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# MONITORING REPORT **EXECUTIVE SUMMARY**

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

**SERBIA**

**November  
2021**

# **Monitoring Report**

# **Executive Summary**

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## **The Principles of Public Administration**

# **SERBIA**

## **November 2021**

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# Introduction

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

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

## *A regional series, with a long-term perspective*

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

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

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

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

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

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

<sup>2</sup> European Commission (2018), *A credible enlargement perspective for and enhanced EU engagement with the Western Balkans*, p. 4, [communication-credible-enlargement-perspective-western-balkans\\_en.pdf](https://ec.europa.eu/euipo/sites/default/files/communication-credible-enlargement-perspective-western-balkans_en.pdf) (europa.eu)

# Methodology

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

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

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

## ***Data sources and validation***

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

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

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

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

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

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

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

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

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

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

### *Understanding how the indicator values are calculated*

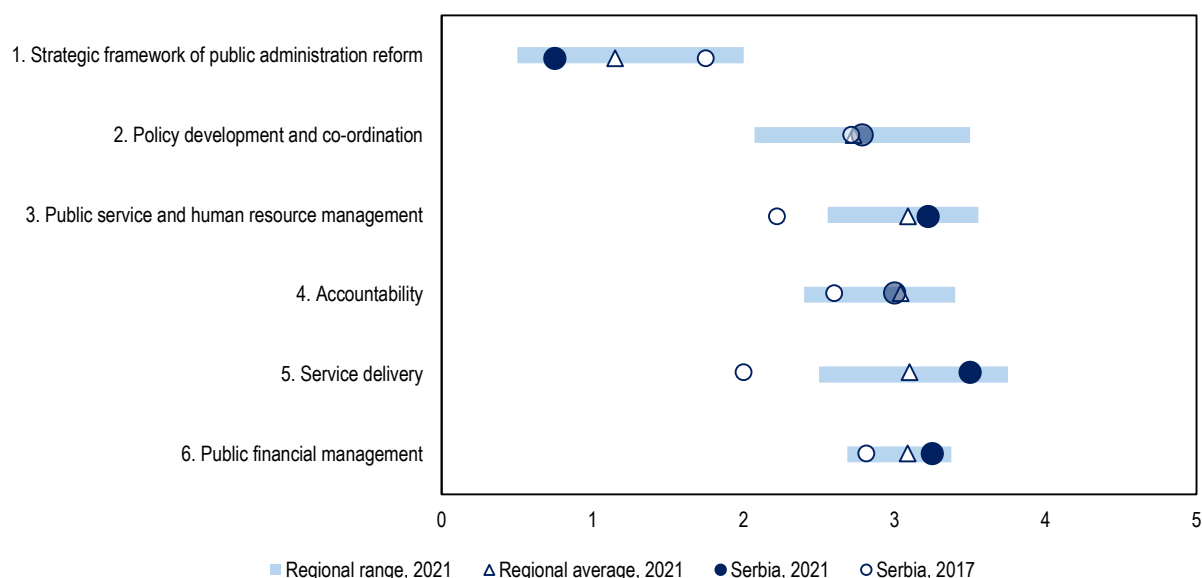
Across the six thematic areas, the framework is composed of 48 Principles. Each Principle has one or two indicators. There are 52 indicators in total, with 340 sub-indicators and 1 000 individual criteria. Indicator values are presented at the top of the overview tables, on a scale from 0 (lowest) to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

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

## Executive summary

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

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



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

### The strategic framework of PAR is in the transition phase

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

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

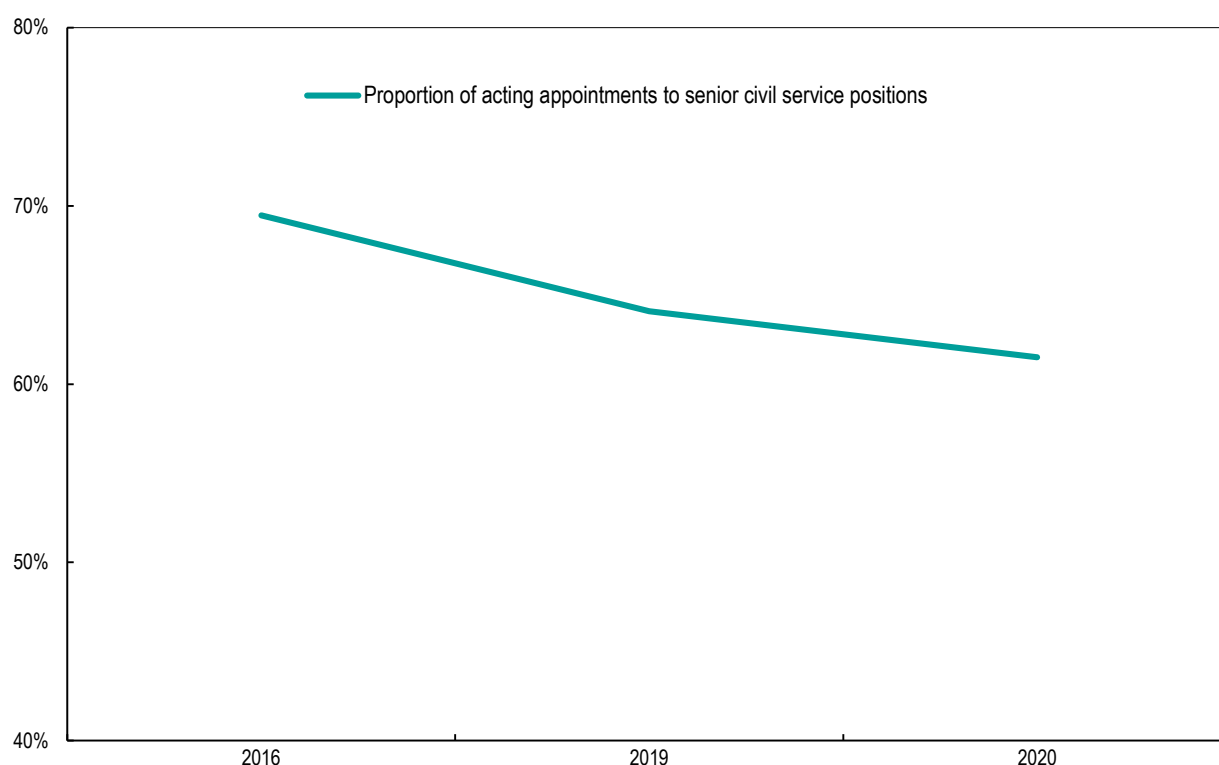
While the Law on the Planning System (adopted in 2018) with bylaws has established a comprehensive legal framework for policy planning, policy development and monitoring, its actual implementation is still a challenge. There are significant gaps and delays in putting in place the system of mid-term plans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

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

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

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

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



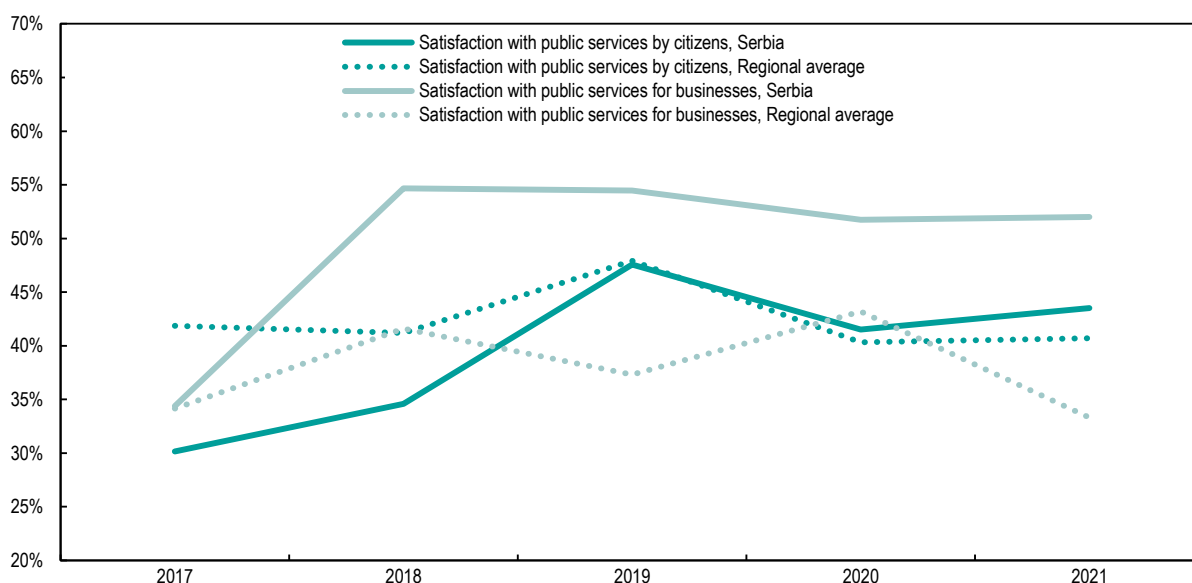
Source: Data provided by the HRM Service.

### ***Service delivery keeps advancing, accelerated by political support***

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



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



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

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

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

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

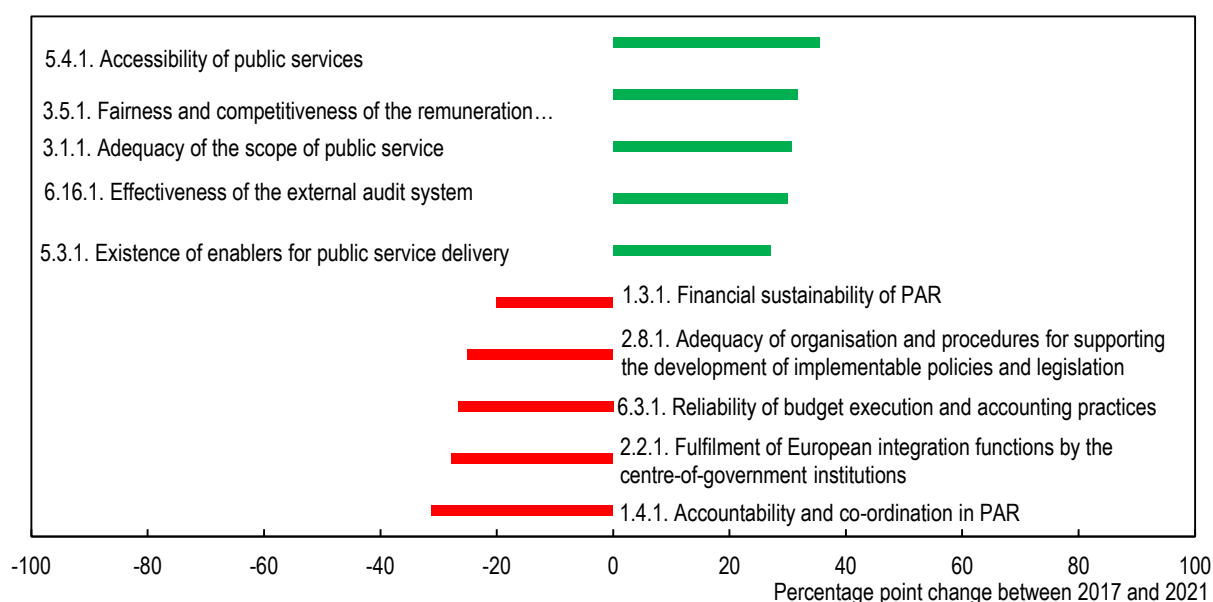
### ***Steady progress in PMF, but public internal financial control needs strengthening; competitiveness of public procurement is hampered by the Law on Special Procedures***

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

### *The way forward for PAR:*

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

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





# **Strategic Framework of Public Administration Reform**

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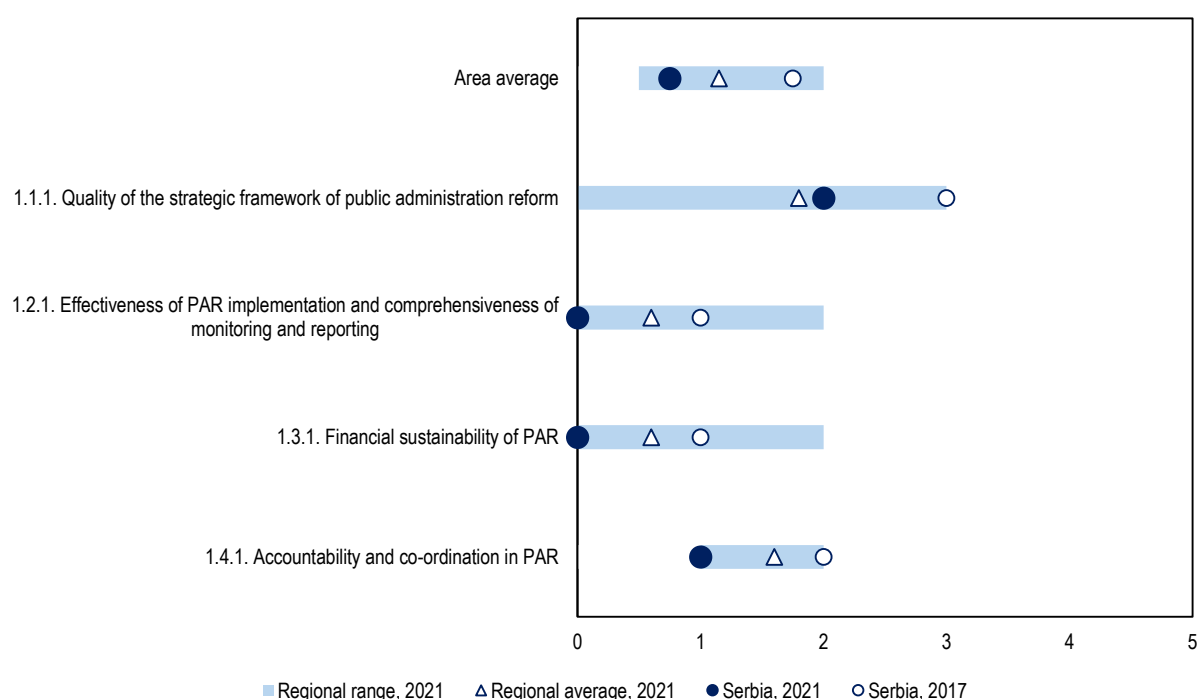
## Strategic Framework of Public Administration Reform

### Summary and recommendations

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

The average indicator value for the area of strategic framework of PAR in Serbia is 0.8 in 2021, compared to 1.8 in 2017, while the regional average in 2021 is 1.2. Many of these weaknesses are expected to have been addressed with the adoption of the new Regulatory Reform Programme<sup>5</sup>.

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



<sup>5</sup> The Regulatory Reform Programme was approved by the Government on 18 November 2021. <https://rsjp.gov.rs/cir/vesti-cir/%D1%83%D1%81%D0%B2%D0%BE%D1%98%D0%B5%D0%BD-%D0%BF%D1%80%D0%BE%D0%B3%D1%80%D0%B0%D0%BC-%D1%83%D0%BD%D0%B0%D0%BF%D1%80%D0%B5%D1%92%D0%B5%D1%9A%D0%B0-%D1%83%D0%BF%D1%80%D0%B0%D0%B2%D1%99%D0%B0%D1%9A/>

**All substantive areas of PAR are covered in the strategies, except for policy development and co-ordination, as the Regulatory Reform Programme was not adopted by the end of assessment period.** The PAR strategic documents<sup>6</sup> adopted in 2021 are coherent and reform-oriented. However, not all areas of PAR are equally prioritised in the Government Programme and Economic Reform Programme. They provide measures for selected PAR areas, namely public service and human resource management (HRM), service delivery and public financial management (PFM). Policy development and co-ordination is not featured in any of the government planning documents. The substantive quality of the adopted documents (i.e. the PAR Strategy for 2021-2030 and its related action plan, and the PFM Reform Programme and its action plan) has improved. While public consultations on the PAR Strategy 2021-2030 were systematically carried out, the direct participation of civil society representatives in developing the PFM Reform Programme was limited.

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

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

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

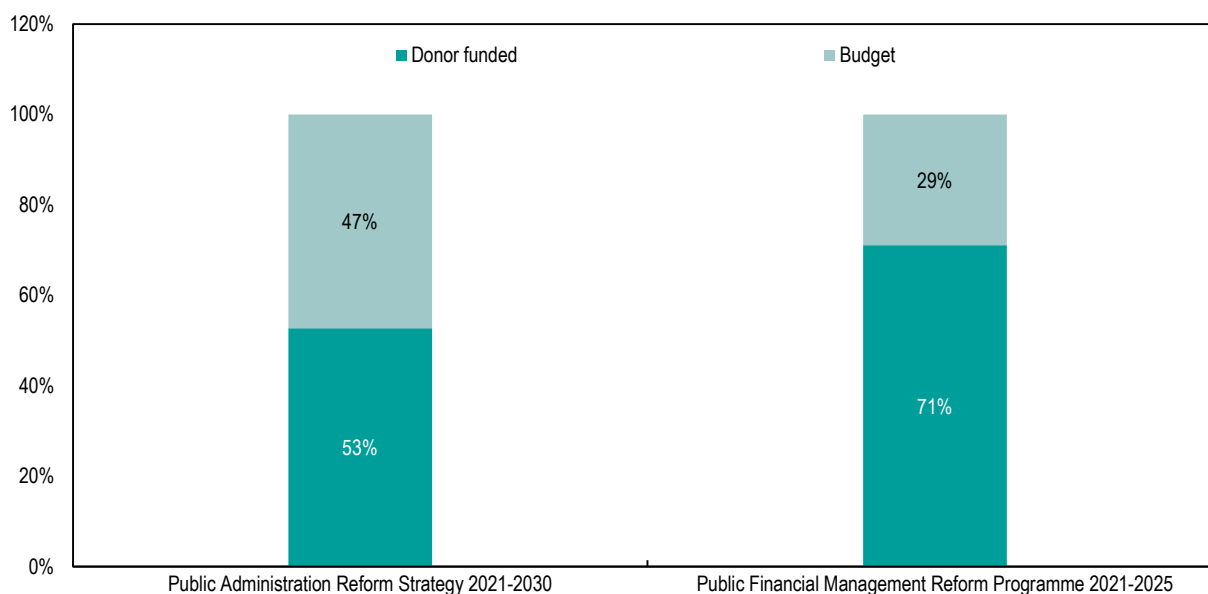
Year	PAR Strategy	PFM Reform Programme	Regulatory Reform Programme
2020	61%	Not available*	Not available
2016	33%	37%	Not available

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

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

<sup>6</sup> Public policy documents according to the Law on the Planning System.

### Implementation of PAR in Serbia relies heavily on donor funding



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

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

#### Short-term recommendations (1-2 years)

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

#### Medium-term recommendations (3-5 years)

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



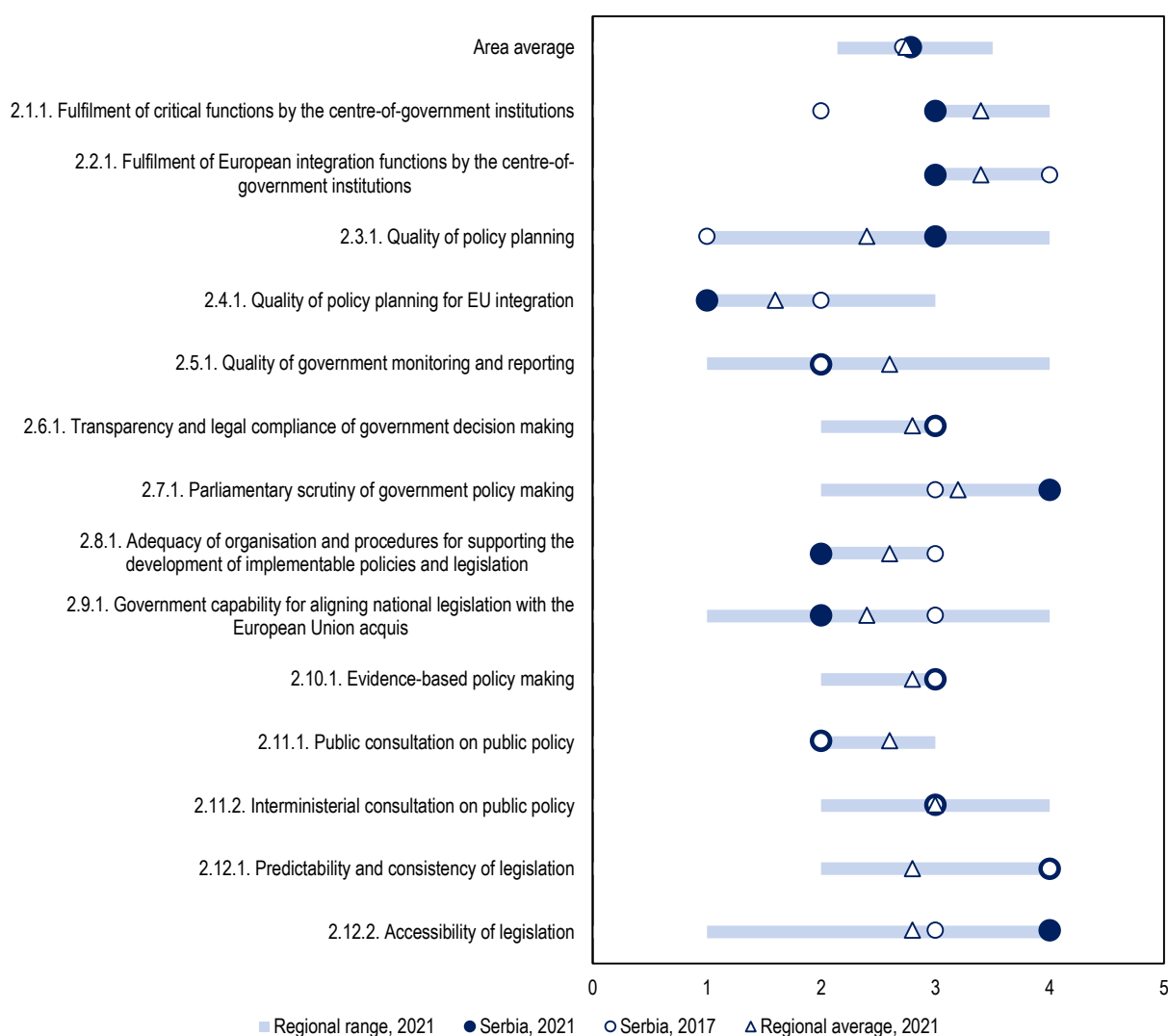
## **Policy Development and Co-ordination**

## Policy Development and Co-ordination

### Summary and recommendations

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

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





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

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

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

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

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

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

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

**Evidence-based policy making, through the Regulatory Impact Assessment (RIA) system, is established and managed, but the quality of analysis does not yet lead to the desired results.**

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

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

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

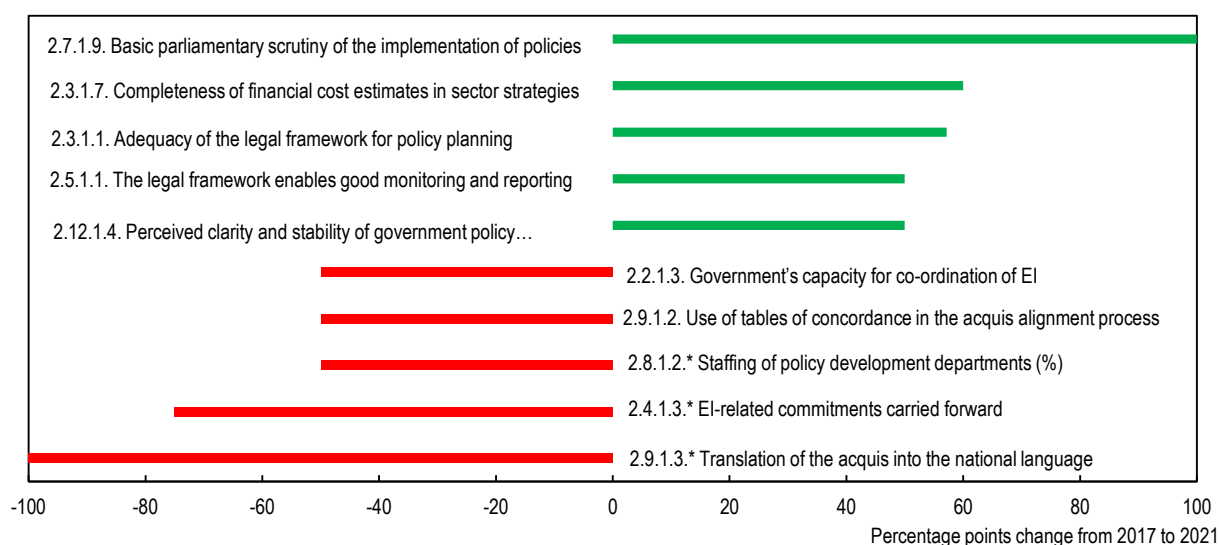
### Short-term recommendations (1-2 years)

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

### Medium-term recommendations (3-5 years)

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

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



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

# **Public Service and Human Resource Management**

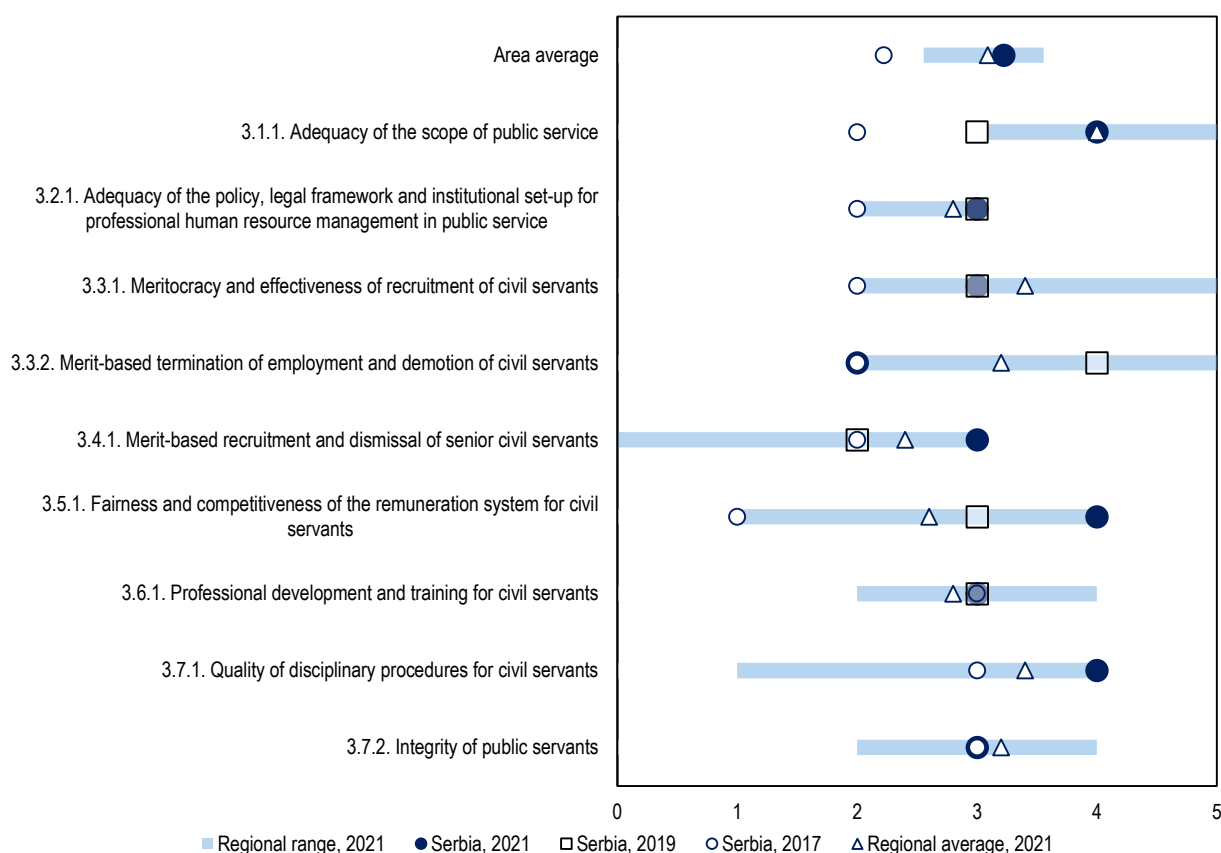
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## Public Service and Human Resource Management

### Summary and recommendations

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

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



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

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

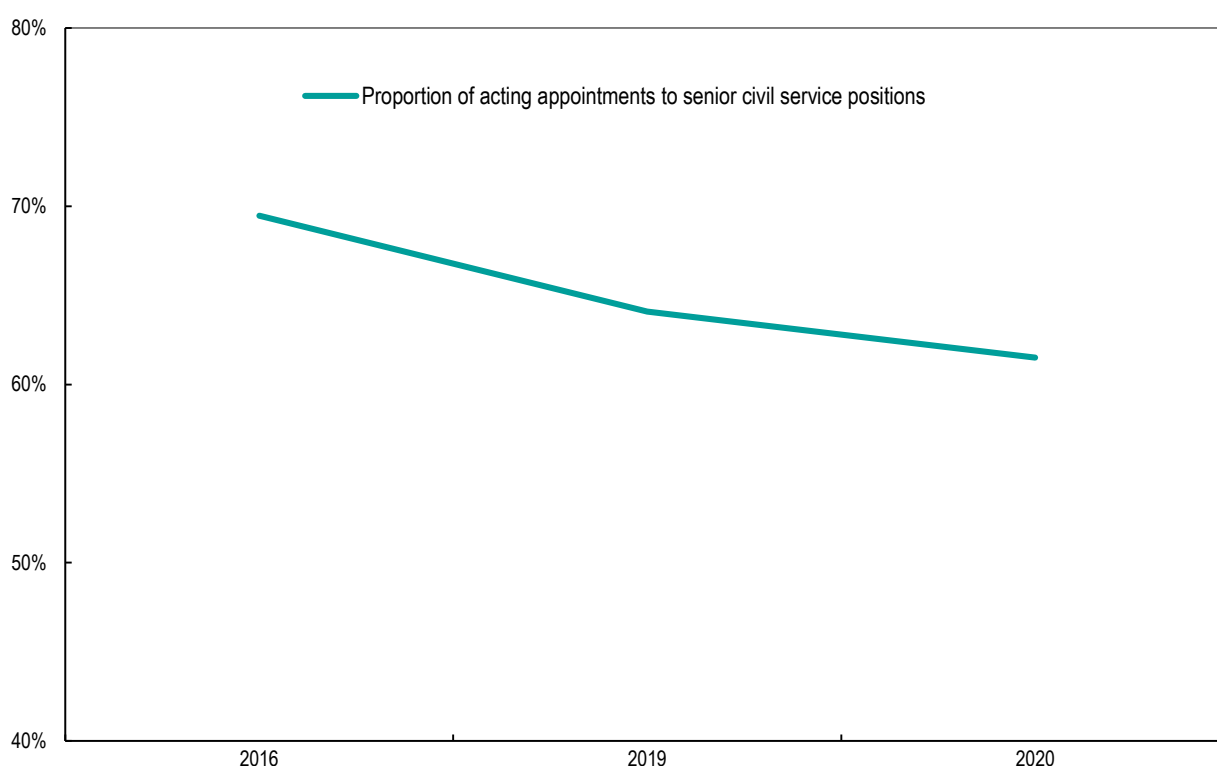
Judged by the average number of candidates, the **attractiveness of the civil service as an employer remains low**. The possibility of political interventions in the structure of the selection panels leaves room

for undue political influence. Over 10% of civil service positions are filled on a temporary basis without competition. This issue will be resolved in 2023 when a legislative provision requiring competitions for most temporary recruitments will come into force.

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

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

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



Source: Based on data provided by the HRMS.

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

**The salary system is sound, based on job classification and without performance-related bonuses.** The salary levels are competitive with the private sector, with the caveat that the effects of the shadow

economy on the official data on the average salary in the private sector are not taken into account in the comparison.

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

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

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

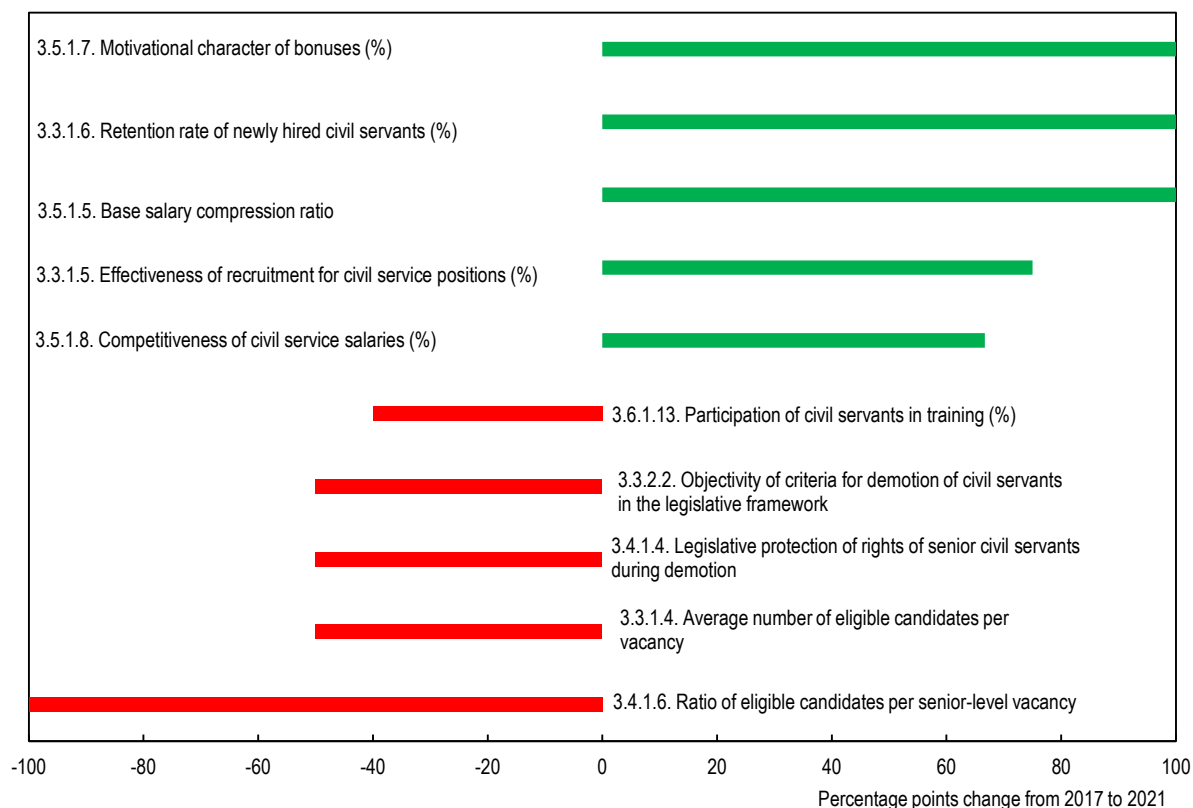
### **Short-term recommendations (1-2 years)**

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

### **Medium-term recommendations (3-5 years)**

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

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





# Accountability

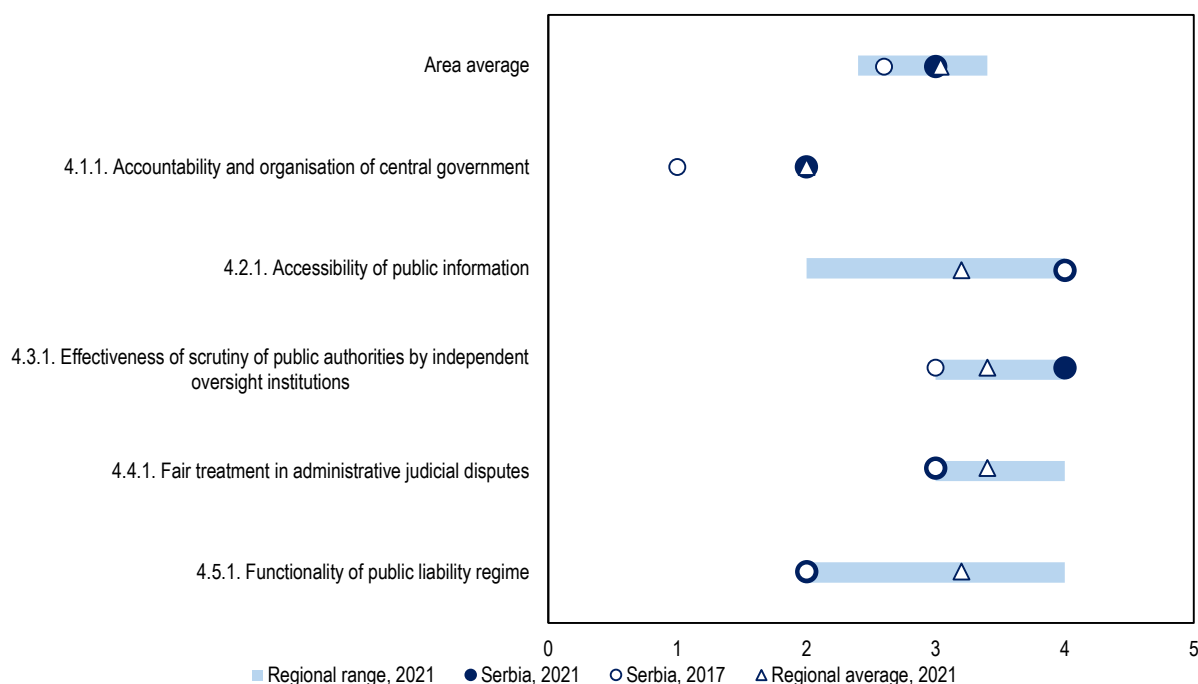
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## Accountability

### Summary and recommendations

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

#### Serbia remains a solid performer in the area of accountability



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

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

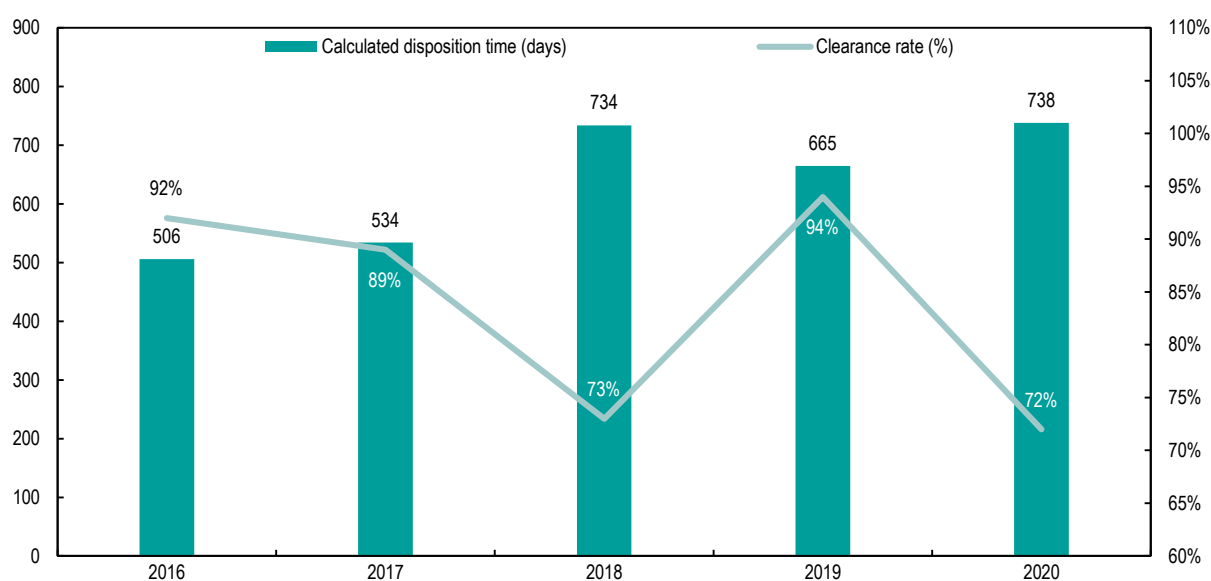
**Serbia remains a solid performer in the area of access to public information.** The legislative framework is in line with international standards and is even recognised globally as one of the most advanced. The public perception of transparency is positive and has improved significantly since 2017.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

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

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

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

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



Source: Annual reports of the Administrative Court.

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

#### Short-term recommendations (1-2 years)

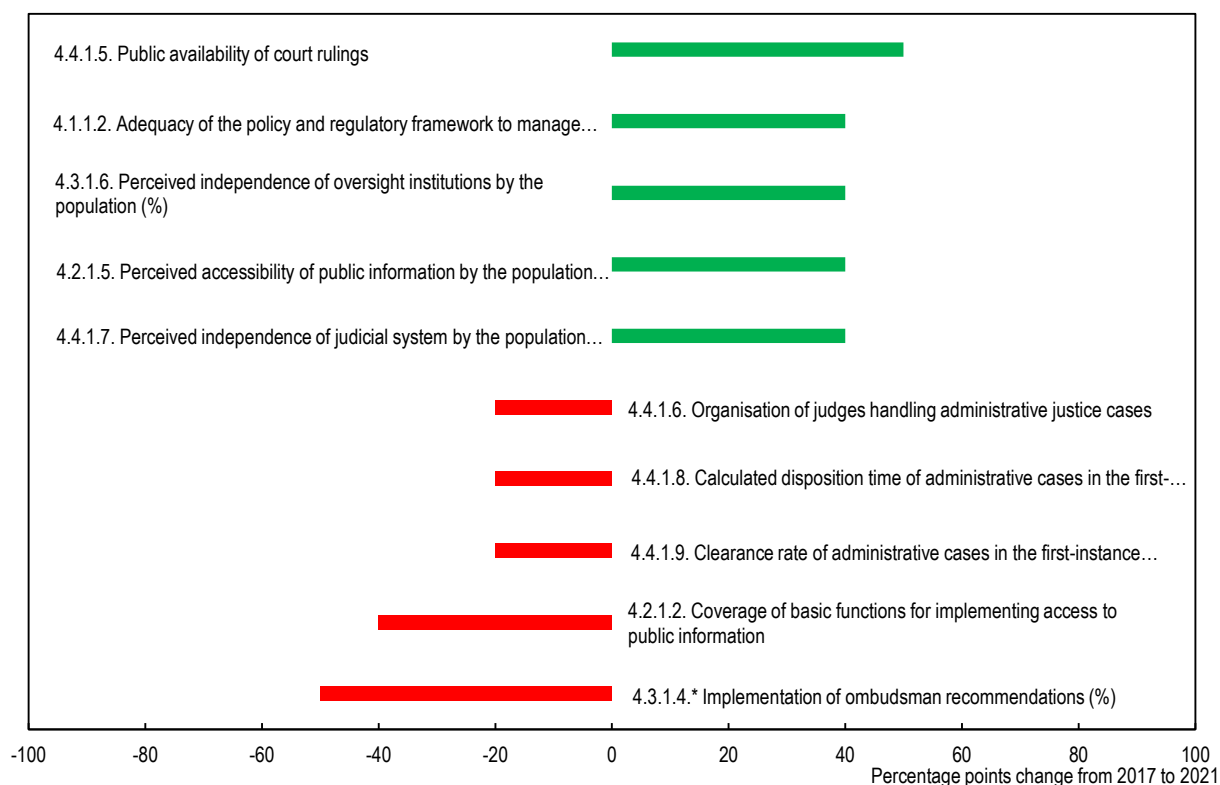
- 1) The Ministry of Public Administration and Local Self-Government (MPALSG) should review and simplify the current legislative framework for the typology of public administration bodies, in particular eliminating unclear distinctions between administrative authorities within ministries and special organisations.
- 2) Any future organisational changes (e.g. the creation of new bodies, the merger and abolition of institutions, and shifts in powers and competences, change of status) should be preceded by comprehensive *ex ante* analysis and reviewed by the MPALSG, based on a clearly established government policy.
- 3) The Government should adopt an accountability framework for bodies subordinated to the ministries, ensuring that portfolio ministries actively shape the objectives and expected results for subordinated bodies, monitor their implementation and provide structured, regular feedback on the performance of these bodies.
- 4) The MPALSG, in close co-operation with the Commissioner for Information of Public Importance and Data Protection, should replace the controversial provision of the law on “abuse of right to access to public information” with a mechanism that would reduce the risk of arbitrary decision making.

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

### Medium-term recommendations (3-5 years)

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

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



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

## **Service Delivery**

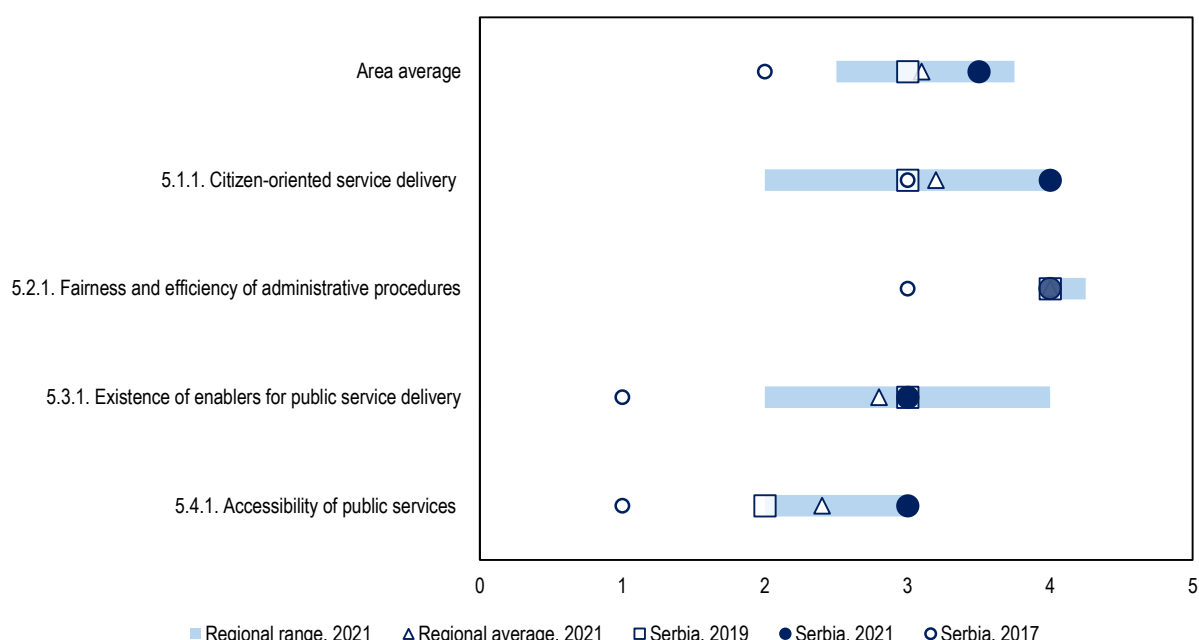
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## Service Delivery

### Summary and recommendations

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

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

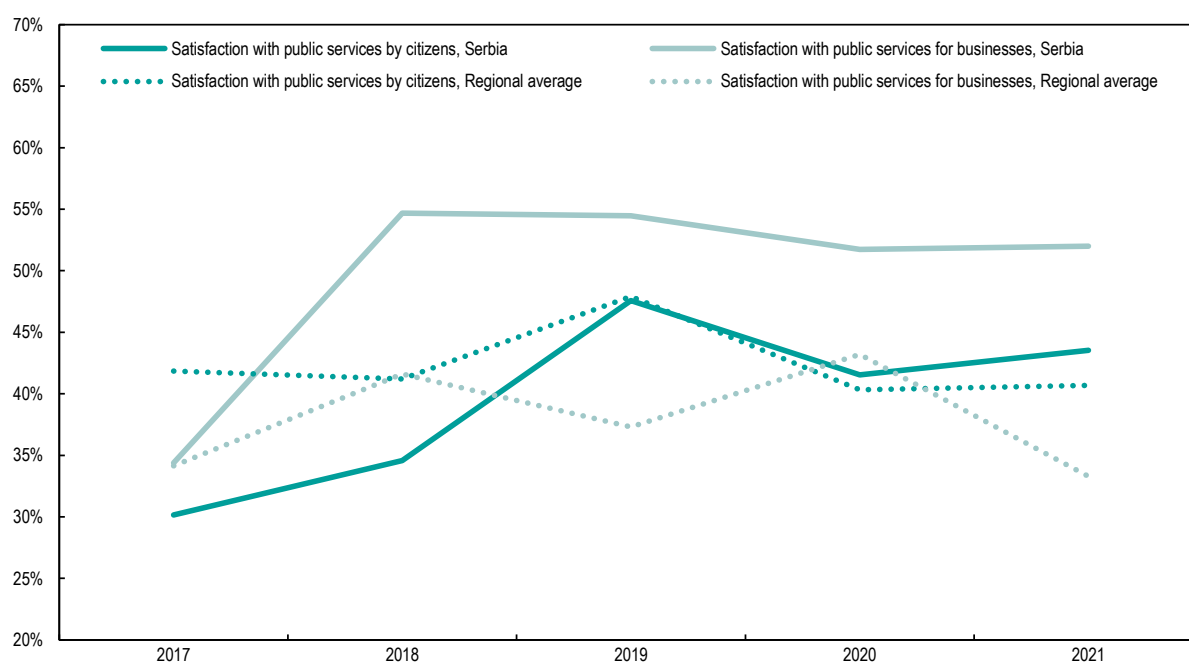


A sound policy framework is in place for service delivery in general and digital government more specifically. The Government is committed to reducing administrative burdens by strengthening the programme of process simplification and establishing a registry of administrative procedures. Although the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

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

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

#### Businesses are more satisfied with public services than citizens in Serbia



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

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

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

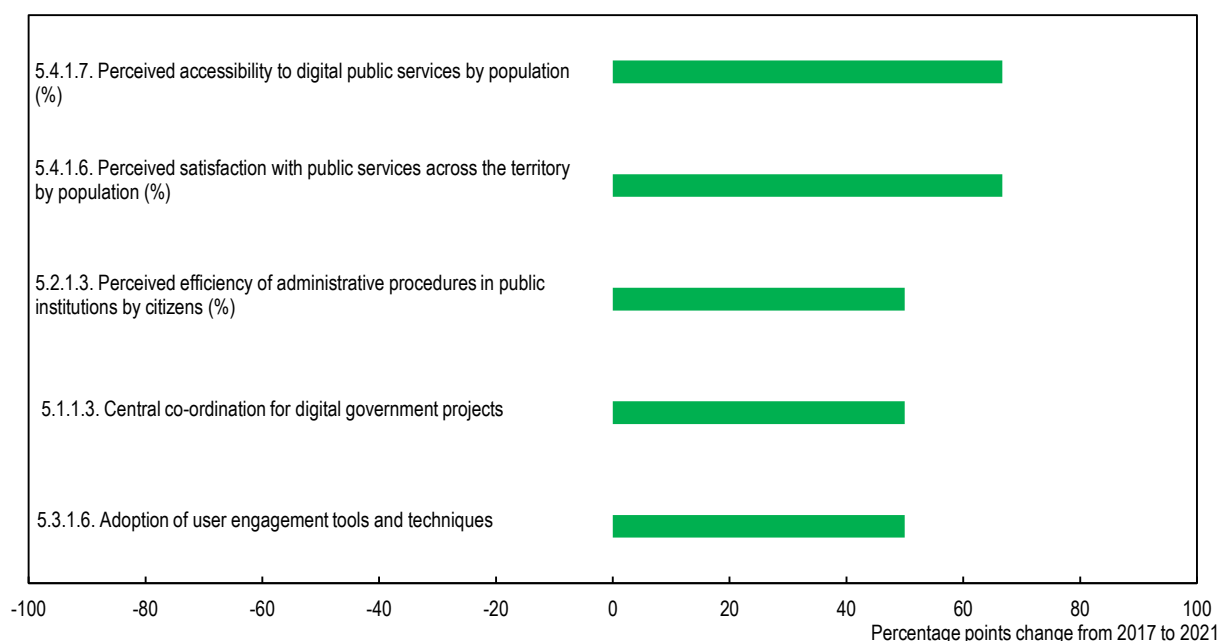
### Short-term recommendations (1-2 years)

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

### Medium-term recommendations (3-5 years)

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

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







# **Public Financial Management**

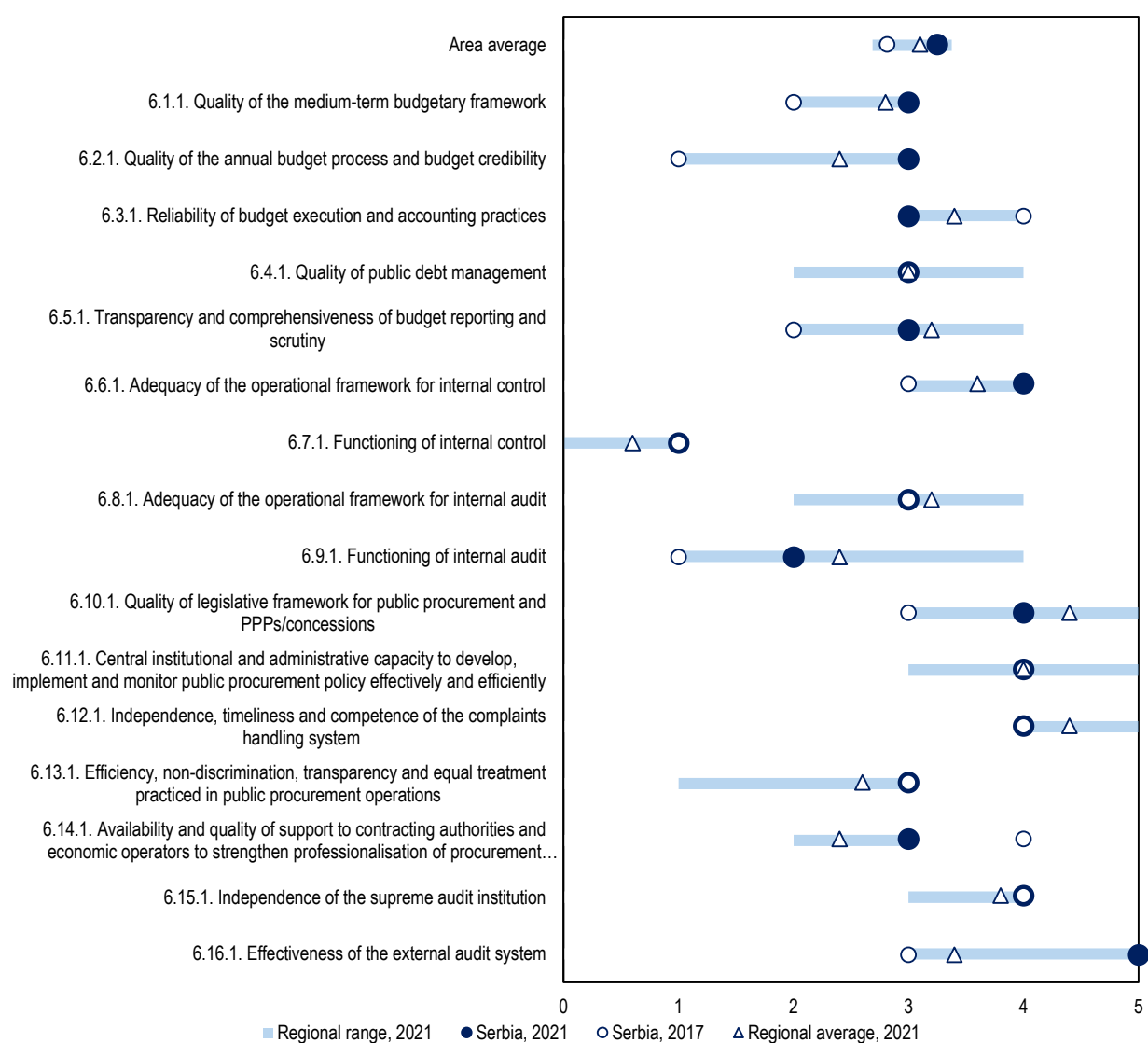
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## Public Financial Management

### Summary and recommendations

The quality of public financial management (PFM) in Serbia has developed positively. The overall area average increased from 2.8 in 2017 to 3.3 in 2021, and is one of the highest values in the Western Balkan region. The regional average is 3. The relative stronger performance applies to some of the budget management indicators and especially to the effectiveness of the external audit system. The indicators for public internal financial control (PIFC), while improving, are below regional average (except for “functioning of internal control”). The functioning of internal control (IC) and the functioning of internal audit (IA) remain the weakest areas, although the latter has improved. There has been some improvement in public procurement, however the positive impact of the new Public Procurement Law was reduced by the adoption of special regulations and insufficient professional support to contracting authorities.

**Overall development since 2017 shows that Serbia is now ahead of the regional average in several indicators**



**The quality of the medium-term budgetary framework has improved because the Fiscal Strategy (FS) was published on time and that there was a slight increase in its forecasting accuracy.** However, forecast on expenditure and revenue are still calculated as a percentage of gross domestic product (GDP), which can lead to complications as GDP itself is subject to forecasting uncertainties. **The quality of the annual budget process has also been strengthened due to the improved credibility of the budget for both revenue and expenditure.** However, there is little time for the Parliament to assess the budget. In addition, the budget documentation submitted to the Parliament, is not comprehensive.

Despite the well-established treasury system, the **reliability of budget execution and accounting practices deteriorated in 2021, reflecting the fact that the management of arrears is still not sufficiently robust.** Cash flow forecasting by the Treasury administration could be improved by early input from budget users and by a more detailed breakdown for the forecasts for budget users.

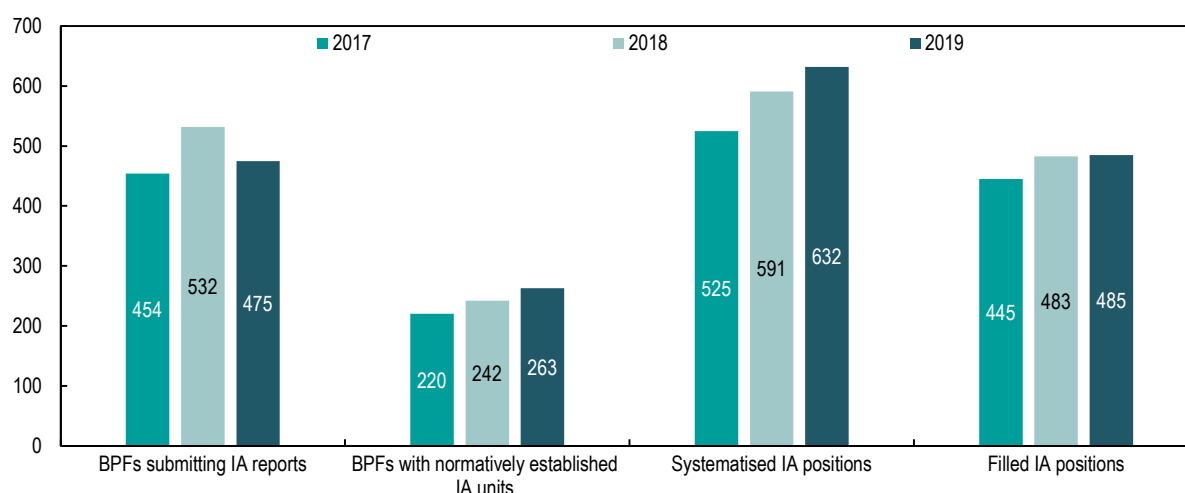
The well-managed debt management area, shows the same indicator value overall for the **quality of public debt management** despite a divergence in 2019 between the target and the actual outturn. Government debt had decreased steadily since the last monitoring in 2017, only increasing in 2020 with the impact of the COVID-19 pandemic.

**The transparency and comprehensiveness of budget reporting and scrutiny has improved, given greater parliamentary consideration to the annual financial statement.** However, more detail could be given in the financial report, particularly on divergences from the original budget. The current system for in-year budget reporting, however, has weaknesses, as it does not show deviations in administrative expenditure headings and reports budget execution only on an economic classification basis.

**The regulatory and operational framework for IC is largely in place,** and further development is supported by strategies, the latest one being the Public Financial Management Reform Programme for the Period 2021-2025 (PFM Reform Programme) and the Public Administration Reform in the Republic of Serbia for the Period 2021–2030 (PAR Strategy). In addition, the Central Harmonisation Unit (CHU) has considerably improved the operational framework for financial management and control (FMC) over recent years. **However, the effective functioning of IC in practice is lagging behind,** with managerial accountability and delegation of decision making, reporting on irregularities, management of arrears and alignment of management and budget structures needing improvement.

**The regulatory and operational framework for IA is largely in place and broadly in line with the requirements of international standards.** However, while the number of established IA units and internal auditors continue to increase, overall, the IA capacity remains weak. Only a low number of IA units are established effectively, and an even lower number of those meet the legal requirement of a minimum of three internal auditors. **Overall, the functioning of IA has improved** in comparison to 2017 as the number of functional IA units that prepare strategic and annual plans and the overall quality of plans have increased. However, most audits appear not to address systemic weaknesses and add only limited value regarding improving the management of public funds.

### Steadily increasing internal audit capacity in the number of auditors since 2017



Note: BPFs stands for beneficiaries of public funds; IA for internal audit.

Source: Consolidated Annual Report on the Status of Public Internal Financial Control (CAR) 2019, Section 2.2.2.

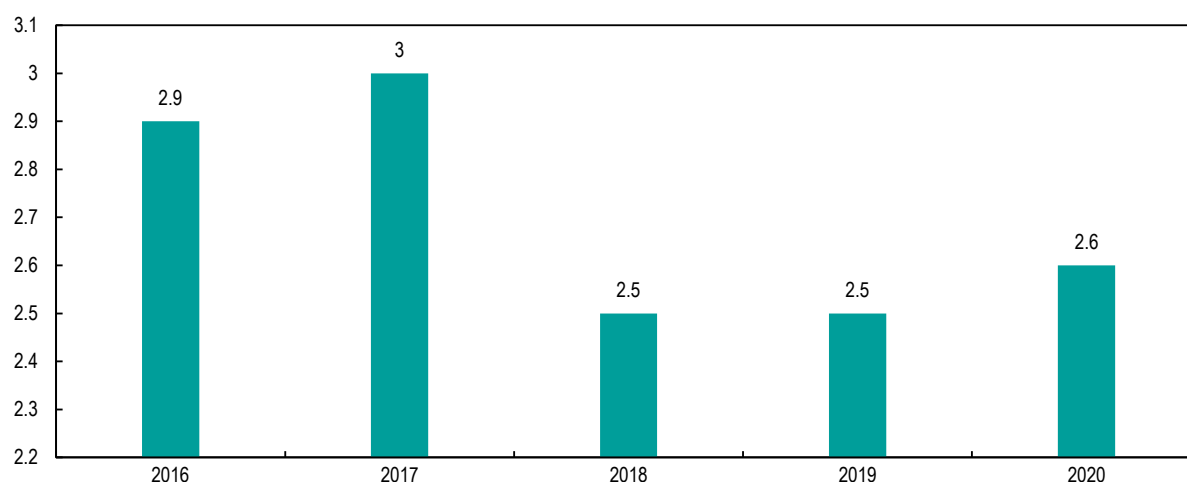
**In December 2019, a new Public Procurement Law (PPL) was adopted.** The new provisions are in force from 1 July 2020. The PPL covers the classic and the utilities sectors, as well as defence and security procurement. It regulates all stages of the public procurement procedure, including the preparation phase. All pieces of secondary legislation foreseen in the PPL were in place in July 2020. The new PPL is compliant to a very high level with the EU Directives.

However, this generally positive development was negatively affected by the adoption (in February 2020) of the Law on Special Procedures for the Implementation of the Project of Construction and Reconstruction of Line Infrastructure Structures of Particular Importance to the Republic of Serbia (Law on Special Procedures), which foresees a few major derogations from the PPL. This law applies to infrastructure projects of high monetary value and international interest. Exemptions and derogations provided in this special law significantly reduce the transparency of the contract award process.

**The regulatory framework and institutional set-up for handling complaints are in place.** The remedies system covers the classic and utilities sectors, as well as public-private partnerships (PPPs) and concessions.

**A new advanced electronic Public Procurement Portal (PP Portal), launched in July 2020, enables e-submission of tenders and submission of requests for protection of rights.** It provides access to good quality of monitoring and data collection on award procedures, but not on contract management and execution. It is also challenging to identify the contracts that were awarded under the Law on Special Procedures. The positive changes in the legislation do not translate to positive performance in daily practice. The public procurement market is not attractive for economic operators. The average number of tenders submitted for each competitive procedure is low (only 2.6), and in more than 40% of the procedures only one tender was submitted.

### The average number of tenders per procurement procedure, 2016-2020



Sources: Annual Report on Public Procurement in the Republic of Serbia for the Period 1 January 2020-1 December 2020; Annual Report on Public Procurement in the Republic of Serbia for the Period 1 January 2019-1 December 2019.

The Public Procurement Office (PPO) provides a helpdesk facility to answer questions about the practical application of procurement rules for contracting authorities and economic operators. However, there is still a need for training and high-quality materials focusing on practical issues rather than legal compliance or technical instructions for using the PP Portal.

### **The independence of the supreme audit institution (SAI) remains well-protected and respected.**

The constitutional and legal framework governing the SAI is generally aligned to international standards but could be strengthened in some aspects. Appreciation of the SAI's independence among the public, however, remains at a low level, although it has significantly increased since 2017. **The effectiveness of the external audit system has improved significantly, particularly because the SAI is ensuring better audit coverage through performance audits and an improved audit quality control and review system.** The increased transparency of the SAI's work through its website and engagement with civil society has also contributed. Parliament's recent interest in the SAI's reports is vital to the system's overall effectiveness and needs to develop and continue.

### **Short term recommendations (1-2 years)**

- 1) The Ministry of Finance (MoF) should improve the FS by including actual figures for the estimates of revenue and expenditure and not just expressing them as a percentage of GDP, including detailed expenditure targets to guide the annual budgets of budget users. More sensitivity analysis should also be included to assess, for example, the impact of revenue or expenditure forecasts not being met.
- 2) The Government should respect its legal deadlines for submission of the budget to the Parliament, revise the budget calendar to allow more time for the parliamentary process and provide better information in budget documentation sent to the Parliament.
- 3) The Treasury department should improve cash flow forecasting with providing more detail and continue to expand the compass of the financial information system to include all outstanding bodies.
- 4) The MoF should gather information on arrears, both commercial and non-commercial and in the state-owned enterprise (SOE) sector, to establish a baseline to function as a starting point for a revised system for ongoing reporting.
- 5) The annual financial report should contain a commentary on significant divergences between the outturn and the plan for the annual budget by budget user and by the main revenue headings.
- 6) The upcoming strategic planning period should focus on measures to further develop the implementation of IC in the Public Funds Beneficiaries (PFBs) and ensuring it effectively becomes part of daily management practices. This would need to include activities such as an analysis of the coherence of FMC and other horizontal legislation, alignment between management and budget structures and further awareness-raising and capacity development of managers and ensuring

follow-up of Government conclusions regarding CAR, thereby also empowering the CHU in its role as coordinating and guidance-giving body.

- 7) The overall capacity of the IA system needs to be significantly enhanced to ensure that internal auditors' work effectively adds value to managers and to this effect, the CHU should support and guide internal auditors to make better use of the comprehensive guidance framework put in place.
- 8) The Parliament should repeal the Law on Special Procedures, and all contracts for line infrastructure projects should be awarded exclusively in accordance with the 2019 PPL.
- 9) The PPO should prepare and disseminate guidelines and models of tender documentation adjusted to the PPL, with a specific focus on practical examples and particular sectors (for example, for information technology services and supplies, health supplies, road construction, or office supplies), including model tender documents, standard technical specifications and methodologies for tender evaluation.
- 10) The PPO and the RCPRPP should establish a permanent, stable, and efficient mechanism for co-operation.
- 11) The Government and the Parliament should clarify and redefine within legislation the central functions and duties in the area of PPPs and concessions.
- 12) The SAI should further deepen and broaden its relationship with Parliament and other external stakeholders.

#### **Medium-term recommendations (3-5 years)**

- 13) Documentation for the annual budget should be improved by including a European System of Accounts (ESA) version of the budget.
- 14) In relation to capital expenditure, the new system introduced in 2019 should be reviewed and evaluated by the MoF to ascertain if the system has improved the assessment process of projects and led to improved project selection.
- 15) The Treasury and MoF, should establish a system to report to the Government on arrears on a quarterly basis – including SOE arrears - and to publish such reports in the Official Gazette. After that, appropriate commitment controls for managing payment arrears should be established and responsible public bodies assigned to carry out ongoing monitoring.
- 16) The MoF should compile a monthly budget execution profile at the beginning of the year based on inputs from budget users.
- 17) Reporting regarding large investment projects to the national bodies and to the donors should be harmonised to minimise bureaucracy.
- 18) The Government should ensure the sustainability of the future coherent, single framework for PPPs and concessions so that it fully serves its purposes.
- 19) The PPO should develop mechanisms for data gathering and monitoring on contract management and offer more support in this respect for contracting authorities by providing guidelines (supported with training sessions) and models of internal regulation referring to the contract management.
- 20) The Government and the Parliament should amend the legal framework to ensure contracting authorities can challenge RCPRPP decisions before the Administrative Court.
- 21) The Parliament should bring some details of the SAI law further in line with current international standards and good practice, like the term of appointment for Council Members; the requirement of the SAI to submit its proposed budget and staffing plans to the MoF; the provisions on reporting misdemeanours and criminal offences; and the provisions on the SAI's follow-up of audit recommendations.

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