



# SIGMA

A joint initiative of the OECD and the EU, principally financed by the EU



Creating Change Together

## PRIORITIES

### SERBIA

### MAY 2014

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## **2014-2020 SIGMA COUNTRY PRIORITIES FOR PUBLIC ADMINISTRATION REFORM – EXPLANATORY NOTE**

### **Aim and structure of proposals**

SIGMA has identified the following country priorities for public administration reform (PAR), which are a continuation of the 2013 and 2014 SIGMA assessments and part of a longer-term programme of work. Priorities cover the overall PAR needs of the country, including areas which were not covered by the assessments. Priorities in areas outside the scope of SIGMA assessments are based on other analytical sources and SIGMA's practical experience of working with the country. SIGMA proposes priority 2020 targets for the countries, sub-targets when needed, and sequenced priority activities in 1-2, 3-5 and 5+ year time perspectives.

## SERBIA

### 2014-2020 SIGMA COUNTRY PRIORITIES

**The following priority targets are proposed for Serbia for 2020:**

1. A coherent policy co-ordination, planning and development system is in place, with coherent medium-term planning documents and consolidated sectoral strategies, which are clearly linked, supporting the objectives of the Government and enabling prioritisation and budgetary planning and monitoring.
2. An efficient and effective interministerial public administration reform co-ordination system is in place, which enables priority setting at the political level, provides resources for the timely and consistent implementation of these priorities and includes monitoring and evaluation mechanisms.
3. A civil service system based on merit is in place, and it is comparable to the systems in EU Member States. Integrity systems have been incorporated into the civil service, and officials are for the most part aware of their obligations and of the ethical behaviour expected of them. The organisational structure of the public sector is cohesive, rational and efficient, and it is based on clear, adequate criteria that enable effective organisational solutions to problems. Sound administrative procedures are applied in most areas, offering legal certainty to citizens and businesses.
4. The requirements of the EU 2011 Directive on the budgetary framework have been improved, as well as internationally agreed and EU-compliant principles, standards and methods for public internal financial control (PIFC), which apply to the internal control systems of the entire public sector, including control of the spending of EU funds. An operationally and financially independent supreme audit institution (SAI) is in place, with a relevant and effective reporting mechanism. A better balanced budget and reduced debt level have been achieved through stronger financial management and control and audit processes.
5. The public procurement system, including public-private partnerships (PPPs)/concessions, is in place and is fully operational, in accordance with EU rules and good international practice. Public procurement operations provide value for money, are sustainable under budgetary limitations and projections, and stimulate economic growth. Contracting authorities, economic operators and civil society are confident in the fairness and integrity of the system. Fraud and corruption have been significantly reduced.

## POLICY MAKING

### STATE OF PLAY

In the policy making area, the main challenge for Serbia is to ensure that policy is planned in a more co-ordinated manner. Clearer links need to be established between the existing planning documents, such as the Government Annual Work Plan (GAWP), the National Plan for the Adoption of the *acquis* and the Fiscal Strategy. Medium-term planning should be further developed. The connection between political priorities and administrative planning needs to be strengthened.

The main document setting out the priorities of the Government is the Prime Minister's Exposé, but there is no institutionalised mechanism for transforming those political priorities into strategic documents of the administration (Government Annual Work Plan, Medium-Term Expenditure Framework, sectoral strategies). There are no central medium-term planning documents, except the National Plan for the Adoption of the *acquis*, and the GAWP does not specify policy priorities, and is not connected with the budget. Another challenge relates to the coherence of the strategic planning and budgetary planning cycle. The strategic planning system requires greater coherence, as over 100 strategic documents exist, at sector and sub-sector levels, which include priorities that are often donor-driven rather than by the Government. Inter-linkages between those documents are often weak and these do not provide a good policy basis for programme budgeting.

The start of the screening process of EU accession negotiations leads Serbia into a more active phase of EU integration and this will also require significant revisions to the EU accession specific planning documents. Improvement of the policy making system will also contribute to the better co-ordination of PAR by establishing a clear and coherent framework for the development of sectoral strategies and by increasing policy planning and development capacities.

<b>Target 2020</b>	<b>A coherent policy co-ordination, planning and development system is in place, with coherent medium-term planning documents and consolidated sectoral strategies, which are clearly linked, supporting the objectives of the Government and enabling prioritisation and budgetary planning and monitoring.</b>
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## POLICY MAKING

1-2 Years	<ol style="list-style-type: none"><li>1. Government to adopt the methodology for strategic planning, with the aim of creating a clear framework for developing and monitoring sectoral strategies, as well as providing systematic input to programme budgeting.</li><li>2. The General Secretariat of the Government (GSG) to launch a capacity building programme, following the adoption of the methodology which includes guidance materials and training for ministries to support the implementation of new working practices.</li><li>3. Government to introduce a rule whereby, prior to the development of each strategy, either the Government or the GSG, together with the MoF, is obliged to approve the strategy's terms of reference, with a view to consolidating the system of sectoral strategies.</li><li>4. Increase the skills within the GSG to analyse and put forward proposals related to the priorities of the Government and to co-ordinate policy development by ministries.</li><li>5. The GSG to prepare a multi annual Government Work Programme that would translate the political priorities of the Government to administrative activities with clear responsibilities.</li><li>6. Centre of Government institutions to align timeframes for developing and updating the Government planning documents and the annual budget.</li><li>7. Review the guidance for Regulatory Impact Assessments and apply systematic scrutiny to ensure minimum quality of analysis prior to Government decisions.</li><li>8. As the screening process for EU accession proceeds, Serbian European Integration Office (SEIO) to organise a thorough review of the existing National Plan for the Adoption of the <i>acquis</i>.</li></ol>
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## POLICY MAKING

<b>3-5 Years</b>	<ol style="list-style-type: none"><li>9. Under the leadership of the GSG, include prioritisation and financial impacts in the key Government planning documents to ensure that the budgetary process respects the agreed priorities set.</li><li>10. GSG and the MoF to gradually decrease the number of sectoral strategies by restricting the elaboration of narrow and fragmented strategies.</li><li>11. Government to set the requirement that the implementation report on every strategy is to be presented every one or two years, with any adjustment proposals.</li><li>12. GSG and MoF to gradually introduce performance indicators into the Government planning documents, ensuring consistency between the programme budget, National Economic Reform Programme, Government work plans and the plans for EU accession.</li><li>13. GSG to develop minimum requirements and the capacity of line ministries to consult effectively with non-governmental organisations (NGOs) and with the public, integrating the consultative process into policy making by providing written guidance and training on consultation methods.</li></ol>
<b>5 + Years</b>	<ol style="list-style-type: none"><li>14. GSG to launch a fully coherent system of sectoral strategies in the framework of planning for the new EU financial perspective.</li><li>15. SEIO to make preparations for the Serbian programmes for the Cohesion Policy funding.</li></ol>

## **STRATEGY AND REFORM**

### **STATE OF PLAY**

The new Government of Serbia has established the right-sizing of the public sector as a key objective. The PAR Strategy adopted by the previous Government in December 2013 proposes a more balanced development with improvements foreseen in key aspects of public administration (including public sector employment, administrative procedures, strategic planning, programme budgeting, procurement, and e-governance). An operational tool in the form of an action plan for the implementation and co-ordination of the Strategy is under preparation. The current PAR Strategy would nevertheless not cover all new priorities of the Government and there is a risk that the actual priorities will be co-ordinated through other arrangements.

Administrative interministerial co-ordination mechanisms need to be re-established after the new action plan is approved by the Government. The main challenges for PAR co-ordination and implementation to be addressed in Serbia are the overall priority setting and PAR co-ordination; resourcing and linkage to budgetary planning; operational coherence of the Government's key PAR documents; operational structures for the co-ordination of PAR implementation; and a proper system for assessment and reporting.

<b>Target 2020</b>	<b>An efficient and effective interministerial public administration reform co-ordination system is in place, which enables priority setting at the political level, provides resources for the timely and consistent implementation of these priorities and includes monitoring and evaluation mechanisms.</b>
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## STRATEGY AND REFORM

<b>1-2 Years</b>	<ol style="list-style-type: none"><li>1. The Ministry of Public Administration and Local Self-Government (MPA) to finalise and the Government to adopt the PAR Action Plan for 2014-2016.</li><li>2. Government to nominate ministers to the new PAR Council and organise regular meetings of the Council so as to ensure overall priority setting, steering and monitoring of the whole-of-government PAR agenda, including the new priorities not explicitly covered by the adopted PAR Strategy.</li><li>3. MPA to take the lead in establishing a “core government PAR co-ordination group” with the participation of at least the MPA, MoF, GSG/Office of the Prime Minister (OPM) and SEIO.</li><li>4. MPA to establish government procedures to ensure the efficient and effective co-ordination between the PAR Council, other PAR co-ordination structures and other government co-ordination structures affecting PAR, such as structures dealing with European integration.</li><li>5. MPA to prepare the first monitoring reports of the implementation of the PAR Strategy and the PAR Action Plan with regular inputs by the institutions responsible for particular activities.</li><li>6. MPA to analyse the coherence of PAR-related strategies under development in 2014-15, with the aim of ensuring the coherence of these strategies with the overall objectives of the Government.</li></ol>
<b>3-5 Years</b>	<ol style="list-style-type: none"><li>7. MPA to initiate the co-ordination and development of a quality framework for public services, including key performance indicators.</li><li>8. PAR Council to take stock by assessing the full implementation, impact, shortcomings and gaps of the PAR Strategy (2020) and Action Plan 2013-2016.</li><li>9. MPA to organise an independent evaluation of the implementation of the PAR Strategy at the end of 2016.</li><li>10. MPA to develop a new PAR Action Plan 2017-2020, whereby full coherence with the overall objectives and priorities of the Government are ensured.</li><li>11. MPA to improve external and internal communication on PAR in Serbia through a newly developed, approved and implemented PAR Communication Strategy 2016-2020, including a citizens’ orientation plan 2016-2020, whereby citizens would be kept informed and involved in PAR developments and projects.</li></ol>

## LEGAL FRAMEWORK AND CIVIL SERVICE MANAGEMENT

### STATE OF PLAY

The recruitment and career system is not yet fully merit-based and recruitment is still prone to political influence. A number of appointments to senior civil service positions are still pending. Selection procedures are not applied uniformly and managers still have too much discretion when choosing candidates from lists drawn up by selection panels following recruitment competitions. Temporary employees are still not recruited according to competitive criteria and contracts are allocated without internal or public competition. A new training programme for civil servants was adopted in 2012 and several training courses were delivered. However, only a small percentage of civil servants, and in particular a very small percentage of managers, took part in training. Induction training is not provided.<sup>1</sup>

Target 2020	<p><b>A civil service system based on merit is in place comparable to the systems in EU Member States. Integrity systems have been incorporated into the civil service, and officials are for the most part aware of their obligations and the ethical behaviour expected of them.</b></p> <p><b>The organisational structure of the public sector is cohesive, rational and efficient, and sound administrative procedures are applied in most areas, offering legal certainty to citizens and businesses.</b></p>
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<sup>1</sup> EC Serbia 2012 Progress Report, SWD(2012) 333 final.

## LEGAL FRAMEWORK AND CIVIL SERVICE MANAGEMENT

**A civil service system based on merit is in place comparable to the systems in EU Member States. A central institutional framework for Human Resource Management (HRM) has been established. Line ministries have adequate HRM capacities. Integrity systems have been incorporated into the civil service, and officials are for the most part aware of their obligations and the ethical behaviour expected of them.**

<b>1-2 Years</b>	<ol style="list-style-type: none"><li>1. MPA to review and assess the impacts of previous rationalisation measures of the Law on Civil Servants (amended in 2009) and of the laws defining the maximum number of employees in the central administration and in local governments (enacted in 2009).</li><li>2. MPA to reform and reinforce the central institutional framework in charge of public employment in order to enhance its capacities to effectively manage and implement the legislation on civil service, by clarifying the roles and competences of the Ministry, and the HRMS, and by hiring and training HRM specialised professionals.</li><li>3. MPA to design an effective organisational arrangement to deliver training on horizontal issues (a public administration school or other options), under the competence of the Ministry.</li><li>4. MPA to support the implementation of merit-based public employment, by developing guidelines and other non-binding instruments and by delivering targeted training to selection bodies, managers and political appointees.</li><li>5. MPA to enhance the capacities of line ministries and HRM bodies by reinforcing the HRM units with HRM specialists and by training existing staff.</li><li>6. MPA to revise the scope of the civil service, considering whether other institutions and categories should be included.</li><li>7. Enhance the capacities of Parliament to monitor key public employment issues, by supporting the relevant committee.</li><li>8. MPA to reform the performance appraisal system so as to enhance its effectiveness and prevent risks of unfairness.</li><li>9. MPA and Anti-Corruption Agency (ACA) to assess the current institutional framework with a view to establishing a sound integrity system in the civil service, enabling the ACA to operate an effective system of disclosure and selective checking of asset and conflict-of-interest declarations; ACA to receive support in its preventive functions of guiding public bodies in the elaboration of integrity plans and of raising the awareness of high-ranking officials.</li><li>10. Government and ACA to amend regulations to provide adequate whistle-blower protection in the civil service.</li></ol>
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## **LEGAL FRAMEWORK AND CIVIL SERVICE MANAGEMENT**

<b>3-5 Years</b>	<ol style="list-style-type: none"><li>11. MPA to professionalise management positions in the administration by considering the introduction of a law to create a senior civil service scheme.</li><li>12. ACA and MPA to create capacities for managing integrity in the civil service by jointly developing models and methodologies for elaborating integrity plans in selected public institutions and for training integrity managers.</li><li>13. MPA to raise the awareness of public employees and citizens of the advantages of the merit system by developing information campaigns, and the Parliament to provide opportunities for MPs and other politicians to exchange with counterparts from EU Member States.</li><li>14. MPA to conduct a mid-term external assessment to identify the real impact of public service legislation.</li></ol>
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## LEGAL FRAMEWORK AND CIVIL SERVICE MANAGEMENT

<b>Sound administrative procedures are applied in most areas, offering legal certainty to citizens and businesses.</b>	
<b>1-2 Years</b>	<ol style="list-style-type: none"><li>1. Government and Parliament to create the conditions required for the application of sound administrative procedures by adopting a new Law on General Administrative Procedure (LGAP), in accordance with EU principles and good practice.</li><li>2. MPA to identify other laws to be amended and align them with the general principles established in the LGAP by reducing to a minimum the number of special administrative procedures.</li><li>3. MPA to prepare targeted implementation action plans that will enable the smooth implementation of the LGAP in the administration and judiciary.</li></ol>
<b>3-5 Years</b>	<ol style="list-style-type: none"><li>4. MPA to implement the new LGAP by drafting pending secondary legislation and by developing action plans for its implementation. MPA to establish a central guidance capacity to solve queries by public bodies, provide specific training for public servants, offer curricula to law faculties and include LGAP in recruitment examinations.</li><li>5. MPA to revise the role of administrative inspection in this area, by assessing the value added in the implementation of the LGAP.</li><li>6. MPA to align the judicial control of administrative acts with EU principles and practices, by amending the Law on Administrative Disputes.</li><li>7. MPA to conduct an independent mid-term assessment to identify the real impact of the LGAP implementation.</li></ol>

## LEGAL FRAMEWORK AND CIVIL SERVICE MANAGEMENT

<b>The organisational structure of the public sector is cohesive, rational and efficient, based on clear adequate criteria to choose the best organisational solution in each case.</b>	
<b>1-2 Years</b>	<ol style="list-style-type: none"><li>1. MPA to further develop its internal capacities for rationalisation, by training and benchmarking with other countries to improve HR information systems and HR planning, to draft methodologies to analyse the internal (micro) efficiency of public bodies' organisational structures, to conduct fair rightsizing processes and to manage internal and external mobility.</li><li>2. MPA and MoF to create indicators and criteria to identify unnecessary public bodies and to draft a methodology for conducting adequate and fair processes of abolition or merging of public bodies.</li><li>3. MPA to establish sound organisational criteria for the public sector, developing by law a typology of legal status and organisational forms of public bodies and criteria to apply it, using comparative data on public sector structures and criteria in selected EU Member States.</li></ol>
<b>3-5 Years</b>	<ol style="list-style-type: none"><li>4. MPA to design a model for administrative deconcentration of central administration, by assessing the current situation in Serbia. And analysing models in selected EU countries.</li><li>5. MPA to establish detailed criteria and processes to analyse if a public service or activity should be directly produced and delivered from a public body or could be partially or completely contracted out to private providers (profit or non-profit).</li><li>6. MPA to assess if there is need to amend the Law on Public Administration and the Law on Civil Service to be able to apply the criteria and methodologies newly developed.</li></ol>

## PUBLIC FINANCE MANAGEMENT

### STATE OF PLAY

The overall legislative basis for well-functioning public finance management is in place. The effectiveness of the legal basis is dependent on the timely revision of rulebooks, in keeping with legislative amendments or changes in public administration structures, as well as on the extent to which the formal rules are effectively applied in daily practice.

Preparatory approval work in Parliament is carried out through the parliamentary Committee on Finance, State Budget and Control of Public Spending (Finance Committee). This committee does not have the technical staffing to carry out its own detailed fiscal analysis, and Parliament relies on the explanations of the executive as well as on advice from the Fiscal Council on overall fiscal issues. The Fiscal Council, an independent, advisory state body accountable to Parliament that was established in 2011, has had some impact on the Government's fiscal policy. The Government has taken steps to exert greater fiscal control, but budget beneficiaries attempt to circumvent these controls. There is little emphasis on developing a medium-term expenditure framework based on well-founded assumptions and targets. Performance indicators are not widely used, and there is no demand from Parliament for the use of such indicators

Strong management support and understanding of the need to apply existing rules for sound and practical financial management and of internal audit concepts are in the earliest stages. Current public internal financial control (PIFC) arrangements are considerably detached from budget management and other relevant rules in Serbia. The State Audit Institution (SAI) continues its institutional development.

The co-ordination of EU funds is entrusted to the Serbian European Integration Office (SEIO), and the Ministry of Finance (MoF) has the responsibility for ensuring that decentralised management structures for EU funds work appropriately.

<b>Target 2020</b>	<b>The requirements of the EU directive on the budgetary framework have been improved, as well as internationally agreed and EU-compliant principles, standards and methods for public internal financial control (PIFC), which apply to the internal control systems of the entire public sector, including control of the spending of EU funds. An operationally and financially independent supreme audit institution (SAI) is in place, with a relevant and effective reporting mechanism to Parliament. A better balanced budget and reduced debt level have been achieved through stronger financial management and control and audit processes.</b>
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## PUBLIC FINANCE MANAGEMENT

**Budget preparation and execution provide the foundation for a more soundly based medium-term budget planning system.**

1-2 Years	<ol style="list-style-type: none"><li>1. In order to enhance fiscal sustainability, the Government should strengthen practices and capacities for estimating the impact of all new policy initiatives on the budget by:<ul style="list-style-type: none"><li>• Refusing to consider new policy proposals unless budget beneficiaries (BBs) provide realistic medium-term cost estimates agreed in advance with the MoF;</li><li>• Requiring BBs to explain in detail to the MoF any deviation in the cost of an adopted proposal from the original estimate;</li><li>• Approving secondary legislation drafted by the MoF that defines and explains the process;</li><li>• Requiring BBs to ensure that key staff are trained to conduct budget estimates.</li></ul></li><li>2. Government to amend the Budget System Law so that BBs are no longer limited to agreeing service contracts on a one-year basis, but can take a long-term approach when appropriate.</li><li>3. Government to require BBs to link their strategic and operational planning to Government's priorities, within a medium-term expenditure framework, in order to improve the likelihood of the fiscal consolidation targets in the Fiscal Strategy being met.</li><li>4. MoF to continue working with BBs on developing an understanding among key staff of how to use performance indicators as an analytical tool for assessing the effectiveness of expenditure programmes in the framework of the system for programme budgeting to be introduced in 2015.</li><li>5. The parliamentary Finance Committee and the MoF to agree that in order to enhance parliamentary procedures for dealing with budget formulation and execution, the support staff members of the Committee and the MoF should:<ul style="list-style-type: none"><li>• Analyse the timetables for budget preparation, tabling of budget proposals, and monitoring of budget implementation and propose improvements;</li><li>• Analyse the procedure for adoption of the annual financial statement, including the manner in which the SAI annual and other reports are used for that purpose, and present proposals for an improved discharge procedure.</li></ul></li></ol>
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## PUBLIC FINANCE MANAGEMENT

3-5 Years	<ul style="list-style-type: none"><li>6. Parliament to more effectively monitor the budget process by using the improvements proposed by the Parliament and MoF staff members.</li><li>7. Government to approve the allocation of additional staff to the MoF so that it can more effectively analyse and monitor activities of BBs, including indirect budget beneficiaries.</li><li>8. MoF to introduce and implement secondary legislation that clearly establishes how direct budget users are to monitor and report to the MoF on the operations of both indirect budget beneficiaries and public enterprises.</li><li>9. BBs to begin, in the area of programme budgeting, the process of examining the strategies used to deliver services under the programmes within each BB in order to identify the scope for efficiency gains.</li></ul>
5 + Years	<ul style="list-style-type: none"><li>10. BBs to begin, as the system of managerial accountability grows, to review the strategies that are used to deliver services under each programme.</li><li>11. BBs to expand programmes into sub-programmes and sub-categories so as to provide more transparent performance information.</li></ul>

## PUBLIC FINANCE MANAGEMENT

**The appropriate conditions for stronger financial control have been created and high-level management support for PIFC has started, thereby improving the PIFC environment.**

1-2 Years	<ol style="list-style-type: none"><li>1. MoF, CHU to develop a PIFC Policy Paper for adoption by the Government, which includes, among other issues:<ul style="list-style-type: none"><li>• Identification of short and long-term objectives (including managerial accountability and a policy for anti-fraud and serious irregularities, ensuring that budget inspection is compatible with PIFC principles) that meet the PAR Strategy;</li><li>• Identification of the necessary resources to meet these objectives and assessment of additional resources required;</li><li>• An implementation schedule to implement the PIFC system throughout the public administration;</li><li>• Central Harmonisation Unit (CHU) to undertake networking activities, regular meetings with individual managers to identify good practices, and continuation of methodological development and training.</li></ul></li><li>2. A clear and effective reporting system for the CHU, which provides the Finance Minister and the Government with timely information on shortages and corrective measures needed to implement PIFC at a strategic level.</li><li>3. MoF to implement decentralised management of EU funds and streamline the operational rules and procedures for FMC and the management and control systems for IPA programmes, adjusting the management system as necessary.</li><li>4. MoF to strengthen the role of the CHU so that it can be a strategic driver for improving the development of PIFC.</li><li>5. CHU to agree a schedule of regular meetings with responsible officials for an exchange of information enabling:<ul style="list-style-type: none"><li>• A more rapid identification of good Serbian practices that are compliant with EU requirements and of possible factors hindering the further development of PIFC;</li><li>• Managers to understand and become more involved in improving the efficiency and effectiveness of public expenditure management, while maintaining fiscal targets.</li></ul></li><li>6. CHU to develop an annual plan for networking seminars for relevant officials (excluding vocational training events).</li><li>7. CHU to carry out training needs analysis of responsible officials and to identify an appropriate training provider.</li><li>8. CHU to continue enhancing its co-operation with the SAI through the joint working group focusing on areas of common interest and priorities, such as training needs or good practices to promote co-operation between internal and external audit.</li></ol>
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## PUBLIC FINANCE MANAGEMENT

<b>3 -5 Years</b>	<ol style="list-style-type: none"><li>9. CHU to develop its own work plan based on the adopted PIFC Policy Paper.</li><li>10. CHU to assist line ministries in determining their enhanced managerial responsibilities by:<ul style="list-style-type: none"><li>• Analysing existing practices in budget management, human resources management and other areas to determine managerial responsibilities in the public sector;</li><li>• Considering the launch of a pilot project to define exactly how financial management and control (FMC) should be implemented in an organisation and the impact that this implementation would have on managerial structures, budgets, information requirements and reporting arrangements;</li><li>• Determining the provisions of PIFC legislation that need to be aligned with other national regulations for rolling out the implementation of managerial accountability.</li></ul></li><li>11. MoF to adjust the horizontal legal framework for FMC and the internal rules of budget organisations to ensure that sectoral managers take responsibility for planning, executing and financing public policies.</li><li>12. CHU to continue to meet regularly with top management of line ministries to:<ul style="list-style-type: none"><li>• explain the significance of PIFC building on existing good Serbian practice and its impact on the management of public expenditure.</li></ul></li><li>13. CHU to implement the networking seminar plan and review the list of seminars for the coming year.</li></ol>
<b>5 + Years</b>	<ol style="list-style-type: none"><li>14. CHU to monitor, evaluate and report on implementation of the PIFC Policy Paper and related Action Plan.</li><li>15. CHU to start drafting, by the end of the period, the new PIFC Policy Paper and related Action Plan.</li></ol>

## PUBLIC FINANCE MANAGEMENT

<b>Stronger checks and balances of budget execution are in place.</b>	
1-2 Years	<ol style="list-style-type: none"><li>1. Strengthen the SAI's formal and informal relationship with Parliament (Finance Committee in particular) through the development of a clear procedure for Parliament's handling of audit reports, with a view to strengthening Parliament's oversight function.</li><li>2. SAI to review its role with regard to misdemeanours and criminal offences, making sure that it can concentrate on its main audit function and will not be seen as a law enforcement institution.</li><li>3. To enhance the progress towards achieving institutional development, carry out an external peer review that feeds into new strategic approaches to be presented in the Strategic Development Plan and ensure the adoption of its audit manuals.</li><li>4. Continue the SAI's co-operation with the CHU through the joint working group.</li></ol>
3-5 Years	<ol style="list-style-type: none"><li>5. SAI to implement and adjust the implementation of the SAI's Strategic Development Plan and continue co-operation with the CHU, providing support to PIFC as required.</li></ol>
5 + Years	<ol style="list-style-type: none"><li>6. SAI to draft a new Strategic Development Plan and action plan.</li></ol>

## PUBLIC PROCUREMENT

### STATE OF PLAY

The public procurement system has undergone a number of positive changes in a very short time, in particular with regard to the entry into force of the new Public Procurement Law (PPL) in April 2013, as well as the implementation of regulations and standard tender documents. Closer alignment with the EC Directives on public procurement has been achieved by the new legal framework, but some discrepancies remain. The PPL 2012 was enacted to address previous failings in the legal framework and, in particular, to ensure better conditions for increasing transparency and tackling corruption. Currently, the main institutional bodies and contracting authorities are in the process of ensuring the proper implementation of the new legal provisions, and the overall institutional set-up provides the basic elements needed for a functional system. The challenge for 2014 and beyond is to ensure that the implementation of measures provided for in the PPL 2012 continue to be supported, in terms of both political support and resources.

A number of ongoing key problems need to be tackled, with a long-term perspective in mind. These problems are:

- Lack of professional skills from the perspectives of both the contracting authority and the bidder, in particular with regard to the proposed introduction of new working methods, such as greater centralised procurement, framework agreements, dynamic purchasing systems and e-auctions;
- Heavy costs in terms of both finance and time in running the system, particularly in relation to the various planning and approval requirements, which risk stifling the system;
- Danger that insufficient implementation will mean that the reformed system neither reduces corruption nor improves value for money – two objectives that need to be carefully balanced;
- Corruption: ongoing support at the level of the Government, in both practical and financial terms, of the implementation of reform measures will be critical.

<b>Target 2020</b>	<p><b>The public procurement system, including public-private partnerships (PPPs)/concessions, is in place and is fully operational, in accordance with EU rules and good international practice.</b></p> <p><b>Public procurement operations provide value for money, are sustainable under budgetary limitations and projections, and stimulate economic growth.</b></p> <p><b>Contracting authorities, economic operators and civil society are confident in the fairness and integrity of the system. Fraud and corruption have been significantly reduced.</b></p>
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## PUBLIC PROCUREMENT

1-2 Years	<ol style="list-style-type: none"><li>1. Government to fully implement PPL 2012 by adopting all remaining pieces of secondary legislation, ensuring proper capacity building and resource allocation (including additional staff) for institutions that have been granted new or enhanced responsibilities, especially the Public Procurement Office (PPO) and the newly established central register of bidders.</li><li>2. Government to sufficiently define, with legislation, the co-ordination function in the area of concessions and public private partnerships.</li><li>3. PPO to publish procurement plans in order for economic operators to benefit from the advantages of public accessibility to such a database.</li><li>4. PPO and MoF to develop practical operational tools for preparing public contracts and concessions/PPPs, including standard tender documents for supplies, services and works.</li><li>5. PPO, Anti-Corruption Agency (ACA), and the Anti-Corruption Council to co-ordinate measures and activities aimed at increasing transparency and legal security and improving the fight against fraud and corruption.</li><li>6. PPO to promote the use of modern procurement tools such as framework agreements, electronic procurement, dynamic purchasing system.</li><li>7. PPO, SAI and MoF to prepare further implementing tools, practical guidelines and training curricula and manuals (for contracting authorities, auditors and economic operators) for awarding both public contracts and PPPs/concessions.</li><li>8. PPO to steer, monitor and control the quality of the training system, which could include delivery by private training organisations (and/or universities).</li></ol>
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## PUBLIC PROCUREMENT

<b>3 -5 Years</b>	<ol style="list-style-type: none"><li>9. PPO to implement the legal, technical and institutional infrastructures enabling the use of modern procurement tools and techniques, including electronic procurement, dynamic purchasing systems, framework agreements and centralised purchasing.</li><li>10. PPO and line ministries to develop and implement sector-specialised (e.g. IT services and supplies, health supplies, road construction or office supplies) operational tools, such as model tender documents, standard technical specifications, and methodologies for tender evaluation based on the most economically advantageous tender criteria.</li><li>11. PPO to maintain and update curricula, manuals and guidelines; continue to steer the system and to monitor quality control.</li><li>12. PPO to continue to monitor legislative changes of all legal acts affecting the public procurement system at the EU level to ensure appropriate harmonisation, and subsequently efficient fulfilment of EU accession requirements.</li></ol>
<b>5 + Years</b>	<ol style="list-style-type: none"><li>13. PPO and line ministries to improve instruments (guidelines, regulations) to promote sustainable procurement, achieve environmental and social objectives, and encourage innovation in procurement.</li><li>14. PPO and chambers of commerce to further promote SME access to the public procurement market as well as to research and development (R&amp;D) opportunities by establishing help desks (in co-operation with chambers of commerce), issuing practical guidelines, and incorporating representatives of business into an advisory board of the PPO.</li></ol>