey questions:
 : "How much trust do you have in the local government? Using a 5-point scale where 1 means you don't trust it at all and 5 means you completely trust it". 1-2 = Low or no trust, 3 = Neutral, 4-5 = High or moderately high trust.
 The percentage in the middle is the share of respondents who answered "trust completely" or "tend to trust".
 . Source: SIGMA Survey of Citizens on public administration in the Western Balkans 2024.

At the same time, most Serbian citizens think the central government excessively limits the autonomy of local governments. Some 54% of surveyed citizens expressed such an opinion, while only 18% expressed the opposite view, similar percentages that the regional average.

Figure 27. Citizens' perception about excessive central government interference in local issues



Notes: Responses to the question: "To what extent do you agree or disagree with the following statement?" "The central government is interfering too much on issues that should be left to local governments". The percentage in the middle is the share of respondents who answered "strongly agree" or "tend to agree".
 Source: SIGMA Survey of Citizens on public administration in the Western Balkans 2024

Principle 15: Public administration is transparent and open.

The progressive legislative framework on the right to public information is in place, combined with the strong position and mandate of the Commissioner for Information of Public Importance and Data Protection. Notable efforts are being made to promote open data. However, the situation in this area is seriously affected by difficulties in handling a drastic increase of appeals in cases of access to public information, likely resulting from legal professionals' abuse of remedies established in the LFAI.

Indicator 15. The public administration is transparent and open		2024 indicator value	73/100
Sub-indicators		Points	
1.	Strategic and institutional set-up for transparency	8.8/10	
2.	Individuals and legal persons who have the legal right to access public information	6/6	
3.	Definition of public information	6/6	
4.	Easiness of requesting access to public information	10/15	
5.	Effective remedies for denial to access public information	7.2/15	
6.	Effective supervisory authority of the right to access public information	6/9	
7.	Legislation about preservation and management of documents and data keeping	9/10	
8.	Open Data Portal and re-use of public information	9/15	
9.	Proactivity in disclosure of information and data by state administration bodies	8.5/10	
10.	Perceived government transparency of public information by the population and businesses	2/4	

Thanks to revision of the LFAI,¹⁷⁹ completed in late 2021,¹⁸⁰ the quality of the legislative framework to enhance the transparency of public institutions improved. The removal of the controversial clause “abuse of right to information” is particularly welcome. Public authorities can no longer restrict access to information by claiming the request is “unreasonable, frequent, where an applicant repeatedly requires the same information or information already obtained, or when too much information is requested”.¹⁸¹

The revision of the LFAI also partially strengthened the enforcement of the decisions of the Commissioner for Information of Public Importance and Data Protection. The Commissioner became empowered to autonomously decide on imposing sanctions for failure to follow its decisions. It is not yet clear, however, whether the problem of ineffective enforcement of the Commissioner’s decisions was fully resolved, as the institution did not impose any sanctions in such cases in 2023.

As a result of these upgrades, the LFAI has laid a strong foundation for effective implementation of the right to public information, not only at the procedural, but also at the institutional level. The Commissioner has an extensive mandate and responsibilities, ranging from handling appeals against refusals of access to information or administrative silence, to collection and presentation of data about the administrative practice and promoting the right to information.

Nevertheless, a significant increase in the number of appeals related to requests for public information has heavily affected the overall assessment of the LFAI’s application. In the first half of 2022, the Commissioner received only around 1 800 complaints, while in the second half of the year four times more, and in full-

¹⁷⁹ LFAI, Official Gazette Nos. 120/2004, 54/2007, 104/2009, 36/2010 and 105/2021.

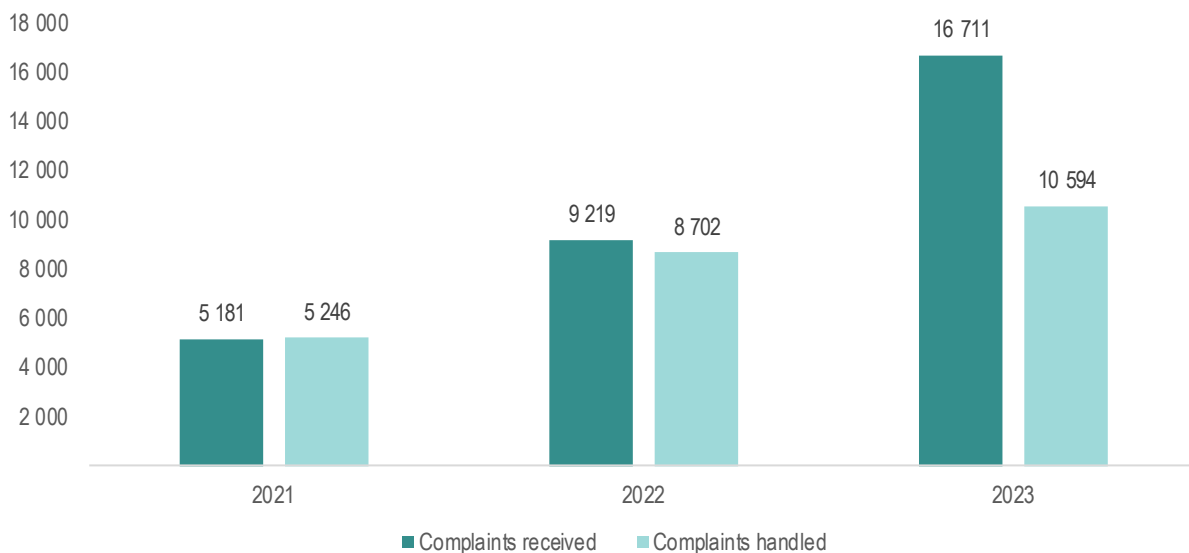
¹⁸⁰ Law on Amendments to the LFAI, Official Gazette No. 105/2021.

¹⁸¹ LFAI, Article 13 (repealed).

year 2023 over three times more than in 2021¹⁸². While it is not possible to estimate what share of the increase was driven by the financial motivations of the requesters and their legal representatives, in 2023, 82.5% of complaints related to access to public information were lodged through lawyers, as opposed to the annual average 9.7% in earlier years¹⁸³. This problem is well-known to all relevant actors and in October 2024, amendments to the LFAI have been put up for public consultation, addressing these matters.

The above-described phenomenon has clear negative impact on the overall performance of the mechanisms for monitoring and enforcement of the right to information. Due to the Commissioner's heavy workload, in the vast majority of cases the statutory deadline of 60 days for processing complaints is exceeded. Although in 2023 the institution reached the highest efficiency level in its history, it managed to dispose of less than 2/3 of new cases (not counting cases transferred from the previous year) (Figure 28).

Figure 28. Handling complaints on access to public information by the Commissioner for Information of Public Importance and Data Protection



Source: Annual report of the Commissioner for Information of Public Importance and Data Protection for 2023, Belgrade 2024, p. 87.

It should be acknowledged that the Commissioner developed an advanced system of co-operation with the information providers in the collection of a wide range of statistical data. More than 5 000 information providers shared relevant data for 2023. According to the Commissioner's estimations, however, more than half of the information providers still do not fulfil their reporting obligations, and the Commissioner cannot impose any sanctions for disregarding this duty. Furthermore, the top level of public administration does not set a good example, considering that four ministries failed to submit their annual reports to the Commissioner.¹⁸⁴

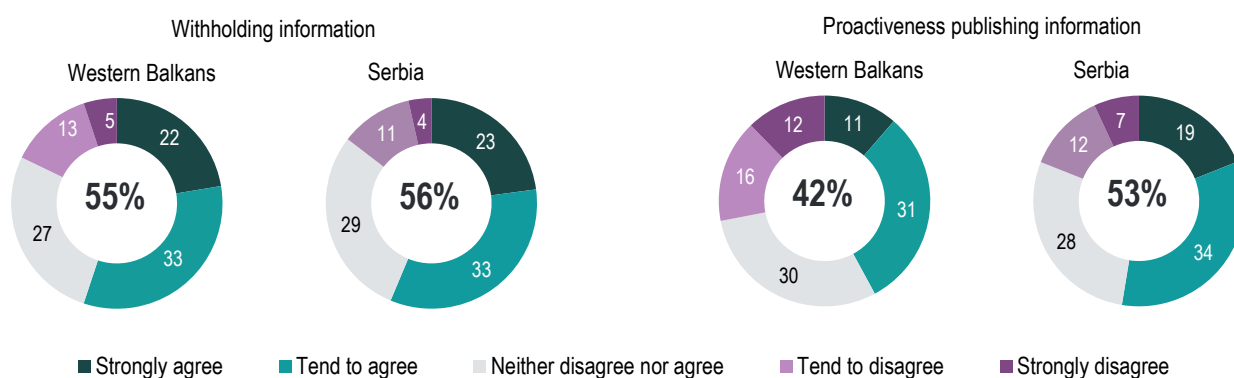
¹⁸² Commissioner for Information of Public Importance and Data Protection, Annual report of the Commissioner for Information of Public Importance and Data Protection for 2023, Belgrade 2024, p. 87.

¹⁸³ Ibid., p. 31.

¹⁸⁴ The MPALSG; Ministry of Labor, Employment, Veterans and Social Affairs; Ministry of Foreign Affairs, and Ministry of Public Investments (based on information provided in the Commissioner's annual report for 2023).

While proactive transparency of state bodies is generally secured through the publication of their “information booklets”,¹⁸⁵ the ministries struggle to ensure a high standard of proactive transparency when it comes to planning and reporting documents. On the other hand, the availability of key data sets for citizens is good, with easy access to consolidated versions of legislation, major public registers and statistics. The open data portal provides access to more than 2000 data sets, including real-time, dynamic data on air quality and public transport. There is room for improvement, though, considering that some important data sets are not available for re-use¹⁸⁶ or in a real-time, dynamic format and only around half of citizens and businesses are satisfied with the public availability of important information and data that the public authorities hold.

Figure 29. Citizen perception of proactive disclosure/withholding information by the government



Notes: Percentage of responses to the questions: “To what extent do you agree or disagree with the following statements? “The public administration publishes information about government decisions and regulations relevant for the operation of your business in a helpful and accessible manner (e.g., budget, tenders, policies, etc.)” and “the government sometimes intentionally withholds important information from the public that it could safely release.” The percentage in the middle is the share of respondents who answered: “strongly agree” or “tend to agree”. Source: SIGMA Survey of Citizens on public administration in the Western Balkans 2024.

¹⁸⁵ Published both on institutional websites and centrally, on the website of the Commissioner: <https://informatior.poverenik.rs>.

¹⁸⁶ Especially meteorological data and a database on companies and company ownership.

Principle 16: The Parliament, Ombudsperson and Supreme Audit Institution effectively scrutinise public administration.

The extensive mandate and basic guarantees of the independence of oversight institutions are in place and are enhanced for the Ombudsperson by the new legislative framework. However, the Parliament fails to provide adequate support to either the Ombudsperson or the Supreme Audit Institution (SAI) in holding the public administration accountable.

Indicator 16. Effectiveness of scrutiny of public authorities by independent oversight institutions		2024 indicator value	75/100
Sub-indicators		Points	
1.	Parliamentary oversight of the government	5.1/9	
2.	Parliamentary support to the ombudsperson and the supreme audit institution (SAI)	6/12	
3.	Independence of the ombudsperson, capacities, and public trust	7.7/13	
4.	Requirements for the person appointed to the ombudsperson position	3/6	
5.	Mandate and powers of the ombudsperson	8/8	
6.	Implementation of ombudsperson recommendations	10.8/13	
7.	Independence of the state audit institution (SAI)	10.3/12	
8.	Capacities of the supreme audit institution (SAI) and public trust	5.9/9	
9.	Mandate and powers of the supreme audit institution (SAI)	7/7	
10.	Implementation of supreme audit institution (SAI) recommendations	11/11	

Basic guarantees of the independence of the Ombudsperson and SAI are regulated at the constitutional level and, more specifically, in ordinary laws. The new Law on Protector of Citizens adopted in late 2021¹⁸⁷ secures a broad mandate and extensive powers of the Ombudsperson, whose jurisdiction covers all bodies exercising public authority. It may initiate investigations both upon request of the citizens and ex officio. While investigating the cases, it has access to documents, premises and persons employed in the relevant public institutions. In cases of a lack of co-operation from the authorities, the Ombudsperson may recommend in writing dismissals of responsible officials and submit initiatives for disciplinary procedures against employees of administrative authorities.

It is welcomed that the new law introduced a ban on the renewability of the Ombudsperson's mandate, which clearly contributes to securing political independence of the institution. However, this ban does not apply to the incumbent elected under the previous law, who was subsequently appointed for a second term.

The Ombudsperson reports a very high implementation rate of its recommendations. According to the annual report for 2023, the respective authorities implemented 100% of the recommendations issued within the shortened procedure. In cases of recommendations produced under the standard procedure, the implementation rate reached almost 80%. The Ombudsperson informed SIGMA about launching an internal mechanism for monitoring the implementation of its recommendations in 2023, including centralised records of recommendations issued and information on actions undertaken by public authorities. However, a list of recommendations with information on the implementation status for each of them is not published for timely follow-up by the public, only within the framework of the Ombudsperson's annual report.

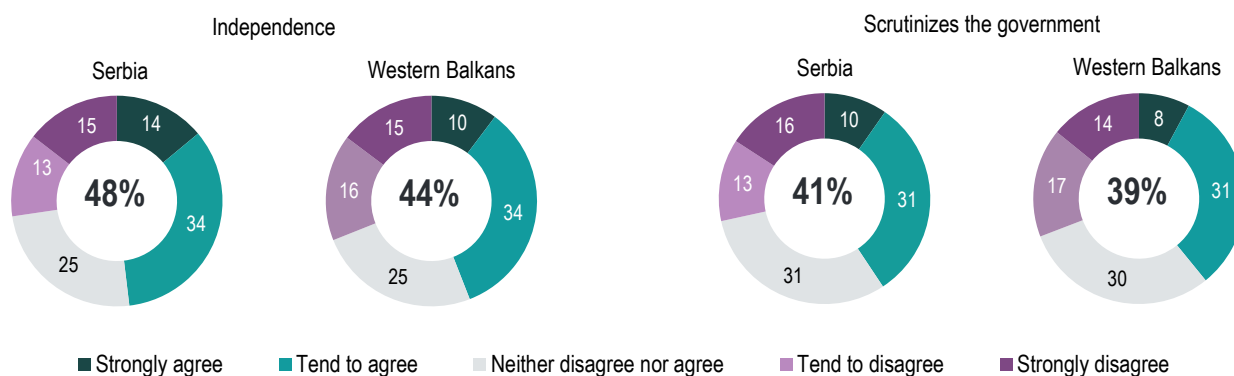
In comparison with other ombudsperson institutions in the region, the Serbian Protector of Citizens enjoys some special powers, in particular the right of legislative initiative and the right to recommend in writing the

¹⁸⁷ Law on Protector of Citizens, Official Gazette No. 105/2021.

dismissal of an official, or to initiate disciplinary proceedings against an employee in an administrative authority that violated citizens' rights or made an omission that caused material or other damage to a citizen. Still, no own legislative proposals were submitted to the Parliament in 2022 or 2023. No requests for dismissal of public officials were lodged, either. The Ombudsperson also did not initiate any procedure for constitutional review of legislation.¹⁸⁸ At the same time in 2023, the Ombudsperson submitted four amendments to laws under deliberation in the National Assembly and sent 10 legislative initiatives to the Government, the National Assembly or the competent ministries for the adoption or amendment of laws and other regulations.

Only about a third of the citizens who answered the SIGMA Survey on the public administration expressed that they were familiar with the Ombudsperson and its work. From those, 48% perceive the Ombudsperson as independent and only 41% believe that the Ombudsperson can perform effective oversight of the executive. Trust levels about the Ombudsperson and the Supreme Audit Institution are about 34% of respondents of the SIGMA Survey.

Figure 30. Citizen perception of the independence and effectiveness of the Ombudsperson

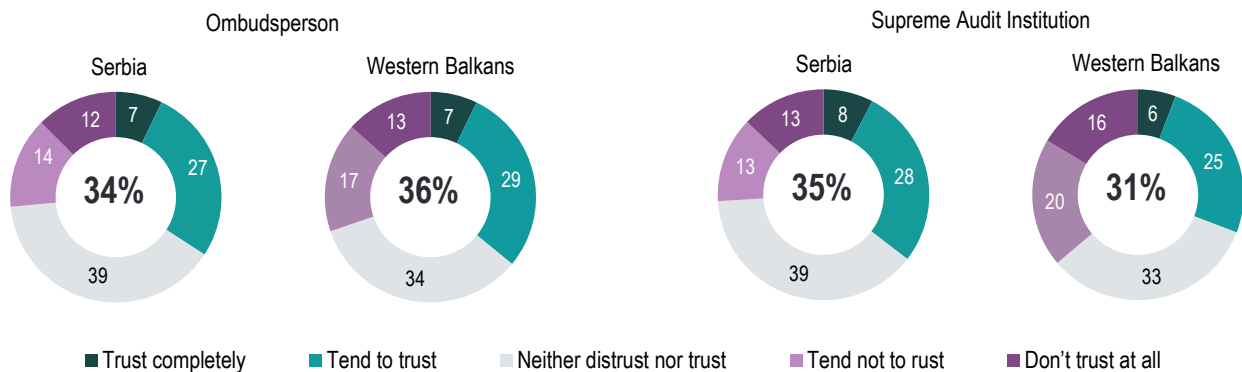


Note: Percentage of responses to the questions: "To what extent do you agree or disagree with the following statements? 1. The Ombudsperson is independent of political influence. 2. The Ombudsperson effectively scrutinizes the government and make it accountable to citizens". The percentage in the middle is the share of respondents who answered: "strongly agree" or "tend to agree".

Source: SIGMA Survey of Citizens on public administration in the Western Balkans 2024.

¹⁸⁸ In 2022, the Ombudsperson submitted an initiative to the Constitutional Court to assess the constitutionality of certain provisions of the Law on Gender Equality which refer to the use of gender sensitive language, based on which the Constitutional Court made these provisions temporarily out of effect until the final decision has been made.

Figure 31. Citizen trust in the SAI and Ombudsperson



Note: Percentage of responses to the question: “How much trust do you have in the following institutions? Ombudsperson, Supreme Audit Institution.” The percentage in the middle is the share of respondents who answered: “trust completely” or “tend to trust”.

Source: SIGMA Survey of Citizens on public administration in the Western Balkans 2024.

The legislature contributes to enhancing the effectiveness of the Ombudsperson’s oversight of public administration only to a limited extent. No committee is formally mandated to co-operate with the institution. The plenary session of the National Assembly did not debate the annual reports for 2022 or 2023. The report for 2021 was presented and considered only in February 2023. The process concluded with a resolution urging the Government to address specific types of violations of human rights presented in the Ombudsperson report¹⁸⁹. There was no follow-up on implementation of the recommended measures, however.

The lack of sufficient parliamentary support also affects the SAI’s capabilities. The annual SAI report for 2021 was discussed at the plenary session of the Parliament only in February 2023, while the 2022 report was discussed by the Committee for Finance, State Budget and Control of Spending of Public Funds only in September 2023, calling on the Government to take actions in alignment with the SAI recommendations, but no plenary discussion had been held on the 2022 report at the time of this assessment. Nevertheless, the rate of implemented SAI recommendations reported for 2022 reached 81%.

¹⁸⁹ Resolutions No. 11 and 12 of the National Assembly of 27 February 2023.

Principle 17: The right to good administration is upheld through administrative procedure, judicial review and public liability.

There is a well-established general legislative framework for administrative procedure, securing a high standard of protection of citizens' procedural rights. Nevertheless, a lack of centralised monitoring of administrative procedures hinders the assessment of the efficiency of administrative decision-making.

Indicator 17.1. Due process and good administrative behaviour when conducting administrative procedures and applying public authority		2024 indicator value	58/100
Sub-indicators		Points	
1.	Due process in the legal framework regulating administrative procedures	22/30	
2.	Timeliness of administrative procedures	8.6/20	
3.	Public perception of the lawfulness and impartiality of administrative procedures	2.6/6	
4.	Business perception of the consistency and impartiality of conducting administrative procedures	2.6/6	
5.	Functioning of administrative appeal	6.4/10	
6.	Monitoring the effectiveness of administrative procedures	11.5/18	
7.	Legal framework and application of the public liability regime	4/10	

Under the Law on General Administrative Procedure (LGAP),¹⁹⁰ the parties in administrative proceedings have a good level of protection of their procedural rights, including the rights to gain access to files, to be heard before a final decision and to challenge both administrative acts and administrative silence. The possibility of electronic communication is guaranteed. Since the beginning of the full application of the Law on General Administrative Procedure (LGAP), 1 June 2017 until today, reportedly a total of 249 special laws have been harmonised with LGAP.

The LGAP also formally enshrines the “once-only” principle, requiring administrative authorities to provide ex officio insight into the data on facts required for deciding, on which official records are maintained. However, an analysis of selected procedures demonstrates that the principle is not consistently observed. For example, when applying for foreigners' work permits, applicants are still required to submit certificates from the business registry and from the social insurance institution. When applying for taxi permits, applicants are required to provide, e.g., certificates of a business registration with the Serbian Business Registers Agency and of having no criminal record.

Due to a lack of monitoring and reporting on administrative practice in many institutions, there are no reliable data to sufficiently assess the efficiency of administrative proceedings. Indeed, statistical data on the average duration of administrative procedures were not available for 8 of the 12 services¹⁹¹ that SIGMA analysed.

About half of respondents in the SIGMA Survey of Citizens¹⁹² agree that the public administration respects the law in administrative procedures. Still, citizens' perception of the public administration's impartiality is lower: only 40% of respondents agree that the public administration applies the law to everyone equally. A negative perception is also more frequent for impartiality than for lawfulness. Results of the SIGMA

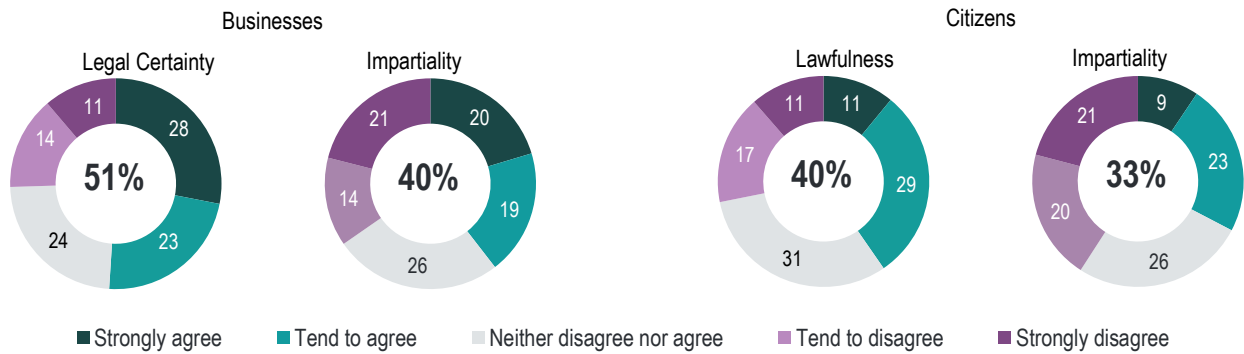
¹⁹⁰ Law on General Administrative Procedure, Official Gazette No. 18, 1 March 2016.

¹⁹¹ The list of services covers the following: work permit for a foreigner, construction permit, disability pension, taxi permit, ID card, health insurance card, unemployment benefits, income tax refund, registering a second-hand vehicle, starting a business, registering a new employee and applying for an environmental subsidy for companies.

¹⁹² SIGMA Survey of Citizens on public administration in the Western Balkans 2024.

business survey show similar results: legal certainty is perceived more positively than impartiality. (Figure 32).

Figure 32. Citizen and business perception of administrative-procedure lawfulness and impartiality



Notes: Percentage of responses to the questions: “To what extent do you agree or disagree with the following statements?: 1. Impartiality: “The public administration is applying the law to everyone equally”. 2. Lawfulness for citizens: “The public administration respects the law when handling citizens’ requests for administrative services (licences and permits, etc.).” 3. Legal certainty for businesses: “The public administration’s interpretations of the laws and regulations affecting your company are consistent and predictable.” The percentage in the middle is the share of respondents who answered: “strongly agree” or “tend to agree”.

Source: SIGMA Surveys of Citizens and Businesses on public administration in the Western Balkans, 2024.

Over 70% of administrative acts challenged in the Administrative Court are upheld, indicating a fairly high level of alignment between the administration’s and the court’s interpretation of the law.

Effective and fair handling of administrative judicial disputes

Access to administrative justice is formally guaranteed, but the large backlog in the Administrative Court significantly affects the practical implementation of these guarantees. The average waiting time for rulings is among the highest in Europe, and no effective measures have been implemented to counteract this trend.

Indicator 17.2. Effective and fair handling of administrative judicial disputes		2024 indicator value	37/100
Sub-indicators		Points	
1.	Access to independent administrative justice	12/15	
2.	Perceived independence of the judicial system by the population (%)	3.4/10	
3.	Perceived trust in the judiciary by the population (%)	4/10	
4.	Functioning of administrative justice	18/35	
5.	Clearance rate in administrative courts (%)	0/10	
6.	Calculated disposition time of administrative cases	0/20	

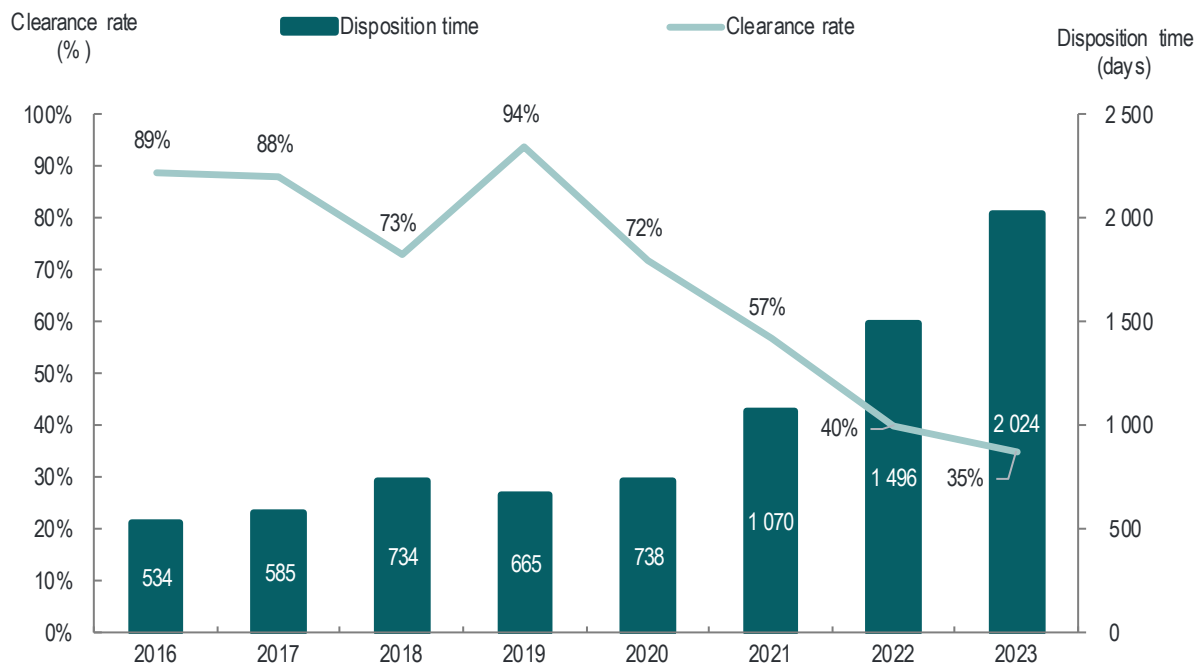
Major challenges persist at the level of judicial review of administrative actions. The general legislative framework established in the Law on Administrative Disputes¹⁹³ formally guarantees access to administrative justice and provides the judges with an extensive mandate to correct maladministration. Very low court fees, combined with a system of free legal aid, further facilitates accessible court proceedings. Applicants may also be reimbursed for their expenses upon winning a court case against administrative acts. Administrative Court rulings might be subject to extraordinary review by the Supreme Court. However, access to this remedy is strictly limited, so it cannot be considered a true second instance; this results in a small number of administrative cases that the Supreme Court handles. No progress has been made in the establishment of a true appeal system against first-instance judicial administrative decisions.

The efficiency parameters at the Administrative Court are troublesome. The expected waiting time for court decisions (calculated as disposition time) has reached 5.5 years. As of December 2023, over 8 000 cases have been pending for more than three years. In 2023, the Court managed to handle only about a third of incoming cases (clearance rate of 35%), signalling further rapid deterioration, while the European average clearance rate was estimated to be 97% in the 2022 evaluation cycle of the European Commission for the Efficiency of Justice (CEPJ).¹⁹⁴ This raises concerns about adequate functioning of the administrative justice system in Serbia.

¹⁹³ Official Gazette, No. 111/09.

¹⁹⁴ <https://www.coe.int/en/web/cepej/cepej-work/evaluation-of-judicial-systems>

Figure 33. Basic parameters of Administrative Court efficiency, 2016-2023



Note: Left axis represents the clearance rate of the administrative court (%), the right axis represents the disposition time (days).

Source: Data collected from the annual reports of the Administrative Court.

The main reason behind the decline in efficiency is a nearly threefold increase in new cases between 2021 and 2023, driven largely by the possible misuse of procedural rights by some legal professionals, who overload the public administration with multiple requests likely aimed at provoking administrative silence, initiating an administrative dispute and collecting fees. The incentive behind these requests is likely the fact that according to the law, compensation for lawyers' fees should be paid to the winning party, with the value of the fee fixed irrespective of the amount of work required to prepare and defend the case. Taking into account the ease of bringing and winning cases against administrative silence, the monetary incentive is clear.

The drastic increase in cases over a short period has put significant pressure on the courts' performance and workload. Consequently, the number of complaints against an excessive length of judicial proceedings doubled between 2022 and 2023, resulting in a dynamically growing expenditure on compensation for violations of the right to trial in a reasonable time.

As a result of disruptive actions, access to administrative justice is hindered for everyone, and there is no evidence of the concerned institutions' concerted actions or clear plans to address the problem.

Basic guarantees are in place of state liability for damage that public authorities' acts and omissions have caused. As regulated in the Law on the Protection of the Right to a Trial within a Reasonable Time,¹⁹⁵ the party may also file a lawsuit against the Republic of Serbia for monetary compensation caused by the violation of the right to a trial within a reasonable period of time. Equally, Article 170 of the Constitution states that any person who believes that an individual act or action of a state authority or an organisation entrusted with public authority has violated or denied human or minority rights and freedoms guaranteed by the Constitution may file a constitutional complaint with the Constitutional Court, which allows to action not only for the annulment of the act or the removal of the harm, but also claim for monetary and non-monetary benefits. However, the Serbian legal system does not include a general provision establishing the liability of the state for damage caused by lawful acts, in line with Principle II of the Recommendation No. R (84) 15 of the Committee of Ministers of the Council of Europe. Moreover, no mechanisms exist to

¹⁹⁵ Official Gazette Nos. 40/2015 and 92/2023.

monitor administrative and judicial practice; hence, it is difficult to assess the practical application of state liability. Moreover, there is no specific administrative procedure to request liability from the state prior to addressing the Courts, which makes access to remedies more difficult (especially due to the Administrative Court backlog).

Principle 18: A coherent and comprehensive public sector integrity system minimises the risks of corruption.

A comprehensive anti-corruption strategy¹⁹⁶ has been adopted by the Government in July 2024 and the legislative and policy framework for public integrity is established, although the quality of regulation on whistleblower protection does not guarantee effective reporting of irregularities in public administration bodies. The official interpretation of the legislation that the National Assembly adopted affected the regime of asset declarations, limiting the number of officials required to submit declarations. Only some data on integrity violations and their sanctioning are collected or publicly available. While lobbying is regulated and a register of lobbyists is in place, the effective transparency of such activities remains questionable.

Indicator 18. Anti-corruption and public integrity		2024 indicator value	59/100
Sub-indicators		Points	
1.	Strategic framework for public integrity	6.9/10	
2.	Comprehensiveness of corruption offences and sanctions	9/10	
3.	Communication and enforcement of rules and values for ethical conduct of public officials	8/8	
4.	Protection of whistleblowers and open organisational culture	5.7/10	
5.	Avoidance and management of conflict-of-interest situations and unjustifiable wealth	12/15	
6.	Transparency and integrity of lobbying activities	4/10	
7.	Effectiveness of integrity risk management and control systems	3.1/10	
8.	Fairness and timeliness of handling integrity violations	3/6 ⁱ	
9.	Interagency collaboration and public communication	2/7	
10.	Experience with bribery in the public sector	3.9/10	
11.	Public trust in the civil service	1.7/4	

Note: i = data not available or not provided.

Apart from the recently adopted National Strategy for the Fight Against Corruption, a wide range of anti-corruption measures and activities is included in the Action Plan for Chapter 23¹⁹⁷. The legislative framework covers all basic domains of public integrity, and the Criminal Code¹⁹⁸ regulates all corruption-related offences established in the United Nations Convention Against Corruption. Nonetheless, access to reliable data on the scale of corruption-related incidents in public administration is limited, considering the lack of centrally collected and published detailed statistics on disciplinary procedures and sanctions. Also, while the Ministry of Justice publishes statistics about criminal investigations and court proceedings

¹⁹⁶ National Strategy for the Fight Against Corruption, Official Gazette No. 63/2024.

¹⁹⁷ Revised Action Plan for Chapter 23, adopted at the session of the Government on 10 July 2020.

¹⁹⁸ Criminal Code, Official Gazette No. 85 of 6 October 2005, as amended.

annually on its website, the annual report of the Supreme Court contains only aggregated data on the courts' handling of corruption-related offences.¹⁹⁹

Rules are in place for establishing conflicts of interest applicable to public officials.²⁰⁰ There is a catalogue of incompatibilities between public functions and private activities, and a sanctioning regime is established for violations of these rules. A special regime for disciplinary proceedings applies to civil servants.

Legislative standards are accompanied by the Code of Conduct for Civil Servants.²⁰¹ The Code stipulates key principles of appropriate behaviour for civil servants, including the principles of respecting political neutrality, legality, and impartiality at work; pursuing the public interest; and avoiding conflicts of interest; but it does not define how to interact with lobbyists. Violations of the Code's standards constitute a minor violation of work duty, unless it is determined by law as a more serious violation. Basic statistical data on violations of the Code of Conduct are centrally aggregated, though not all institutions are obligated to report the relevant data.²⁰² Public officials whom SIGMA surveyed report a high level of awareness about the obligations stemming from the Code of Conduct, with 89.7% considering the Serbian ethical guidelines clear and understandable.²⁰³

The legislative framework for lobbying activities,²⁰⁴ as well as a publicly available register of both natural and legal persons conducting lobbying activities, is also in place. However, the register does not contain detailed information on the fields of lobbying in question, nor on legislative or policy acts that the lobbyists target. The total number of lobbyists in the register is small (below 50 natural persons, 3 domestic legal entities, no foreign legal entities), provoking concerns about the transparency of actual lobbying activities.

Whistleblower protection is also regulated, providing for both internal and external whistleblowing. The external channel for reporting is not clearly regulated, however. It is recommended that whistleblowers refer information to the "authorised authorities", defined as "an authority of the Republic of Serbia, territorial autonomy or local self-government unit or holder of public powers competent to act upon the information, which is subject of whistleblowing, disclosed in accordance with the Law".²⁰⁵ This definition does not give clear guidance on where to report on integrity breaches externally, which may discourage such reporting. No publicly available guidelines provide more clarity on this matter, either. Nevertheless, the perceived ease of reporting corruption is around the regional average, with 29% of respondents considering it easy to report such cases.²⁰⁶

There is a well-established system of asset declarations. Public officials are required to submit declarations to the APC upon entry into office, after termination of their mandate or if their property status or income has changed significantly in the previous year. A significant change is defined as exceeding the value of an average annual net wage in the Republic of Serbia. According to the Law on Prevention of Corruption, the system of asset and income declarations should cover all public officials elected or appointed to serve

¹⁹⁹ Supreme Court, Annual Report on the Work of Courts in 2023, March 2024, p. 51.

²⁰⁰ Especially Articles 40-54 of the Law on Prevention of Corruption, Official Gazette Nos. 35/2019, 88/2019, 11/2021 and authentic interpretation, 94/2021 and 14/2022, and Articles 25-31 of the Law on Civil Service, Official Gazette No. 95/18 (consolidated text), with later amendments.

²⁰¹ Official Gazette Nos. 29/2008, 30/2015, 20/2018, 42/2018, 80/2019 and 32/2020.

²⁰² Information available at: <https://www.suk.gov.rs/tekst/2222/izvestaj-o-postovanju-kodeksa-ponasanja-drzavnih-sluzbenika-za-2022-godinu.php>.

²⁰³ SIGMA Survey of Public Servants on the functioning of public administration in the Western Balkans 2024, conducted in March-April 2024.

²⁰⁴ Law on Lobbying, Official Gazette Nos. 87/2018 and 86/2019.

²⁰⁵ Law on Prevention of Corruption, Article 2, Official Gazette Nos. 35/2019, 88/2019, 11/2021 and authentic interpretation, 94/2021 and 14/2022.

²⁰⁶ SIGMA Survey of Citizens on public administration in the Western Balkans 2024, conducted in March-April 2024.

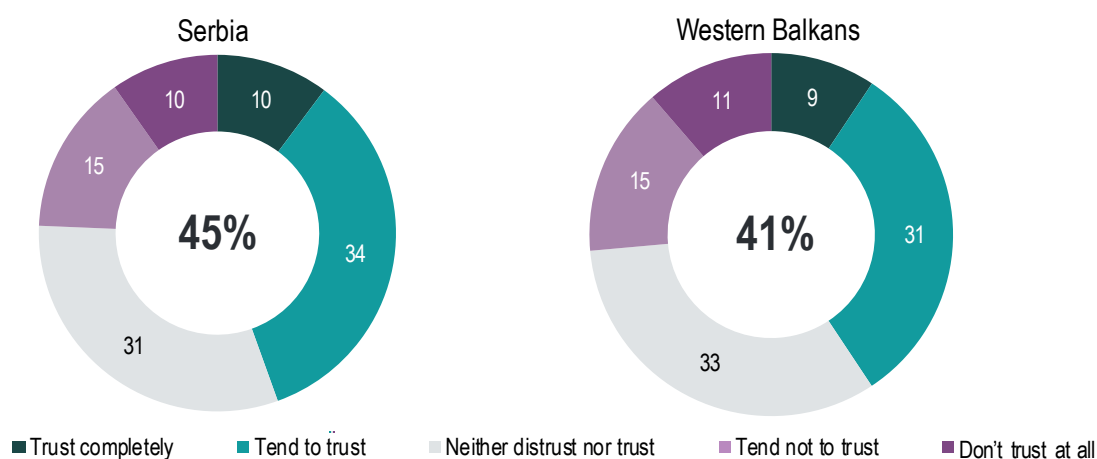
in the public authority, except for persons who are representatives of private capital in the management body of a company that the public authorities control.

In 2021, however, the National Assembly issued an official interpretation of the definition of “public official”,²⁰⁷ narrowing its scope to persons directly elected by citizens and directly appointed by the President of the Republic, Parliament, the Government, local self-government bodies or top judicial institutions. Any person appointed by ministers or heads of administrative authorities is therefore no longer subject to the obligation of asset and income declaration. While the concept of official interpretations of legislation that the Parliament has issued is compatible with the Serbian Constitution, it should be noted that in this specific case, the National Assembly should have amended the law to define the scope properly. Instead, with the (otherwise correct) interpretation of the notion of public officials, the Parliament practically narrowed the scope of application of the important public integrity measure on asset declarations, as it no longer applies to all high-risk positions. As regards other anti-corruption measures (e.g., rules on conflicts of interest, gifts, incompatibilities), the negative impact of this act is more limited, considering that relevant rules are also established in the Law on Civil Service.

The APC also has the mandate of corruption-proofing legislative proposals. In 2023, it prepared eight opinions in this regard, upon request of the proponents of new legislation. Whereas in most cases proponents do not involve the APC proactively by seeking its opinion on potential integrity risks, there are no formal obstacles for the Agency to be more proactive in this field or to prepare opinions ex officio whenever increased corruption risks are spotted; it can easily be assumed that more than eight such proposals emerge annually.

While 5% of citizens reported that they encountered corruption during their recent contacts with public authorities, for one-quarter of businesses it is common practice to give irregular payments or gifts to public officials “to get things done”.²⁰⁸ While the level of trust in the civil service in Serbia (45%) is above the Western Balkan average (41%), this reported opinion about irregular payments or gifts to public officials still might indicate that the integrity challenges have not been tackled effectively.

Figure 34. Citizens trust in civil servants



Note: Percentage of responses to the question: “How much trust do you have in the following institutions? Civil servants (non-elected government employees at central or local levels of government).” The percentage in the middle is the share of respondents who answered: “trust completely” or “tend to trust”.

Source: SIGMA Survey of Citizens on public administration in the Western Balkans 2024.

²⁰⁷ Official Gazette No. 11/2021.

²⁰⁸ SIGMA Survey of Citizens on public administration in the Western Balkans 2024, conducted in March-April 2024.



Service delivery and digitalisation

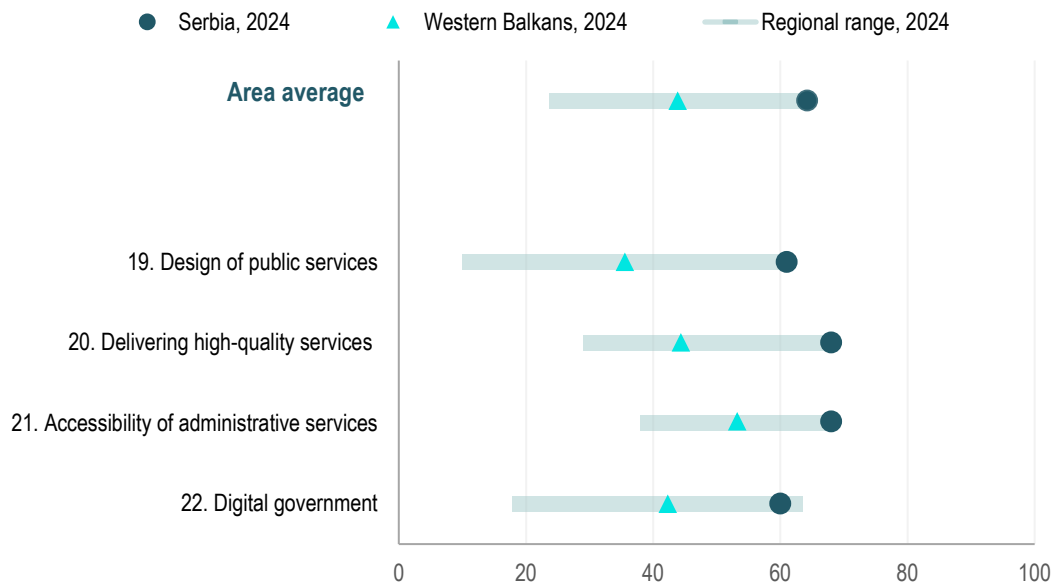
The public administration places **users at the centre** and delivers high-quality and easily **accessible services** online and offline to all people and businesses. Digitalisation enables data-driven decisions, effective and efficient processes.

The Principles of Public Administration

- Principle 19** Users are at the centre in design and delivery of administrative services.
- Principle 20** The public administration delivers streamlined and high-quality services.
- Principle 21** Administrative services are easily accessible online and offline, taking into account different needs, choices and constraints.
- Principle 22** Digitalisation enables data-driven decisions and effective, efficient and responsive policies, services and processes in the whole of government.

Summary and recommendations

Figure 35. The overall indicator values in the service delivery and digitalisation area



Notes: Area average is a simple average of the Principles within the area. Western Balkan average is calculated as a simple average of all administrations. Indicator 22. Digital government is the weighted average of 22.1. Digital government readiness and maturity (75%) and 22.2. Digital government tools (25%).

The overall quality of administrative public services in Serbia has improved in recent years. The values of most indicators are in the highest range in the region. More citizens and businesses are satisfied than dissatisfied with public services. However, there are significant variations in satisfaction among services as well as between different aspects of the same service, because the quality is not homogeneous across all services and aspects of service provision. The digitalisation and simplification of public services are progressing adequately, with successful programmes like ePaper optimising 451 procedures and digitalising 99 of them.

The **policy and strategic framework for service modernisation** is comprehensive and up to date. The Public Administrative Reform (PAR) Strategy 2021-2030 sets general objectives and key actions for the area, complemented by specific documents addressing different aspects of service delivery: the Programme for e-Government Development for 2023-2025, the Programme for Simplifying Administrative Procedures and Regulations "ePaper" for 2023-2025, the Strategy of Development of Information Society and Security 2021-2026 and the Strategy of Artificial Intelligence (AI) Development 2020-2025.

Serbia presents a **complex institutional structure** regarding service delivery and digital government. The Ministry of Public Administration and Local Self-Government (MPALSG) is the main policy and legislation setter, as well as the main responsible institution for the area. The Public Policy Secretariat (PPS) is responsible for administrative simplification. The Office for Information Technology and Electronic Administration (ITE) manages the main tools of eGovernment. Finally, line ministries and agencies are responsible for their own services. While co-ordination happens regularly and successfully at the level of programmes (e.g., ePaper) or projects (e.g., digitalising services, connecting institutions or registers to the interoperability platform, or drafting new regulations), there is no evidence of a clear, permanent co-ordination structure in the areas of service delivery or digitalisation.

The **Law on General Administrative Procedure (LGAP)**,²⁰⁹ in force since February 2016, establishes the basic regulation for administrative service delivery and is aligned with the principle of good administration. **The Law on Preventing Discrimination of Persons with Disabilities** regulates the basic prohibition against discrimination, including specific provisions related to administrative procedures, and is well aligned with international standards. The basic rules about data are set forth in the Law on Electronic Administration (LEA),²¹⁰ which has not been amended since 2018 and does not reflect recent international and European standards. Similarly, the Law on Electronic Documents, Electronic Identification, and Trust Services in Electronic Business²¹¹ has not yet been harmonised with the recently adopted Regulation (EU) 2024/1183 (eIDAS2.0).

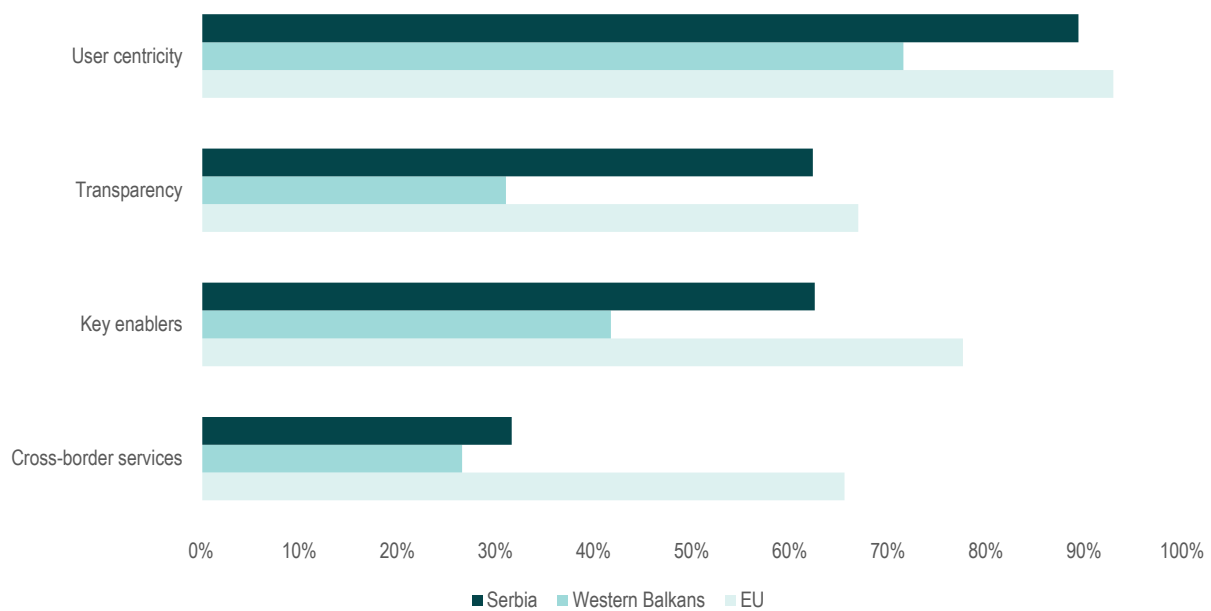
The foundations for digital government are solid. The interoperability platform and the Government Data Centres comply with European standards. Citizens now can authenticate themselves and give consent online using a government mobile application. Single sign-on using the functionality in the eGovernment portal (eUprava) allows access to many government portals. The use of all these tools is increasing rapidly. However, **the degree of digitalisation and the user-friendliness of services vary.** While some services are streamlined and digitalised, others remain bureaucratic, requiring citizens to fill in several forms and to provide information and documents that the public administration already has. Even though Serbia is the top performer in the region – and has improved its scores in recent years – it is still slightly below the European average in the user-centricity and transparency dimensions of the eGovernment Benchmark, and at a greater distance in the dimensions of key enablers and cross-border services.

²⁰⁹ Official Gazette Nos. 18/2016, 95/2018 – authentic interpretation and 2/2023 – Constitutional Court decision.

²¹⁰ Official Gazette No. 27/2018.

²¹¹ Official Gazette Nos. 94/2017-9 and 52/2021.

Figure 36. The eGovernment Benchmark compared to the EU and Western Balkan averages



Note: The composite indicators of the eGovernment Benchmark range from 0 to 100.

Sources: Data for Serbia and the EU average are drawn from the eGovernment Benchmark 2024. The Western Balkan average is built using results from the eGovernment Benchmark 2024 for Albania, Montenegro, the Republic of North Macedonia and Serbia and using SIGMA analysis based on the same methodology for Bosnia and Herzegovina and Kosovo*.

The Registry of Administrative Procedures (RAP) and the eGovernment portal eUprava offer standardised information about basic elements of public services, and they are searchable by life events, topical areas and keywords. However, administrative service providers do not have the culture of consistently **measuring performance based on indicators** (based either on administrative data or through in-depth user perception studies). Setting quality standards and targets is not yet common practice in Serbia.

The situation of back-end **digital tools in other areas of PAR** is mixed. While there are good examples in areas like in public procurement, in other areas such as electronic access to laws, electronic consultation or human resource management, there is room for improvement.

Overall, the existing legal framework, institutional set-up and related strategies and guidance in the public service delivery and digitalisation area are largely in line with the Principles of Public Administration and also implementation practice and results signal moderately strong track record (Figure 37).

Figure 37. State of play in service delivery and digitalisation by type of criterion



Notes: The results are split. The first combines points from legislation, policy and guidance, and institutional set-up. The second aggregates points from implementation practice and results. The percentage in the centre represents the ratio of points in relation to the maximum.

Recommendations

1. The Government should designate a responsible institution and create permanent co-ordination structures/mechanisms between the different actors for service delivery and digital government, especially regarding the adoption of new information and communication projects.
2. The Government should amend the LEA, which has not been amended since 2018, to reflect recent international and European standards.
3. The Government should amend the Law on Electronic Documents, Electronic Identification, and Trust Services in Electronic Business, harmonising it with the recently adopted Regulation (EU) 2024/1183 (eIDAS2.0).
4. The Government should issue a decision ordering all public service providers to: collect relevant performance data about public services; establish a competent authority to provide guidance; support and draft a list of definitions of relevant common indicators, as well as common questionnaires for gathering user-insight; and providing trainings on these tools.
5. The Government should continue expanding the number of institutions and registries connected to the interoperability platform.

Analysis

Principle 19: Users are at the centre in design and delivery of administrative services.

The policy for user-centred service delivery is comprehensive and up to date, but the implementation of some activities is not proceeding as quickly as planned. The roles and obligations of responsible institutions are clear and are enforced at the level of programmes and projects. Still, the overall institutional responsibility for setting and enforcing service-quality standards and for collecting performance data is not clearly defined. Administrative burden analysis is well regulated, but the quality of analysis remains vague and insufficient.

Indicator 19. Enablers for user-centric services		2024 indicator value	61/100
Sub-indicators		Points	
1.	Existence of a service delivery policy and institutional set-up	13.2/20	
2.	User engagement and participation	12/20	
3.	Procedures and practice to control creation of administrative burdens	6.3/15	
4.	Analysis of administrative burdens of existing regulations	15/15	
5.	Existence of service delivery standards	6/15	
6.	Monitoring system of service standards	8/15	

A comprehensive and up-to-date policy framework is in place for user-centric public service delivery, as emphasised in the PAR Strategy 2021-2030. The overall strategic framework is complemented by specific documents addressing different aspects of service delivery: the Programme for e-Government Development for 2023-2025, the Programme for Simplifying Administrative Procedures and Regulations "ePaper" for 2023-2025, the Strategy of AI Development 2020-2025, and the Strategy of Development of Information Society and Security 2021-2026.

The latest implementation report of the PAR Action Plan 2021-2023 showed slow progress, with several delays putting at risk the implementation of planned activities by the end of the current action plan (2025). Indeed, only 34% of planned activities in the area of service delivery were fully implemented (14 activities out of 41). The achievement of objectives and indicators is better, with 5 targets out of 7 achieved.

The steering of service delivery for the entire central government is shared among three main institutions: the MPALSG, PPS and ITE, whose roles and responsibilities are clearly divided. While co-ordination happens regularly and successfully at the level of programmes (e.g., ePaper) or projects (e.g., digitalising services, connecting institutions or registers to the interoperability platform, or drafting new regulations), there is no evidence of a clear, permanent co-ordination structure in the areas of service delivery or digitalisation. Moreover, none of the bodies has an explicit mandate to propose or approve a common methodology to measure user satisfaction or to collect and publish information about performance in delivering services across the government.

One of the biggest advancements over the past three years has been the launching to the public of the Registry for Administrative Services (RAP) portal in 2021 and its further improvements. Currently, the RAP provides information about 3191 administrative services within competences of 126 public institutions. Services can be searched by keyword, life event and area. The European Institute of Public Administration awarded the RAP its "Third Prize in Innovation in Public Administration" in Europe,²¹² and the Observatory of Public Sector Innovation of the OECD²¹³ has also recognised the portal. While the RAP provides

²¹² European Institute of Public Administration prize announced at: <https://www.eipa.eu/news/excellence-in-the-public-sector-epsa-winners-announced/>

²¹³ OECD recognition at: <https://oecd-opsi.org/innovations/portal-of-the-register-of-administrative-procedures/>

information about services in a standardised and simple format, it does not provide data on performance metrics; these remain decentralised with no clear guidance.

Serbia has been active in user engagement in redesigning public administration services over the past three years, with good collaboration between the MPALSG, ITE and PPS. Examples include the ePay system to simplify online payment of fees and charges,²¹⁴ or the introduction of the qualified cloud electronic identification and signature.²¹⁵ These examples, along with other redesign cases taking advantage of data exchange between different institutions through interoperability, show that the Serbian administration has been able to achieve several “islands of excellence”, where sound gathering of users’ needs and expectations resulted in concrete innovations and user-centric services. However, not all administrative service providers apply user research and consultation as a common practice.

The Law of Planning System,²¹⁶ as well as the subsequent regulation on the methodology of public policy management,²¹⁷ requires that all new draft laws and regulations undergo a regulatory impact assessment (RIA). The RIA should include an analysis of the administrative burden to society of each normative proposal. The PPS has issued guidance to implement the RIA, including on the use of the standard cost model to assess the administrative burden. However, the practice of ex-ante assessment of the administrative burden remains weak and, in most cases that SIGMA analysed, the burden is vaguely described without calculations of the effects.

The situation is better regarding administrative simplification of existing policies through the implementation of the ePaper programme under PPS leadership. Since the beginning of the programme, 451 procedures have been optimised and 99 digitalised.²¹⁸ Further work on simplification is ongoing, and citizens and businesses can suggest simplifications via a designated public form on the ePaper website²¹⁹ and on the RAP portal itself.

Whereas service standards are widely applied in the EU Member States and OECD Members, this concept is not in the administrative tradition of the Western Balkans, including Serbia. The RAP offers standardised information about basic elements of service delivery (e.g., specifying the rights of users or the legal deadlines to issue administrative act) that are basic elements of a service charter, but it does not include commitments by service providers to achieve quality standards consistent with the service charter approach.

Monitoring and reporting on the performance and quality of administrative services is not yet systematically applied in Serbia. The RAP does not have a reporting/dashboard feature providing information on performance. Furthermore, from the services that SIGMA selected, performance information about the average duration of the administrative procedure in recent years was provided for only a few services. All other available information is fragmented, and reports on performance are not standardised. Therefore, the authorities in charge of public services do not rely systematically on comparable and complete information on the performance of public services when selecting improvement areas or prioritising resources.

²¹⁴ The ePay system: <https://euprava.gov.rs/usluge/6344>

²¹⁵ The qualified cloud electronic identification and signature: <https://eid.gov.rs/sr-Cyrl-RS/eid>

²¹⁶ Law on the Planning System of the Republic of Serbia, Official Gazette No. 30 of 20 April 2018.

²¹⁷ Regulation on the methodology of public policy management, analysis of the effects of public policies and regulations and the content of individual public policy documents, Official Gazette No. 8 of 8 February 2019.

²¹⁸ The e-Paper programme: <https://epapir.rsjp.gov.rs/результати-реформе-енапир-у-2023-години/>

²¹⁹ User suggestions: <https://epapir.rsjp.gov.rs/posalji-predlog/>

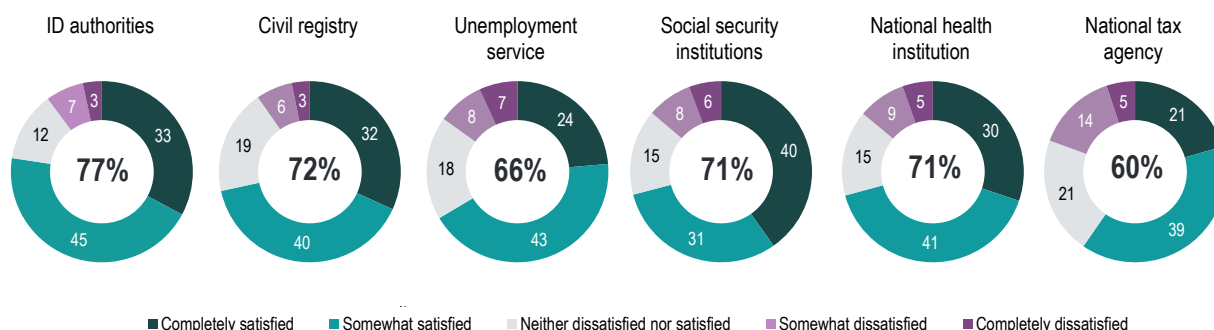
Principle 20: The public administration delivers streamlined and high-quality services.

The quality of administrative services has increased in the past three years, as has the availability of online administrative services from 70% to 83%.²²⁰ The central eGovernment portal eUprava is fully functional and well organised, presenting services by categories and life events. The consent ID mobile application that allows citizens to authenticate themselves and sign documents using their mobile phone has reached almost 1 million activations. However, the results regarding life-event integration, pre-filing of forms and the once-only principle are inconsistent across services.

Indicator 20. Delivering high-quality services		2024 indicator value	68/100
Sub-indicators		Points	
1.	Quality of selected administrative services	25.8/40	
2.	Integrated life-event services	16/20	
3.	Pre-filing of forms and proactive services	11.8/20	
4.	Once-only principle	13.9/20	

The results of SIGMA’s survey of citizens²²¹ indicate that the majority of respondents (62%) are completely or somewhat satisfied with the general functioning of administrative services in Serbia, while 22% have a neutral view and only 13% are completely or somewhat dissatisfied. Regarding specific institutions, the highest satisfaction is reached for those in charge of ID-card renewal and the lowest for services that the tax agency provides.

Figure 38. Citizen satisfaction with actual experience using several administrative services



Note: Percentage of valid responses to the question: “How satisfied were you with the overall procedure with the institution this last time?”. The percentage in the middle is the share of the respondents who answered "completely satisfied" and "very satisfied".
 Source: SIGMA Survey of Citizens on public administration in the Western Balkans.

A majority of citizens find it in general easy or very easy to deal with administrative services. Specifically, 66% of respondents replied that it was easy or very easy to complete the process needed to obtain the administrative service, 71% found it easy or very easy to use the public administration Internet portals or mobile phone applications, and 71% to understand written communications. Similarly, 70% of citizens answered that they were completely or somewhat satisfied with the time it took to complete the

²²⁰ Data from eGovernment Benchmark reports of 2021 and 2024, available at: <https://digital-strategy.ec.europa.eu/en/library/egovernment-benchmark-2021> and <https://digital-strategy.ec.europa.eu/en/library/digital-decade-2024-egovernment-benchmark>

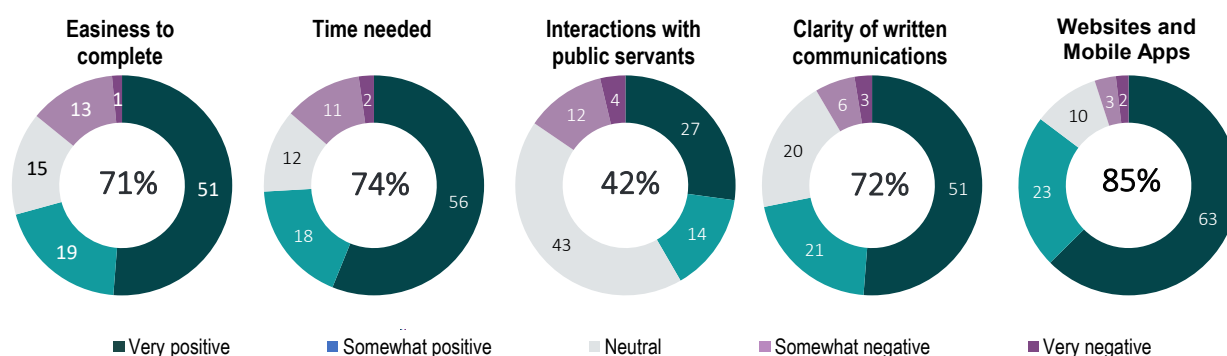
²²¹ SIGMA Survey of Citizens on public administration in the Western Balkans.

administrative procedure, and 70% were completely or somewhat satisfied with how the public servants interacted with them.

The general level of the satisfaction of businesses with public services is similar to that of citizens. Indeed, 62% of businesses declared they were completely or somewhat satisfied in general with the administrative services in the country. When questioned about their last actual experience with services, business representatives expressed higher satisfaction than when asked about the general state of services in the country. Indeed, 78% of businesses declared they were completely or somewhat satisfied with the process of declaring corporate income tax, 77% with registering financial statements in the business registry and 70% with the process of registering a new employee.

Businesses show very different levels of satisfaction for different aspects of services. While a great majority of businesses (85%) found it very easy or somewhat easy to use government website portals and mobile-phone applications, only 42% were satisfied with the way public servants interact with them. Around 70% of businesses found that completing application forms was somewhat or very easy, and 70% were satisfied with the time needed to complete the administrative procedure.

Figure 39. Business perception about elements of administrative services



Notes: Average percentages of valid responses to the questions: 1. How easy or difficult was it to complete the process (e.g. number of visits necessary, going to the wrong institution, etc)? 2. Were you satisfied or dissatisfied with the overall time that it took to complete your application the last time, including time filling forms and/or visits to the offices? 3. "Overall, how satisfied or dissatisfied were you with the public servants you interacted with?" 4. "How easy or difficult was it for you to understand service written communication, such as letters and e-mails received, or information from the website?" 5. "How easy or difficult was it for you to use service website: for example, to find what you needed or to understand what to do?" and "How easy or difficult was it for you to use service mobile application: for example, to find what you needed or to understand what to do?" Each doughnut shows the simple average of the responses about the following administrative services: 1. Declaring corporate income tax, 2. Registering financial statements in the business registry, 3. Registering a new employee to the competent authorities. The percentage in the middle is the share of the respondents who answered "very positive" or "positive".

Source: SIGMA Survey of Businesses on public administration in the Western Balkans 2024.

The waiting time for the delivery of services after submission of an application varies significantly across services and depends on the level of process streamlining and digitalisation. Delivery times are short and convenient for services whose processes have been optimised and digitalised. For example, an ID card is issued in two days on average after submission of the application, business registration as a one-stop shop also takes up to two days, and registration of a new employee is completed in one day.

Some other services take longer. For example, applications for a disability pension, have not yet been streamlined, and in practice take even longer than the statutory deadline of 60 days.

Serbia has advanced with integrated life-event services. In all five life events that SIGMA analysed,²²² there is some level of integration between different services, a considerable advance by regional standards.

²²² Having a baby, death of a close relative, moving residence, being unemployed and starting a business.

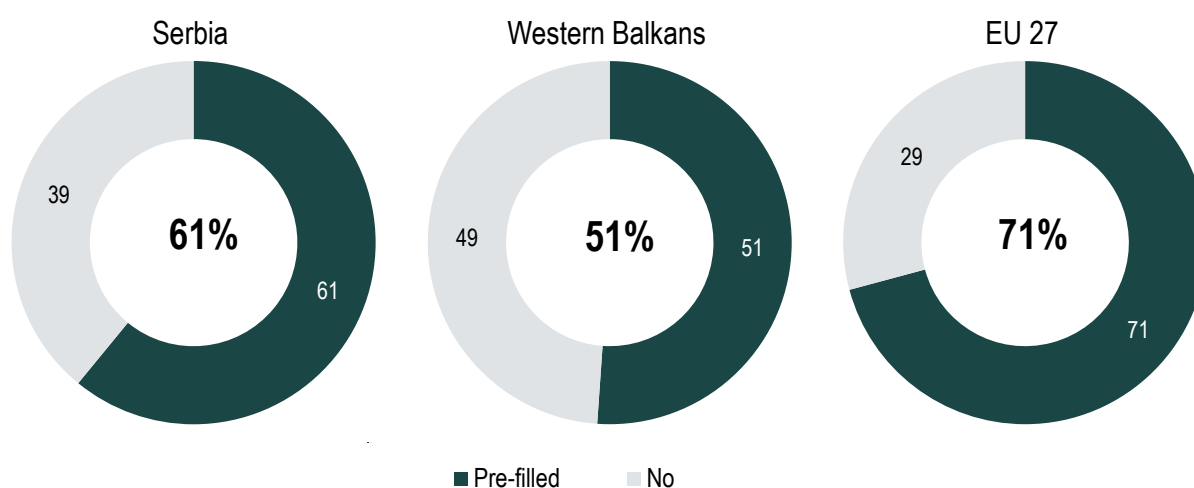
The principle of once-only, which is one of the fundamentals of providing user-friendly services, is clearly rooted in general legislation. The LGAP (Articles 9 and 103)²²³ obligates administrative bodies to collect and process data stored in official records ex officio. The wide-ranging efforts at simplification, digitalisation of basic registries and interoperability have provided the opportunity to implement this principle in practice for many services.

Indeed, in the SIGMA surveys of 2024, 69% of citizens²²⁴ and 78% of businesses²²⁵ responded that they were not required to present documents or information already held by the public administration during their most recent application for an administrative service to the central government.

This principle is still not implemented for all procedures, however. For example, when applying for a work permit for a foreigner, the applicant is still required to submit certificates from the business registry and from the social insurance institution. When applying for a taxi permit, the applicant must provide business registration and criminal-record certificates.

Regarding pre-filling of information, a basic tool to implement the once-only principle in practice is available for a majority of services. The pre-filling of forms indicator of the eGovernment Benchmark in 2024 shows that personal data were pre-filled in 61% of analysed online application forms. This result places Serbia 10 points below the EU27 average, behind 20 EU Member States. In the Western Balkan region, Serbia ranks fourth. (Figure 40).

Figure 40. Pre-filling of personal data in online forms



Notes: Score of the eGovernment Benchmark indicator “authentic sources”. This indicator is an aggregation of the results of a mystery user analysis of 96 digital services, checking whether personal data are pre-filled by the service provider, or the user has to fill in the data.

Sources: The EU average and Serbia data are drawn from the eGovernment Benchmark 2024.²²⁶ The Western Balkan average is built using results from the eGovernment Benchmark 2024 for Albania, Montenegro, the Republic of North Macedonia and Serbia and using SIGMA analysis based on the same methodology for Bosnia and Herzegovina and Kosovo*.

²²³ Law on General Administrative Procedure, Official Gazette No. 18 of 1 March 2016, with amendments.

²²⁴ For citizens, the survey question refers to the services that the following public institutions provide: authorities in charge of ID card or passport renewals, the civil registry, national health institutions, the employment agency, social security, and the tax agency.

²²⁵ For businesses, the survey questions refer to the following services: declaring corporate income tax, registering financial statements in the business registry, and registering a new employee with the competent authorities.

²²⁶ eGovernment Benchmark 2024, <https://digital-strategy.ec.europa.eu/en/library/digital-decade-2024-egovernment-benchmark>

Nevertheless, several good-practice examples in the area of pre-filling are worth noting. For example, the tax administration provides to citizens their personal data and income from salaries, pensions and allowances and offers a preliminary calculation of their tax debt. As a recent novelty, Serbia introduced proactive notification for renewals of a driving licence. The first notification is sent 30 days and the second 10 days before the expiration date to persons who have consented in the eGovernment portal to receive notifications.²²⁷ Notifications can be sent via SMS and/or e-mail. Passport and ID-card notifications were already available; with the addition of the driving licence, all personal identification documents have a renewal notification possibility.

Principle 21: Administrative services are easily accessible online and offline, taking into account different needs, choices and constraints.

Legislation provides the basis for multi-channel accessibility to services, where users can communicate with the administration and apply for most services both electronically and on site. Territorial access to physical services is guaranteed throughout regional branches of government offices and one-stop shops. The majority of citizens and businesses perceive that it is easy to find information about public services and to understand the public authorities' written information and communications. Finally, accessibility of services for users with special needs remains a weakness.

Indicator 21. Accessibility of administrative services		2024 indicator value	68/100
Sub-indicators		Points	
1.	Multi-channel service delivery	18/20	
2.	Physical access to public services	14/20	
3.	Accessibility of services for users with special needs	8/20 ⁱ	
4.	Findability of public services information	17.1/20	
5.	Clarity of government information and communication	10.4/20	

Note: i = data not available or not provided.

Serbia has a legal and policy framework for multi-channel service delivery. The LGAP²²⁸ declares that electronic communication is equivalent to communication on paper. In the past three years, the online availability of administrative services has risen from 70% to 83%, increasing channels of access.

However, for some services such as registering unemployment and applying for disability pensions, which can be done online, digital uptake is marginal in practice. In contrast, electronic applications for retirement pensions have progressed, with a large number of applications submitted online.

Digital-only communication is compulsory only if a person has previously agreed to it²²⁹ or if it is established in a special law. Currently, from all services that SIGMA analysed, digital-only procedures have been established only for companies mainly in the business registry and by the tax office, and human support to address questions about individual files remains possible. There is a special counter at tax-administration field branches marked "Your Tax Officer", where taxpayers can ask questions in person about their individual files.

Regarding physical access to services, SIGMA's analysis of the geospatial distribution of unemployment offices shows that 71% of the population live less than 30 minutes from the nearest office, and less than

²²⁷ Notifications from the eGovernment Portal: <https://euprava.gov.rs/moje-notifikacije>

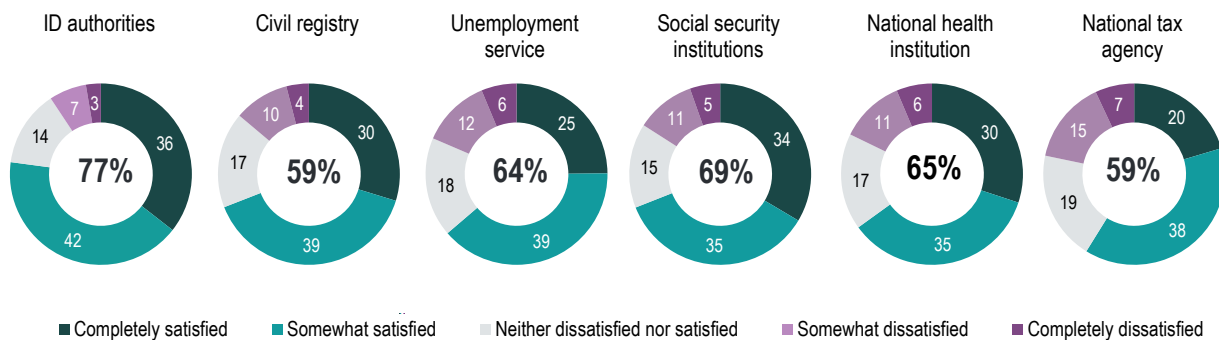
²²⁸ Law on General Administrative Procedure (LGAP) Article 56.

²²⁹ Ibid., Article 57.

6% need to drive for 1 hour or more. Regarding premises where a citizen can apply for a disability pension, 94% of the citizens live less than 30 minutes' driving distance from the nearest office and less than 1% need to drive for 1 hour or more, showing very good territorial coverage for both services, which are mostly applied for offline.

Nevertheless, citizens show different levels of satisfaction with the time needed to reach administrative premises. While 77% of respondents were completely or somewhat satisfied with premises to renew ID cards, only 59% were satisfied with access to the offices of the national tax agency. For other administrative premises, satisfaction varies between 65% and 69% (Figure 41).

Figure 41. Citizens' satisfaction with time needed to reach administrative services from their home



Note: Percentage of valid responses to the question: "How satisfied or dissatisfied were you with the access to the in-person services when you were in contact last time? By this I mean the time to reach the administrative office from your home?". The percentage in the middle is the share of the respondents who answered "completely satisfied" or "somewhat satisfied".

Source: SIGMA Survey of Citizens on public administration in the Western Balkans.

Accessibility of services for users with special needs remains a weakness. Legal provisions are generally aligned with international standards. The Constitution²³⁰ prohibits any form of discrimination, including for mental or physical disabilities. Furthermore, special social protection of persons with disabilities is guaranteed.²³¹ Serbia also ratified in 2009 the Convention on the Rights of Persons with Disabilities and the Optional Protocol.²³²

The Law on Preventing Discrimination of Persons with Disabilities²³³ regulates the basic prohibition of discrimination, including specific provisions prohibiting discrimination in administrative procedures and obligating administrative authorities to conduct such procedures so as not to make it significantly more difficult for persons with disabilities to exercise their rights. For people with hearing difficulties, the Law on the Use of Sign Language²³⁴ provides rights to communicate officially in sign language. The Law on Planning and Construction²³⁵ establishes accessibility standards for the construction and retrofitting of

²³⁰ Constitution of the Republic of Serbia, Official Gazette No. 98 of 10 November 2006.

²³¹ Ibid., Article 69.

²³² Official Gazette of the Republic of Serbia – International Treaties, No. 42/2009 of 2 June 2009.

²³³ Law on Preventing Discrimination of Persons with Disabilities, Official Gazette Nos. 33/2006 and 13/2006; Article 11.

²³⁴ Law on the Use of Sign Language, Official Gazette No. 38/2015.

²³⁵ Law on Planning and Construction, Official Gazette Nos. 104/2016, 72/2009, 81/2009 - corrigendum, 64/2010 - CC, 24/2011, 121/2012, 42/2013 - CC, 50/2013 - CC, 98/2013 - CC, 132/2014, 145/2014, 83/2018, 31/2019, 37/2019 – other law, 9/2020, 52/2021 and 62/2023; Article 5.

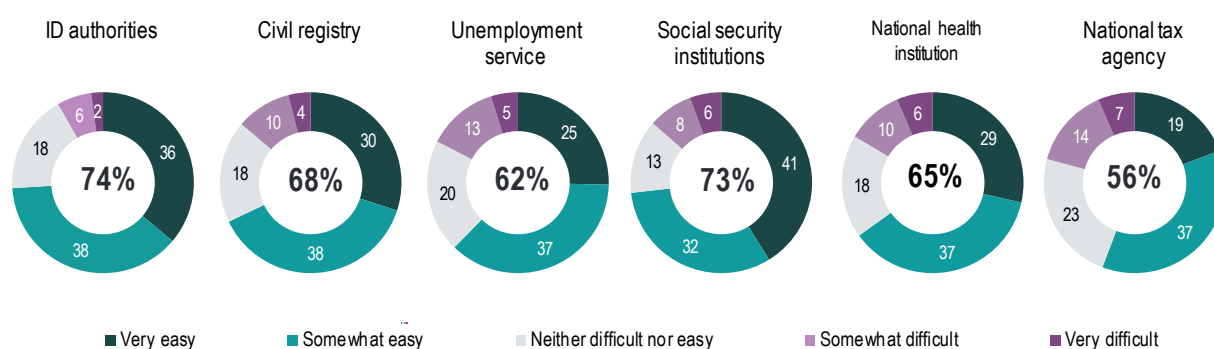
public buildings. However, there is no evidence of a general legal provision establishing the right of citizens to receive written government communications in Braille.

In March 2020, the Government adopted a Strategy for Improvement of the Position of Persons with Disabilities 2020-2024. However, an implementation report on the Strategy for 2023 has not been published. Moreover, comprehensive data about the practical implementation of these rights and policy objectives are lacking. The overall statistics on how many buildings meet the physical-accessibility requirements do not exist. Each ministry is responsible for its administrative area, and there is no central database or oversight of the physical accessibility of public buildings.

Finally, despite adopted regulation,²³⁶ SIGMA's analysis of 10 public portals²³⁷ in Serbia against Web Content Accessibility Guidelines (WCAG) website-accessibility standards found an average of 25 errors per website, which is above the regional average.

Regarding information about public services, both the online catalogue of public services RAP and the eGovernment portal eUprava organise services in topical areas (e.g., education, health) and life events. Both portals allow search by keywords, facilitating online access to public-service information. The findability indicator in the eGovernment benchmark shows a score of 45 out of 100 for Serbia, below the EU average of 59 out of 100.²³⁸

Figure 42. Citizen perception about easiness to find information for administrative services



Note: Percentage of valid responses to the question: "How easy or difficult was it for you to find out how to apply for this procedure, including which administration to address and what documents you had to provide?". The percentage in the middle is the share of the respondents who answered "very easy" or "somewhat easy".

Source: SIGMA Survey of Citizens on public administration in the Western Balkans 2024.

Citizens' perception of how easy it was to find the necessary information the last time they applied for an administrative service varies among authorities. Some 74% of respondents found it easy or very easy to

²³⁶ Regulation on the Detailed Conditions for Creating and Maintaining the Organ's Web Pages, Official Gazette No. 104 of 28 December 2018.

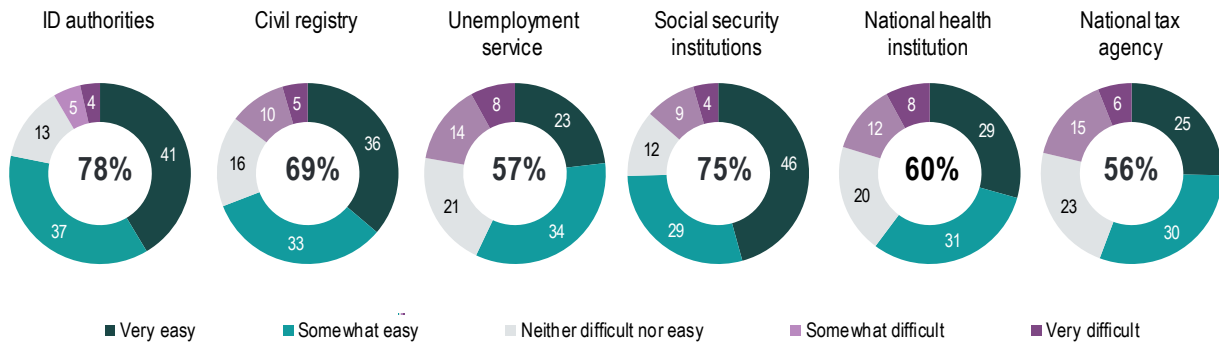
²³⁷ The list of public portals is as follows: 1. Central e-Services Portal (eUprava). 2. Tax Office. 3. Social Security. 4. National Health Institution. 5. Department of Road and Transportation. 6. National Statistical Office. 7. Government website. 8. Official Gazette. 9. Ministry of the Economy. 10. Ministry of Education.

²³⁸ The findability indicator of the eGovernment Benchmark uses the MozBar domain authority test, averaging the results for the main eGovernment portals in each country. The portals analysed in Serbia are the following: Government e-services (eUprava), Tax Administration, Serbian Business Registers Agency, eHealth portal, Ministry of Health, My Doctor portal, Ministry of Justice, Courts portal - Portal of the judiciary of Serbia, Basic Court portal, City of Belgrade, Ministry of Interior and Public Enterprise Roads of Serbia. The score of the MozBar test ranges from 0 to 100.

find information about renewal of ID cards. Social-security institutions also obtain a very high score (73%). On the other hand, the national tax agency scores the lowest (56%).

There is no evidence of written guidelines or toolkits in place for public authorities to improve the clarity of their written communications or the use of plain language. Citizen perception of the easiness to understand public authorities' written communications²³⁹ shows that on average of all analysed procedures, 66% of respondents found it very easy or somewhat easy to understand public authorities' written information, while 17% found it somewhat difficult or very difficult. Results vary among public authorities (Figure 43). The best result by far concerns renewing an ID card (78%).

Figure 43. Citizens' perception about easiness to understand written communications of administrative services



Note: Percentage of valid responses to the question: "How easy or difficult was it for you to understand service's written communication, such as letters and e-mails received, or information from the website?" The percentage in the middle is the share of the respondents who answered "very easy" or "somewhat easy".

Source: SIGMA Survey of Citizens on public administration in the Western Balkans 2024.

Principle 22: Digitalisation enables data-driven decisions and effective, efficient and responsive policies, services and processes in the whole of government.

Digital government readiness and maturity have continued to progress since 2021. Digital government foundations, including a new policy framework, are well established. Stronger steering and co-ordination are needed in IT project management, data policy, architectural governance and digital-skills development. Although the Government has enacted the Strategy for the Development of Artificial Intelligence (AI Strategy), AI adoption in public administration is still at an initial phase. The legal framework for data governance is established, and data quality in basic registers is ensured; however, there is no evidence that other public-sector data are governed and kept with the same level of quality.

²³⁹ SIGMA Survey of Citizens on public administration in the Western Balkans conducted in March-April 2024.

Indicator 22.1. Digital government readiness and maturity		2024 indicator value	64/100
Sub-indicators		Points	
1.	Digital government strategy and co-ordination	6.6/10	
2.	Digitalisation of public registries and data governance	9.6/15	
3.	Interoperability: infrastructure, framework and adoption	15/15	
4.	Digital identity, digital signature and trust services	12/15	
5.	Digital government architecture and infrastructure maturity	7/15	
6.	Uptake of emerging technologies in the public sector	6/10	
7.	Legal framework for privacy and cyber security	6.6/10	
8.	Digital talent management in public administration	3/5	
9.	Re-use of digital solutions	0/5	

The adoption in April 2023 of the e-Government Development Programme for 2023-2025 was a milestone on a policy level. The Programme outlines specific objectives to advance digital government, including developing infrastructure, ensuring interoperability, improving legislation and increasing accessibility of digital services for citizens and businesses. Measures to achieve these goals focus on building the necessary material and human resources, such as enhancing the interoperability of public administration systems, as well as improving the functionality and design of eUprava²⁴⁰ and other public administration websites. Additionally, the Programme aims to enhance the application of certification, qualified electronic delivery, electronic payments and the Open Data Portal.

According to the 2023 annual report on the implementation of the PAR Strategy 2021-2030, the establishment and improvement of digital platforms and infrastructure for the provision of services has been one of the more successful areas of PAR Strategy implementation. Progress is highlighted in digitisation and access to services through digital platforms and state IT access centres, improvement of digital government interoperability, and the launch of user-friendly mobile-phone-application electronic ID and signature solutions.

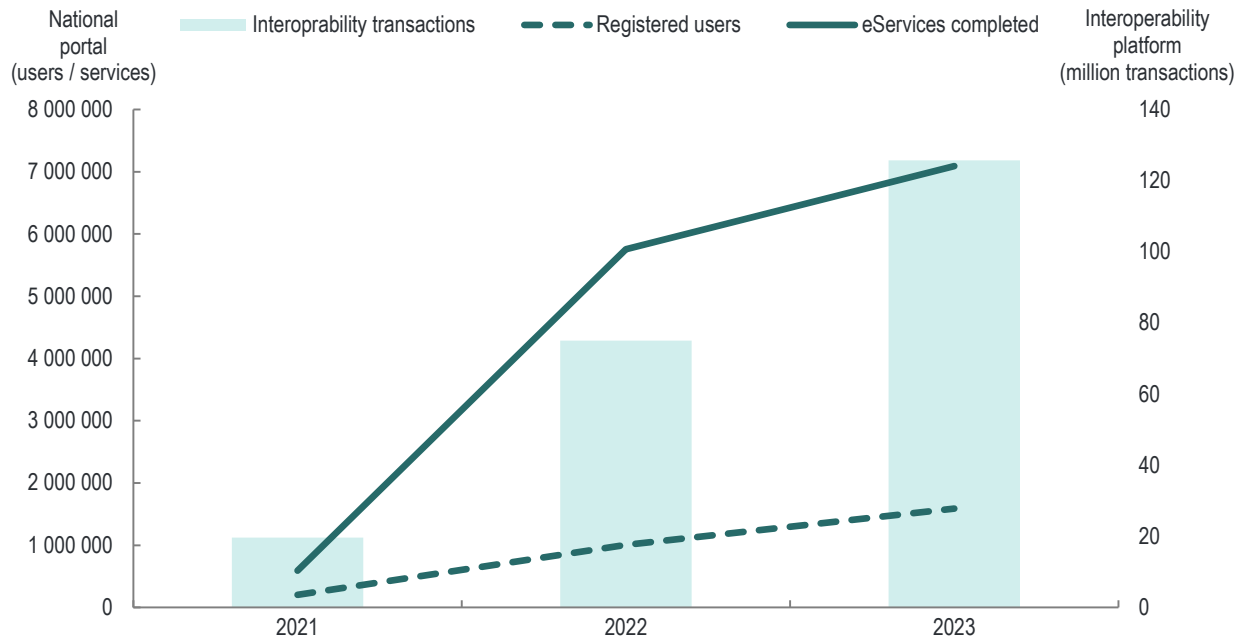
In terms of overall governance of the digital transformation, responsibility is divided among various bodies. The MPALSG is responsible for developing electronic administration and preparing laws, regulations, policies and standards in the eGovernment domain. The ITE is responsible for designing, harmonising, developing and the functioning of electronic administration systems, including the interoperability platform and the eUprava portal. Line ministries are to digitalise their own services. Line ministries and agencies must use the ITE's central solutions and comply with its standards in order to connect to the interoperability system. The Ministry of Information and Telecommunications (MIT) is responsible for designing and overseeing legislation and policy for the development of the information society and information and communication technologies. Finally, the PPS is responsible for administrative simplification of users' being able to submit initiatives to amend regulations in order to streamline and digitalise public services.

There is no permanent IT council or similar arrangement to ensure a central co-ordination and review of all IT developments in the public administration. An administrative body responsible for a central review of all IT development projects has not been appointed, either. Interministerial consultations and co-ordination are legally required only before line ministries can connect to the inter-operability platform or integrate their e-services with the solutions that the ITE manages, such as eUprava. This form of co-ordination, while seeming to work thus far, may not be sustainable in the long term given the growing IT and technological uptake in the public sector.

²⁴⁰ The e-Government Portal eUprava: <https://euprava.gov.rs/>

Basic figures such as the number of transactions in the interoperability framework or the use of eUprava show a great expansion in the uptake of digital government since the 2021 (Figure 44). Moreover, the satisfaction of users with eUprava was measured in 2023, achieving 92% of satisfied users.

Figure 44. Usage of national portal of e-services and interoperability platform



Notes: The left axis represents the number of registered users or e-services completed in the national portal eUprava; the right axis represents millions of transactions in the interoperability platform.

Source: Data provided by the Office for Information Technology and Electronic Administration (ITE).

Regarding electronic identity implementation, a significant development has been the integration of most public entities offering services through eUprava, which supports single sign-in, including the Ministry of the Interior, the Tax Administration, local tax administrations, municipalities, the Business Registers Agency, the Ministry of Health, healthcare institutions, schools and kindergartens. The launch of the mobile eID solution supporting two-factor authentication and qualified cloud signatures has also helped to make authenticating and giving consent through electronic means more user-friendly. While there is a legal framework to support electronic identity, namely the Law on Electronic Document, Electronic Identification, and Trust Services in Electronic Business,²⁴¹ its harmonisation with the recently adopted Regulation (EU) 2024/1183 (eIDAS2.0) still needs work.

According to the LEA,²⁴² all public administration bodies are formally obligated to share data they produce with other bodies in the public administration system, and all government data are available through a common interoperability platform. The first version of the interoperability standards was launched in September 2014, following EU recommendations. The current list of technical interoperability standards (version 2.1) was published in 2020.²⁴³ The interoperability framework in Serbia is aligned with the European Interoperability Framework 2.0, covering the four layers of interoperability: legal, organisational, semantic and technical. Currently 500 central public administration bodies are reported to be connected to the interoperability platform, and the number of transactions has grown sixfold in the past three years. That

²⁴¹ Official Gazette Nos. 94/2017-9 and 52/2021.

²⁴² Law on Electronic Administration (LEA), Official Gazette No. 27/2018.

²⁴³ The list of list of technical interoperability standards: <https://www.ite.gov.rs/tekst/1999/lista-standarda-interoperabilnosti.php>

said, uptake of the interoperability framework in local governments is not as widespread as in the central government.

Regarding public-sector data governance, the key actors are the MPALSG, responsible for laws and general policies, and the ITE, responsible for setting technical standards.

The basic rules on data are set in the LEA, which provides the main definitions; basic principles on digital records and registries; clear obligations of basic actors of the system, data owners and data users (like the creation of the meta-registry of all government data, expected to be launched at the end of 2024); the obligation to record access to any public-sector data; and registries and the basic elements of the re-use of public information.

Some other norms also regulate public-sector data,²⁴⁴ including the aspects related to the technical interoperability framework (version 2.1), functioning of the Government Service Bus and the eGovernment Portal, and the manner in which authorities manage electronic data kept in official records from registers.

Nevertheless, there is no evidence of application of common rules or criteria to ensure data quality and comprehensiveness throughout the public administration, although the level of quality is ensured for base registries.

Regarding digital government architecture and infrastructure, the ITE manages two Government Data Centres in Belgrade and Kragujevac, which store the data and equipment of the various state institutions. The data centres offer services to all central government institutions, including IaaS (infrastructure as a service), CaaS (container as a service) and PaaS (platform as a service), as well as web hosting, networks, and other information and communications technology (ICT) services. These services comply with the main technical standards, such as the Tier 4, ISO 27001 security standard, ISO 9001 quality standard and ISO 20000 quality-of-service-provision standard. Reportedly, the ITE data centres host 201 information systems; however, some information systems are still hosted locally in different authorities.

Regarding cybersecurity, Serbia has developed a legislative and policy framework. The Law on Information Security²⁴⁵ contains the main provisions, and it is mostly a transposition of the original EU Directive concerning measures for a high common level of security of network and information systems across the Union of 2016 (NIS Directive). However, there is no evidence that the Serbian legislation has adapted to the NIS2 Directive that came into force in 2023 yet.²⁴⁶ Implementing this Law, Serbia created a national computer emergency response team (CERT) within the Regulatory Agency for Electronic Communications and Postal Services. The CERT collects and exchanges information on the risks and events that might jeopardise the ICT security systems and provides support and advice. It is also part of the global Forum of Incident Response and Security Teams (FIRST). Serbia has also adopted the Information Society and Information Security Development Strategy for the period 2021-2026, with an action plan covering specific objectives and actions for the public sector. Moreover, Serbia was placed in the tier-1 performance category (role model) in the Global Cybersecurity Index report of 2024 by the United Nations specialised Agency for Information and Communication Technologies (ITU) with a score of 95-100.²⁴⁷

The AI Strategy has been adopted for the period 2020-2025, defining three key areas in which AI could add value: public administration; health and medicine; and traffic, road infrastructure and mobility in urban

²⁴⁴ Decree on the method of keeping the meta-register; the method of approving, suspending and cancelling access to the Government Service Bus; and the manner of operation of the eGovernment Portal, Official Gazette No. 104 of 28 December 2018. Rulebook on the manner in which authorities inspect, obtain, process and transfer, or submit electronic data on the facts kept in official records from registers and that are necessary for decision-making in administrative proceedings, Official Gazette No. 57 of 9 August 2019.

²⁴⁵ Law on Information Security, Official Gazette Nos. 6/2016, 94/2017 and 77/2019.

²⁴⁶ Directive (EU) 2022/2555 of the European Parliament and of the Council of 14 December 2022 on measures for a high common level of cybersecurity across the Union, amending Regulation (EU) No 910/2014 and Directive (EU) 2018/1972, and repealing Directive (EU) 2016/1148 (NIS 2 Directive) (Text with EEA relevance) Text with EEA relevance.

²⁴⁷ https://www.itu.int/en/ITU-D/Cybersecurity/Documents/GCIv5/2401416_1b_Global-Cybersecurity-Index-E.pdf

areas. One of the main developments is the establishment of the National Platform for Artificial Intelligence (AI Platform), a supercomputer located in the Government Data Centre in Kragujevac that allows implementation of AI tools requiring enhanced computing capabilities. This facility is open not only for the public sector, but also for start-up companies to apply for using it to develop their products. Even though the AI Strategy is generally aligned with internationally recognised AI principles, some important elements are lacking. For example, there is no general regulation about the use of automated decision-making or the use of algorithms and machine learning in administrative procedures, necessary requirements to ensure transparency and fairness when using these tools to assist the exercise of public authority.

Finally, attraction and retention of IT talent in the public sector are insufficient. Although the National Academy for Public Administration is implementing learning programmes related to digital upskilling and competence building in the public administration, the government does not have a comprehensive policy for increasing the digital skills of the public service workforce.

Digital government tools

Indicator 22.2. Digital government tools		2024 indicator value	42/100
Sub-indicators		Points	
1.	Digital access to legislation	6/10	
2.	Digital platform for public consultation	0/10 ⁱ	
3.	Human resource management (HRM) information system	0/15	
4.	Digital portal for recruitment	5/10	
5.	Open data and re-use of public information	14/20	
6.	Digital tools for internal control	0/10	
7.	Digital tools for accounting information	2/10	
8.	Public procurement data system	15/15	

Note: ⁱ = data not available or not provided.

Regarding the use of digital tools in other public administration back-end processes (excluding service delivery), the performance of Serbia is mixed. While the public procurement data system conforms to internationally accepted standards, in some other areas the digital tools used present more weaknesses.

For example, regarding digital access to legislation, all primary and secondary legislation is available to the public online and free of charge. The digital platform for public consultation is operational but was not used consistently for all draft legislation in 2023. Regarding digital tools for human resource management (HRM), an information system has been developed but has not yet been implemented across the entire public administration. A central portal for public-service job announcements exists but does not comply with international requirements of user-centricity.

An open data portal exists, and it complies with the main criteria that the Open Government Partnership has set. The LEA contains specific obligations on the re-use of public information, including the obligation to grant access to public-sector data free of charge. However, this Law was drafted before the enactment of the Directive (EU) 2019/1024 on open data and the re-use of public sector information. The Serbian authorities are discussing amendments to the LEA with the objective, among others, to better align it with the Directive. Regarding implementation, some high-value data sets that the Directive has established and subsequent regulations are still not published for re-use in Serbia.

Regarding public financial management, digital tools in the public procurement area are very advanced, but in other areas like accounting and internal control, they are not yet completely aligned with international standards.



Public financial management

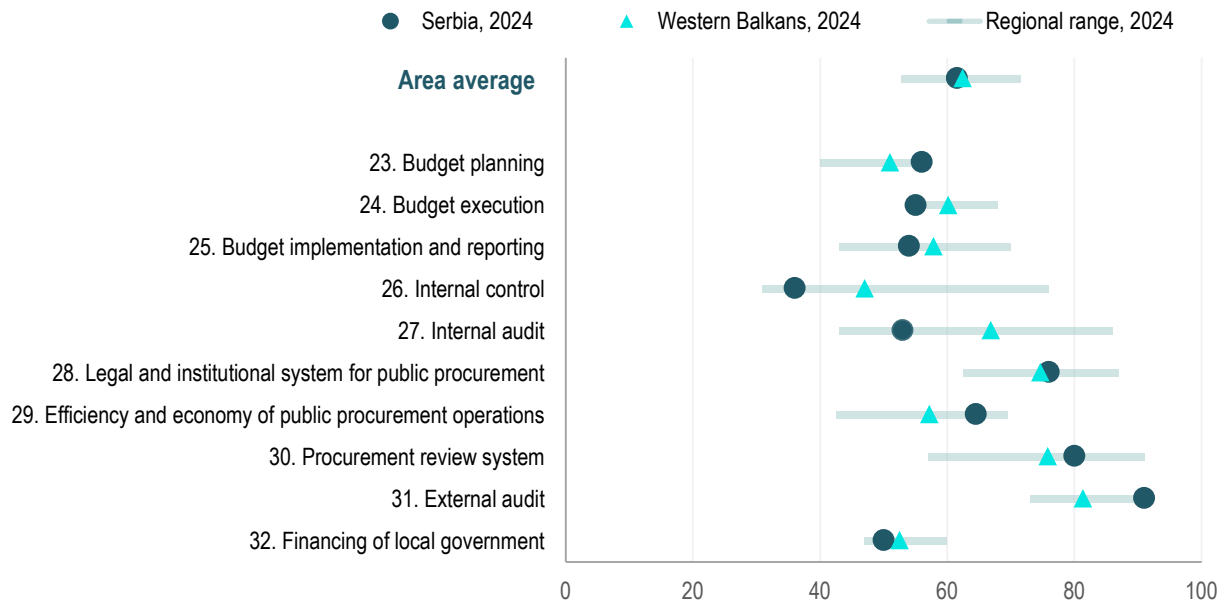
The public administration plans and manages public finances to ensure that they are **sustainable** and **transparent** and allow the delivery of policy objectives. Control, procurement and oversight arrangements are in place to ensure the economic, efficient and effective use of public resources shared across all levels of government.

The Principles of Public Administration

Budget management	Principle 23	The annual budget is comprehensive and formulated within a credible and rolling medium-term framework, balancing policy needs with fiscal constraints.
	Principle 24	The government supports budget implementation and service delivery by ensuring liquidity in the short and medium term.
	Principle 25	The government implements the budget in line with estimates and reports on it in a comprehensive and transparent manner, allowing for timely scrutiny.
Internal control and audit	Principle 26	Public administration bodies manage resources in an effective and compliant manner to achieve their objectives.
	Principle 27	Internal audit improves the management of public administration bodies.
Public procurement	Principle 28	Public procurement legislation, including public-private partnerships and concessions, is based on principles of equal treatment, non-discrimination, transparency, proportionality and competition, and supported by a sound governance framework.
	Principle 29	Contracting authorities conduct public procurement operations, including public-private partnerships, efficiently and economically.
	Principle 30	An independent procurement review system ensures effective, rapid and competent handling of complaints.
External audit	Principle 31	All public funds are effectively audited by an independent auditor that provides assurance on the use of public resources and helps improve the functioning of the public sector.
Financing of local governments	Principle 32	Regional and local governments have resources and adequate fiscal autonomy for exercising their competences, with financial oversight to foster responsible financial management.

Summary and recommendations

Figure 45. The overall indicator values in the public financial management area



Notes: The area average is a simple average of the Principles within the area. The Western Balkan average is calculated as a simple average of all administrations. Indicator 28 is the simple arithmetic average of 28.1. and 28.2. and indicator 29 is the simple arithmetic average of indicators 29.1. and 29.2.

Budget management

Budget preparation is orderly and benefits from a comprehensive medium-term fiscal framework at the beginning of the process. The link with a medium-term budget framework by establishing budget ceilings in line with policy priorities needs further improvement. **The high number of first-level budget organisations (BOs) complicates such policy-based budget preparation.** A sound basis for public investment management is established, but its effectiveness is compromised by exemptions.

Liquidity management is performing at reasonable standards in the sub-systems tax collection, treasury management and debt management. Room for improvement is mostly present in treasury management. **The current system focuses on payment controls and lacks effective commitment controls.** In the absence of such controls, payment arrears are likely, but no monitoring information on these is accessible.

The Treasury ensures reliable basic budget-execution information at the central government level, using its cash-based accounting standards and information systems. The available information indicates that **the aggregate budget is executed in line with the appropriations, but that deviations are large at a disaggregated level.** Consistent reporting and auditing on the general government – including funds, state-owned enterprises (SOEs) and local government – is weak.

Internal control and audit

The legal and policy framework for internal control largely exists and supports the development of financial management and control (FMC). **The FMC legal framework is well-developed. FMC guidelines are, however, not consistently implemented.** The application of important FMC elements such as institutional and managerial accountability, risk management, reporting on irregularities and fraud are lagging.

The legal framework for the internal audit (IA) function has been further improved and is in line with international standards. Also, the number of internal auditors and certified ones shows a slight increase.

However, **the institutional basis for IA remains fragmented**. The more than 500 internal auditors in the public sector operate in one of the 375 established internal audit units (IAUs). Some 73% of the IAUs have one internal auditor, and only 37% of the established functions comply with the legal requirement of a minimum of three staff members. Although the amendments to the IA Rulebook aim to enhance the scale of IAUs, the measures appear insufficient to change this institutional set-up.

Public procurement

The legal framework is well aligned with the EU Public Procurement Directives, except for the rules on public-private partnerships (PPPs) and concessions. Public procurement legislation significantly improved in 2023 with the introduction of new provisions on promoting award criteria other than the lowest price, the obligation to publish contract modifications, the introduction of environmental protection principles and wider use of electronic communication, and the broadening of the possibility to initiate misdemeanour proceedings when public procurement rules are violated.

An issue of concern remains the parallel system of awarding contracts for large infrastructure projects through the adoption of various legal instruments, such as special laws that are exempt from the application of public procurement legislation. This practice undermines fair competition and is detrimental to the fundamental principles of non-discrimination and transparency, on which EU public procurement *acquis* are based.

The institutional framework for public procurement is well established and efficient; however, the functioning of the institutions in charge of PPPs and concessions could be improved. The new public procurement strategy for 2024-2028 was adopted in August 2024. With the recent development of the electronic Public Procurement Portal's (PP Portal's) technical functionalities, the Public Procurement Office (PPO) can collect relevant statistical data and monitor the public procurement system efficiently. Despite extensive publication of the rules, a preference for competitive procedures and the notable development of electronic procurement tools, the procurement market is not attractive to the business sector. Participation in procurement procedures is low, which might be attributable to economic operators' perception that technical specifications and criteria are tailor-made or that outcomes of the procedures are predetermined before tenders are published. Contracts are awarded mainly based on the lowest-price criterion. Key materials are available to help contracting authorities comply with the procedural rules. The PPO provides consultations through its help desk for contracting authorities and economic operators. A certification system for procurement officers is in place. There is no clear evidence that private companies or non-governmental organisations (NGOs) arrange training, and no central curriculum is available for the training organisations active in the market. Moreover, there is no evidence of regular training conducted on PPPs and concessions.

The remedies system is aligned with the EU *acquis* standards. The Republic Commission for the Protection of Rights in Public Procurement Procedures (Republic Commission) is an independent review body that handles public procurement complaints efficiently and competently. Although the fees for submitting appeals are relatively high, no significant barriers to initiating review proceedings have been identified. Information on the Administrative Court's decisions on public procurement is not easily accessible.

External audit

External audit meets most of the international standards. The legal status of the State Audit Institution (SAI) is largely adequate and is guaranteed by the Constitution and the SAI Law. The SAI audit procedures are in line with international standards, and the results of the Institution's work are available on its website. Public servants consider SAI reports easy to understand, with relevant and useful recommendations. Interaction with the Parliament is relatively weak. Currently, only the Committee on Finance engages with the SAI reports, and only the report on the final accounts and the SAI's annual activity report are discussed in a timely manner.

Financing local governments

The legal framework provides the necessary guarantees for the fiscal autonomy of local governments, which have a diverse range of resources. The equalisation system is, however, ineffective in reducing inequalities. The system of controls and inspections does not adequately address dysfunctions

such as overdue payments and delayed budget approvals, which occur in a significant proportion of municipalities. The share of local governments in the revenues and expenditures of the general government is small compared to most European Union (EU) countries, reflecting the relatively limited range of responsibilities that local governments have in Serbia. The 2021-2025 local self-government reform program is well-directed and places fiscal decentralisation as one of its central priorities, but its implementation faces delays.

Overall, the existing legal framework, institutional set-up and related strategies and guidance for public financial management are largely in line with the Principles of Public Administration, while implementation practice and results in public financial management include more gaps and inconsistencies (Figure 46).

Figure 46. State of play in public financial management by type of criterion



Notes: The results are split. The first combines points from legislation, policy and guidance, and institutional set-up. The second aggregates points from implementation practice and results. The percentage in the centre represents the ratio of points in relation to the maximum.

Recommendations

1. The Government should reduce the number of first-level budget organisations, limiting them to non-executive bodies and line ministries.²⁴⁸
2. The Ministry of Finance should further develop the Fiscal Strategy as a government-wide strategic document by including a link between policy decisions and medium-term ceilings for budget organisations. The approved ceilings (aggregate and disaggregate) should be respected or adjustments need to be explained.
3. The Government should remove the exemptions for projects of special importance and for projects in the security sector from the applicable legislation for public investment management.
4. The MoF should incorporate a commitment control system in its financial management information system that checks commitment ceilings before incurring a new commitment.
5. The Government should prepare a reform plan to modify the International Public Sector Accounting Standards (IPSAS)-cash accounting standards and include non-cash (accrual) information on topics such as arrears, commitments, receivables and debt.²⁴⁹

²⁴⁸ See also Pot, F. and J. Šušteršič (2024), "Organisational structure of budget management: Directions for reform in the Western Balkans and the Republic of Moldova", *SIGMA Papers*, No. 72, OECD Publishing, Paris, <https://doi.org/10.1787/5fd31556-en>.

²⁴⁹ See Swarbrick, A. and F. Pot (2022), "Public accounting reforms in the Western Balkans and European Neighbourhood: Guidance for SIGMA Partners", *SIGMA Papers*, No. 65, OECD Publishing, Paris, <https://doi.org/10.1787/505f903e-en>.

6. The Government should prepare a consolidated report on the operations of all its state-owned enterprises as a first priority of its fiscal risk management reform.
7. The MoF, in co-operation with the SAI, should revise the calendar for preparing the final accounts so that these can be published together with the SAI's audit opinion, within six months of the end of the fiscal year.
8. The Government should improve effectiveness of the implementation of existing legislation on three important FMC elements: accountability (institutional and managerial), risk management, and reporting on irregularities and fraud.
9. The MoF should take more substantial steps to increase the scale of IA units as a precondition to meeting the legal quality standards.
10. The Government should prepare and submit to the Parliament amendments to the special laws that are exempt from the application of public procurement legislation to ensure that the laws protect fair competition and comply with the principles of non-discrimination and transparency, in line with the EU *acquis* and the Stabilisation and Association Agreement.
11. The Government should prepare and submit to the Parliament amendments to the Law on Public-Private Partnerships and Concessions (PPPC Law) to bring it into alignment with the EU Concessions Directive and provide a clear definition of functions of the main institutions involved.
12. The PPO should continue its efforts to facilitate the effective implementation of non-price award criteria among contracting authorities.
13. The Parliament should engage more intensively with the SAI by establishing a system in which individual audit reports are scrutinised by Parliament on a timely basis after their publication by the SAI.
14. The Government should consider options for improving the effectiveness of the equalisation system, including by introducing more selective and targeted criteria for the beneficiary municipalities.
15. The Ministry of Finance (MoF) should identify the reasons behind the persistent arrears in payments and address this issue in a manner that allows for the reduction of unpaid obligations.

Analysis

Budget management

Principle 23: The annual budget is comprehensive and formulated within a credible and rolling medium-term framework, balancing policy needs with fiscal constraints.

Budget preparation is orderly and benefits from a comprehensive medium-term fiscal framework at the beginning of the process. The link with a medium-term budget framework to establish budget ceilings in line with policy priorities needs further improvement. The high number of first-level BOs complicates such policy-based budget preparation. A sound basis for public investment management is established, but its effectiveness is compromised by exemptions.

Indicator 23. The annual budget is comprehensive and formulated within a credible and rolling medium-term framework, balancing the policy needs with the fiscal constraints		2024 indicator value	56/100
Sub-indicators		Points	
1.	Budget calendar	4/5	
2.	Preparation of the medium-term fiscal framework	11.5/15	
3.	Strength of the medium-term budget framework	2/25 ⁱ	
4.	First-level budget organisations	0/5	
5.	Oversight of fiscal discipline by an independent institution	5/5	
6.	Annual budget documentation	11.1/15	
7.	Budget classification	4/5	
8.	Planning and budgeting for capital investment projects	7/10	
9.	Parliamentary scrutiny of the annual budget	6/10	
10.	Public access to budget information	5/5	

Note: i = data not available or not provided.

The Government of the Serbia operates a clear annual budget calendar (with dates set in the Law on the Budget System²⁵⁰ (BSL), but not further tailored in the budget instructions) that covers both the medium-term and annual budget preparation process. The calendar is broadly respected and leaves BOs more than six weeks to prepare their annual budget. In anticipation of parliamentary elections in December 2023, the draft budget documentation was submitted to the Parliament in October, three weeks ahead of schedule.

The budget planning process begins with the preparation of a medium-term fiscal framework (MTFF) in the form of the FS. The FS 2024-2026 was approved on 8 June 2023.²⁵¹ The process allows BOs to submit changes in the baseline costs of existing policies and new priorities to the MoF. The MoF has developed an analytical platform, "ISKRA Plus", to analyse proposals of the first-level BOs. Nevertheless, the FS is currently focussed on fiscal aggregates, and there is no clear link between the FS and disaggregated budget ceilings at the BO or sector level. The credibility of the fiscal framework presented in the FS is compromised by overly optimistic revenue estimates. The revenue estimates for 2023 included in the FS 2022-2024 exceeded actual revenue outturns in 2023 by 29%. The credibility of the 2023 expenditure

²⁵⁰ Law on the Budget System (BSL), Official Gazette No. 54 of 17 July 2009, as amended.

²⁵¹ Fiscal strategy 2024-2026: <https://mfin.gov.rs/dokumenti2/fiskalna-strategija>.

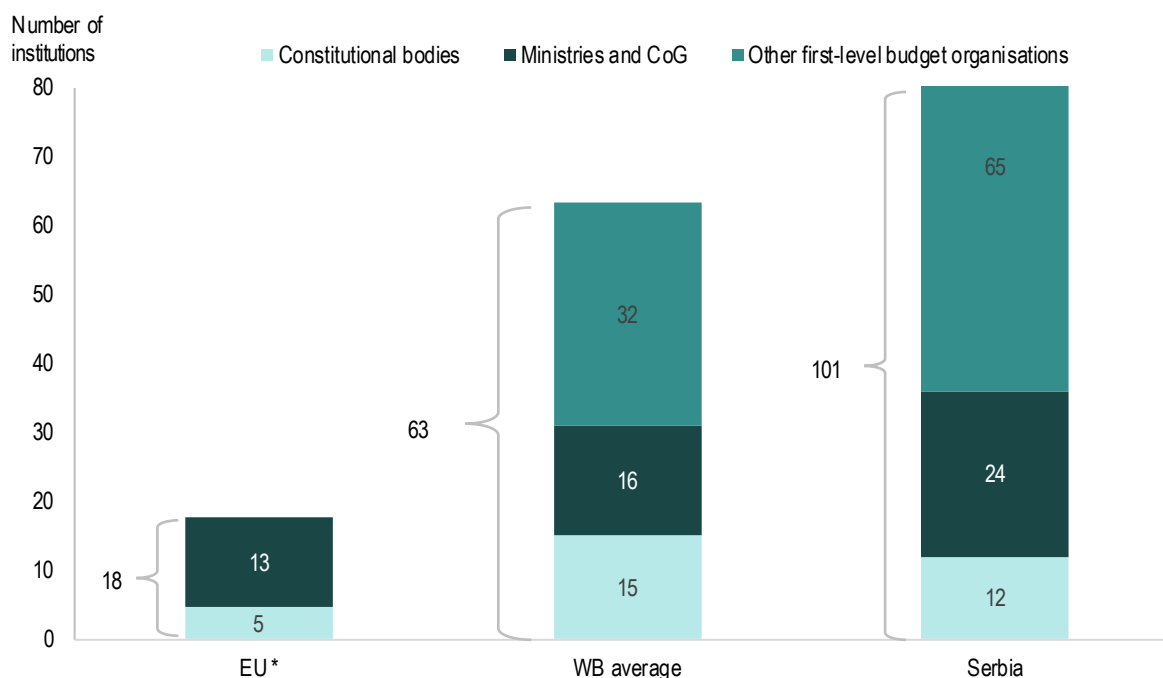
estimates in the FS 2022-2024 was greater, but still deviated by 7% from the actual figures in 2023. The credibility of the FS is also questionable given that the aggregate expenditure ceiling included in the Budget Law 2024 was 2.4% higher than the ceiling in the FS 2024-2026.

The FS includes fiscal targets for the budget deficit and government debt. Following government proposals in 2022, the fiscal rules were updated in the BSL to incorporate a linkage between the debt and deficit rule.²⁵² Based on Serbia's current debt level of 49%, the new rule states that the fiscal deficit should not exceed 1.5% of GDP. Higher debt would require a lower deficit rule and vice versa. Serbia has established an operational fiscal council that comments professionally on the Government's fiscal policy in various reports.²⁵³

The FS does not include medium-term budget ceilings for BOs, and such disaggregated ceilings were not publicly available until 2023. A medium-term perspective on budget ceilings is included for the first time in the annual Budget Law 2024. The 2024 Budget Law includes, for each BO, appropriations for 2024 and estimates for 2025 and 2026. Such estimates should give predictability for BOs and reflect policy priorities over a three-year period. The credibility of these outward estimates needs to be demonstrated in the coming years. Moreover, the budget documentation does not include cost information on newly adopted policies to justify such medium-term estimates or to inform the Parliament. Setting policy-based ceilings is also complicated by the large number of first-level BOs (more than 100) currently involved in the budget preparation process (Figure 47). Also, a spending review process to analyse the quality of spending and create fiscal space for new policy initiatives is not yet in place.

²⁵² Presented in the Revised Fiscal Strategy (FS) 2023-2025, <https://mfin.gov.rs/dokumenti2/fiskalna-strategija>.

²⁵³ Established by a decision of the National Assembly of the Republic of Serbia on 31 March 2011.

Figure 47. Number of first-level budget organisations in Serbia

Note: The EU number is an average of five member states (Austria, Denmark, Finland, Germany and the Netherlands). The Western Balkan (WB) number is an average of Albania, Kosovo*, Montenegro and the Republic of North Macedonia.

Source: Pot, F. and J. Šušteršič (2024), "Organisational structure of budget management: Directions for reform in the Western Balkans and the Republic of Moldova", *SIGMA Papers*, No. 72, OECD Publishing, Paris, <https://doi.org/10.1787/5fd31556-en>

The budget documentation that is submitted to the Government and the Parliament is comprehensive. The budget is presented using economic, administrative and programme classifications, and it meets most benchmarks on the required background information. It also includes more advanced budget information on performance (outputs) and fiscal risks, but the quality suggests further room for improvement. Missing from the budget documentation is information on approved new policies and tax expenditures.

Decisions on capital expenditures (capex) are an integral part of medium-term and annual budget preparation. The Decree on Capital Projects modernised capex management in November 2023.²⁵⁴ The Decree builds on the establishment of a Capital Projects Evaluation and Monitoring Division in the MoF and aims to establish a single project pipeline under the supervision of the Commission for Capital Investments. Based on the Decree, feasibility studies are mandatory for capital projects with estimated costs exceeding EUR 20 million, and the MoF carries out independent appraisal. While the Decree provides a basis for proper public investment management, its effectiveness is compromised by exemptions for capital projects of special importance (primarily executed by the Ministry of Construction) and capital projects that are realised within the security sector, including by the Ministry of Defence, the Ministry of the Interior, and the Security Information Agencies.

The role of the Parliament in budget scrutiny is weak. Parliamentary sector committees are involved in the process, but the time available to them is limited. The Parliament had three weeks to review the annual

²⁵⁴ Official Gazette of RS, No. 79/2023.

budget law 2024.²⁵⁵ For the supplementary budget for 2023, the Parliament's review was carried out within one week.²⁵⁶

In terms of public access to budgetary information, Serbia meets the criteria. It publishes the budget documentation (both before and after the Parliament's adoption), as well as a citizen budget. Most tables are published in a machine-readable format to allow analysis by civil society.

²⁵⁵ Due to elections in Serbia on 17 December 2023, the parliamentary adoption of the budget was brought forward. The proposal was submitted to Parliament on 6 October 2023 and adopted on 27 October 2023.

²⁵⁶ The supplementary budget was presented to Parliament on 2 September 2023 and approved on 6 September 2023.

Principle 24: The government supports budget implementation and service delivery by ensuring liquidity in the short and medium term.

Liquidity management covering the sub-systems of tax collection, treasury management and debt management is performing at reasonable standards. The greatest room for improvement is observed in treasury management. The integrity of the financial information is not ensured by regular IT audits. The current system allows BOs to commit expenditures only for a quarter of the year rather than annually. Absent effective commitment controls, payment arrears are likely to exist, but no monitoring information on these is accessible.

Indicator 24. Budget implementation and service delivery is supported by cash availability in the short and medium-term		2024 indicator value	55/100
Sub-indicators		Points	
1.	Efficiency of tax collection	10/10	
2.	Effectiveness of tax collection	14.9/20	
3.	Treasury/cash management	6/10	
4.	The reliability of financial data is supported regular reconciliation of accounting information	1/5	
5.	Cash flow management	4/5	
6.	Commitment controls are established	2/10	
7.	Management of expenditure arrears	0/10 ⁱ	
8.	Debt management	7/10	
9.	Government debt risk mitigation	7.7/10	
10.	Reporting on public debt	2/10	

Note: i = data not available or not provided.

Liquidity management is supported by relatively efficient and effective tax collection by the tax administration (TA), which is part of the MoF. The TA collects 100% of personal income tax declarations electronically and the share of its budget amounts to 0.5% of collected revenues, which is highly efficient by international standards. Variance in collections against plans is relatively low. Total collection overperformed by 2.7% in the last financial year (FY), mostly as result of higher collections in the corporate income tax. The effectiveness of the TA's tax collection is compromised by the stock of arrears, amounting to 17% of total revenue that the TA collected at the end of last fiscal year.

The TA has in place a Tax Compliance Plan to strengthen tax culture and suppress the grey economy.²⁵⁷ The Plan is comprehensive and covers all major taxes. It is not operationalised with an action plan, however, which complicates accountability on its implementation. Nevertheless, reports on the implementation of measures in real estate income, withholding tax and the establishment of an analytical platform for fiscalisation demonstrate at least partial implementation.

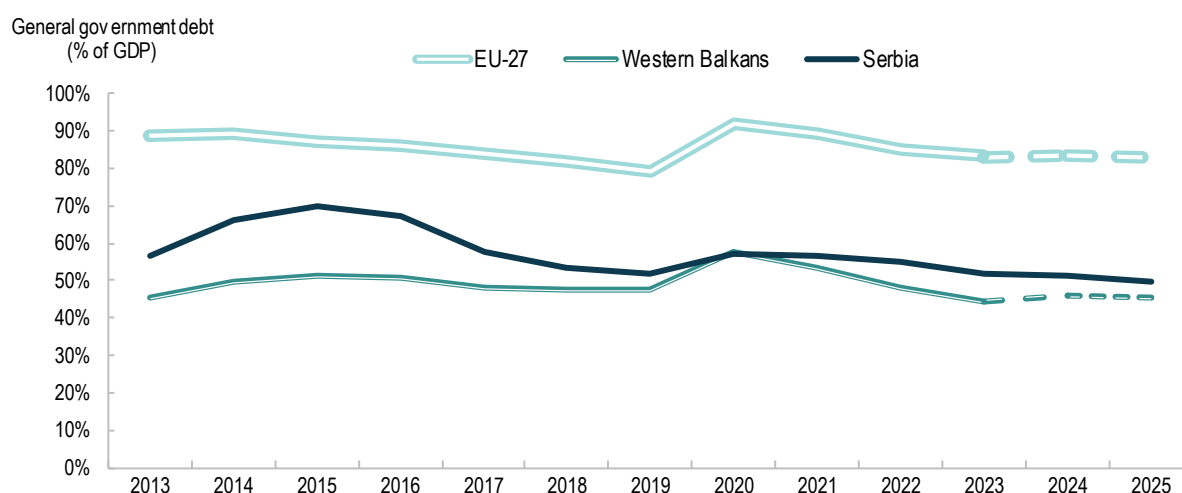
Tax proceeds are transferred daily into the Treasury Single Account (TSA), which operates largely in accordance with international standards. The TSA is managed by the Treasury, which is organised as the central unit within the MoF and has 34 regional branches and 110 outlets supporting payments of deconcentrated branches of the central government. The Treasury conducts cash management on the basis of annual financial plans from all first-level BOs reflecting cash needs by month until the end of the year. The financial information system SPIRI (System for preparation, execution, accounting and reporting) supports budget implementation. Although no evidence exists that the information is unreliable, regular IT

²⁵⁷ Tax Compliance Plan for 2023, 28 April 2023: <https://purs.gov.rs/o-nama/Ostalo.html>.

audits could provide such confirmation. Such IT audits are currently not conducted. The Treasury exercises financial control at the payment stage rather than at the commitments stage. Although payment orders are checked against prior commitments, such commitment information is entered into the system only after a contract has been agreed and signed (i.e. the commitment made). The Treasury payment controls ensure that expenditures do not exceed budget ceilings, but they do not effectively prevent payment arrears. Data on the stock and composition of expenditure arrears are not monitored and not reported in the Government's final accounts.

Debt is largely managed in line with international standards. The Minister of Finance must carry out or approve all borrowing (including local government borrowing), and the annual budget law defines the limits for annual borrowing (including state loan guarantees). Debt limits are informed by a rolling system of debt management policy descriptions included as an integral chapter in the FS. The chapter provides historical and forward-looking information, and it serves the purposes of debt management strategy and debt management reports simultaneously. The debt information covers all levels of government but focuses on general government debt. The FS chapter sets out numerical targets for general government debt for a minimum of three years, and there were no significant deviations in debt outturns for 2023 against targets set in the FS 2023-2025. Debt risk parameters on maturity, exchange rate risk and interest risk only slightly exceed benchmark values: 13.8% of general government debt will mature in 2024, and 27.4% is subject to floating interest rates. General government debt demonstrates a stable pattern, with a slight decline in recent years. Overall, debt is among the lowest in the region and is lower only in Bosnia and Herzegovina and in Kosovo* (Figure 48). International credit rating agencies consider the debt performance adequate, with a stable outlook.²⁵⁸

Figure 48. Debt development in the Western Balkans region



Sources: IMF database (2013-2018) and EU Candidate Countries' & Potential Candidates' Economic Quarterly, 2nd Quarter 2024 (2019-2025).

²⁵⁸ Based on the Fitch and Standard & Poor's ratings, June 2024.

Principle 25: The government implements the budget in line with estimates and reports on it in a comprehensive and transparent manner, allowing for timely scrutiny.

The Treasury provides basic budget execution information at the central government level, using its cash-based accounting standards and information systems. Budget execution is reported in various in-year reports, but these do not reflect the performance of individual BOs or policy implementation. Annual deviation figures indicate that revenue plans are consistently too conservative. Expenditure outturns meet the estimates at the aggregate level more closely, but deviations are large at a disaggregated level. Consistent reporting and auditing on extra-budgetary funds, SOEs and local government is weak.

Indicator 25. The government implements the budget in line with estimates and reports on it in a comprehensive and transparent manner, allowing for timely scrutiny		2024 indicator value	54/100
Sub-indicators		Points	
1.	Budget execution in line with appropriations	8.5/20	
2.	Fiscal targets	10/12	
3.	In-year reporting of government revenue, expenditure and borrowing	5/10	
4.	Clear accounting standards and consistency with international standards	2/8	
5.	Content of the annual financial report of the government	5/8	
6.	Reporting on capital investments	8/9	
7.	Monitoring and reporting on fiscal risks	4/9	
8.	Annual reports of state-owned enterprises, extra-budgetary funds and local government	4/10	
9.	Transparency and quality of the annual financial report	7/14	

General government debt for 2023 was 48.9% as a ratio of GDP. As the fiscal rules included in the BSL allow up to 60%, the criterion for debt was easily met. Nevertheless, the fiscal rule for the medium-term fiscal deficit was not met. Conditional on the government debt (which is between 45% and 55% of GDP), the fiscal deficit should be no more than 1.5% of GDP. However, the budget deficit for 2023 amounted 2.2% of GDP.²⁵⁹

The credibility of the budget also demonstrates shortcomings. For aggregate revenues, the average variation across 2021-2023 was 12%, which is high. On the good side, the variations are always positive, indicating that revenue estimates are systematically too low. The credibility for expenditures at the aggregate level performs better, amounting to a moderate 6% over the past three fiscal years. At a disaggregated level (calculated across the 10 largest direct BOs), however, deviation from original budget estimates was on average 13% over the past three years (Table 3). The high deviation during budget execution reduces the importance of government-wide budget planning and provides too much room for ad hoc budget decisions. The Fiscal Council noted this in its commentary on the supplementary budget that the Government proposed in 2023.²⁶⁰ The importance of accurate budget planning is also reduced, as the BSL allows direct budget beneficiaries (DBBs) to redirect appropriations in the amount of up to 10% of the expenditure level.

²⁵⁹ Ministry of Finance (MoF), Fiscal Strategy for 2025 with projections for 2026 and 2027, 5 July 2024.

²⁶⁰ Fiscal Council, Assessment of the Proposed Supplementary Budget of the Republic of Serbia for 2023, 25 September 2023, <https://www.fiskalnisavet.rs/english/izvestaji.php#a250923>.

Table 3. Aggregate and disaggregate budget deviations, 2021-2023 (%)

	2021	2022	2023
Aggregate deviation	6	8	-/ 4
Disaggregate deviation	17	11	12

Source: SIGMA calculations based on annual budget laws 2021-2023 and corresponding final accounts.

During the fiscal year, various reports are prepared to monitor budget execution:

- Public Finance Bulletin (monthly): the MoF publishes a monthly Public Finance Bulletin with aggregated fiscal information on budget execution. The publication does not show disaggregated figures for DBBs.²⁶¹
- Reports of DBBs to the Treasury (quarterly, unpublished): These provide detailed information on the amount of planned and executed revenues and receipts, sources of financing, amounts of approved appropriations and executed expenditures, with the information disaggregated according to the Chart of Accounts.
- Consolidated quarterly reports on budget execution: The MoF prepares six-month and nine-month reports on budget execution, which are submitted to the Parliament for information.²⁶² In these reports, expenditure and revenue execution is reported by all budget classifications, but the reports lack a narrative for decision-makers. They provide budget execution data, but no policy information.

The annual financial report is a budget execution report whose format mirrors that of the budget. It is based on domestic Treasury regulations and rulebooks, not on international accounting standards.²⁶³ The IPSAS on a cash basis (IPSAS Cash) will be applied starting with the preparation of financial statements for the year 2024. The report does not include analysis of selected financial assets and liabilities. However, it does include some non-financial performance information and explanations of the budget execution rates.

The annual report also contains a special annex on capex per BO and line item, but it does not provide an analysis of overall performance on capital investment. Figures from other documents²⁶⁴ indicate that capex outturns were 5% more than originally planned in fiscal years 2022 and 2023.²⁶⁵ Reporting on capital investments is more comprehensive in the MoF reports to the government-wide Commission for Capital Investments. Based on a new Public Investment Management Information System (PIMIS) established in December 2021, reports cover financial and physical progress and are to be prepared quarterly.²⁶⁶

²⁶¹ Public Finance Bulletin: <https://mfin.gov.rs/en/activities/bulletin-public-finance-2>.

²⁶² Six-month Budget Execution Report for the period from 1 January to 30 June 2023: http://www.parlament.gov.rs/upload/archive/files/cir/pdf/izvestaji/14_saziv/400-1402_23.pdf

Nine-month Budget Execution Report for the period from 1 January to 30 September 2023: http://www.parlament.gov.rs/upload/archive/files/cir/pdf/izvestaji/14_saziv/400-2024_23.pdf

²⁶³ They include: Regulation on budget accounting; Rulebook on the method of preparation, compilation and submission of financial reports of users of budget funds, user funds of organisations for mandatory social insurance and budget funds; and Rulebook on the standard classification framework and Chart of Accounts for the budget system.

²⁶⁴ Calculations based on the category "Capital Expenditures General Government", taken from the Fiscal Strategy and Bulletins on Public Finance Deviations in 2022 and 2023.

²⁶⁵ The deviation for 2021 was significantly larger: 41% over-execution, linked to the Government's expansionary fiscal policy in response to the COVID-19 crisis. As such, 2021 is considered an outlier and not included in the indicator calculation.

²⁶⁶ The documents are confidential to members of the Commission for Capital Investments.

With regard to monitoring fiscal risks, the MoF has established a Department for Fiscal Risks and in 2021 the Government adopted a Unified Methodology.²⁶⁷ The methodology covers the operations of public enterprises, local self-government units, court proceedings and natural disasters. Reporting in line with the Methodology has started as part of the FS and has improved over time. The FS includes a section on the performance and risks of a selection of public companies or SOEs. The adoption of the new Law on Management of Companies owned by the Republic of Serbia in September 2023 and its full implementation as per September 2024 is expected to further improve monitoring performance and risks linked to SOEs.

According to the BSL, local government entities are required to prepare a financial report each year. Based on the Law on the SAI, the SAI has the authority to audit these reports.²⁶⁸ However, due to capacity constraints, it audits local governments selectively based on a risk assessment. Table 4 shows that the SAI covers 13% of local government units annually, representing 44% of expenditures at the local level. There is no annual consolidated report on the financial position of all local government units.

Table 4. Audit coverage of local government, 2021-2023

	2021		2022		2023	
	Total	Audited	Total	Audited	Total	Audited
Number of local government units	171	23	171	23	171	23
Budget value (EUR million)	3 418	1 547	3 883	2 090	4 470	1 503

Source: State Audit Institution of Serbia.

The calendar for the preparation of the Government's final accounts and its audit is challenging. Under the BSL, the MoF must prepare the final accounts of the budget before 20 June and submit them to the National Assembly before 15 July. Neither the BSL nor the Law on the SAI includes a deadline for the SAI audit. In practice, the SAI is unable to finalise the audit report in three weeks before 15 July, and the final accounts and audit report are submitted to the Parliament separately. The SAI published its 2022 annual financial report on 25 August 2023. The SAI's opinion was qualified due to shortcomings in reporting on non-financial assets and outstanding tax receipts.

On a positive note, the Committee on Finance, State Budget and Control of Public Spending of the Parliament discussed the final accounts and the SAI report on 20 October 2023, before the draft budget for 2024 was voted. Due to elections on 24 December 2023, the SAI report on the final accounts 2022 was not presented at the plenary of the Parliament.

²⁶⁷ Conclusion No. 40-9575/2021, Official Gazette, No. 99/21.

²⁶⁸ Official Gazette, No. 101/2005.

Internal control and audit

Principle 26: Public administration bodies manage resources in an effective and compliant manner to achieve their objectives.

The legal and policy framework for internal control largely exists and supports the development of FMC. The FMC operational and reporting framework is well-developed. Nevertheless, the FMC guidelines are not consistently complied with. Consequently, the implementation of important FMC elements such as institutional and managerial accountability, risk management, reporting on irregularities and fraud is lagging.

Indicator 26. Adequacy of the operational framework for internal control and its functioning in practice		2024 indicator value	36/100
Sub-indicators		Points	
1.	Regulatory framework and development policy for internal control	10/10	
2.	Co-ordination of internal control	10/10	
3.	Adequacy and effectiveness of management and control systems in place	4.8/15	
4.	Managerial accountability	5/15	
5.	Reporting on internal control	2/10	
6.	Regularity and completeness of risk management practices	0/15	
7.	Institutional accountability	2/12	
8.	Irregularity and fraud management	1.7/13	

Article 81 of the BSL²⁶⁹ is the main legislation on FMC. It 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 Sector (FMC Rulebook).²⁷⁰

All public fund beneficiaries (PFBs) must introduce FMC.²⁷¹ There are approximately 10 000 PFBs in total, including around 1 100 DBBs (ministries, local government institutions), four beneficiaries of funds of compulsory social insurance, and around 7 400 indirect beneficiaries (e.g., judicial authorities and schools). The assessment focuses on central government bodies (CGBs), which include ministries, administrations within the ministries, government offices and special organisations and funds. In total, 114 entities are considered CGB entities.²⁷² Of the approximately 10 000 PFBs, 298 are regarded as 'important' PFBs and they are obliged to submit their report to the Central Harmonisation Unit (CHU), which monitors FMC implementation on behalf of the MoF.²⁷³ Central level DBBs which submitted their reports to the MoF - CHU account for 99.92% of the total expenditures of the 2023 budget of Serbia.

Article 83 of the BSL regulates the mandate of the CHU to harmonise, co-ordinate, develop and monitor the implementation and report on the quality of FMC and IA in the public sector in annual FMC and IA

²⁶⁹ BSL, latest changes published in the Official Gazette, No. 118/2021.

²⁷⁰ 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.

²⁷¹ BSL, Article 81.

²⁷² See the Organisation, Accountability and Oversight chapter, Principle 13.

²⁷³ MoF, Consolidated Annual Report on the Status of Public Internal Financial Control (CAR) in the Republic of Serbia in 2023, August 2024, p. 10, https://mfin.gov.rs/upload/media/FvqEdE_66ec110ccc5cb.pdf.

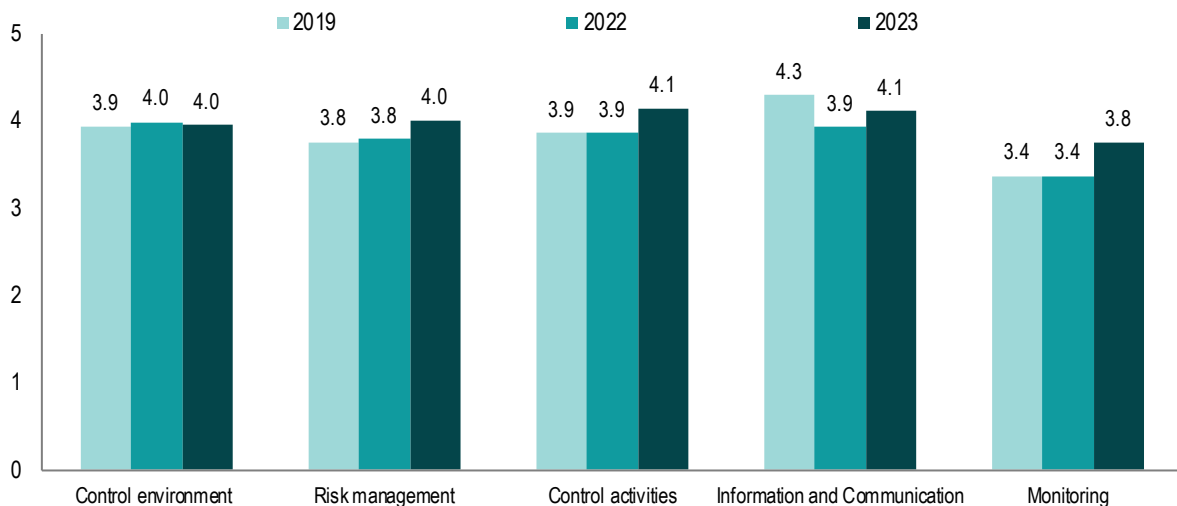
reports. The CHU has made detailed FMC guidance materials available since mid-2020, including an FMC manual, guidelines for risk management, management of irregularities, and guidance on the managerial accountability concept²⁷⁴

Further strengthening of FMC implementation is foreseen in the PFM Programme 2021-2025. It analyses the existing FMC situation; sets objectives; and identifies specific reform activities, including further development of managerial accountability and budget management.²⁷⁵ A mid-term review of the PFM Programme, carried out in 2023, reports on the implementation of the development of a new training concept, a reporting format and support at the local government level.²⁷⁶ Other activities are to be concluded by 2025.

The Consolidated Annual Report on the Status of Public Internal Financial Control (CAR) in the Republic of Serbia in 2023 was adopted by the Government on 29 August 2024. The report is based mainly on self-assessment questionnaires that 3779 PFBs completed. The CAR includes general recommendations on FMC and IA, as well as specific recommendations for defined public institutions.²⁷⁷

The 2023 CAR shows that FMC implementation in the CGBs is more advanced than at the local level. The PFBs' self-assessments are based on the five components of the internal control framework of the Committee of Sponsoring Organisations of the Treadway Commission (COSO). In general, the scores indicate that for almost all components there is improvement compared with the previous report of 2022.

Figure 49. Implementation of COSO elements



Source: Consolidated Annual Report on the Status of Public Internal Financial Control (CAR) 2024 about 2023, Ministry of Finance.

The CAR presents additional information on three specific FMC elements: the description of business processes, the existence of a risk management strategy and of a risk register. Overall, the implementation rate of these elements has improved in 2023 compared with 2022 as more institutions have implemented the three FMC elements.

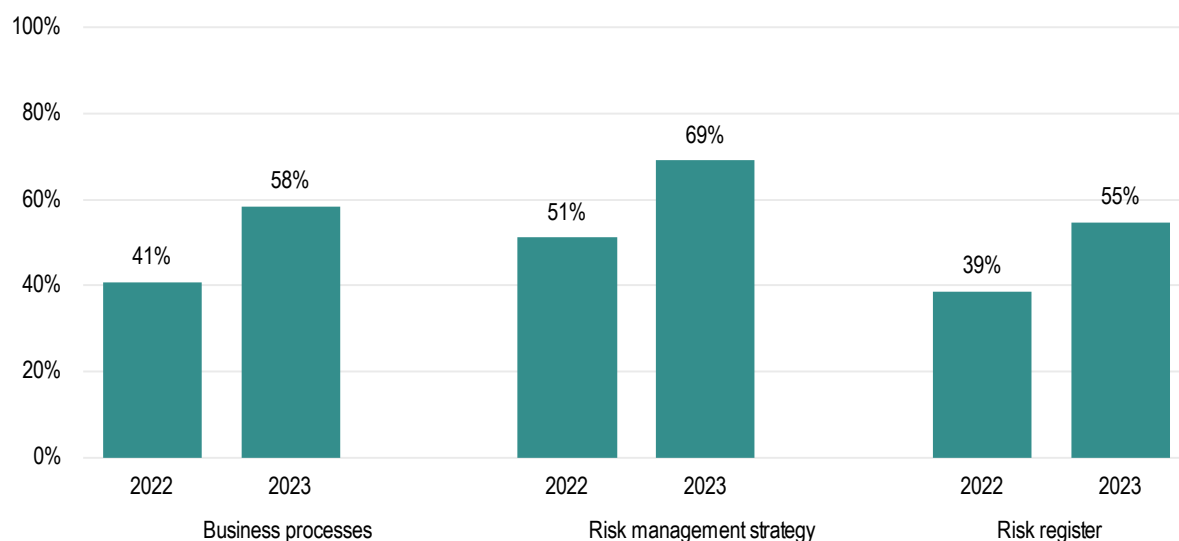
²⁷⁴ MoF website, <https://www.mfin.gov.rs/sr/o-ministarstvu-1/finansijsko-upravljanje-i-kontrola-1>.

²⁷⁵ Public Finance Management Reform (PFMR) programme 2021-2025, Official Gazette, No. 30/18, pp. 57-82.

²⁷⁶ MoF (2024) Report on implementation of the public financial management reform programme 2021-2025 for 2023, MoF, April 2024, pp. 60-65.

²⁷⁷ The Government's adoption of the Consolidated Annual Report on the Status of Public Internal Financial Control (CAR) 2024 about 2023 is foreseen after the cut-off date of the assessment.

Figure 50. Implementation rate of FMC elements by central government organisations



Source: Consolidated Annual Report on the Status of Public Internal Financial Control (CAR) 2024 about 2023, Ministry of Finance

An implementation review of a selection of FMC elements in five sample institutions²⁷⁸ shows that risk management is still in its early stages. Risk management policies are developed, but their implementation is lagging behind. Only two agencies included in the sample submitted evidence that they have a risk management policy and established risk registers, assess risks at least annually against established objectives, and respond to risks.

Another important FMC element is the introduction and implementation of managerial accountability. The Law on State Administration,²⁷⁹ Law on Civil Servants²⁸⁰ and 2019 FMC Rulebook create the conditions for a full implementation of the concept. However, managers are assigned responsibilities and have autonomy to act but lack authority over budget and resources to fulfil their responsibilities.²⁸¹ In the sample institutions, no delegation was observed of budget authority or minor managerial responsibilities below the highest managerial level in the organisations' hierarchies (ministers, state secretaries and assistant ministers, directors). Sample tests of implementation of the delegation of authority showed that even minor technical decisions require the approval of high-level officials.²⁸²

Also, institutional accountability is not well-established yet. The number of first-level BOs that have a direct link to the MoF for budget management is 101. This is adequate for the 24 ministries and 12 non-executive bodies, but budget oversight of the other 65 entities should be mandated to line ministries.²⁸³ Further, not all subordinate institutions have to submit their annual plan as well as their activity report to the responsible ministry for approval.²⁸⁴ Annual business plans and key financial performance indicators of SOEs are not always agreed with the responsible ministry. The new Law on Management of Companies owned by the

²⁷⁸ The Ministry of Education, Ministry of Health, Ministry of the Interior, tax administration, and Medicines and Medical Devices Agency.

²⁷⁹ Law on State Administration, Official Gazette, No. 79, 16 September 2005.

²⁸⁰ Law on Civil Servants, Official Gazette, No. 79, 16 September 2005.

²⁸¹ See also Principle 13 of this report.

²⁸² See the Organisation, Accountability and Oversight chapter, Principle 13.

²⁸³ Ibid.

²⁸⁴ Ibid.

Republic of Serbia was adopted in September 2023 and effective as of September 2024 is expected to further improve the monitoring performance of SOEs.

Regarding the system of reporting irregularities, the CHU published guidelines on 20 July 2020. According to these guidelines, each public institution should centralise irregularity reporting within its institution. Only one implementing agency of the five sample institutions provided information on the established procedure, with clear responsibilities assigned in the organisation for assessing irregularity and fraud risks and reporting on irregularities and suspected fraud. Nevertheless, civil servants' perceived awareness of irregularities and fraud is quite high: 77% of the civil servants declared that, in exercising their work, they become aware of cases of an unethical irregularity or potential fraud and know how to report them.²⁸⁵

Principle 27: Internal audit improves the management of public administration bodies.

The legal framework for the IA function has further improved in recent years and is in line with international standards. Also, the number of internal auditors and certified ones show a slight increase. Nevertheless, the institutional basis for IA remains fragmented. Nearly 600 internal auditors in the public sector operate in one of the 375 established IAUs. Some 73% of the IAUs have only one internal auditor, and only 36% of the established functions comply with the legal requirement of a minimum of three staff members. Although the amendments of the IA Rulebook aim to enhance the scale of IAUs, the measures appear insufficient to change this institutional set-up.

Indicator 27. Adequacy of the operational framework for internal audit and its functioning in practice		2024 indicator value	53/100
Sub-indicators		Points	
1.	Adequacy of the regulatory framework for internal audit	10/10	
2.	Co-ordination, development and guidance of the internal audit system	6.8/10	
3.	Organisational capacity for internal audit	0/10	
4.	Independence and objectivity of internal audit	8.3/15	
5.	Strength of planning of internal audit in budget organisations	4/10	
6.	Quality of audit reporting	8.9/10	
7.	Follow-up and implementation of audit recommendations	5.7/15	
8.	Certification and professional development	5.7/10	
9.	Existence of a system for quality assurance of internal audit	4/10	

Article 82 of the BSL regulates IA. It provides for various preconditions for the adequate functioning IA, including independence in its functioning (programming, execution of and reporting on audits). Article 82 of the BSL requires that, in the performance of their duties, internal auditors shall apply international standards of IA and the IA code of ethics, as well as observe the principles of objectivity, competence and integrity. These provisions are further detailed in the IA Rulebook²⁸⁶ and the IA manual.

The 2024 survey among public servants showed that the independence of IA is not always strongly established.²⁸⁷ Some 52% of IA practitioners in the public sector replied that IA has decision-making or

²⁸⁵ SIGMA Survey of Public Servants on the functioning of the public administration 2024.

²⁸⁶ Rulebook on Common Criteria for Organisation and Standards and Methodological Guidelines for the Conduct and Reporting of Internal Audit in the Public Sector (IA Rulebook), Official Gazette, No. 99, 27 December 2011, as amended.

²⁸⁷ SIGMA Survey of Public Servants on the functioning of the public administration 2024.

operational roles that might lead to impairment of independence and objectivity, 37% replied that IA is subject to interference in determining the scope of its auditing, the performing of its work or communicating the results. IA does not always have full access to records, personnel and property: 19% of IA practitioners declared that there have been restrictions to accessing records, personnel and property in the last three years.

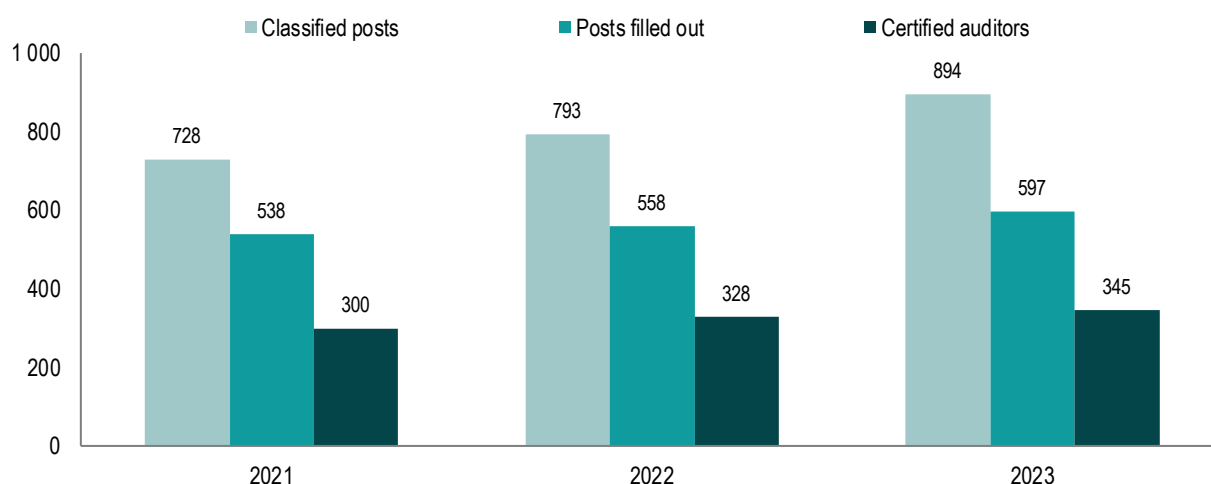
The IA Rulebook regulates that the IA function can be organised in various ways.²⁸⁸ The following options are open to PFBs:

- IA performed by a special functionally independent organisational IA unit (in any event, for PFBs with more than 500 employees, and selected high priority PFBs),
- a joint IA unit with another PFB,
- an IA unit of another PFB or by the IA unit of the competent direct beneficiary,
- outsourcing to a certified internal auditor.²⁸⁹

IA certification is regulated in a separate Rulebook.²⁹⁰ At 31 December 2023, 345 internal auditors had a national IA certificate, representing 58% of internal auditors in the public sector.

In recent years, the number of internal auditors in the public sector has slightly increased, from 538 in 2021 to 596 in 2023. The number of certified auditors has also risen.

Figure 51. Number of audit posts and certified auditors



Source: Annual CHU reports, 2022 and 2023.

Nevertheless, IA is not established in all bodies where it is required. Furthermore, IA capacity remains fragmented in very small units.

- In total, 455 normatively established IA functions cover all PFBs, of which 375 are IA units.
- There are 114 CGBs. Each one should have an **IA function**. However, only 57 of these have been established, the majority through an own IA unit. Some of them use the IA function of their

²⁸⁸ IA Rulebook, Article 3. The Article was amended to allow more options and stimulate a larger scale of IA units, Official Gazette, No. 84 of 5 October 2023.

²⁸⁹ IA Rulebook, Article 3, point 4 (IA Rulebook amendment, Official Gazette, No. 84, 5 October 2023).

²⁹⁰ Rulebook on the Requirements and Procedure for Taking the Exam for Acquiring the Title of Certified Internal Auditor in the Public Sector, Official Gazette, No. 9, 30 January 2014, and No. 84, 5 October 2023; Articles 21 and 22.

supervising institutions (e.g., smaller administrations are covered by IA of their respective ministry), and some have concluded an agreement on performing IA with another PFB or have outsourced the IA function. Of the 57 existing IA functions, 24 had at least 2 employees and 33 were staffed with 1 employee.

- Out of 114 CGBs, 36 must have an own **IA unit** with 3 employees as a minimum. In 2023, 24 CGBs had an own IA unit with at least 2 internal auditors and 13 of them met the minimum requirement of 3 internal auditors according to national regulations.

The CHU has established a programme for continuous professional development (CPD) that specifies the requirements for internal auditors to keep their IA knowledge and skills up to date. The Rulebook²⁹¹ establishes the fields and forms of professional training for public-sector certified internal auditors, as well as the criteria for the recognition of professional training. In 2023, of the 266 active IA units, 226 (85%) fulfilled the CPD obligation to collect at least 50 points in one year. The CPD programme for 2023 relies mostly on general training for public servants delivered by NAPA and contains few specific trainings on internal audit issues. The PFM Programme 2021-2025 foresees establishing a Programme for Continuous Professional Development of Internal Auditors in the Public Sector, co-ordinated by the CHU.

The PFM Programme 2021-2025 includes objectives and activities for further improving the IA function of the Serbian public sector.²⁹² In 2023, several activities were implemented, such as amending the IA Rulebook,²⁹³ modernising the training and promoting the IA profession through media coverage.

The IA methodology is set forth in the 2020 IA Manual, which covers the principles, standards and policies of IA; strategic, annual and engagement planning; conducting of IA and forming of the conclusions in compliance with the IA Rulebook. The IA Manual is based on and is consistent with the guidelines of the Institute of Internal Auditors (IIA).²⁹⁴ However, on 1 January 2024, the IIA standards were revised with consequences for the IA Manual, especially on specifics such as the responsibilities of the head of an IA unit. Amendments of the IA manual are foreseen by the CHU.

One of the tasks of the CHU is to establish a network of internal auditors to inform all internal auditors on developments in the IA profession. In 2023, the CHU organised only one workshop with heads of IA units/internal auditors of PFBs at central government level. In addition, it organised two workshops for internal auditors working at local government levels.

Of the 57 IA functions in the CGBs, the CHU reported that 54 IA units approved strategic and annual IA plans for the year 2023. Of five sample institutions, three have strategic and annual IA plans. These plans are largely in line with national legislation and IIA standards. They do not cover all expenditures and funding resources, but they evaluate the governance, risk management and control processes of the institutions.

In 2023, 1 101 assurance IAs were planned, as were 96 audits upon the request of PFB heads. In total, 959 audits were carried out. There are 455 normatively established IA functions. Accordingly, on average, one IA function conducted 2.1 audits per year. The small number of audits per IA function reflects the limited resources rather than the existing risks in the institutions. The number of planned audits in 2023 decreased compared with 2022 (Figure 52). However, the number of conducted audits increased in 2023. This indicates that the audit planning in 2023 was more realistic.

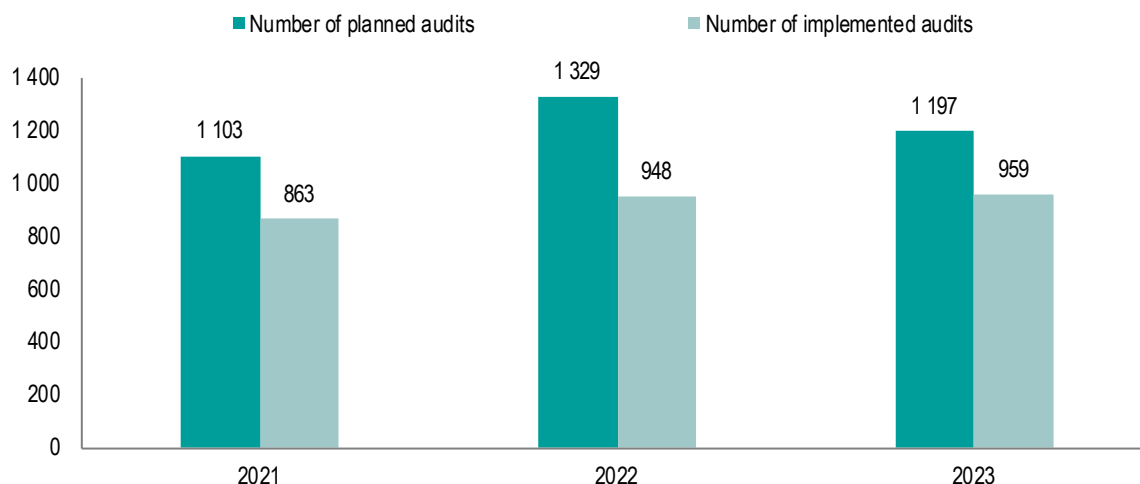
²⁹¹ Rulebook on Professional Development of Certified Internal Auditors in the Public Sector, Official Gazette, No. 15, 8 March 2019.

²⁹² PFM Programme 2021-2025, pp. 57-82.

²⁹³ Amendment to limit one-person IA units, IA Rulebook, Official Gazette of RS, No. 84/2023, Article 3, point 4.

²⁹⁴ Internal Audit manual, Chapter Purpose and structure of the manual, p. 3.

Figure 52. Planned and implemented audits, 2021-2023



Note: Data refer to performed audits.

Source: Annual CHU reports, 2022, 2023 and 2024.

In 2023, in line with international standards, the assessment of the work quality of the IA units has been regulated in the IA Rulebook.²⁹⁵ It requires that the head of the IA unit review the performance of IA activities and carry out periodic self-assessments. External assessments must be carried out at least once every five years in each PFB. Based on the results, the head of an IA unit must develop and maintain a quality assurance improvement programme. A quality control and assurance methodology has been developed based on Article 29 of the IA Rulebook. Based on the CHU questionnaire, 46% of the established IA units report that internal quality assessments have been carried out. However, from the five sample institutions, only one IA unit has carried out a self-assessment. This latter finding aligns with those from the quality reviews of IA operations at six PFBs conducted by the CHU in 2023. The CAR (2023) concludes that “Internal control of the quality of IA’s work is carried out through constant supervision by the head of the IA unit”, but “no programme has been developed to ensure and improve the quality of work and no regular self-assessments have been carried out”.

Of the 1 454 recommendations in total that IA issued for CGB in 2022, auditees accepted 98%. They implemented 531 (36.5%) of the recommendations.²⁹⁶ The implementation rate of the recommendations issued in 2023 seems significantly higher (69.6%). Out of 1 261 internal audit recommendations that were accepted by the auditee, the number of implemented recommendations is 877. Three-quarters of senior and middle managers perceive the recommendations as useful.²⁹⁷

²⁹⁵ IA Rulebook, Official Gazette, No. 84/2023, Article 29.

²⁹⁶ The implementation rate of internal audit recommendations issued in 2023 has significantly increased compared to 2022. Out of 1 261 recommendations that were adopted by auditees, 877 were implemented already before June 2024, resulting in an implementation rate of 69.5 % (source: CAR 2024 about 2023).

²⁹⁷ SIGMA Survey of Public Servants on the functioning of the public administration 2024.

Public procurement

Principle 28: Public procurement legislation, including public-private partnerships and concessions, is based on principles of equal treatment, non-discrimination, transparency, proportionality and competition, and supported by a sound governance framework.

The legal framework is largely aligned with the EU Public Procurement Directives. In the case of PPPs and concessions, the legislation requires revision to ensure full alignment with the EU Concessions Directive. The main concern remains the award of large infrastructure projects based on exemptions that special laws have established, bypassing the application of the Public Procurement Law (PPL).²⁹⁸

Indicator 28.1. Quality of legislative framework for public procurement and PPPs/concessions		2024 indicator value	72/100
Sub-indicators		Points	
1.	Application of fundamental EU policy goals and Treaty principles across the spectrum of procurement legislation	9/30 ⁱ	
2.	Level of alignment of public procurement legislation for contracts above EU thresholds with the EU Directives	33.5/35	
3.	Level of alignment of PPPs/concessions legislation for contracts above EU thresholds with the EU Directives	9/15	
4.	Level of alignment of procurement legislation for contracts below EU thresholds with the EU Treaty principles	20/20	

Note: i = data not available or not provided.

The PPL, which entered into force on 1 July 2020, aimed to transpose the EU Public Procurement Directives, including in the utility sectors and in the field of defence and security.²⁹⁹ The PPL also incorporates all relevant provisions of the EU Remedies Directives.³⁰⁰ All by-laws foreseen in the PPL were approved in due course and do not conflict with primary law. Except for some minor deviations, the PPL shows a high degree of compliance with the EU *acquis*.

The scope of the PPL is defined in accordance with the relevant provisions of the EU Directives. The PPL regulates all stages of the public procurement process, including the preparation and conduct of the procedure, award and contract modifications.

All procurement procedures and tools for electronic and aggregated procurement provided for in the EU Directives are adequately regulated. The scope of the law covers the award of contracts both above and

²⁹⁸ Public Procurement Law (PPL), Official Gazette of the Republic of Serbia (RS) No. 91/19 of 24 December 2019.

²⁹⁹ Directive 2014/24/EU of the European Parliament and of the Council of 26 February 2014 on public procurement and repealing Directive 2004/18/EC; Directive 2014/25/EU of the European Parliament and of the Council of 26 February 2014 on procurement by entities operating in the water, energy, transport and postal services sectors and repealing Directive 2004/17/EC; Directive 2009/81/EC of the European Parliament and of the Council of 13 July 2009 on the Co-ordination of Procedures for the Award of Certain Works Contracts, Supply Contracts and Service Contracts by Contracting Authorities or Entities in the Fields of Defence and Security, and Amending Directives 2004/17/EC and 2004/18/EC.

³⁰⁰ Directive 89/665/EEC on the co-ordination of the laws, regulations and administrative provisions relating to the application of review procedures to the award of public supply and public works contracts [1989] OJ L395/33, as amended; and Directive 92/13 on the co-ordination of the laws, regulations and administrative provisions relating to the application of Community rules on the procurement procedures of entities operating in the water, energy, transport and telecommunications sectors [1992] OJ L76/7, as amended.

below³⁰¹ the EU thresholds. The publication of notices on the PP Portal ensures transparency.³⁰² The conditions for applying the negotiated procedure without prior publication are harmonised with the requirements under EU law.

The exclusion grounds and selection criteria mirror those set out in the EU Directives, including the possibility to demonstrate self-cleaning measures. The PPL foresees instruments aiming to support the participation of small and medium-sized enterprises (SMEs), such as the division of contracts into lots and an obligation to justify a decision not to do so, which provides room to apply the principle of proportionality when establishing the selection criteria and the use of the standard self-declaration (similar to the European Single Procurement Document). Like the EU Directives, the PPL provides that the most economically advantageous tender shall be identified based on the price or cost (using the life-cycle costing approach) and may also include criteria based on the best price-quality ratio.

However, some inconsistencies with the EU *acquis* persist. The definition of works contracts is not complete,³⁰³ and the list of exclusions for the public sector covers situations that go beyond the exclusions allowed by Directive 2014/24.³⁰⁴

The PPL was significantly amended³⁰⁵ in 2023 to introduce important novelties, such as:

- the obligation to publish information about concluded contracts below the national thresholds, as well as about modifications of the contracts during their execution;
- the obligation to use only the best price-quality ratio or cost-effectiveness criteria for awarding certain intellectual services contracts;
- the obligation to carry out electronically all communications between the review body and the parties to the dispute;
- the establishment of a legal basis for the PPO to issue regulations imposing the obligation on the contracting authorities to integrate environmental aspects in the procurement of specific categories of goods, services and works;
- the obligation for all state authorities responsible for controlling the legality of spending public funds to submit a request to initiate misdemeanour proceedings when, acting within their jurisdiction, they determine that a violation of the PPL has been committed.

PPPs and concessions are subject to the PPPC Law.³⁰⁶ The main principles of the EU Concessions Directive are reflected in the law, the list of exclusions does not go beyond the exclusions permitted by EU rules, and competitive procedures are the general rule for awarding concession contracts. Nevertheless, the complete transposition of the Directive has been continuously postponed since 2019 and several crucial elements are missing, such as the rules on the personal scope; provisions regarding the estimation of concessions contracts value, the duration of the concession, and conflicts of interest; and specific provisions referring to the groups of economic operators. Moreover, current definitions in the PPPC Law

³⁰¹ In accordance with Article 27 of the PPL, the national thresholds are much lower than those of the EU Directives (i.e., EUR ~8 500 for supplies and services and EUR ~25 500 for works).

³⁰² Public Procurement Portal at: <https://jnportal.ujn.gov.rs/>

³⁰³ The definition of the public work contract with the meaning of “realisation of a work, corresponding to the requirements specified by the contracting authority/entity exercising the decisive influence on the type or design of the work” shall become applicable only as of the day of accession of the Republic of Serbia to the European Union (PPL, Article 247).

³⁰⁴ Exclusions include, e.g., those related to procurements intended for processing and sale, resale and rent to third parties on the market and procurements of goods related to certain elements needed for the production of banknotes, coins, identity documents, registration plates or services of money transport.

³⁰⁵ Law on amendments to the PPL, Official Gazette of RS No. 92/23 of 27 October 2023.

³⁰⁶ Law on Public-Private Partnership and Concessions (PPPC Law), Official Gazette of RS Nos. 88/11, 15/16 and 104/16.

can generate uncertainty about the differences between “PPP contracts with concession elements” and “PPP contracts without concession elements” or between “concessions” and “special concessions”. The transfer of the operating risk is not defined and may lead to the wrong classification of procurement contracts versus PPP contracts.

The increasing use of exemptions from the PPL that special laws governing large infrastructure projects introduced,³⁰⁷ such as EXPO BELGRADE 2027, the construction of the infrastructure corridor of the highway E-761 (Pojate-Preljina section), the use of renewable energy sources, represents a serious flaw in the public procurement system of Serbia. In its 2021 monitoring report, SIGMA criticised 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 Serbia³⁰⁸ for containing major derogations from the PPL and thus significantly reducing the transparency of the contract award process. Although in 2023 this law was repealed, the practice of exempting large-scale infrastructure contracts through the adoption of special laws has continued. The laws in question allow for shorter deadlines for the submission of tenders, introduce higher thresholds triggering the application of competitive procedures and allow for direct award below these thresholds. Moreover, they introduce additional conditions for participation in the public procurement procedures, such as an obligation to have a registered branch in Serbia and to hire local subcontractors, and offer no review mechanisms or remedies for economic operators wishing to appeal the decisions of the contracting authority. A similar practice seems to exist in the case of projects carried out under the umbrella of intergovernmental agreements, but the procedures for selecting the contractors are governed by specific rules defined in those agreements, which are not transparent.³⁰⁹

³⁰⁷ For example, the Law on determination of public interest and special procedures for the realisation of the project for the construction of the infrastructure corridor of the highway E-761, Pojate-Preljina section, Official Gazette of RS No. 49/2019; Law on the Use of Renewable Energy Sources, Official Gazette of RS No. 40/2021 and 35/2023; and Law on special procedures for the implementation of the international specialised exhibition EXPO BELGRADE 2027, Official Gazette of RS No. 92/2023.

³⁰⁸ 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 of RS No. 9/2020, repealed on 4 August 2023.

³⁰⁹ Transparency Serbia, e.g.: <https://www.transparentnost.org.rs/en/ts-and-media/press-issues/12522-eps-illegally-withholds-information>

Central institutions effectively support, steer and co-ordinate implementation, enforcement and monitoring of the public procurement system

The institutional framework for public procurement is well established; however, several shortcomings persist in the area of PPPs and concessions. The public procurement strategy for 2024-2028 was adopted in August 2024. Monitoring and reporting of the public procurement system are in place, but no account was taken of contracts awarded under the special laws during the period under assessment.

Indicator 28.2. Central institutions effectively support, steer and co-ordinate implementation, enforcement and monitoring of the public procurement system		2024 indicator value	80/100
Sub-indicators		Points	
1.	Quality of the strategy and action plan for development of public procurement and PPPs/concessions	20/23	
2.	Green procurement performance	7/12	
3.	Performance of socially responsible procurement	7/12	
4.	Central institutions to develop and implement public procurement policy effectively and efficiently	22/22	
5.	Central institutions to develop and implement PPPs/concessions policy effectively and efficiently	8/12	
6.	Quality of monitoring and reporting on public procurement system	16/19	

The institutional framework is generally well defined. The PPO is the key central institution, performing most of the functions pertaining to the public procurement system. It prepares strategies and drafts of primary legislation, plays an important role in developing secondary legislation and acts as the national contact point for EU integration. The Ministry of Finance (MoF) is officially responsible for submitting to the Government proposals to amend the primary legislation.

The previous public procurement strategy 2019-2023 having expired, the PPO launched the development of the Programme of the Development of the Public Procurement in the Republic of Serbia for the period 2024-2028. The PPO organised public consultations and debates in December 2023 and January 2024.³¹⁰ The document has been adopted in August 2024.

The PPO is also tasked with providing professional assistance to contracting authorities and economic operators and is responsible for the certification of public procurement officers.

The oversight of procurement procedures with the aim of preventing, detecting and removing irregularities is another attribution of the PPO. In 2023, the PPO submitted to the competent courts a total of 218 requests to initiate misdemeanour procedures. Supervision of contract execution was carried out only sporadically, and no relevant data were collected. However, it should be noted that the Budget Inspection of the MoF is entrusted with the power of supervising procurement contracts³¹¹, and therefore plays an important role in the overall monitoring of the public procurement system.

Although the existing legal framework allows for green and socially responsible objectives to be incorporated into all stages of the procurement process, in practice, performance is weak.³¹² Still, with the entry into force on 1 January 2024 of the Rulebook for applying environmental aspects in public

³¹⁰ Public consultations and debates: <https://www.ujn.gov.rs/?p=7489>

³¹¹ Rulebook on the manner of exercising supervision over the execution of public procurement contracts, Official Gazette of RS No. 110/2023.

³¹² According to the data provided by PPO, the number of contracts awarded in 2023 with green considerations was 1592 (3.3% of the total number of procedures and 8.24% of the total number of contracts), and with social considerations was 309.

procurement procedures,³¹³ there is an impetus for the share of green procurement to increase. According to the Rulebook, contracting authorities are obligated to incorporate environmental aspects when preparing technical specifications, selection criteria, award criteria or conditions for contract performance for a list of goods, such as computers and other electronic office equipment, air-conditioners, photocopier paper and cleaning agents.

In the area of concessions and PPPs, the distribution of responsibilities among central institutions remains unchanged. While the Ministry of the Economy (MoE) is responsible for preparing, proposing and implementing regulations, the PPPC Law does not clearly define the body responsible for the drafting of secondary legislation, for international co-ordination (including EU integration) or for the control based on risk assessment. In practice, operational support and training are carried out inadequately.

The MoE plays also 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 who are representatives of various ministries, autonomous provinces and the City of Belgrade. The Commission provides expert assistance on the realisation of PPP and concession projects and delivers opinions within the approval procedure for PPP project proposals and concession acts.

The development of the technical functionalities of the PP Portal in recent years allows the PPO to collect relevant statistical data and perform general monitoring of the public procurement system. According to the amendments to the PPL³¹⁴, contracting authorities/entities must publish on the PP Portal all data regarding the contracts concluded and their subsequent modifications.

The PP Portal automatically collects all records on procurement procedures and contracts. Information is freely available to the public, and the PP Portal has search engines³¹⁵ allowing for the retrieval of information for external use and analysis. The PPO prepares and publishes annual reports, which contain consolidated public procurement data on the functioning of the procurement system. The PPO is in charge of gathering data about public procurement procedures which fall within the scope of the PPL.

³¹³ Rulebook on types of goods for which contracting authorities are obligated to apply environmental aspects in public procurement procedures, Official Gazette of RS No. 115/23.

³¹⁴ Law on amendments to the PPL, Article 10, Official Gazette of RS No. 92/23; and Rulebook on the manner of publication and the type of data of contracts and contracts amendments, which contracting authorities publish on the Public Procurement Portal (PP Portal), Official Gazette of RS No. 115/23.

³¹⁵ PP Portal search engine: https://gizsr.visualstudio.com/Instructions/_wiki/wikis/Instructions/5637/Search-on-the-Portal-and-downloading-tender-documentation

Principle 29: Contracting authorities conduct public procurement operations, including public-private partnerships, efficiently and economically.

Despite extensive publication rules, a preference for competitive procedures and the notable development of e-procurement tools, the procurement market is not attractive to the business sector. Participation in procurement procedures is weak, which might be attributable to economic operators' perception that the criteria are adapted to certain participants or that the outcomes are predetermined before tenders are published. Contracts are awarded mainly based on the lowest-price criterion.

Indicator 29.1. Efficiency, economy and competitiveness of public procurement operations		2024 indicator value	65/100
Sub-indicators		Points	
1.	Planning and preparation of the public procurement procedure	7.4/8	
2.	Share of competitive public procurement procedures	5/5	
3.	Efficiency of modern tools and techniques	10.6/15	
4.	Penetration of e-procurement	6/7	
5.	Quality of tender documents	3.9/6	
6.	The use of contract award criteria	5/8	
7.	Performance of public procurement market	15.7/30	
8.	Performance of PPPs/concessions market	0.6/6	
9.	Contract management	6.4/9	
10.	Contract management for PPPs/concessions	3.3/4	
11.	Ex post evaluation of the procurement process and of contract performance	1.4/2	

In 2023, the total value of contracts awarded based on the PPL was approximately EUR 7.3 billion, representing 10.5% of Serbia's GDP.³¹⁶ These figures are incomplete in that they reflect only contracts for which the PPO collects data. Contracts awarded based on special laws were not monitored and are therefore not included in the statistics.

Apart from the contracts awarded in accordance with the PPL, almost EUR 1.4 billion is the value of contracts for which the exclusions that the PPL provides are not allowed by the EU Directives.³¹⁷ Contracts awarded based on international agreements have a total value of EUR 2.7 billion.³¹⁸

The PPL requires contracting authorities/entities to publish annual procurement plans on the PP Portal. In more than 99% of procedures, contracting authorities publish these as required.³¹⁹ All procurement notices and tender documents, including their amendments, must be published on the PP Portal.³²⁰ The PP Portal enables e-submission of tenders (used in more than 99.9% of the procedures in 2023);³²¹ it is also used for communication between the contracting authorities/entities and economic operators.

³¹⁶ 2023 Public Procurement Office (PPO) Report, p. 4.

³¹⁷ In particular PPL, Article 14, paragraph 1, point 3.

³¹⁸ 2023 PPO Report, p. 18.

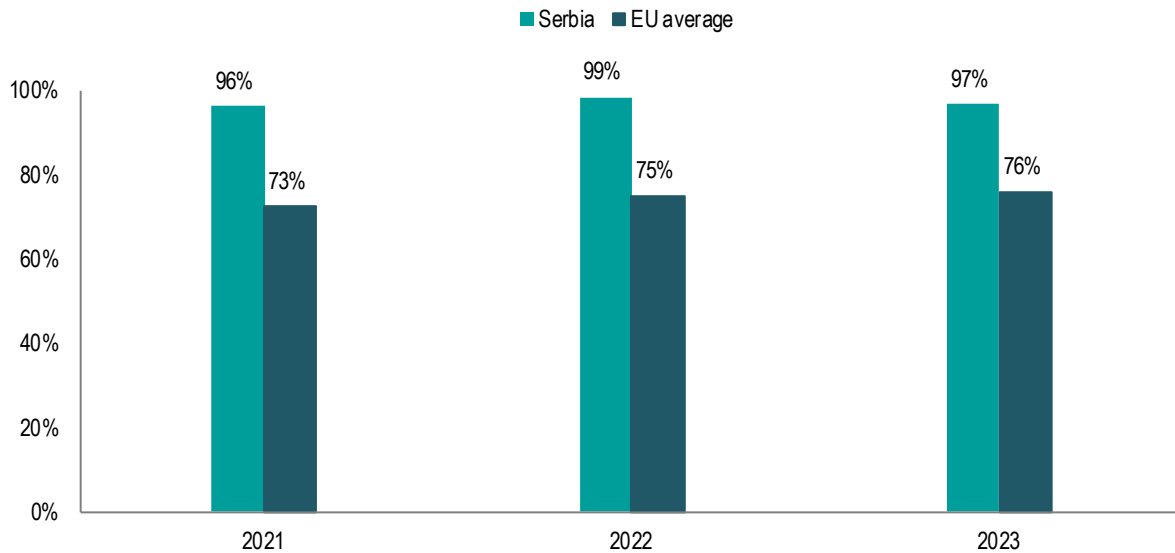
³¹⁹ Information on published procurement plans: <https://jnportal.ujn.gov.rs/planovi-nabavki-svi>

³²⁰ Published procurement notices and tender documents: <https://jnportal.ujn.gov.rs/oglasi-svi>, <https://jnportal.ujn.gov.rs/tender-ao/216900>

³²¹ According to the data provided by the PPO.

In 2023, contracting authorities/entities organised 47 997 procurement procedures, 96.8% of which were competitive procedures (46 457), whereas negotiated procedures without prior publication were used in only 3.2% of procedures (1 521).

Figure 53. Use of competitive procedures in public procurement governed by the PPL, 2021-2023



Notes: Percentage of the use of competitive procedures in Serbia over time.

Source: Data provided by the PPO.

A total of 17 233 framework agreements were concluded in 2023, a 13.5% increase compared to 2022. Medical equipment and pharmaceutical products are the most common goods purchased in framework agreements (51%), followed by construction works (11%).³²² Technical functionalities for using e-auction and dynamic purchasing systems were also developed, but in practice their use is limited.

Centralised procurement is used for standard products and services of common interest. The Directorate for Joint Affairs of Republic Bodies is the central purchasing body for the central administration, including judicial authorities. The Directorate is responsible for awarding contracts for 19 categories of goods and services defined in relevant regulations.³²³ The Republic Fund for Health Insurance is a centralised purchasing body for the purchase of medicines that health institutions require. At the local level, the cities of Belgrade, Kragujevac and Nis have established their own centralised procurement bodies. In 2023, the value of contracts concluded in centralised purchasing totalled EUR 0.55 billion.³²⁴

Although publication rules are extensive and preference is given to competitive procedures, 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 remains low (2.4),³²⁵ and in 51% of the procedures only

³²² 2023 PPO Report, p. 14.

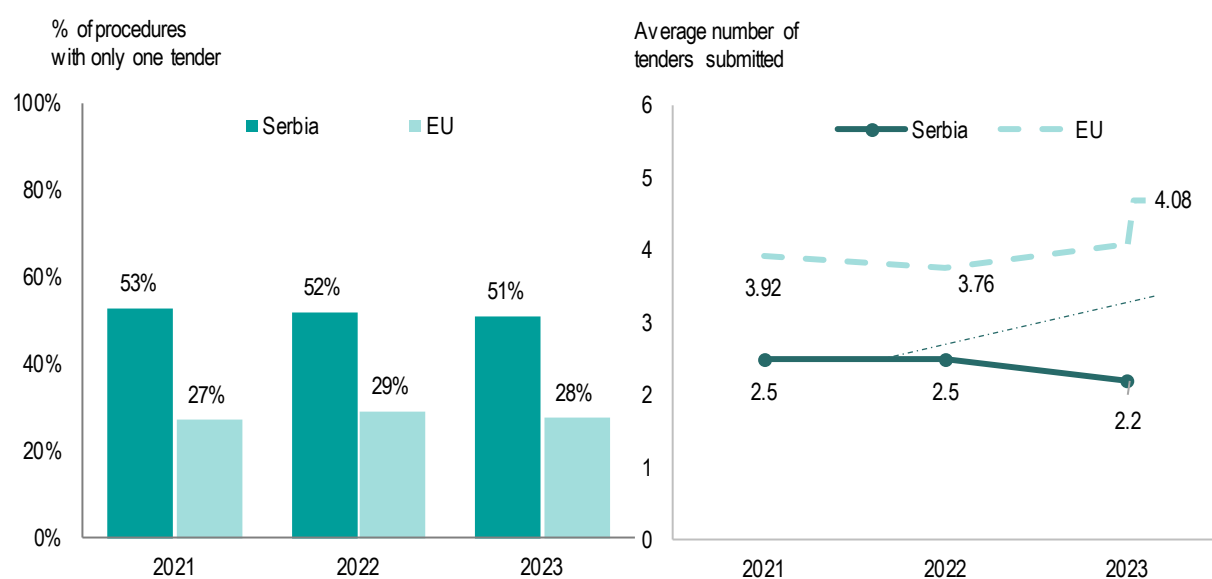
³²³ Decree on the organisation and manner of performing centralised public procurement at the national level, Official Gazette of the RS No. 116/2020.

³²⁴ Data provided by the PPO; the value refers only to the procurement made for other contracting authorities/entities, not including procurement for the own needs of centralised purchasing bodies.

³²⁵ According to the data provided by the PPO, the total number of tenders submitted for all competitive procedures in 2023 was 101 763. The number of competitive procedures was 46 476.

one tender was submitted.³²⁶ This situation can be explained, at least partially, by the answers that economic operators provided during the SIGMA survey: about two thirds of interviewed representatives of economic operators declared that their company had decided not to participate in a public tender or procurement procedure in the last three years. When asked about the reasons for not participating, the most frequent answer was that “criteria seemed to be tailor-made for certain participants” (picked by 42% of respondents), followed by “the deal seemed to have been sealed before the tender was published” (selected by 30% of respondents). Other possible explanations are less frequent, like “the procedure seemed too bureaucratic or burdensome” (18%) or “the evaluation criteria were unclear” (8%).³²⁷

Figure 54. Competitive procedures when only one tender was submitted, with the average number of tenders submitted per competitive procedure



Notes: Percentage of competitive procedures when only one tender was submitted with the average number of tenders submitted per competitive procedure in Serbia over time.

Source: Data provided by the PPO.

Some 72.6% of contracting authorities confirmed that inputs from market consultations are used to prepare tender documentation.³²⁸ However, economic operators consider the consultation process to be a perfunctory exercise.³²⁹

The lowest price continues to be the most frequently used criterion for awarding contracts (95.4%),³³⁰ although several helpful tools for the use of the economically most advantageous tender criteria have been prepared and published on the PPO website.³³¹ According to the latest amendments to the PPL, as of 1 January 2024 contracting authorities/entities are prohibited from using the lowest price criterion in cases

³²⁶ 2023 PPO Report, pp. 6 and 37.

³²⁷ SIGMA Business Survey on the public procurement system in the Western Balkans 2024.

³²⁸ SIGMA Survey of Contracting Authorities on public procurement system in the Western Balkans 2024.

³²⁹ SIGMA interviews with economic operators, April 2024.

³³⁰ 2023 PPO Report, p. 6.

³³¹ https://www.ujn.gov.rs/?page_id=1195

of awarding a contract for intellectual services (e.g., computer programme development services, architectural services, engineering services, translation services or advisory services).³³²

The share of contracts awarded to SMEs represented 68% of the total value of contracts concluded in 2023.³³³

Information on the execution of the contracts is now published on the PP Portal.³³⁴ According to the relevant legislation,³³⁵ from May 2022, public-sector entities must receive and store electronic invoices. Almost 81% of contracting authorities and economic operators confirmed that contracts are implemented in a timely manner, but only 58% indicated that quality control measures were carried out during contract execution.³³⁶

Availability and quality of support to contracting authorities and other actors to strengthen professionalisation of procurement operations

Key materials are available to help contracting authorities comply with the procedural rules. The PPO provides consultations through its help desk for contracting authorities and economic operators. A certification system for procurement officers is in place. However, the PPO does not keep records of training events that the private sector organises, and there is no central curriculum for the training organisations active in the market to use. There is no specific training tailored to the needs of businesses.

Indicator 29.2. Availability and quality of support to contracting authorities and other actors to strengthen professionalisation of procurement operations		2024 indicator value	64/100
Sub-indicators		Points	
1.	Availability of advisory and operational support	33.9/36	
2.	Availability of advisory and operational support for PPPs/concessions	3/12	
3.	Availability of quality training for procurement officers and other actors	21.4/28	
4.	Availability of quality training for officers and other actors in the area of PPPs/concessions	0/12	
5.	Role of civil society	6/12	

The PPO is responsible for providing expert assistance to contracting authorities and economic operators and for preparing guidelines, manuals and other publications in the field of public procurement. The PPO operates a call centre (help desk), allowing contracting authorities and economic operators to ask questions on public procurement procedures and on the use of the PP Portal. In 2023, the PPO reported an average of 300 phone calls per week. Almost 92% of contracting authorities and economic operators found the support useful.³³⁷

More than 30 guidelines and other tools are published online, covering both the legal provisions and the use of the PP Portal facilities. 84% of contracting authorities surveyed by SIGMA declared that they used guidelines and manuals developed by the PPO of which 71% declared that they were useful. 59% of

³³² Law on amendments to the PPL Article 6, Official Gazette of RS, No. 92/23, 27 October 2023.

³³³ 2023 PPO Report, p. 16.

³³⁴ Information on the execution of the contracts: <https://jnportal.ujn.gov.rs/contracts>

³³⁵ Law on Electronic Invoicing, Article 24 (Official Gazette RS, Nos. 44/21, 129/21, 138/22 and 92/23).

³³⁶ SIGMA Surveys of Contracting Authorities and Businesses on the public procurement system 2024.

³³⁷ Ibid.

business operators declared they use manuals of which only 46% found them useful.³³⁸ The introduction of the mandatory use of the PP Portal standardised the activity of the contracting authorities, facilitating the initiation and organisation phases of procurement procedures.

According to the PPL,³³⁹ the contracting authority shall ensure continuous training of persons involved in public procurement activities, including on 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.³⁴⁰ Training for procurement officers and economic operators is periodically organised. In 2023, more than 300 representatives of the contracting authorities and 1500 representatives of the economic operators participated in training that the PPO organised online.³⁴¹ Apart from these specific events, the private sector offers other training activities in the market. The PPO keeps no record of the training that private companies or NGOs arrange, and the entities active in this field do not prepare a central curriculum.

Every year, workshops are organised with the aim of strengthening the co-operation of the PPO with the Republic Commission, the State Audit Institution and the Commission for the Protection of Competition. The relevant institutions have the opportunity to share and exchange their experiences on issues that are important for the coherent application of public procurement regulations.

In the field of PPPs and concessions, several useful manuals and guidelines³⁴² are available. The Commission for Public-Private Partnership assists in the preparation of PPP proposals and makes recommendations on projects; however, there is no facility in place for quick consultations during the award procedure. No collection is available on a relevant website of solutions to the most common problems, and there is no evidence that regular training is available on PPPs/concessions.

The National Alliance for Local Economic Development (NALED) is an independent, non-profit and non-partisan association of companies, municipalities and civil-society organisations that is a key interlocutor for the Government and the National Assembly in defining regulatory priorities and legal solutions of importance for the economy. NALED implemented the project "Effective public procurement in the service of economic growth"³⁴³ with the aim of improving the public procurement system, strengthening the capacities of contracting authorities and bidders, improving transparency and efficiency through digital solutions, improving supervision and execution in public procurement, and strengthening the role of civil society and the public.

Currently, there is an active group of NGOs³⁴⁴ focusing on, among other topics, issues related to public procurement. They are involved in improving the legal framework, by submitting proposals to amend the law and to develop strategies. The opinion of these organisations is that very few of their proposals are accepted. One of the most relevant examples is the constant warnings about the undermining of the

³³⁸ Ibid.

³³⁹ PPL, Article 185.

³⁴⁰ There is a certification scheme in place for procurement officers; the certificate can be obtained in accordance with the procedures provided in the PPO Rulebook No. 93/2020, with subsequent amendments in 2021, 2023 and 2024. A total of 22 exams were organised during 2023. In this period, 422 candidates submitted applications, and 205 of them passed the exam. The success rate of candidates taking the exam is 48.5% (2023 PPO Report, p. 26).

³⁴¹ According to the data provided by the PPO.

³⁴² Manuals and guidelines: <http://www.jpp.gov.rs/dokumenta/publikacije>
https://www.skgo.org/storage/app/uploads/public/165/348/438/1653484389_Priruc%CC%8Cnik%20-%20JPP%20-%2016032022%20-%20web.pdf

³⁴³ The project is financed by the Swedish International Development Cooperation Agency (SIDA).

³⁴⁴ NGOs, e.g., Transparency Serbia, European Policy Centre – CEP, Center for Applied European Studies – CPES.

procurement system by using intergovernmental agreements and special laws.³⁴⁵ This issue seems to have been overlooked in the draft of the 2024-2028 public procurement strategy, since the relevant observations/comments received in this regard were rejected during the consultations held in January and February 2024.

Principle 30: An independent procurement review system ensures effective, rapid and competent handling of complaints.

The remedies system is aligned with the EU *acquis* standards. The Republic Commission is an independent review institution that handles public procurement complaints competently and efficiently. Although the fees for submitting appeals are relatively high, no significant barriers to initiating review proceedings have been identified. Information about the Administrative Court's decisions on public procurement is not easily accessible.

Indicator 30. Independence, effectiveness and competence of the review system		2024 indicator value	80/100
Sub-indicators		Points	
1.	Mechanisms and procedures to challenge procurement decisions	14/18	
2.	Mechanisms and procedures to challenge decisions taken by contracting authorities as regards PPPs/concessions	8/8	
3.	The independence and responsibility of the review body and its members	13/13	
4.	The independence and responsibility of the review body for PPPs/concessions and its members	7/7	
5.	Effectiveness of handling complaints by the review body and mechanisms to ensure implementation of its decisions	8.6/9	
6.	Effectiveness of handling complaints by the review body and mechanisms to ensure implementation of its decisions for PPPs/concessions	4.8/5	
7.	Complaint submission in practice and fairness of fee rates for initiating review procedures	6/9	
8.	Quality of decision making by the review body	11/11	
9.	Right to challenge decisions of the review body which is not judicial in character	0/6 ⁱ	
10.	Public availability and timeliness of data on the review system	8/14	

Note: i = data not available or not provided.

The legal protection of rights in public procurement is regulated in detail in Chapter XVII of the PPL. According to the PPPC Law,³⁴⁶ the same rules apply equally to PPPs and concessions procedures. All economic operators having or having had an interest in obtaining a contract, regardless of the value of the contract and type of procedure, have a legal right to challenge the contracting authorities'/entities' decisions. However, no review mechanisms are offered to economic operators participating in public procurement procedures under the special laws governing large infrastructure projects and exempted from the application of the PPL. The standstill period and the time limits for challenging these decisions are in

³⁴⁵ Warnings, e.g., Public procurement and public-private partnerships – between solid regulation and poor practice, Transparency Serbia 2021 (p. 8)

<https://www.transparentnost.org.rs/images/publikacije/TS%20MATRA%20ENG%20ONLINE.pdf> ,

Unveiling Challenges in Serbian Public Procurement, European Policy Centre 2023, p. 4, <https://cep.org.rs/en/publications/unveiling-challenges-in-serbian-public-procurement/>

³⁴⁶ PPPC Law, Article 58.

line with the EU Remedies Directives. The mechanisms for declaring contracts as ineffective and imposing alternative penalties³⁴⁷ are aligned with the requirements of EU law.

The Republic Commission is the first-instance review body for both procurement and PPPs/concessions procedures. It is an autonomous and independent institution with a legal personality and a separate budget, accountable only to the National Assembly. The Republic Commission is composed of nine members, including the president. Currently, 33 staff employees support the members' work, including senior legal advisers who have good knowledge of public procurement matters.

The National Assembly appoints the members of the Republic Commission for a term of five years. The selection is made through an open competition, which the National Assembly committee responsible for finance organises.³⁴⁸ The qualification requirements for appointment as a member include specified levels of educational attainment and relevant work experience in the field of public procurement. The grounds for dismissal are set out exhaustively in the PPL and, in all cases, the National Assembly must approve the dismissals. The president and the members of the Republic Commission may not perform any other public function, hold any position in a political party or perform any other activity that could affect their independence.

In 2023, the Republic Commission received 729 requests for the protection of economic operators' rights and resolved 714 of them.³⁴⁹ Most of the requests were filed against the outcome of a procurement procedure, as opposed to challenging the tender documentation (486 vs. 228). Decisions of the Republic Commission are usually taken in three-member panels. The PPL³⁵⁰ requires that panels issue their decisions within 30-45 days from the date of receiving the complete documentation needed to establish the facts and decide the case. In 2023, the median length of the review procedure was 26 days. Only in 2.38% of cases (17 cases) was the time limit that the PPL provides³⁵¹ exceeded.

Of the 714 solved cases, 334 requests for the protection of rights were rejected on the merits and 23 were dismissed on the grounds of procedural errors. A total of 326 requests for the protection of rights were upheld (45.7%), while in 31 cases the appellant withdrew the complaint.³⁵²

³⁴⁷ The penalties amount up to 30% of the concluded contract, considering all relevant facts, the severity of the breach, the acts of the contracting authority/entity and the residual duration of the contract (PPL Article 233, paragraphs 5-6).

³⁴⁸ Open competition:

http://www.parlament.gov.rs/12th_Sitting_of_the_Committee_on_Finance_State_Budget_and_Control_of_Public_Spending.39741.537.html

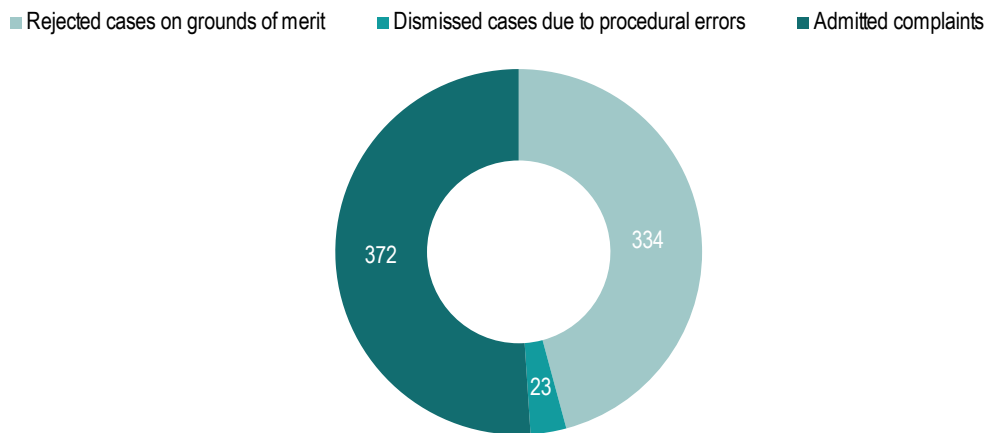
³⁴⁹ 2023 Republic Commission for the Protection of Rights in Public Procurement Procedures (Republic Commission) Report, p. 6.

³⁵⁰ PPL, Article 227(1).

³⁵¹ 2023 Republic Commission Report, p. 17.

³⁵² *Ibid.*, p.9.

Figure 55. Number of complaints in the RCPRPP, 2023



Source: 2023 RCPRPP Report.

The procedure for reviewing the request for the protection of rights is based on the principles of lawfulness, efficacy, accessibility and adversarial proceedings. The procedure consists of two steps. The first is a preliminary procedure that the contracting authority conducts, and the second is a procedure before the Republic Commission. The complaints are submitted electronically through the PP Portal,³⁵³ simultaneously to the contracting authority and the Republic Commission. Depending on the stage of the procedure and its value, economic operators must pay a fee as prescribed by the PPL, which is relatively high.³⁵⁴ Except in cases where a negotiated procedure without prior publication is applied for reasons of extreme urgency, the general rule is that submitting a request for the protection of rights suspends the procurement procedure until the review procedure is completed.

The decisions are published on the PP Portal and the website of the Republic Commission.³⁵⁵ SIGMA's analysis of a sample of decisions indicates that they are based on a clear rationale and applicable laws, and reflect the general principles of public procurement.

The decisions are binding on the parties, and the contract can be annulled if the contracting authority does not comply with the decision. The Republic Commission can ask the contracting authorities to submit a report on the remedial measures adopted.

The decisions of the Republic Commission can be challenged before the Administrative Court, but only by economic operators. Due to the Administrative Court's interpretation of the rules on administrative procedures, contracting authorities are not allowed to challenge the decisions of the Republic Commission. This interpretation denies contracting authorities access to justice.

In 2023, 62 decisions of the Republic Commission were challenged to the Administrative Court, and in 16 cases the decision was changed.³⁵⁶ It is difficult to collect relevant information about the Administrative Court's practice, namely information on the actual time for resolving appeals against the decisions of the

³⁵³ PPL, Articles 213 and 219, paragraph 9, as amended: <https://jnportal.ujn.gov.rs/ecomplaints-prb>
https://gizsr.visualstudio.com/Uputstva/_wiki/wikis/Uputstva/3937/Za%C5%A1tita-prava-na-Portalu

³⁵⁴ e.g., Fees are EUR ~1 000 for a contract value of EUR 25 000 and EUR ~10 200 for a contract value of EUR 10 million (PPL Article 225).

³⁵⁵ Published decisions: <https://jnportal.ujn.gov.rs/complaint-decisions>
<https://kjn.rs/zastita-prava/>

³⁵⁶ 2023 Republic Commission Report, p. 218.

Republic Commission, or to have access to published court rulings.³⁵⁷ No co-operation or exchange of opinions mechanism between the Republic Commission and the Administrative Court seems to have been established.

External audit

Principle 31: All public funds are effectively audited by an independent auditor that provides assurance on the use of public resources and helps improve the functioning of the public sector.

The legal status of the SAI is largely adequate and is guaranteed by the Constitution and the SAI Law. The audit procedures of the SAI are in line with international auditing standards, and the results of the Institution's work are available on its website. Public servants consider the SAI reports easy to understand, with relevant and useful recommendations. Interaction with the Parliament is relatively weak. Currently, only the Committee on Finance engages with the SAI reports, and only the report on the final accounts and the SAI's annual activity report are discussed in a timely manner.

Indicator 31. Adequacy of the legal framework for external audit and its effectiveness in practice		2024 indicator value	91/100
Sub-indicators		Points	
1.	Constitutional, legal, organisational and managerial independence of the SAI	18.8/20	
2.	Adequacy and coverage of the SAI mandate and its alignment with IFPP	10/10	
3.	Governance and management of the SAI	10/10	
4.	Compliance of audit methodology with ISSAIs / Audits are conducted in accordance with the ISSAIs	10/10	
5.	Quality management of the SAI	10/10	
6.	Reporting and the follow-up of audits	7.9/10	
7.	Implementation of audit recommendations	15/15	
8.	SAI external engagement and communication	3.8/5	
9.	Use of SAI reports by the legislature	5/10	

The Constitution provides overall independence for the SAI.³⁵⁸ This independence is further reinforced in the Law on the SAI,³⁵⁹ which stipulates that the SAI is the supreme state body for the audit of public funds in Serbia and regulates its functional, financial and operational independence. The audit mandate is comprehensive³⁶⁰ and includes all institutions of the Republic of Serbia, autonomous territories, local government, public enterprises and other PFBs. The SAI is empowered to undertake financial, compliance and performance audits in accordance with international auditing standards.³⁶¹ Each year, the SAI must audit the budget accounts of the Republic of Serbia. Further, the SAI mandatorily performs audits in five types of organisations at its own discretion when it comes to time planning, scope and/or type of audit work.³⁶²

³⁵⁷ SIGMA interviews with NGOs, April 2024.

³⁵⁸ The Constitution of the Republic of Serbia, Official Gazette, No. 98/2006, Article 96.

³⁵⁹ Law on the State Audit Institution (SAI), Official Gazette, No. 101/2005, November 2005; Amending Law, Official Gazette, No. 36/2010, May 2010.

³⁶⁰ Ibid., Articles 9-11.

³⁶¹ Ibid., Article 34.

³⁶² Ibid., Article 35.

The SAI Law ensures the independence of SAI Council members,³⁶³ including its president. The term of office of Council members (including the president) runs for five years, which can be renewed once through a further vote in the Parliament. This is short in terms of international practice and represents a potential threat to Council members' independence.

In general, the SAI benefits from adequate guarantees for its independence. Financial independence is supported by having a special budget line in the state budget and a procedure that allows the SAI to submit a budget proposal to the relevant parliamentary committee.³⁶⁴ The executive branch has not exerted any control over how the SAI uses its financial resources or executes its budget. The legislation also supports functional and operational independence. The SAI staff has full access to information and the premises of auditees, the right to discharge its mandate, and the right (and obligation) to report and to decide on the content and timing of the reporting. Neither the Parliament nor executive has interfered in the organisation or management of the SAI office.

In terms of audit standards, the SAI has adopted manuals for financial, compliance and performance audits that are in full accordance with International Auditing Standards of Supreme Audit Institutions (ISSAIs). It has also developed guidelines, e.g., for group audits and Information Technology (IT) audits. To ensure compliance with the standards established in the manuals, the SAI adopted a Quality Assurance and Control Policies and Procedures Manual in 2019. In 2023, the SAI carried out 22 engagement quality reviews (EQR), or "hot reviews" before individual audit reports were adopted. In the same year, the SAI also carried out inspections, or "cold reviews", on a sample of 10 financial, compliance and performance audit engagements. The results of those reviews indicate that the engagements were largely conducted and reported on in accordance with an ISSAI-compliant methodology.

In 2023, the SAI Strategic Plan 2019-23³⁶⁵ expired. During that period, the SAI increasingly conducted performance and compliance audits. In total, it reported on 306 audits in 2023, encompassing 77 financial audits, 52 compliance audits and 19 performance audits. In addition, it reported on 158 "other" audits, which concern mainly combined audits (80 audits), reports on conducted follow-up activities (76 reports) and two consolidated audits (group audits). Using a risk-based approach focussing on the largest-spending entities, the SAI claims coverage above 70% of budget expenditure by means of financial and compliance audits in 2023. Public servants consider the SAI reports easy to understand (87%), with relevant and useful recommendations (91%).³⁶⁶

The SAI has developed a new strategy for 2024-2028.³⁶⁷ The focus will be on achieving greater implementation of recommendations and more coverage of operational audits (compliance and performance audits). To deliver more value to citizens, the SAI has joined the initiative of the International Organization of Supreme Audit Institutions (INTOSAI) Development Initiative "Equal Future Audit" (EFA). This initiative has identified six areas of marginalisation that EFA audits can target: poverty, gender, ethnicity, migration, age and disability.

The SAI distinguishes three priorities to measure the implementation of recommendations.³⁶⁸ For each priority, the SAI has set a different standard for its expectation on auditees' follow-up. In 2022, the SAI made 2 743 recommendations, and auditees implemented or partially implemented 2 051 of them (81%). A database of the recommendations is available on the SAI website.³⁶⁹

At 31 December 2023, the number of audit staff whom the SAI employed was 320, up from 292 in the previous assessment. However, this is below the systematisation of 421 full-time equivalents. Securing

³⁶³ Ibid., Articles 19-24.

³⁶⁴ Ibid., Article 51.

³⁶⁵ SAI Strategic Plan 2019-23, available at www.dri.rs

³⁶⁶ SIGMA Survey of Public Servants on the functioning of the public administration 2024.

³⁶⁷ SAI Strategic Plan 2024-2028, available at www.dri.rs

³⁶⁸ SAI 2023 report, paragraph 3.2, Measures.

³⁶⁹ <https://dri.rs/registar-preporuka>

enough professionally qualified staff is challenging, as the capacity of the two premises in Belgrade is insufficient to accommodate new staff members.

The SAI Law requires the SAI to submit an annual activity report to the Parliament before 1 April. The SAI complies with this legal obligation. The activity report contains summaries of the main findings of audits carried out in the previous year. Interaction between the SAI and the Parliament occurs through the Committee for Finance, State Budget and Control of Public Spending, based on a Memorandum of Co-operation dated from 2015, and Committee Guidelines for deliberating audit reports that the SAI conducts. The reports are discussed with the Committee, but not on a timely basis. The National Assembly discussed and concluded the 2021 SAI Activity Report on 27 February 2023. The Committee discussed the 2022 SAI Activity Report in March 2023. Neither the Committee for Finance nor any other parliamentary committee generally discusses individual audit reports, but theoretically the discussion on the annual activity report could touch on individual audits given that summaries are incorporated into the SAI's annual Activity Report.

The exception is the audit report on the final accounts of the Government. Absent a legal deadline for the audit of final accounts, the SAI concludes its audit as soon as possible after it has received a draft of the final accounts from the MoF/Treasury; this should occur, based on the BSL, before 20 June. The SAI published its 2022 annual financial report on 25 August 2023. The Committee discussed the final accounts and the SAI report on 20 October 2023.

In December 2021, the SAI adopted a communications strategy for the period 2022-2025. The strategy aims to improve communication with all key stakeholders (Parliament, Government, academia, media, civil society organisations, citizens). The SAI actively promotes its reports to the public, mainly on its website, and disseminates published performance audit reports and its annual activity report through press releases, media interviews, guest appearances on television programmes, conferences and news bulletins. Nevertheless, citizens' awareness of SAI's activities remains rather low, at 37.5%.³⁷⁰

³⁷⁰ SIGMA Survey of Citizens on public administration in the Western Balkans 2024.

Financing of local governments

Principle 32: Regional and local governments have resources and adequate fiscal autonomy for exercising their competences, with financial oversight to foster responsible financial management.

Legislation provides for fiscal autonomy of local governments, although the share of local governments in the revenues and expenditures of the general government is relatively low. The system of controls and inspections does not adequately address weaknesses such as overdue payments and delayed budget approvals, which occur in a significant proportion of municipalities, and the current system of equalisation is limited in reducing inequalities.

Indicator 32. Fiscal autonomy of local governments		2024 indicator value	50/100
Sub-indicators		Points	
1.	Legislative guarantees for fiscal autonomy and diverse sources of revenues of local governments	18/19	
2.	Rules for fiscal equalisation to mitigate disparities among local governments	7.6/10	
3.	Mechanisms for financial oversight of local governments	6/12 ⁱ	
4.	Local governments' right to raise and manage own finances	9.5/23	
5.	Rules for conditional and unconditional grants to local governments	5.3/10	
6.	Financial balance and fiscal sustainability of local governments	3.3/26	

Note: i = data not available or not provided.

The legal framework incorporates guarantees for the fiscal autonomy of local governments, along with a wide variety of diverse revenues, and establishes precise criteria and stable rules for allocating resources to local governments.³⁷¹ Local self-governments can own assets, and their budget does not require additional approval from a higher authority. Out of a total of 145 local self-government units (municipalities, cities, the capital city), 63 units (43.5%) had an operating surplus at the end of the calendar year 2023.³⁷²

Local governments have the right to borrow, provided they follow concrete procedural rules, and to receive the relevant authorisation from the state.³⁷³ Local authorities cannot take on long-term debt, except for financing or refinancing capital investment expenditures provided for in the local government budget. As a rule, the amount of outstanding long-term debt for capital investment cannot exceed 50% of the local government budget's total realised current revenues in the previous year.³⁷⁴ The law also provides for current and permanent budget reserves to ensure the stability of local government budgets.³⁷⁵

In practice, all municipalities are within the legal limits of debt, according to MoF data. In 2021, the debt at the sub-national level was RSD 52.3 billion, which is 1.5% of general government debt and 13.8% of local government revenues. The debt accounts for 0.8% of GDP.³⁷⁶ This positive information may be misleading to some extent because, at the same time, a considerable number of local governments have significant

³⁷¹ Law on the Financing of Local Self-Government (LFLG), Official Gazette, No. 62 of 19 July 2006, as amended, Articles 3, 37, 39, 41, 42 and 42a; also Articles 6-32.

³⁷² Data provided by the Ministry of Finance (MoF).

³⁷³ Law on the Budget System, Official Gazette, No. 54 of 17 July 2009, as amended, Articles 27g, 27z and 73.

³⁷⁴ Law on Public Debt, Official Gazette, No. 61 of 18 July 2005, as amended, Articles 33, 35 and 36.

³⁷⁵ Law on the Budget System, Articles 69 and 70.

³⁷⁶ Network of Associations of Local Authorities of South-East Europe (NALAS) Report; Fiscal Decentralisation Indicators for South-East Europe, Ninth edition, February 2024.

arrears in payments. Financial stress is not reflected in the budget deficit but rather in arrears, meaning significantly overdue payments of various duties and invoices. According to MoF data, out of 145 local governments, 57 units (39%) had payment arrears at the end of 2023. The MoF provided data indicating that 38 municipalities (26%) had adopted the budget with substantial delay.

These data raise concerns regarding the practice of financial management at the local level. From a normative point of view, however, sufficient provisions seem to be in place: the legal framework establishes a comprehensive system for internal and external audit of local governments. The primary independent audit institution responsible for mandatory external audits of local governments is the State Audit Institution (SAI).³⁷⁷ Internal auditors must apply international internal audit standards, an internal audit code of ethics, and principles of objectivity, competence, and integrity.³⁷⁸ In addition, according to the Law on Budget Inspection, the mechanism of inspection supervision covers the legality of the use of public funds.³⁷⁹ The law establishes a framework for ensuring fiscal discipline and accountability among local government authorities, with sanctions when fiscal rules are broken.³⁸⁰

The fact that 39% of local governments had payment arrears and 26% adopted their budget with substantial delay indicates problems in capacities and discipline in financial management and control. Often, such problems are associated also with disparities in their resources of certain local governments. However, in the case of Serbia, the average municipality size is the largest in the Western Balkans and indeed one of the largest in Europe. A large average size does not mean, though, that there are no revenue disparities among local governments. A small percentage of municipalities (almost 10%) does not reach the 10 000 resident threshold required by law.³⁸¹

Several types of grants are used to achieve financial equalisation. The law stipulates that within the total non-earmarked grant pool, the first allocation of funds aims at horizontal equalisation.³⁸² Local governments whose per capita revenues from shared taxes are less than the national average are entitled to equalisation grants. These are calculated based on a formula;³⁸³ the remainder of the pool is distributed to all local governments (except Belgrade since 2011) through a general grant/transfer based on criteria such as population, territory, number of classes and buildings in elementary and secondary schools, and preschool attendance and facilities. The general transfer has an equalising effect, independent of the equalisation grant. Another unconditional grant with an equalising effect is the solidarity transfer. All local governments (except Belgrade) are eligible to receive it, according to calculations based on a complex development index that divides them into four groups.³⁸⁴

³⁷⁷ Law on the Budget System, Article 92.

³⁷⁸ *Ibid.*, Articles 82 and 83.

³⁷⁹ Law on Budget Inspection, Official Gazette of the Republic of Serbia (RS), No. 118 of December 9, 2021, Articles 2-6.

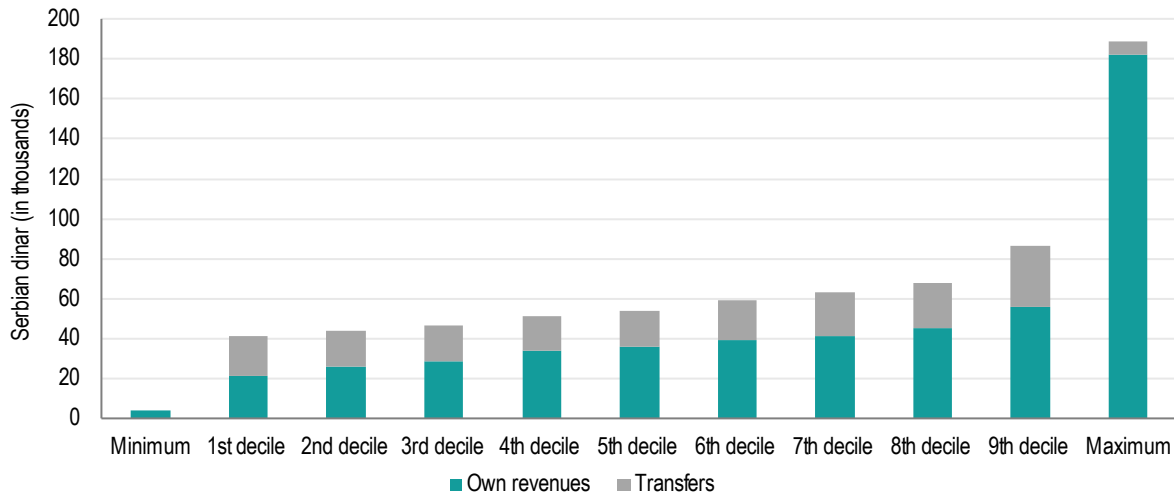
³⁸⁰ See, e.g., Budget System Law, Articles 27g, 36a, 102 and 103; Law on Budget Inspection, Articles 20-22.

³⁸¹ According to the Law on Local Self-Government, Article 18, the municipality is a basic territorial unit in which local self-government is realised, which is capable of independently exercising all rights and duties within its competence through its organs, and which has at least 10 000 inhabitants.

³⁸² Law on Financing of Local Self-Government, Official Gazette of RS, No. 62 of July 19, 2006, as amended; Article 3.

³⁸³ As a percentage of the difference between the local governments' per capita revenue from shared taxes and a percentage of the national average, multiplied by their populations.

³⁸⁴ Law on Financing of Local Self-Government, Articles 42a and 43.

Figure 56. Per capita revenue of Serbian local governments before and after equalisation

Note: The municipalities of the capital city Belgrade and of the city of Nis were excluded because each has a two-tier structure, and the functions provided are not comparable.

Source: Calculations based on financial reports provided by the MoF.

The Gini coefficient of per capita total revenues is at a relatively moderate level of 0.25. The ratio of revenue between the 9th and the 2nd decile (Figure 56) is 2.60 before equalisation and 2.08 after equalisation. This means that after equalisation the financial capacity of the municipality in the 90% top income is still double that of the financial capacity of the municipality in the 10% in the lowest income. The level of inequalities in the financial potential of local governments to provide local public services remains higher than in many EU countries, but close to the average of other administrations of the Western Balkans. Furthermore, the representatives of local governments have characterised this equalisation system as “non-transparent”.³⁸⁵

Next to the unconditional grants with or without an equalising effect, various ministries provide earmarked grants to local governments. The largest portions of such grants come from the Ministry of Education, the Ministry responsible for social protection, and the Ministry of Culture. In any case, some of the grants relate to costs for delegated tasks.

The intergovernmental finance system in Serbia also includes “assigned revenues”. These include taxes and fees collected within the municipal/city territory. The most significant assigned tax is the Personal Income Tax (PIT), which is also the primary revenue source for local governments. The gross wages tax, shared with the central government, accounts for nearly 80% of the total PIT assigned to local governments. Since 2016, cities receive 77%, municipalities 74%, and the City of Belgrade 66% of the wage tax. Additionally, the central government assigns two more local government tax revenues: the inheritance and gift tax, and the absolute rights transfer tax. In 2023 municipalities received from income, profit, and capital gains tax revenues a total of RSD 270 465 billion.³⁸⁶

Own-source revenues in Serbia include the property tax, which yields RSD 72 399 billion (2023).³⁸⁷ Since 2006, local governments have been responsible for administering the tax and were given the right to set tax rates within legal limits. The Law on Property Tax³⁸⁸ defines the types of properties subject to taxation,

³⁸⁵ The same observation was made to rapporteurs of the CLRAE seven years ago: Congress of Local and Regional Authorities, Council of Europe, Local and Regional Democracy in Serbia, Strasbourg 2017.

³⁸⁶ Data provided by the MoF.

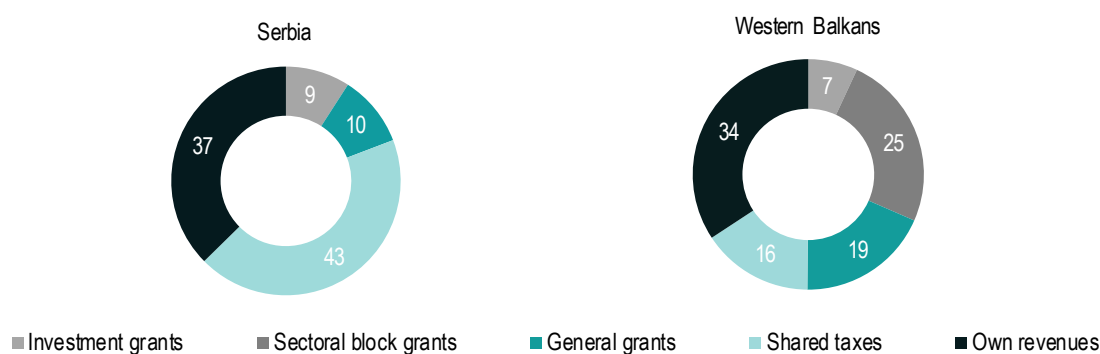
³⁸⁷ Data provided by the MoF.

³⁸⁸ Property Tax Law, Official Gazette of RS, No. 26/01.

who is liable for the tax, and the rules governing exemptions and abatements. According to the amendments of the Law on Property Tax, it is anticipated that in 2024, local governments will be granted full authority to determine, collect and control inheritance and gift taxes, as well as the tax on the transfer of absolute rights. However, the tax rates will remain prescribed by law. Property taxation in Serbia corresponds to 1.0% of GDP and 16.1% of total local revenues.³⁸⁹

Own revenues constitute a share of 37% of total local government revenues. Unconditional transfers account for 10%, while investment grants represent 19% of total local revenue. Unconditional transfers are 50.6% of total transfers. By comparison to the other administrations of the Western Balkans, Serbia has the highest share of revenue from shared taxes (43% of total revenue) and a significant part of revenue from its own sources (37% of total revenue). These two shares (shared taxes and own revenue) add up to 80% of total revenue, while an additional share of 10% comes from general grants and only a 9% share from investment grants (Figure 57). These facts would lead, at first sight, to the conclusion that Serbian municipalities/cities enjoy a high level of spending autonomy. Nevertheless, this would not necessarily reflect the level of local autonomy in terms of policy scope and discretion, which also depend on the legal framework and the percentage of local spending in terms of GDP.

Figure 57. Composition of local government revenues in the Western Balkans, 2021



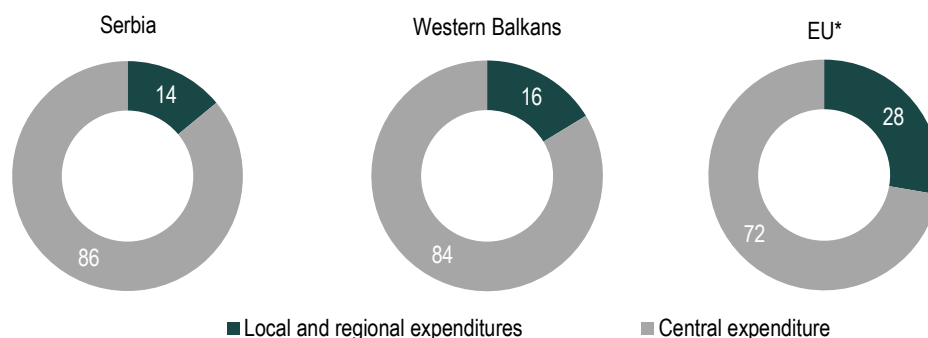
Source: NALAS (Network of Associations of Local Authorities of South-East Europe) (2024), Fiscal Decentralisation Indicators for South-East Europe, 9th Edition, Skopje, <http://www.nalas.eu/ninth-edition-of-nalas-fiscal-decentralization-indicators-for-edition-south-east-europe/>.

Compared to other Western Balkan administrations, Serbia has the second-lowest share of local government expenditure as a share of total government expenditure (Figure 58), and a considerably lower share than the mean of European OECD countries (28.8%). The percentage of own local government revenues as a share of total government revenues is approximately 5.2%. The percentage of total local government revenue as a share of total government revenue was 14%. This reflects the relatively narrow scope of local government functions.³⁹⁰

³⁸⁹ NALAS, Local Government Finance Indicators in South-East Europe, Statistical Brief 2023, Third edition (<http://www.nalas.eu/category/publications/>) (data for 2021).

³⁹⁰ See the findings of the last monitoring CLRAE report for Serbia: Congress of Local and Regional Authorities of the Council of Europe, Local and Regional Democracy in Serbia, Strasbourg 2017.

Figure 58. Share of local and regional government expenditures in total public expenditures, 2022



Note: EU* is the simple average of 22 EU Member States included in the NALAS fiscal decentralisation database. Where 2022 data are not available, 2021 data are used.

Source: <https://www.oecd.org/tax/federalism/fiscal-decentralisation-database/>, NALAS fiscal decentralisation indicators (<http://www.nalas.eu/category/publications/>) and data provided by Ministries of Finances in the Western Balkan administrations.

The Programme for the Reform of the Local Self-Government System for the period 2021-2025, accompanying the Public Administration Reform Strategy, focusses on reforming the intergovernmental finance system, supporting the process of fiscal decentralisation, improving the local budget planning process, increasing the transparency of the local finance system and developing public internal financial control at the local level. That said, the implementation of the Programme activities was only around 50% between 2021 and 2023.³⁹¹

³⁹¹ Implementation rate calculated based on annual reports of the Programme. More information under Principle 1 of this report.

Public administration in Serbia 2024

This report provides analysis on how Serbia performs based on the standards set by the Principles. It covers the six thematic areas of the Principles (strategy, policy development and co-ordination, public service and human resource management, organisation, accountability and oversight, service delivery and digitalisation, and public financial management) and provides indicator values and comparison of overall trends across the public administration.