

Pursuant to Article 45, Paragraph 1 of the Law on Government (“Official Gazette of the Republic of Serbia“, No. 55/05, 71/05-corrigendum, 101/07, 65/08, 16/11, 68/12-CS and 72/12),

the Government passes

## **PUBLIC ADMINISTRATION REFORM STRATEGY IN THE REPUBLIC OF SERBIA**

*(“Official Gazette of RS”, no. 9 of 30 January 2014, 42 of 23 April 2014 – correction,  
54 od July 13 2018)*

### **I. INTRODUCTION**

The Public Administration Reform is a continuing process and represents the critical prerequisite for the effective implementation of reform principles and objectives in all segments of society, particularly under present circumstances.

The 2004 Public Administration Reform Strategy of the Republic of Serbia (hereinafter: the PAR Strategy), relying on the EU principles of good governance, basically represents the onset of the regeneration of this segment of Public Administration, and partly the local government as well. Aside from the present circumstances, the PAR Strategy took into consideration the basic objectives and principles of the reform, the key areas of the reform and their management.

The implementation of the PAR Strategy has been supported by the adopted Action Plans for the periods 2004-2008 and 2009-2012, while the achievements, particularly those related to the establishment of the legislation framework, ensured the legal prerequisites of further promotion and guidance of development and improvement of the public administration system.

#### **I.A Implementation Activities of the Republic of Serbia Public administration Reform Strategy (2004)**

The implementation period of the PAR Strategy (2004 - 2013) chiefly managed to achieve the major goal, that is, to ensure the requisite legal framework enabling the functioning of the public administration and local government systems. A number of regulations have been adopted, providing guidance for further changes. The Government adopted a range of strategic documents referring to the reform process, such as the *National Program for Integration (NPI)*, *National Program for Adoption of EU Acquis (2013–2016)*, *Strategy for Professional Development of Civil Servants*, and *Regulatory Reform Strategy of the Republic of Serbia*.

Nevertheless, the PA reform is not merely restricted to the adoption of a number of laws and other regulations and public policies: it is also related to their implementation, which will be the primary concern of the forthcoming reform activities, along with further harmonization of the existing legislation with the EU regulations.

The institutional framework for the coordination of the reform implementation, defined by the PAR Strategy, has not been fully effective in the past period. The major reasons for this are the relative inactivity of the Public Administration Reform Council and insufficiently developed capacities of the Ministry responsible for the public administration affairs.

## **Decentralization**

The reform measures aimed at decentralization have been implemented in certain areas and on certain issues which the government considered to be the priorities (such as the public finance), leaving significant room for improvement and systemic implementation of more comprehensive decentralization

To establish an effective mechanism for coordination of the decentralization process, the Government established the National Council for Decentralization of the Republic of Serbia and entrusted to it the development of the Republic of Serbia Strategy of Decentralisation. In October 2013, the Council was reconstituted and its role in the development was redefined in the Strategy implementation process. It is expected that these changes and the strengthening of the Council, affect the intensification process of the Republic of Serbia Strategy of Decentralization.

The planned changes to legal solutions in this field were predominantly achieved according to the plan, constituting a solid foundation of standards for further developments in this area. The local self-government units (hereinafter: the "LSU") include municipalities, towns, cities and the city of Belgrade, whose territorial organization has been regulated by the Law on Territorial Organization of the Republic of Serbia. The status of the city of Belgrade, as the separate LSU has been regulated by the Law on the Capital City.

The Law on Local Self-government assigned some of the significant responsibilities to LSUs to become their principal activities. Also, the laws regulating specific areas, entrusted some important operations under the responsibility of the Republic of Serbia to all LSUs (occasionally, differentiating between municipalities, towns, cities and the city of Belgrade). In some local self-governments, due to an insufficient number of employees, or lack of knowledge and skills, lack of equipment or funds, some operations have not been fully implemented or failed to satisfy the desired quality.

The Law on Amendments to the Law on Financing the Local Self-government was adopted, whereby the distribution of tax on wages and transfer allocations per individual LSGs were changed.

A significant boost to the decentralization process was given by the adoption of the Law on Public Ownership, introducing the possibility for the LSUs to acquire and register their ownership right over real property they had been actively using, and thus be able to dispose with the acquired property autonomously and help improve the local socio-economic environment (such as, by way of a public private partnership). However, the quality management of acquired property will be a challenge with respect to the administration and financial affairs, particularly in smaller municipalities.

The Municipal Police Law was adopted, regulating the formation of the municipal police in towns, cities and the city of Belgrade. It is responsible for the communal order,

environmental protection, people and property, keeping order in the use of land, premises, local roads, streets and public buildings. Thus, in addition to having the standardization activities decentralized, some executive powers of the cities will also strengthen, which is necessary for the successful implementation of decisions falling under the scope of principal LSU activities.

A number of activities aimed at capacity building in LSUs were performed in this period. The functional analyses were conducted in the selected JLSs, based on which the standardized organization models for city and municipal administrations were developed, depending on their status and size, as well as guidelines for the human resources management and the work process in the administration.

### **Professionalization and depolitization**

Some results in this area were planned to be achieved by improving the public service systems at the central and local levels, together with the systemic professional development of employees. The Law on Public Services was adopted, introducing the public service system based on depolitization and professionalization principles, and the model of promotion and merit system. The Law on Public Servants regulates the equal treatment of civil servants and employees. The special labour and legal regime related to civil servants, applies to persons whose jobs fall under the scope of public administration, courts, Public Prosecutor's offices, Public Attorney's Office, National Parliament Services, President of the Republic, Government, Constitutional Court and the agencies of authorities whose members are appointed by the National Parliament or their related general legal, IT, material and financial, accounting and administration operations. The employees are the persons whose jobs involve the supporting, assistance and technical activities within a state authority and by rule, these jobs are regulated by the general labour law. The Law on Civil Servants also does not apply to members of the parliament, President of the Republic, judges of the Constitutional Court, members of the Government, judges, public prosecutors, deputies of public prosecutors and other persons elected to those functions by the National Parliament or appointed by the Government and the persons having the status of officials, by virtue of special regulations.

The Law on Civil Servants has been renewed several times. A particularly important amendment was the introduction of a special quarterly evaluation of performance and fulfilment of the set goals, with the integrated evaluation provided annually. Also, some significant changes refer to the competition procedure conducted by the public administration bodies. The subordinate legislation was additionally adopted as a support of the implementation of this law. Future amendments to the Law on Civil Servants will regulate a new system of professional development, to comply with the Strategy for Professional Development of Civil Servants in the Republic of Serbia and the Action Plan for the Strategy for Professional Development of Civil Servants in the Republic of Serbia in the period 2013–2015, along with some specific issues necessary for more efficient performance and functioning of the public administration authorities and capacity building of the public service system.

The draft Law on employees in Autonomous Provinces and Local Self-government units was prepared, whereby the labour and legal status of these entities was harmonized with the solutions provided by the Law on Civil Servants, following the principles of the civil service rights, in particular the merit principle in hiring and promotion processes,

concurrently taking into consideration the specificities of Autonomous Provinces and LSUs. These new legal solutions will bring along significant changes in the field of career development, promotions and professional development of employees in Autonomous Provinces and LSUs.

The “Strategy for Professional Development of Civil Servants in the Republic of Serbia” was adopted, providing support in view of professional development requirements. This document also provided the foundation of the Central National Institution that would perform activities related to the professional development of civil servants, while the Ministry responsible for the public administration activities involving the professional development of civil servants, would be in charge of performing operations concerning the preparation, establishment and monitoring of the implementation of professional development programme for civil servants and of managing the Strategy implementation process.

Furthermore, the adoption of the Strategy for Professional Development of Employees in Local Self-government units is planned in January 2014, including the Action Plan for the period 2014–2016; together with the Law on Employees in Autonomous Provinces and Local Self-government Units, this will provide the establishment of a unique professional development system for LSU employees. This document takes into consideration the specificities of public authorities, chiefly with regard to differences between general and individual professional development programmes and specific needs of LSUs acting as separate employers.

### **Rationalization**

The rationalization of public administration is an on-going process in the Republic of Serbia. However, certain activities have not been implemented fully in accordance with the substance of rationalization, which is the elimination of unnecessary jobs, simplifying the procedures, reducing the number of employees that are no longer required and other cost savings, without diminishing the effectiveness and efficiency of administration activities. Linear cutting of the number of civil servants has been carried out, first in courts and public prosecutor's offices and then in all public administration bodies in respective percentages, but without any preliminary analysis of the requirement for performing certain tasks or their scope, overlapping or duplication of work, analysis of the work methods or options for their modernization. Such approach resulted in retaining certain bodies or keeping an excess number of employees in some bodies, while reducing the number of employees in some other, without a justified excuse, even though their number should have been increased, considering the additional responsibilities or workload. Moreover, in some cases, the automatic increase or decrease in the number of employees was not the appropriate solution, instead of which, their professional reorientation or acquiring new knowledge and skills could have been considered. The "rationalization" consequentially ended up with the recruitment of new employees that even exceeded the number of those who had been made redundant. Finally, this brought up the problem of a poor depolitization advancement, which led to hiring certain party members without any real need for the number or structure of the hired civil servants.

### **Coordination of public policies**

A range of planned activities were carried out, but only as the starting point for further developments and enhancement of the process of shaping, implementing and monitoring the effects of the Government's public policies. Guidelines for drafting the strategic documents were prepared in the reporting period, serving as recommendations; the analysis of strategic documents of the Republic of Serbia was conducted with draft recommendations for the enhancement of strategic framework; the uniform Information System was introduced for data collection to be used for generating the program and the reports on the work of the Government, accessible on the web portal of the General Secretariat of the Government; the Rules of Procedure of the Government were amended, to comply with the introduction of Information System, etc. the General Secretariat of the Government prepared the draft "*Methodology of Integrated Planning System for Public Policies in the Republic of Serbia*".

The segment of planning has still not been legally regulated in an appropriate manner. The first analysis was prepared together with the proposed legal framework for this area within the IPA Project "Support to Public Administration Reform".

The Department of Planning, Monitoring and Policy Coordination and Activities related to EU Integration Process was formed in the General Secretariat of the Government, tasked with performing new responsibilities having particular significance for the Public Administration Reform. The Government also formed the Public Administration Reform Council. The Prime Minister was appointed as the Chair of the Council by the Decision on forming the Public Administration Reform Council, while the Minister of Justice and State Administration was appointed as the Vice-Chair of the Council, the appointed members of the Council being the Minister of Finance, Minister without portfolio responsible for European Integration, General Secretary of the Government and the Director of the Republic Secretariat for Legislation.

The legal and institutional framework for public finance management was established, largely operating in conformity with the EU and international standards. Each year, the Government adopted the *Fiscal Strategy* for the next three budget years, defining the macroeconomic and fiscal framework, debt management strategy and structural reforms of the economy and the public sector, the priority areas of financing and mid-term expenditure framework, including the comprehensible fiscal rules.

The management of EU Funds was significantly improved in the past period. Appropriate organizational unit was established to enable the decentralized management (DIS – "Decentralised Implementation System"). The training of civil servants assigned to work within this system has been continuingly delivered, and its accreditation is expected soon as the precondition for its adoption.

The implemented activities were only the beginning of planning, development, coordination and monitoring of public policies, with many upcoming activities, whose success will depend on the Government program, work plans of the ministries, including the HR capacities and allocated funds

### **Control Mechanisms**

All the planned activities in this area were predominantly carried out. A number of achievements were reported with respect to the improvement of control mechanisms.

The Law on Administrative Inspection was adopted, regulating the competencies, position and powers of administrative inspection, grouping of operations according to their substance and subject of supervision and providing the details thereof. A body was formed in conformity with this law, within the Ministry responsible for public administration operations – the Administrative Inspectorate.

The Constitutional Court was instituted, whose internal organization and work had been governed by the Law on Organization of Court, Law on Judges and Court Rules of Procedure. The institution of the Administrative Court and adoption of the new Administrative Disputes Act significantly changed the model of administrative disputes. The fair trial principle was introduced, the subject matter in administrative disputes was extended, the oral hearing was introduced as a rule, the instance of using the full jurisdiction dispute was defined, the Administrative Court was empowered to decide on suspensive effect of a suit etc.

Independent regulatory bodies were founded and they function as the part of permanent administrative establishment performing the control of legal and proper work of the administration.

The Office of the Ombudsman continued to function effectively and improved its availability to interested parties. The number of complaints from citizens has increased, with most of the complaints referring to violations conducted in the work of the administration. The capacities of the Office have improved due to a number of staff training in handling the complaints, IT development and the implementation of public awareness campaigns to promote the importance of the work of an Ombudsman. The Office prepared the Code of Good Governance, which the Ombudsman submitted to the Parliament for approval. It represents the "general framework of proper administrative conduct (good governance) for public authorities and civil servants, which includes professional standards and ethical codes of conduct in discharging official duties and establishing communication with citizens".

The Commissioner for Information of Public Importance and Personal Data Protection has a proactive approach to discharging his duties. There have been certain improvements in standardizing and implementing the regulations allowing access to information of public importance. The capacities of the Commissioner's Office have been improved.

The legal framework in the field of planning, recording and implementing more transparent public procurement procedures conducted by state authorities and public-private partnerships (hereinafter: the PPP) was upgraded. Providing of consultancy services to contracting authorities and preparation of the model of decisions and other documents presented by the contracting authority in the public procurement procedure, fall under the scope of the Public Procurement Office. Defining of requirements and the method of organizing and taking examinations for acquiring of certificates for public procurement assistants is in progress. The Republic Commission for Protection of Rights in Public Procurement Procedures, as the second instance authority in the control procedure, significantly strengthened its administrative and executive capacities, and received additional responsibility to decide on complaints with respect to assigning the PPP and concessions.

In respect with control mechanisms, the subordinate legislation on internal audit in financial management and control were additionally harmonized with international standards, while the Central Harmonization Unit continued with providing directions for technical activities, in particular the training and issuing of certificates for the internal audit. The State Audit Institution (SAI) continued with gradual capacity building. After four years of operation, the SAI is still developing, considering the future expansion of the audit scope and the initiation of audits of operational effectiveness.

### **Modernization of Public Administration**

Several key organic laws were enacted in the projected period, regulating this issue – the Law on Electronic Signature Law, Electronic Document Act, Electronic Communications Act and Law on acknowledging the Convention for the Protection of Individuals with regard to Automatic Processing of Personal Data. Additionally, the development strategies were adopted in this field, the critical ones among them being: the Information Society Development Strategy in the Republic of Serbia for the period 2009-2013, Strategy on Development of E-Government in the Republic of Serbia, in the period 2009-2013 and the Information Society Development Strategy in the Republic of Serbia by 2020.

Also, a set of special laws was adopted, contributing to the introduction of information technologies in the work of the state authorities, at the central and local levels and to building and ensuring electronic accessibility of different services to citizens and the business community, such as, the Law on Electronic Commerce, Law on Companies, Law on Unified Register of Voters, Law on Registration Books and other.

Special Work Group was formed, tasked with establishing the legal framework for the e-government development. The crucial outcome of their work was the adoption of the Regulation on Electronic Office Operations of the PA bodies and Instructions on Electronic Office Operations.

Furthermore, the analysis of the legal framework of e-government development was conducted and main gaps in the legislation were identified, and their improvement and harmonization is expected in the future period. This is particularly expected after the adoption of the Law on General Administrative Procedure, whose draft was presented to the National Parliament for discussion and adoption, bearing in mind that it brings in essential novelties with respect to e-government, in keeping with the best management practise.

The majority of planned activities in the reporting period were finalized in respect with the official records and registers kept for the entire Republic.

The Law on Unified Register of Voters introduced a unified register of votes, constituting the public document for maintaining unified records of the Republic of Serbia citizens having the voting rights. The Register of Voters is kept in the form of an electronic database and it is updated applying the integral methodology of the Ministry responsible for administrative operations.

Within the time limit set forth by the Law on Registration Books, the Central System for Electronic Processing and Storing of Data and Keeping the second copy of Registration Books was established, while the municipalities, towns, cities and the City of Belgrade entrusted with maintaining the Registers, are obliged to migrate all the data from the

Registers into the electronic form by 2014, and deliver them to the Ministry responsible for the public administration where they will be kept. This system, among other, enabled the issuance of excerpts from the Registers, regardless of the subject-matter jurisdiction of an authority maintaining the Register from which the public document is to be issued. The prerequisites for full implementation of the Real Estate Cadastre, Unique Address Book and National Spatial Data Infrastructure, have not been provided yet.

Also, the following single centralized electronic databases were established, to include: the Business Registers Agency, the Register of Pledges on Movable Property and Rights, Financial Leasing, Register of Public Media, Register of Associations, Register of Foreign Associations, Register of measures and incentives for regional development, Register of Chambers, Tourism Register, Registry of Financial Statements and information on solvency of legal entities and entrepreneurs, Registry of bankruptcy estates, Register of Legacies and Foundations, Register of Representative Offices of Foreign Legacies and Foundations, Register of associations and societies in the field of sports , Registry of injunctions, etc.

Key activities for the development of e-government is the adoption of the National Interoperability Framework aiming at setting the standards and best practises with regard to data exchange between PA bodies, and increasing efficiency of the public sector by enhancing the quality of services at the local and national levels and subsequently, in compliance with EU legislation, at a cross-border level, that will be beneficial for citizens and businesses and increase the competitiveness in the country.

In respect with e-services, out of the basic EU sets of 12+8 services, three have not been realized yet, while the majority of realized ones is at the level 2 or 3, according to the EU metrics.

The Public Procurement is operable and the new Public Procurement Law introduced the obligation that all the authorities conduct the high-value public procurements using the Portal.

## **I B Reasons for developing the PAR Strategy in the Republic of Serbia**

The Public Administration Reform Strategy in the Republic of Serbia (hereinafter: the PAR Strategy) ensures the continuance of initiated reform activities, extending them to the public administration system as well. The key reason for extending the scope of the Strategy from the state to public administration primarily lies in the requirement of ensuring the functional unity and standard quality of activities discharging specific types of administrative operations and public authorities, irrespective of the entities that perform them (bodies, organizations, institutions).

Specifically, the subjects having different statuses, organizational forms and/or areas of activity, perform the duties as their core activities or delegated tasks, based on the territorial, functional and personal decentralization and de-concentration (delegation) of administrative duties, or based on the public authority. This is done in order to provide highly specialized knowledge and skills, essential for an effective and efficient performance of these tasks, providing some degree of independence or increased autonomy in their execution, making them accessible at the locations, to citizens or legal entities for whom they are performed and to reduce the cost of operations, reduce the workload of some public administration bodies, etc.



Additionally, the public administration bodies are entrusted the duties for which they have general and special powers of a supervisory body; they monitor and identify the state of affairs falling under their responsibilities, study the consequences of identified statuses, and depending on their authority, either take appropriate actions by themselves or propose to the Government to pass the regulations and take measures within their powers.

In respect with its organization, the public administration consists of the public administration authorities (ministries, administrative bodies within the ministries and special organizations) and other state authorities performing administrative duties and public authorities. This includes the bodies of Autonomous Provinces and local self-governments, which, regardless of whether they perform their duties as their core or delegated activities, essentially perform the same duties as the state or public administration authorities, only in smaller territorial units, with different type of funding and the level of control. The same applies to public agencies regardless of the territorial units in which they perform their duties. The concept of public administration also includes a variety of independent regulatory bodies with different names, statuses and assignments (commissions, agencies) discharging their administrative duties and public authority either within the core or delegated activities.

The situation is somewhat different when it comes to public services. More specifically, the institutions, public companies and other organizations defined by Law on Public Services, perform activities or tasks that primarily ensure exercising of the rights of citizens and meeting their needs with respect to education, science, culture, physical education, student welfare, health care, social security, child welfare, social security, animal health care, public media, postal and telecommunications traffic, energy, roads, utility services and other areas. However, when the importance of continuous quality and performance of these activities for the benefit of all citizens, economy and society in general, require the delegation of certain public powers (primarily legislative and administrative ones), they are governed by the Strategy, primarily in terms of legal, effective, efficient and economical performance of such public authorities, while the conditions and manner of providing services to relevant entities remain the subject-matter of other strategies and public policies in specific areas (such as health, culture, energy, etc.). Finally, the public administration also includes other legal and natural persons who are or will be entrusted with public authority by virtue of applicable laws (such as the Chamber of Commerce, stock market, notaries, public legal associations, etc.).

The objective of such approach is to lay the foundations of a unique legal regime and the system of standards for performing the public administration operations, to align the system of civil servants and the organization and standardized IT and communication systems, complying with requisite and required specificities with regard to organizing and discharging certain public administration duties.

The PAR process will initiate further enhancement of the public administration system in general, particularly the segments that had not formerly been covered by the appropriate reform process. The reason for this is that the generally adopted standard currently undergoes changes in terms of understanding the position of the public administration in the society, that is, seeing the administration as the service of citizens in general, capable of generating income and offering the required level of services to the citizens.

This phase of reform seeks to upgrade the adopted legal framework and align certain segments of the public administration system with the set principles, the institutional and professional capacity building, and furthermore, link the PAR process with the process of EU integration, in line with the National Program for Adoption of EU Acquis (2013–2016), as one of the key priorities of the Republic of Serbia.

Significant reforms are in progress in different segments of society in the Republic of Serbia, the EU integration being among the crucial ones. Quality decision making, chiefly in respect with the ability of the public administration to fully and consistently apply the adopted regulations and/or public policies in practise, also requires the existence of “administrative capacities” as one of the criteria for the EU accession.

The Government sees the public administration reform and European integration as two interconnected processes. Although there is no appropriate European acquis related to the public administration system in Europe, some EU principles and standards -standards of European administrative law, in particular the European Administrative Space, have been adopted and in place.

The objective of the PAR is to fully incorporate and apply the above principles of European Administrative Space in the national PA system, in order to reach the high goals set by the PAR.

The principles of European Administrative Space will also be reached through the process of EU accession negotiations with Serbia. The Republic of Serbia is starting the negotiations about its membership in the EU and a part of these negotiations will involve the ‘administrative capacities’ of PA that will have to allow for applying the EU acquis. In order to complete the adoption of the EU acquis, public authorities must conform with EU legislation and have the optimal number of employees who will be able to effectively implement the acquis in the national legal system. During the negotiations, the European Commission will evaluate the administrative capacity in almost all areas of public administration in Serbia, after which, Serbia will propose the establishment, filling and upgrading of administrative capacities of individual bodies, to meet the needs of efficient implementation of the EU acquis . After the planning phase, in the course of negotiations, the public administration authorities will gradually strengthen the administrative system in order to enable it to efficiently apply the EU acquis in different areas, by the end of negotiations. Reaching high standards in applying the EU acquis is also complementary to the process of creating an efficient and modern PA system.

## **II GOALS AND PRINCIPLES OF PUBLIC ADMINISTRATION REFORM**

### **II A General Reform Objective**

The general objective of the Reform is to ensure further enhancement of the public administration operations in line with the principles of European Administrative Space that is, to create the high quality services for citizens and businesses, and the public administration in Serbia that will significantly contribute to economic stability and improved living standard of citizens.

### **II B Individual objectives of the Reform**

Individual PAR Strategy objectives include:

- 1) Improvement of organizational and functional sub-systems of PA;
- 2) Introduction of harmonized public service system relying on merits and improvement of HR management;
- 3) enhancement of public finance and public procurement management;
- 4) enhancement of legal certainty and upgrading of business environment and quality of PA services;
- 5) improvement of transparency, ethical and responsible approach in discharging the PA duties.

These objectives define the key standards of the planned reform measures and activities.

## **II C Principles of the Public Administration Reform**

According to some experiences, there are no pre-arranged or standardized solutions for having the successful public administration reform. There are some similarities with regard to the objectives and methods of the reforms, but each country has to find its own approach. Furthermore, in the EU, there are certain principles and/or standards in the field of public administration and administrative law, including the “best practices “in the operation of the so-called European Administrative Space. Adoption and implementation of these standards and principles constitute a great part of the public administration reform process. It concurrently ensures the specific unification and/or linking of the administrative systems of different European countries – even though the actual circumstances and historical and development models always appear to be completely diverse.

The key principles that the Government policy will rely on in this respect are the same as the principles of the European Administrative Space, and include:

- 1) Reliability and Predictability and/or legal certainty;
- 2) Openness and Transparency of the administrative system and promotion of the participation of citizens and social entities in the work of the PA;
- 3) Accountability of PA bodies;
- 4) Efficiency and Effectiveness.

In addition to the specified European principles that are used as the starting point, any further PAR process in Serbia will rely on the principles that had already been promoted by the PAR Strategy, and these are: decentralization, depolitization, professionalization, rationalization and modernization.

### **Strategic documents of international relevance underlying the Strategy**

The PAR Strategy solutions chiefly rely on the following strategic documents of international relevance:

European partnership in the field of the PAR as one of the mid-term priorities, defines the “continuance of the comprehensive implementation of laws in the civil service and the PA system, carrying out of HR development measures in the civil service system, capacity building in the enactment of public policies and the coordination in the PA...”

In the framework of the Stabilisation and Association Agreement between the EU and the Republic of Serbia, the provision of Article 114 (Chapter VIII - Cooperation policies ) deals

with the public administration, pointing out that the cooperation between the EU and the Republic of Serbia " will aim to ensure the development of efficient and dependable public administration in Serbia , and in particular to support the implementation of the rule of law, the proper functioning of state institutions for the benefit of the entire population in Serbia and the uninterrupted development of relations between the EU and Serbia . Cooperation in this area will chiefly focus on the institutional building, together with the development and implementation of a transparent and unbiased recruitment system, HR management and promotion in the civil service, continuous training and promoting ethics in PA. The cooperation will cover all levels of public administration ..."

The documents relevant for the PAR in the Republic of Serbia are the European Commission Annual Progress Report on Serbia and the Commission Opinion about Serbia's EU membership application, based on which Serbia was granted a candidate status.

### **EU Agenda**

Commitment to EU employment and smart, sustainable, inclusive growth has been presented in the Europe 2020 Strategy. The impact on the PAR sector is prevalingly indirect, but predominantly noticeable in the improved training and education, high-speed broadband Internet access, promotion of social inclusion for the youth and the elderly, as well as ethnic minorities. A range of changes proposed by the Europe 2020 Strategy will require the interaction of strategic sectors and stakeholders (public, private and civil society organizations). The PAR strategy will most directly contribute to achieving the objectives of the Europe 2020 Strategy in terms of improving the business environment and the operation of internal market.

Activities required for further harmonization of legislation have been included in the National Program for Adoption of the Acquis in the period 2013–2016 (NPAA). Even though PAR is not presented as a separate Chapter in NPAA, the PAR Strategy makes reference to the European Administrative Space and the necessity of upgrading the capacities of the public administration is implied, as it is aimed at ensuring successful management of negotiations and the harmonization of legislation. Also, a number of political criteria defined in the structure of NPAA are relevant for the PA, particularly the sections about Constitution, National Parliament, Government and Public Administration. In that respect, NPAA sets forth some key challenges and the major reform actions under way. Several Chapters of the NPAA discuss the modernization of administration and the public finance management.

## **III MEASURES AND ACTIVITIES AIMED AT ACHIEVING SPECIAL OBJECTIVES**

### **III A. ENHANCEMENT OF ORGANIZATIONAL AND FUNCTIONAL SUBSYSTEMS OF PUBLIC ADMINISTRATION**

The public administration should, in the first place, manage the operations and tasks that agencies and organizations accomplish as their role and goals. The required scope and competence will determine the type of organizational form, number of agencies and organizations that need to be established, required knowledge, skills, experience and number of employees, scope and type of resources needed, internal organization and

systematization and the establishment of relations between agencies and organizations within the PA system (cooperation, coordination, hierarchical relationships), as well as with other government and civil society institutions. These aspects were not given the necessary attention by the previous reforms of the (state) administration. Failing to fully cover the scope, duties and tasks as a starting point for the determination of other elements of bodies and organizations within the PA, along with the lack of clear criteria for setting up and selecting the appropriate types of organizational forms, are the crucial reasons for sustaining the bodies and organizations that are not necessary for an effective, proficient and economic performance, with individual bodies and organizations having inadequate staffing structure that is not only either overstaffed or understaffed, but also inadequate in terms of the type, scope and failure to update the existing knowledge and skills. Finally, this affects the allocation and the connections between different operations and tasks and setting up of internal organizational units, and additionally causes the inefficient use of already limited resources.

With respect to the decentralization and de-concentration of the PA operations, in practise, it is not clear whether certain duties should be assigned as the core or delegated scope of activities of the Autonomous Provinces, and/or LSUs. There is also a problem with obtaining a clearly defined financing model for these activities. Also, in respect with the core activities, there is occasionally a need to secure additional sources of revenue for the competent bodies. There is a problem in the administrative district, as the administrative and territorial unit, with the coordination and discharging the de-concentrated assignments by the Government and the coordination and supervision of jobs entrusted to LSUs within the district. Moreover, there is a problem with the vertical and horizontal coordination both within the PA and the Ministries and agencies and other holders of public authority at all levels of PA.

The above deficiencies in the administrative system create vast space for having an arbitrary organization and performance in the PA. Considering that the system of strategic planning and coordination of public policies is also unrefined, that some rules are not followed in practise and that some capacities for strategic planning appear to be insufficient, the consequences are the ineffective, inefficient and costly performance of the PA. This also results in high expenses of the administration and ‘poor’ service offered to the citizens and business community, in particular, high level of legal uncertainty.

### **III A 1. ORGANIZATIONAL AND FUNCTIONAL RESTRUCTURING OF AUTHORITIES, ORGANIZATIONS AND OTHER BODIES DISCHARGING PUBLIC ADMINISTRATION OPERATIONS**

The legal framework of existing territorial, organizational and control subsystem of PA and HRM has been included in the provisions of the Republic of Serbia Constitution, numerous laws and a range of subordinate legislation.

The administration operations in the Republic of Serbia are performed at the following territorial levels: Republic, Autonomous Provinces and Local Self-governments.

The applicable legal framework regulates the types of organizational forms. The bodies and organizations of PA may be classified as PA bodies, Autonomous Province bodies, LSU bodies and other “holders/owners of public authority”, founded or formed applying the

territorial, functional or personnel principles (public agencies, public institutions, independent state authorities and organizations, public enterprises, independent bodies, mandatory social insurance organizations) and other organizations capable of performing public duties (such as: Chambers, associations and notaries and other natural persons entrusted with public administrative powers).

The types of PA bodies have been defined by the Law on Public Administration, and the holders of public authority have been defined by the Constitution and the Law on Public Administration, but the issues related to their functioning and organization have not been regulated by one law.

Ministries, individual administrative authorities within the ministries and some special organizations have been established by the Law on Ministries. A considerable number of administrative authorities within the ministries and some special organizations have been established by special laws regulating specific areas of duties. The Government agencies have been established based on the Regulation on Government Agencies. Public agencies have been formed based on the Law on Public Agencies, and they may be formed at the level of the Republic, Autonomous Province and local self-government. Independent state authorities and organizations have been established by special laws and they are responsible to the National Parliament. Regulatory bodies and independent state authorities and organizations have been formed by special laws and they are responsible to the National Parliament or the Government and their organizational forms are diverse. Public institutions have been formed either in accordance with special laws related to science, education, social welfare etc. or pursuant to the Law on Public Services. Public institutions may be formed at the Republic, Autonomous Province and local levels. Organizations for mandatory social insurance have been formed by special laws. Public enterprises and institutions are formed either pursuant to special laws or in accordance with the provisions of the Law on Public Services. Finally, there is a certain number of other bodies discharging administrative public authority (councils, commissions, centres, coordination bodies etc.) formed pursuant to the laws regulating specific area of policy.

The problems encountered with respect to forming and selecting the organizational form are:

- 1) there is no unique record of bodies or other entities at any criteria (e.g. bodies and other entities that are the holders or owners of public authority, bodies and other entities that are fully or partly financed by the RS budget, that is, Autonomous Provinces and/or LSUs etc.). Certain activities have been undertaken to define the required normative and technical actions to set up the Register of bodies and other entities according to the names of bodies or other entities, bodies conducting supervision, where regulated, legal grounds for their foundation, type of body/other entity, responsibilities laid down by the regulations and the overall headcount;

- 2) considering the lack of unique records of bodies, there is also no unified records of PA employees. Currently, the HRM Service keeps Central HR Records on civil servants and employees in the PA bodies and services of the Government, in accordance with the Law on Civil Servants, while the Ministry of Finance, pursuant to the Law on Budget System, maintains the Register of employees, nominated, appointed and hired persons at the beneficiaries of the Republic of Serbia budget revenue;

- 3) duties and tasks have not been standardized. This is an obstacle for getting a clear picture and match similar and related operations, which is a precondition for providing

the appropriate response to the requirements for founding, selecting organizational forms and identifying the scope of work for PA bodies and organizations;

4) there is no clear or consistent typology of organizational forms, i.e. entities that are to be legally entrusted with administrative public authority. Having a large number of administrative operations and different organizational forms having similar or identical names and different scope and nature of duties and public authorities, does not provide sufficient assurance for a rational and transparent performance of these organizations;

5) there are no precise criteria about the type of organizational forms that should be used within PA or in which cases should they be used, so that to select the most efficient, effective and economic form in each particular case. The offered criteria are still open for interpretations and so far, the creators of policy either used them inadequately or did not use them at all. Consequentially, there are numerous issues regarding the foundation and functioning of different organizational forms in terms of responsibility, transparency, performance management and finance, etc.;

6) bodies and organizations have been formed with inadequate names that do not reflect their actual organizational forms. Thus, in addition to the administrative bodies in the ministries regulated by the Law on Public Administration (administrations, inspectorates and departments) the law also provides other names (such as the agency). The Law on Public Administration sets forth that some special organizations are formed as secretariats and institutes, but the same Law also allows that special organizations have other names (these are the existing agencies and divisions, or even administrations). This creates problems with mixing the organizational forms of the public administration, but also with differentiating them from other organizations assigned with (administrative) public authority (such as public agencies and independent agencies);

7) reasons for having some organizations (such as the public agencies) operate independently from the Government or have a considerable level of autonomy, are not always clear, or why they do not constitute a part of the PA system with a lower level of organizational autonomy or a part of the administration within the ministries. It is also not clear why they are considered to be more economical and efficient than other organizational forms recognized under the PA system;

8) there are obvious differences within supervisory mechanisms applied to the same type of bodies (e.g. supervision over some special organizations is conducted by certain ministries, while this does not apply to other special organizations). The applicable laws provide no clear criteria and reasons for allocating the status of a legal entity. Hence, not all bodies and organizations within the same category have the same status. Finally, considering that the ministries do not have the status of legal entities, it is not clear why the administrative bodies within the ministries or special organizations should have such status (as provided by the Law on Public Administration). This is also contrary to the EU practise, considering that this type of bodies, by rule, do constitute a part of the PA system, and have no legal autonomy;

9) there are some legal gaps concerning the “regulatory bodies”. Although the Constitution sets forth the possibility to legally entrust the public authority to special bodies through which the regulatory function in some areas or activities is performed, this organizational form has not been clearly defined, and no criteria have been set for their foundation;

10) the existing performance management structure within the PA encounters a range of problems with regard to reporting, monitoring, evaluation and undertaking appropriate actions;

11) criteria for cancelling different bodies and organizations in the PA system are rather vague. For this reason, the Government and competent ministries, quite often

without appropriate justification, used their discretionary right to modify or cancel some organizational forms within the PA system.

The ultimate consequence of these problems is having an inexplicably large number of bodies, organizations and authorities within the PA. Moreover, certain number of bodies, organizations and authorities within the PA act in the same area of policy, often with overlapping of competences and duties. All this results in ineffective and inefficient performance of PA, disproportionately large number of employees in some bodies, organizations and authorities, and inadequate use of resources, as well as unnecessarily high expenditures of the PA.

Bearing in mind the above, in the future period, it is above all necessary to establish the legal basis for centralized gathering and maintaining records on organizational forms, operations and employees to determine the type and number of bodies and organizations of the public administration, their responsibilities and staffing (Register of PA bodies and organizations). This should be followed by establishing a single register that would cover all the information necessary to monitor the state of the field and supervise their work and performance, in connection with which the Ministry of Justice and State Administration has already taken certain actions. These data will enable a detailed horizontal, vertical and systemic functional analysis to determine the required PA activities and tasks and help avoid overlapping of responsibilities and also constitute the basis for establishing the optimal work organization and PA bodies and organizations.

In order to establish the transparent and functional system in this field it is necessary to:

1. following the completion of analyses, define the typology of PA bodies and organizations by introducing certain categories of duties and organizational forms using the names of organizational forms having specific characteristics;
2. introduce unique criteria for founding and selecting the organizational forms and conduct systemic control over the process of establishing new organizations in the PA system and delegating of PA duties;
3. consider whether it is necessary that administrative bodies within the Ministry have the status of legal entities.

All the issues should be regulated by adopting new and amending the current laws and other regulations laying down the organization and functioning, as well as monitoring of PA bodies and organizations, applying the unique principles. These laws should:

1. determine the types of bodies and organizations of the PA and the categories of public authority holders that may be entrusted with the PA duties;
2. determine the unique criteria for founding the PA bodies and organizations and the criteria for entrusting the PA duties, including the monitoring and control system for establishing the PA bodies and organizations and entrusting the PA duties;
3. enhance the performance measuring and management system throughout the PA, in each organization and for the staff, through: improvement of strategic planning and programming as the prerequisite for a steady performance management, legal setting of standards and more clear defining of obligations of PA bodies and organizations with respect to the presentation of annual and interim reports to supervisory bodies, refining the method for defining the performance indicators and laying down the legal sanctions in the case of non-compliance;
4. set forth the separation of development and other executive agencies from independent regulatory and similar bodies. The criteria for forming the executive agencies conducting similar tasks as some bodies within the Ministries, may additionally include



certain level of professionalism, continuity in the organizational management, separation from direct political responsibility and the status of legal entity, as the precondition for reaching the desirable level of efficiency, effectiveness and quality;

5. consider extending the legislative coverage of public agencies to include regulatory bodies and independent public authorities and organizations and similar bodies, that should be established when an effective and independent management and supervision are required in certain areas, in compliance with the EU regulations and standards.

### **III A 2. ENHANCEMENT OF DECENTRALIZATION AND DE-CONCENTRATION OF PA ACTIVITIES**

The Law on Public Administration essentially provided a sound basis for the PA activities. According to some estimates, a large number of PA activities are performed by the Local Self-government units, i.e. Autonomous Provinces and PA bodies and organizations formed or established applying the functional and personnel principles. The specified organizational forms do not fall under the proper PA organizational system, but they are functionally closely connected to them.

However, practical performance of each category of PA activities showed certain deficiencies. Taking into account the problems in connection with rendering the core and delegated scope of activities, the detailed analyses of the situation regarding the de-concentrated and decentralized operations of the Republic of Serbia PA and best practices of states in this field, should be conducted; the analyses would be used to determine the principal course of decentralization and/or de-concentration of the PA activities. The purpose of decentralization and/or de-concentration process is not to simply revoke the powers from central authorities and transfer the competencies. This process will be effective only if it ensures a quality fulfilment of daily needs of the citizens, which are most accurately recognized by those bodies that are the closest to the citizens.

#### **Territorial decentralization and de-concentration**

Appropriate law may relocate individual activities based on a territorial principle, at the level of administrative districts or they could be legally defined as core or delegated scope of activities of PA bodies within the provincial autonomy and/or local self-government. The idea of territorial relocation predominantly involves getting the administrative decision making process and administrative services closer to citizens, and/or to other parties in administrative processes, and to enable a two-instance administrative decision-making process.

#### **Administrative districts**

The Regulation on Administrative Districts in the Republic of Serbia has set forth the administrative districts and their names, regions and seats. The PA body which decides to perform the PA activities within the administrative district will form its own district regional unit. The administrative district will have its Head who will be accountable to the Ministry responsible for the administration affairs and to the Government. The administrative district has its Administrative District Council, tasked, among other, with maintaining the relationship between district regional units of the PA and the municipalities, towns and cities within the administrative district territory.

So far, a number of problems have appeared in practise, due to the inadequate coordination of operations at the level of administrative districts. This is the consequence of the defined status of the administrative district Head, his/her duties and tasks and the fact that district regional units are primarily oriented towards the administrative authorities within which they exist. This is the reason for having an inadequate coordination between PA bodies who relocated their activities and LSUs from the administrative district territory. More specifically, the authority of the Head have been narrowed down to managing the professional service of the administrative district, while the civil servants have been relocated, working at administrative districts answerable to the republic bodies where they are employed.

### **Provincial autonomy and local self-government**

The Republic of Serbia Constitution sets forth the right of citizens to the autonomous provinces and local self-government. According to the Law on Territorial Organization of the Republic of Serbia, the territorial organization of RS comprises municipalities, towns and the city of Belgrade, as territorial units where the local self-government is exercised together with autonomous provinces as the form of territorial autonomy.

The provincial administration is established by the decision of the Autonomous Province Assembly, also regulating its organization and activities. The types of provincial administrative bodies include the provincial secretariats, formed to cover specific administrative segments, managed by the provincial secretaries concurrently acting as members of the autonomous province executive body. Additionally, the provincial administration organizations, public and professional services can be established.

The Law on Local Self-government has comprehensively and systematically regulated the matters important for the work of local self-governments. The system is principally aligned with the ratified *European Charter of Local Self-Government*. A significant number of original competencies of local self-governments have been identified (hereinafter: the LSU), enabling the implementation of decentralization. LSUs have new economic function, to adopt the programs and implement the local economic development projects, and to take care of improving the general framework for generating revenue within local communities.

The Law on Local Self-government has laid down the same original competencies for cities and municipalities, while some special laws defined the competencies designated for cities, only (such as the municipal police). Aside from the original competencies, there has been an expansion of delegated duties. City municipalities may exist within the LSUs (in the cities) and some forms of local government offices (in cities, towns and municipalities). City municipalities do not have the status of LSUs, in spite of having the similar structure of bodies and the electoral process.

The Law on the Capital City defined the status of Belgrade for the first time. It has broader competencies than other LSUs, while its scope of activities allows for further expansion in the form of special laws passed in different areas.

Despite the fact that the local self-government system reform conducted so far generally ranks among more successful ones compared to other fields, it should be noted that

certain actions and measures have not given the expected results or failed to be finalized.

When drafting the Strategy, regulations and taking other measures and actions in this field, certain weaknesses in the functioning of the provincial autonomy and local self-government bodies should be considered, in particular: (1) certain sectorial laws do not clearly define whether some of the activities fall under the core or delegated scope of activities of these bodies; (2) system of financing hasn't acquired the traits of stability and sufficient predictability, yet; (3) defining new core and delegated activities has not been conducted appropriately at all times, or failed to be accompanied with ensuring appropriate financial, HR and other resources in all cases; (4) compliance with the law by these authorities is not adequately ensured at all times, and/or it has not been sufficiently unified and monitored, nor adequate in terms of legitimate expectations of the clients; (5) consultations with these authorities when passing the laws and subordinate legislation related to the autonomous province and/or local self-government when passing the laws has been inadequately organized and often formal and sporadic; (6) there are some notable differences in the capacities of individual local authorities; (7) negative effect of prevailing monotype system of local self-governments; (8) insufficient expertise of municipal and/or city council to pass decisions in the second-instance procedures upon appeals to the first-instance decisions of the local self-government bodies (9) inter-municipal cooperation is usually operable only when there are sufficient funds for their work (such as donations); (10) in practice, the supervision of PA bodies over LSU bodies and autonomous provinces is prevailingly conducted a posteriori, relying on correcting mistakes when the problem has already occurred. There isn't any system of regulated relationships enabling the cooperation and preventive actions. The reason for this is the lack of awareness about the need for such function and inadequate capacities of public authorities and inability of territorial and political units to accept such kind of supervision.

To determine the scope of desired decentralization, the vision and strategy of institutional development of all levels of public governance should be determined, and economic, legal, cultural, social, traditional grounds of decentralization should be identified and the objectives of decentralization should be defined. The decentralization policy will be elaborated by the Decentralization Strategy of the Republic of Serbia. The basic principles of this Strategy rely on the set objectives of the Republic of Serbia to ensure more rational and efficient performance of public authority, strengthening of civil participation in their performance and other principles of European Charter of Local Self-government. The decentralization, its scope and implementation agenda will aim at achieving the balanced regional development and higher level of democratization in the Republic of Serbia.

There is a need for discharging a wider scope of activities relevant for the majority of citizens and/or LSUs (such as, inspection control, preparation of joint projects) to ensure their coordinated and effective performance. To this end, the possibility of redefining the position of districts and capacity building should be considered. Also, it is necessary to reconsider the status of Heads of administrative districts, so as to enable a more effective and efficient performance of duties within the district.

Aside from these strategic and structural interventions to handle the specified problems, the laws regulating individual areas should define activities to be performed by bodies of autonomous province and/or LSUs as either core or delegated activities. To prevent any decline in the quality of performed activities classified as core or delegated scope of activities, the explanations of laws laying down new responsibilities for the bodies of

autonomous province and/or LSUs should determine whether the capacities for discharging such responsibilities are in place. Another option is to add transitional and final provisions to the law, to regulate conditions that the specified bodies are obliged to fulfil in order to be able to undertake these activities or to determine the deadline after which they would be able to take over such activities. The solutions would depend on the workload, or whether they are being transferred or entrusted to all or only individual LSUs. In this respect, it is necessary to ensure conditions for discharging the entrusted duties in accordance with the regulated standards. In addition to the general responsibility of bodies of the Republic of Serbia to discharge the delegated duties, this issue becomes particularly significant in view of European integration process and the obligation to ensure the standardized performance of particular duties.

In respect with the enhancement of LSUs, the relationship between LSUs and local government offices, supervision over the performance of public services at the level of LSUs and inter-municipal cooperation, particular amendments need to be introduced to the Law on Local Self-government.

Sustainable and regular financing of LSU activities has to be ensured.

Further development of municipal police would encourage the introduction of legal options to have such service introduced in municipalities as well, using the model of inter-municipal cooperation (cooperation between towns and cities). Also, it is necessary to provide a more clear distinction between the powers of municipal police and the police service authority.

The method of problem resolving needs to be discussed with regard to the inadequate expertise of municipal and/or city councils to decide in second-instance administrative procedures.

Where the inter-municipal cooperation is the precondition for the quality performance of duties, a possibility of having such cooperation legally defined as mandatory, should be considered.

A more detailed regulation of the position of local government offices should be ensured, in order to increase the feeling of loyalty of citizens to the local community and their motivation to participate in the decision-making process.

### **Regional development**

The Constitution regulated the obligation of the state to take care of a uniform regional and sustainable development, in accordance with the law and to regulate and ensure the development of the Republic of Serbia, policy and measures to promote the balanced development of certain parts of Serbia, including the development of underdeveloped regions.

The Law on Regional Development and subordinate legislation significantly contributed to the regional development.

The region has been defined as the statistically functional territorial whole comprising one or more districts established to ensure the planning and implementation of the regional development policy in line with the nomenclature of the statistical territorial units at the level (NUTS 2). It is not the administrative territorial unit and has no legal status of an entity. The law defines five regions operating as economic and development and statistical and functional territorial units. These regions correspond to the level of

NUTS 2 while the districts correspond to the level NUTS 3. They have been devised as adequate statistical framework for carrying out the European regional policy.

The development of the *National Regional Development Plan* and Regional Development Strategies is under way. These documents will help create the basic development priorities of the regional development of the Republic and the region, to support handling the growing inter-regional and intra-regional differences. In parallel to this, efforts will be made to improve the legal framework through the amendments to the Law on Regional Development. Key principles on which the regional development policy of Serbia will rely on, are partnership, subsidiarity, synchronization, strategic planning and concentration.

Development of comprehensive regional development policy and capacity building of entities defined by the Law on Regional Development, represent a complex and long process requiring the strategic planning, synchronization and involvement of all actors, as well as the sectorial approach in its implementation.

By adopting the “National Regional Development Plan” in the next period, a number of ministries and national institutions will be connected with socio-economic actors and institutions at the national level, and in a coordinated, long-term, two-directional way at other levels, with the objective to reduce the differences between the regions and ensuring the balanced development of all regions in Serbia.

Efficient implementation of regional development policy will depend on capacity building of regional development actors and developed legislation framework supporting the vertical and horizontal partnership institutions.

In this field, it will be particularly important to achieve the following objectives:

- 1) further upgrading of regulations promoting the regional development in support of the overall socio-economic sustainable development;
- 2) defining the role of regional development in the process of planning, creating, coordination and conducting the public policies;
- 3) further enhancement of cooperation and strengthening the regional development capacities at all levels;
- 4) improving the efficiency and effectiveness of the regional development financing system.

#### **Functional and personnel decentralization and de-concentration of administrative duties**

Republic of Serbia, autonomous province and LSU may delegate administrative duties from their scope to PA bodies and organizations, according to the functional or personnel principles.

In current legal systems, the crucial organizational forms of these entities are public agencies, public funds and public services, as well as other agents of PA operations. The purpose of such delegation of duties is the improved cost-effectiveness, with keeping those duties and responsibilities that may rightfully remain under the auspices of the public administration structures.

Republic of Serbia does not have all the above types of organizational forms, for example, the public funds, although some organizational forms have the word 'fund' in their names. Similarly, the term 'public agency' is erroneously used in the legal system of Serbia for organizational forms having completely different statuses.

In the comparable systems, the public funds may be founded by the state or territorial and political unit, for the purpose of achieving the public interest in a certain field. They form the public property having specific designation.

At present, there are several types of organizations functioning in the legal system of Serbia, having the term 'fund' in their name. They are, first of all the funds having the status of organizations for mandatory social insurance (the Republic Fund for Health Insurance, founded in accordance with the Law on Health Insurance, Republic Fund for Pension and Disability Insurance, and the Military Social Security Fund). These funds have the status of legal entities.

Special laws also laid down the foundation of the Development Fund, operating under the regulations on joint-stock companies or the Fund for Innovation Activities that may also change its legal form into the joint-stock company where decided so by the Managing Board of the Fund, upon the approval by the Government.

Funds having the status of legal entities can be found at the level of the autonomous province and local self-government (such as the autonomous province or local development funds).

Also, the Law on Budget System recognizes the category of budget funds, being the evidentiary accounts kept within the Treasury ledger opened in accordance with the decision of the Government or an executive local authority, to ensure that individual budget receipts and expenditures are managed separately, with the purpose of reaching the objective of the republic local regulations or an international agreement. The regulation establishing the budget fund defines its purpose, period to which it will be founded, body responsible for managing the fund and finance sources. In practise, there is often a problem of treating these funds as separate legal entities having full management structure, instead of functioning as an evidentiary account.

The legal system of the Republic of Serbia recognizes public agencies. The public agency is independent in its work. The Government has no power to manage the activities of a public agency, or align it with the activities of PA bodies. In practise, the problem with their work is the inconsistent implementation of the Law on Public Agencies and a certain level of inconsistency with incorporating the public law entities bearing the name of 'agencies'.

The Serbian Constitution sets forth that in the interest of more efficient and rational exercising of citizens' rights and duties and satisfying their needs of vital importance for life and work, the Law may stipulate delegation of performing particular public responsibilities to enterprises, institutions, organisations and individuals, specific bodies through which they perform regulatory function in particular fields and activities, and that the Republic, autonomous province and local self-government units may establish public services. The same possibilities are provided by the Law on Local Self-government for municipalities and cities.

The legal system of the Republic of Serbia has regulated the activities of public services by numerous regulations, the most important among them being: Law on Public Services; Law on Public Enterprises; Law on Communal Activities; Law on Public-Private Partnerships and Concessions, and numerous laws regulating administrative affairs.

Laws pertaining to specific scope of operations of public services, regulate the special status of public services, their bodies, relationship to their founder, relationship to subjects using the services and/or work of public services, etc.

In addition to public institutions and public enterprises, special laws may also regulate other forms of public service organizations (such as, social welfare centres etc.).

Instead of establishing the provincial public services, the municipality and/or city may assign some of the public service activities to a legal or natural person by a contract (public service concessions). At present, the majority of public service activities are performed by local public services, while the concessions and public-private partnerships are still not very common in practise.

Currently, the main characteristics of the work of public services are: existence of a number of administrative barriers for the citizens and legal entities of the private law, unconnected systems of public services (fragmented and non-aligned activities of individual public services), utter lack of flexibility in the work and/or operations of these services and unacceptable influence of political parties on the operation of these services.

Moreover, the regulations in this area are often quite obsolete (such as the Law on Public Services and the majority of legal regulations related to the operation of the public service system in individual fields) unclear and not precise enough. In some cases, the regulations do not cover all the relevant aspects of the public service operations in terms of their status and the law – for example, the Law on Public Services fails to systematically regulate the relations between the founders of public services and public service bodies, and public services and users of services provided by public services, the issue of a systemic financing of public services, etc.

At the provincial and local level, the supervision of public enterprises, institutes and organizations is within the scope of activities of the assemblies of municipalities/towns and cities but the method of conducting such supervision has not been regulated in more details by the law or even by the local regulations.

In addition to the specified organizational forms, there are other state/public organizational structures that are being delegated certain administrative public authorities. The most frequent among the aforementioned forms in Serbia are: the Councils (such as the National Education Council and Council for Professional Development and Training of Adults, National Council for Higher Education) or Commissions (such as the Commission for Protection of Competition, Republic Commission for Protection of Rights in Public Procurement Procedures). These structures are formed by special laws, and they have specific legal status, different from previously mentioned organizational forms. In practise, there are certain problems with their functioning and supervision over discharging the public administrative powers delegated to them.

With respect to all previously presented organizational forms, there are already mentioned general problems with an unclear typology, the lack of clear criteria to justify their establishment, or determine the core and delegated duties. In this respect, there is a need to address the issue of the legal status, conducting public administrative authorities, legal employment status of the staff employees and supervision of the organizational forms of functional decentralization or de-concentration. It is necessary to analyse the legal provisions relating to supervision and strengthen the position of the founders of these organizational forms. In addition to the required administrative controls, it is necessary to evaluate the efficiency and effectiveness of performance of these organizational forms based on clear indicators.

The above activities will be performed as a part of activities to be performed in the field of reorganization and functional analysis within the system of PA bodies and organizations, with the possibility to additionally regulate the activities aimed at regulating the legal and employment status of PA staff in a uniform way.

### **III.A.3. IMPROVEMENT OF STRATEGIC PLANNING SYSTEM AND COORDINATION OF PUBLIC POLICIES**

In the implementation phase the PAR Strategy, the text of the Methodology for Integrated System of Public Policy Planning in the Republic of Serbia was prepared, determining the method of defining the work plans of the ministries and special organizations in keeping with the work program of the Government. In particular, the Methodology sets forth the strategic planning process from setting the priorities and objectives of the Government, through strategic planning of PA bodies used as the basis for drafting the Annual Work Plan of the Government, Annual Work Report of the Government etc. At the same time, this Methodology ensures the connectivity of the above mentioned process with the process of program budgeting. Another novelty in this is the early start of both processes and their coordination aimed at achieving the timely adoption of the Work Plan of the Government, so that they are regulated as one integrated process, starting from the phase of strategic planning of priority public policies, through drafting the limits for budget beneficiaries for the three-year period, to planning of annual budgets where all the expenditures will be linked with the objectives of the Government policies.

Concerning the information system, GOP (Annual Operational Planning), that has been introduced and in use since 2008, the activities related to filling in of data are carried out in three phases. The first phase involves the data processing for future programs, projects and activities based on all strategic documents of the Government and international acts whereby Serbia undertook specific commitments, contained in the IS database. In respect with these activities, there is an on-going problem due to the fact that the programs are being defined randomly in most cases, as the consequence of inconsistent compliance with strategic priorities of the Government and its strategic documents, but also the fact that numerous strategic documents referring to the related fields have not been fully harmonized. Moreover, this phase is taking place at the level of PA bodies and it is not visible for other bodies. In the next, particularly important phase, the planned activities of particular PA body should be available to other bodies, enabling them to review the proposed programs and activities relevant for their scope of operations and responsibilities.



This will enable timely coordination and giving suggestions with respect to program restructuring, planning of participation in work groups for drafting of regulations etc. Lastly, in the third phase, the final programs, projects and activities will be defined.

In this field, it is necessary to upgrade the institutional capacities and procedures that will ensure the alignment of mid-term strategies, investment plans and mid-term fiscal frameworks. To this end, it is necessary to adopt the Methodology for Integrated System of Public Policy Planning, harmonize regulations enabling its practical implementation and extend the powers of the General Secretariat and the Ministry of Finance, with regard to the coordination of PA bodies when preparing their annual plans and in terms of monitoring the implementation of defined plans. Increased responsibility for setting up of annual plans and their implementation will be achieved by higher transparency, which will require their publishing.

For the purpose of implementing the measures and activities set forth in the Methodology, it is necessary to build the capacities of all participants in these processes. This includes the preparation and conducting of comprehensive professional development programme for civil servants in the field of strategic planning and/or preparation, coordination, implementation and monitoring of effects of adopted public policies, in particular: defining of public policies/strategies; setting priorities and defining the order of programs, projects and measures based on the calculations of all expenses and benefits expected during their implementation; mid-term budgeting of capital expenditures; defining of action plans for the realization of public policies/strategies adjusted to available financial resources; defining and setting up appropriate indicators and developing the monitoring function; efficient cooperation in prioritizing certain programs, projects and measures.

A relocation of staff within the PA system is also required, together with hiring of necessary officers having appropriate knowledge and skills. This particularly refers to the Department of Planning, Monitoring and Policy Coordination and Activities related to EU Integration Process formed in the General Secretariat of the Government, Budget Department of the Ministry of Finance, SEIO and persons discharging the above duties in the PA bodies. At this point, these jobs within the PA bodies are predominantly performed by persons carrying out technical activities as contact-persons who have no authority to make strategic decisions. It is therefore necessary to appoint persons having the capacity to understand the strategic objectives of the Government and connect them with activity plans of the Ministries.

Regarding the organizational aspect, there should be a synchronized preparation and implementation of work plans at all the levels of public administration. A close cooperation and coordination is particularly required between the General Secretariat of the Government, Ministry of Finance and other PA bodies. Furthermore, the internal coordination between the sectors or other organizational units of PA bodies is necessary, by forming a work group, in order to avoid delivery of unaligned proposals for programs and activities from the same authority (e.g. the Ministry). Finally, there is still a need for establishing or strengthening the function of the strategic and financial planning in all the PA bodies, and their linking with functions/units managing EU integration and coordination of public policies. This should lead to a reduced fragmentation of coordination centres.

Regarding the use of the information system (GOP), setting of priorities is required, which is particularly important considering that the linked process of program budgeting is used to

define funds available for these programs, projects and activities related to the budget, and the donated funds. Moreover, GOP needs to be connected with the IT system of the Treasury and provide a unique thesaurus/classification of activities, the compatibility and interability of these two systems. A part of the program within GOP referring to European integration processes, also needs to be adjusted.

Another significant measure in this area is the monitoring and evaluation of the impact/effects of public policies, as the prerequisite for improving the efficiency and effectiveness of public policies in achieving the objectives. Monitoring and evaluation of the impacts / effects of public policies specifically require capacities for managing and coordination, review and data collection, data analysis and report preparation and for presentation the results of monitoring to policy makers (national/local assembly, Government) and other stakeholders (civil society and the private sector). In this respect, it is necessary to improve the administrative capacity and technical knowledge in the areas of statistics, analysis and projections that are crucial for the development of reliable economic and development policies based on accurate data. Regarding the statistics, this primarily involves national accounts and official statistics of the Government in accordance with the standards of the System of National Accounts and the European System of Accounts, including the statistical reporting on key consolidated economic data and indicators of social development, together with the agriculture and regional development. As regards the analyses and forecasts, the emphasis is on understanding and monitoring the business cycle and analysis of competition, followed by the estimates of short-term and mid-term economic trends, and projections of long-term demographic, social and economic trends.

### **III A 4. DEVELOPMENT OF E-GOVERNMENT**

The implementation of Information and Communication Technologies (ICT) in the PA system should, in addition to increased effectiveness, efficiency and economic benefits within the organizations, primarily focus on providing public services to citizens and legal entities.

During the previous period, several state authorities considerably enhanced their work by implementing the ICT. However, there was almost no coordination with overall objectives of the Government in this field at implementing individual initiatives/reforms. The major agents of development were often the projects that were focused on internal objectives of state authorities, without seeing a wider picture and overall objectives of the Government.

Numerous state authorities in the Republic of Serbia own their ICT infrastructure and connecting of some authorities with the Common Affairs Office is under way. Building of a backbone for the network of state authorities throughout the territory of Serbia hasn't started yet.

According to the most recent amendments to the Law on Ministries, the Ministry of Justice and State Administration has been made responsible for proposing the policies and strategies of e-government development.

E-government is significant for several aspects of PA development. Firstly, this is the introduction and improved quality of maintaining the records, enhanced dependability and freshness of information, interconnectivity and data exchange. It is accordingly important

for strategic planning, shaping of public policies and monitoring of their implementation, easier establishment of facts, monitoring of the flow of cases and keeping records of decisions passed in the course of administrative procedure and inspection controls, monitoring of administrative cases and administrative court case law. Furthermore, the e-government is relevant for keeping records of PA bodies and organizations, staff (including the information about competitions, hiring processes, competencies, knowledge and skills, professional development, promotions, terminations of employment). It is also relevant for various budget aspects: income and expenses, beneficiaries (direct or indirect), wages and earnings of employees.

Major objectives of e-government activities are ensuring the technical support for a quality decision-making in administrations, at all levels of the PA system. Also, the e-government must respond to the needs of citizens for obtaining the accessible, reliable and transparent administrative services. Rendering of services must be adjusted to the needs of citizens and legal entities and not exclusively to the PA. Finally, in developing the e-government, apart from the basic operations, a number of e-services and the adequate support have to be introduced as the precondition for the advancement of Serbia's accession to EU.

There are three basic categories of data kept in the Registers as the basis of the e-government. These are the data about the population, legal entities and property. Any other services and databases have been derived from them. The introduction of e-government seeks to reduce the role of human factor in all the places of managing the procedures, the basic precondition for this being a full incorporation and consolidation of the aforementioned three Registers (in terms of standardizing the data source applying the principle of uniformity). The states having highly developed e-governments have introduced such Registers in the early phase, investing considerable funds.

The Registers of legal entities exist and operate in the Republic of Serbia, while the legal grounds for establishing the Register of Citizens became effective after the adoption of the Law on Amendments to the Law on Ministries, regulating the competencies of the Ministry of Justice and State Administration in respect with the Register of Citizens.

The experience with the collection of data and data exchange was not very rewarding. A great number of state authorities developed the databases about citizens, having the same or similar structure, but containing different data. The burden of collecting data from public records should be transferred from the citizens to the administration.

The major challenges in the field of e-government development are:

- 1) coordination and cooperation between the public administration bodies in the field of e-government development;
- 2) legislation related to the e-government development;
- 3) digitalization and automation of administrative operations and administration and business processes;
- 4) HR capacities (among other, it is necessary to establish the standards for computer literacy among civil servants);
- 5) level of information security in the public administration system.

The Government will ensure a coordinated operation at the national level and the level of individual institutions, including the consistent implementation of key aspects of planning and applying of this process in order to accomplish the most efficient development of e-government. To achieve progress in this field, it is necessary to adopt the Strategy for development of e-Government and appropriate Action Plan for the period 2014-2018, that will set forth the actions that will help reach that objective.

### **III B. ESTABLISHMENT OF ALIGNED PUBLIC AND CIVIL SERVICE SYSTEM BASED ON MERITS AND DEVELOPMENT OF HUMAN RESOURCES MANAGEMENT**

#### **III B.1. INTRODUCTION OF ALIGNED SYSTEM OF EMPLOYMENT AND SALARIES OF PA CIVIL SERVANTS AND EMPLOYEES**

The civil service system has been introduced by the Law on Civil Servants, Law on Salaries of Civil Servants and Employees and the supporting subordinate legislation. The rights and obligations of civil servants that have not been regulated by the Law on Civil Servants or other special laws and/or regulations, will be governed by the general labour regulations and individual Collective Agreements for state authorities. The rights and obligations of state employees are governed by the general labour regulations (Labour Law) Collective Agreement for state authorities, unless the Law on Civil Servants or a special law has provided otherwise.

Employees of autonomous province bodies and LSUs perform the same or similar jobs as civil servants, using the same or similar administrative authority. However, their legal employment status has not been regulated in the same manner as the one of civil servants. For this reason, the alignment with the legal employment status of civil servants is in progress, taking into consideration the specificities arising from special Constitutional and legal status of autonomous province and LSUs.

Legal and labour status of employees in public agencies and other holders of public authority have been regulated by general labour regulations and there is no obligation of applying the principles and provisions of the law regulating the legal and labour status of civil servants. In this respect, in course of hiring process, evaluation, rewarding, termination of employment etc., a lot of space has been provided for discretionary decision making. These persons, by rule, have higher salaries. This is one of the reasons why a considerable number of civil servants leave the PA bodies to be employed in public agencies.

The status of employees of public institutions has been regulated by special laws related to the field within which such institutions are established, while the regime of labour relationship has been subordinately regulated by the Labour Law. The employees in public enterprises are governed by the general regime, with different individual solutions provided by special laws. Employees of public services predominantly do not fall under the special regime of civil servants (or the one applied on employees at the provincial and local levels), but instead, they are regulated by general labour regulations.

Such state is unacceptable considering the requirement for having a systemic regulation governing the PA functions. A solid civil service system applied at all levels requires a harmonized and equal status of PA employees. To handle this, the competent Ministry will prepare appropriate analyses and recommendations to review the requirement for aligning the legal and labour status of employees in entire public administration, with appropriate systemic modifications in all parts of the PA system. To narrow down the space for a discretionary decision-making in respect with employment process, promotion, salaries at PA bodies and organizations that have not clearly defined standards or criteria for the number and structure of employees, measuring of results, supervision procedure etc, the analysis of legal framework regulating the legal and labour status and salary system of PA employees

should be carried out, following which it should be regulated applying the same principles as those that are valid for civil servants, respecting the specificities of jobs performed in such PA bodies and organizations. In this respect, the application of the Law on Civil Servants should be extended to employees in public agencies. Additionally, it is necessary to consider passing a special law to regulate the status of officials.

Total expenditures of employees in the public administration of Serbia, at all levels of authority, account for about 11% of GDP, which is considerably higher (by 3% of GDP) than the average of comparable countries in the Central and East Europe. In view of the population, territory of the state and their auspices, the public administration in Serbia has a significantly higher number of employees than other European countries. The public administrations in EU countries employ 1 per cent of population in average, while in Serbia this percentage is above 8, meaning that high labour expenditures for PA employees is greatly the consequence of inadequate number and structure of employees in the PA. Moreover, high expenditures related to the unemployed is the consequence of inadequate salary and reward system in the PA, that is often being unjust (persons discharging the same duties in different parts of the PA in some cases receive even several times higher or lower salaries) but also inefficient (difference in salaries often does not justly reflect the complexity of performed assignments). According to numerous indicators, the quality of the majority of public goods and services provided by the PA (efficiency of administration, education, health care etc.) is far below the average in EU countries, and often below the average in the countries of Central and East Europe. This points to the necessity of introducing the reform in the salary system of PA employees in the Republic of Serbia, in the way that will ensure the alignment of expenditures for the unemployed with economic capacities of the country, and concurrently help improve:

1) *absolute fairness* – making sure that the basic wages at comparable jobs is equal throughout entire public administration;

2) *relative fairness* – ensuring that the differences in the level of complexity of jobs and required knowledge, reflects the salaries, regardless of having such persons employed in different parts of the PA. This would help avoid the cases of having the employees with lower level of education, performing less complex jobs in one part of the PA have higher salaries than the employees with higher education level, performing more complex jobs in another part of the PA;

3) *efficiency* – ensuring that the salary and reward system is more connected with performance, so that the different level of productivity of employees is adequately reflected on their salaries.

In this respect, the salary and reward system reform represents an essential element of the PA reform aimed at improving the efficiency of its performance, considering that it represents the basic incentive mechanism for employees that will enhance the efficiency and effectiveness of work. Future reform of the salary system will consider the introduction of a limited number of standardized salary grades in the entire PA. the employees of bodies and organizations who are the users of public assets will be classified into the salary grades taking into account: a) scope of responsibility of resources managed by such work organizations, b) complexity of jobs and requirement of creative thinking in discharging the jobs, c) required level of knowledge, skills and length of service, d) degree of required communication with other persons within and outside the institution, and other relevant criteria. The salaries of employees will be determined starting from the basic wages and coefficients designated for each salary grade. Furthermore, this reform will also apply on the reward system based on incentives, rewards, length of service etc. so that the system

will become more transparent and efficient in terms of promoting the productivity and efficiency of employees. In order to achieve these goals, the reform will also be applied on employees of all PA segments. In view of the need to achieve a significant improvement in efficiency of the PA within the relatively short period, the salary system reform will be defined and predominantly applied in the course of 2014.

### **III B.2. DEVELOPMENT AND ENHANCEMENT OF HRM SYSTEM IN PUBLIC ADMINISTRATION**

The current system of HRM development and enhancement in the PA was introduced by the Law on Civil Servants, adopted in 2005, including the planning of hiring, hiring process, analysis and drafting the role profiles, performance assessment and promotions, continuing professional development of civil servants and the use of IT database. This law also laid down the establishment of the HRM Service, tasked with the professional management of human resources in the PA.

However, this is far from having an integrated civil service system and accordingly, the integrated system of HRM in the public administration. By passing the laws governing individual areas of PA, some PA bodies were enabled to 'leave' the system, and thus destabilize the integrity of the system and hamper the performance of certain HRM functions.

Although the HR planning means the planning of staffing according to professional profiles and qualification, in practise, this is applied only on planning the required number of employees, according to the structure of functions, in one budget year.

Hiring in the PA is based on the merit principle. The selection of candidates is made based on the fulfilment of general and special requirements, including the verification of knowledge, skills and professional qualifications of a candidate. However, the requirements and criteria for the selection have not been clearly defined. There is a major problem with hiring for the most responsible managerial positions – functions. As pointed out in the EC Progress Report about Serbia's accession to EU for the year 2013, filling of vacancies at official functions and other managerial positions is a matter of great concern, considering that this is performed in a non-transparent manner and without any competition procedure.

Despite the fact that the depolitization was one of the major objectives of the former PAR Strategy, very little progress was seen in this field. The depolitization process in PA was considerably slowed down on several occasions through the amendments to transitory and final provisions of the Law on Civil Servants, postponing the deadline for the obligatory competition process to be administered for the official functions.

The grading system for civil servants has its weaknesses. The analytical reports about grading have shown the following:

- 1) the trend of high grade inflation – around 80% of graded civil servants obtained the "excellent" and "outstanding" grades. Too high emphasis on the 'administrative function of grading' used for promotions, and a five-scale grading system, 'force' all the actors in the evaluation process to opt for higher grades;
- 2) trend that operational objectives are not brought into correlation with the operational and strategic objectives of the PA bodies. Instead, they represent the list of

operations and activities, whereby the view of the scope and nature of contribution of individuals is lost. Also there is no aspect of improving the performance results, in particular, upgrading the quantity, quality and reduce the time spent for accomplishing certain assignments. Difficulties are particularly encountered with planning and defining of objectives of jobs having lower level of complexity (chiefly with routine jobs, dominated by precisely set methods and techniques of work);

3) the appraisers and the subjects of appraisal have complaints about the subjectivity and biasness in grading, particularly when it comes to the so-called 'other criteria'. The present evaluation system overwhelmingly relies on the information and judgement of only one source.

The Central Human Resources Records (hereinafter: Central HR Records) provided by the Law on Civil Servants, is kept as the information database on civil servants and state employees in PA bodies and Government agencies. In practise, there is a problem of having updated and complete data considering that certain bodies provide their data regularly, while the others do not provide them at all. At this point, there is no adequate method that would ensure that this database is updated and complete.

In view of professional development, as the significant element of HRM, the Government adopted the Professional Development Strategy of Civil Servants in the Republic of Serbia in 2011.

Although in the former period, certain efforts were made to upgrade the capacities of other PA bodies and organizations for discharging the administrative duties, they are still underdeveloped. In some municipalities, the shortage of personnel having university degrees required for discharging some of the key duties has been identified, while even in a greater number of municipalities, and some towns/cities, there is an apparent shortage of competent managerial staff. To overcome these deficiencies, the HR structure of employees needs to be upgraded, along with the process of professional development in autonomous province and local self-government bodies, and also other PA bodies and organizations.

In this respect, the key issue is the introduction of the professional development system for persons employed in these bodies and organizations, particularly with regard to entrusted PA duties. Considering that the Republic of Serbia is responsible for the performance of delegated jobs, to finance them and provide equal quality of these services rendered to all citizens and legal entities, an integrated system for the professional development should be introduced within the Central National Professional Development Institute based on the uniformly defined the professional development programme for the entrusted jobs. This would additionally create conditions for an improved cooperation and coordination of responsible bodies. Finally, this would considerably contribute to cutting the costs of organizing the professional development.

Until the introduction of the integrated professional development system at the same or similar principles, the Professional Development Strategy of Civil Servants in LSUs will be adopted, providing for the improvement of LSU HR capacities for the performance of core and delegated duties.

In addition to the development of the civil service system at the PA level, the appropriate functioning of the PA system requires the alignment and enhancement of HRM in the entire

PA system. One of the key aspects of improving the functions of the PA bodies and organizations is the full implementation of the principle of professionalization.

Considering the above, in the future period, it is necessary to:

- 1) define the course of development for the civil service system in PA, based on unique principles (depolitization, professionalization, merit principle and principle of “same salary for the same job” etc.) by aligning the laws regulating the status of civil servants and employees in different segments of PA, in the degree in which this is feasible;
- 2) finalize the depolitization process for jobs of officials within the PA bodies;
- 3) enhance the HRM system in the PA;
- 4) upgrade the professional development system by introducing the institutional framework and administering measures and activities set forth by the Professional Development Strategy of Civil Servants in the Republic of Serbia and the Action Plan in the period 2013–2015;
- 5) establish legal and institutional framework for professional development of employees in other PA bodies and organizations based on uniformly defined professional development programmes for entrusted duties and define conditions for unifying the professional development process for civil servants in the entire PA system;
- 6) improve the IS system of Central HR Records to offer full support to the development of HR within the public administration;
- 7) ensure interconnectivity and harmonization of the Central HR Records system with the system for salary records maintained by the Treasury Administration. This would ensure that the records of employees are entered in a single database (the Central HR Records) while the Treasury Administration could acquire any required data about the HR records, directly from the Central HR Records.

### **III C. IMPROVEMENT OF PUBLIC FINANCE AND PUBLIC PROCUREMENT MANAGEMENT**

#### **III C.1. IMPROVEMENT OF BUDGET PLANNING AND PREPARATION PROCESS**

The Law on Budget System (hereinafter: the LBS) as the comprehensive framework for the preparation and execution of the Republic of Serbia Budget, local self-government and the preparation and adoption of financial plans of organizations for mandatory and social insurance, regulates the public finance management system that ensures integrity of the budget system and budget objectives.

The Law on Budget System provides for some novelties in the segment of planning, preparation, passing, execution and control of the state budget and the budget of local self-government unit. The law provides the basis for the work of the Treasury Administration and the Fiscal Council, independently evaluating the credibility of fiscal policy from the aspect of compliance with the set fiscal rules, thus ensuring transparency and dependability in its management. It establishes the system of responsibilities and transparency in revenue expenditure, efficient implementation of budget objectives, efficiency, cost-effectiveness and efficiency in the budgeting process, etc. The law also contains the provisions referring to the management of EU development assistance funds and funds for co-financing program of EU development assistance in the context of introducing the System for Decentralized Management of EU Funds (DIS).



The LBS defines the objectives that the budget system needs to achieve, to include the maintenance of overall fiscal discipline and control, allocation and technical/operative efficiency.

To ensure better efficiency in managing the finance, the law also provided for the mandatory three-year disclosure of capital expenditures in the Budget Law. It is accordingly necessary to apply the Methodology for the selection and setting priorities of infrastructure projects as the integral part of the “National Priorities of the Republic of Serbia for International Development Assistance in the period 2014–2017, with the projections until 2012”. In order to have the appropriate systemic monitoring in this field, the preparation of project implementation analyses is also planned, including the measures for the improvement of planning and realization of capital projects.

Given that the Law on Budget System has been aligned with the GFS standards<sup>1</sup> and that it contains provisions relating to the use of EU pre-accession funds and co-financing development programs financed from these funds, it may be concluded that the legal regulation of the Serbian budget system is in compliance with the EU Acquis in this segment, when it comes to the basic budget processes.

Taking into account that the budget process needs to be connected with the strategic planning and implementation of the set public policies, the budgeting process will be defined as the unique process, starting from strategic planning of public policy priorities, through defining the limit for budget beneficiaries in the period of three years and planning the annual budget where all the expenditures are connected with the government policy objectives.

The next level in this process is the introduction of the programme budget<sup>2</sup> instead of the present classical ‘linear’ budget planning. Special Methodology of the program model of the budget will be developed and adopted. The budget will be prepared according to the program model by the beginning of 2015. According to the budget calendar, the budget planning process for the next year starts as early as in February of the current budget year, by having the budget beneficiaries propose their priorities that require funding in the next three years.

Despite the precise, legally prescribed deadlines and procedures for the preparation and adoption of the budget, in practise, the problems are encountered, whose resolution may contribute to raising the efficiency of the budget processes. To this end, a systematic training process for civil servants will be undertaken for the preparation and execution of the budget, together with the planned analysis of budget adoption process with recommendations for its improvement, by 2015.

### **III C.2. ENHANCEMENT OF MANAGEMENT AND CONTROL OF REVENUE AND INTERNAL AUDIT**

The Central Harmonization Unit (hereinafter: the CHU) is the central organization in the Republic of Serbia, responsible for the preparation and promotion of methodologies

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<sup>1</sup> *Government Finance Statistic*

<sup>2</sup> So far, the program budgeting was applied in 5 pilot Ministries.

of financial management and control and internal audit, in line with internationally adopted standards and best practise. The CHU performs, coordinates, monitors and reviews the quality of financial management and control and internal audit in the public sector, defining of common criteria for organizing and administering the internal audit in the public sector, organizes training of managers and employees involved in financial management and control and of internal auditors, and provides certification of internal auditors. The CHU manager directly reports to the Minister of Finance and Economy, about developments and progress in the field of internal financial control in the public sector.<sup>3</sup>

The matter of internal financial control is further developed through three subordinate legislation acts passed in 2011<sup>4</sup>.

The aforementioned subordinate legislation acts (rules of procedure) have been reconciled with the generally accepted INTOSAI standards of internal control for the public sector<sup>5</sup>, including the integrated framework of internal control defined by the Committee of Sponsoring Organizations<sup>6</sup> and International Professional Practices Framework for internal audit by the Institute of internal auditors<sup>7</sup>. Nevertheless, this still requires a more precise analysis and upgrading of regulations.

To ensure the harmonization and integration, the Government adopted the *Strategy of development of internal financial control in the Republic of Serbia public sector*” in the course of 2009. The annual European Commission Progress Report for Serbia, in the EU accession process for the year 2012, it was stated that certain improvement was achieved in the field of IFCPS, in terms of the higher level of harmonization of the legislation related to internal audit and financial management with international standards. The managerial responsibility was more effectively defined. Nevertheless, the Report points to the requirement for the innovation of the Strategy for IFCPS and the preparation of amendments to the Law on Budget System (in relating with the financial management, control and audit).The awareness about the place and significance of responsibilities of managers of the public sector for the establishment of the internal financial control system and the role of internal audit in their organizations is unsatisfactory, and this will be the subject-matter of further activities planned by the Strategy. It is also essential to ensure the improvement of mechanisms for monitoring the implementation of recommendations provided by the internal financial control.

The shortcomings of the IFCPS system have also been regularly identified in the reports of the State Audit Institution. According to the SAI reports, the trends and quality of

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<sup>3</sup> The Central Harmonization Unit prepares and presents to the Ministry of Finance the consolidated annual report about the status of Internal Financial Control in the public sector which submits this report to the Government together with the proposed measures and activities aimed at further improvement and development of the system.

<sup>4</sup> Rules of Procedure on common criteria and standards for establishing and functioning of the financial management system in the public sector (“Official Gazette of the Republic of Serbia”, No 92/2011) and Rules of Procedure on common criteria for organization and introduction standards and methodological instructions for internal audit in the public sector (“Official Gazette of the Republic of Serbia”, No 99/2011). And the Rules of Procedure on conditions, method and procedure of taking exams to acquire the professional qualification of certified internal auditor in the public sector (Official Gazette of the Republic of Serbia, Nos. 46/2009 and 94/2010).

<sup>5</sup> INTOSAI Guidelines for Internal Control Standards for the Public Sector.

<sup>6</sup> COSO (The Committee of Sponsoring Organizations of the Treadway Commission).

<sup>7</sup> IPPF *International Professional Practices Framework*.

establishing the internal control system with the budget beneficiaries could still not be considered satisfactory.

The major gaps identified by the presented reports with respect to the development in this field are<sup>8</sup>:

1) In the field of financial management and control:

(1) Most of the beneficiaries of public funds that presented their reports, failed to assign the manager in charge of the financial management and control, or to form a Work Group for introducing and development of the financial management and control system and failed to adopt the plans for the implementation and development of the financial management and control system;

(2) The method of performing certain operational processes has still not been regulated;

(3) beneficiaries of public funds gradually adopt the risk management methodologies, even though the existing control systems in place primarily serve the purpose of ensuring the legal compliance;

(4) the current control system ensures legality but the controls are not sufficiently directed towards the achievement of other general objectives;

(5) insufficient number of managers at the highest level, attended the training in financial management and control (FMC);

2) In the field of Internal Audit:

(1) out of 18 direct budget beneficiaries at the national level, obliged to establish own internal audit, 2 of them failed to introduce the internal audit;

(2) during the job classification, when determining the number of internal auditors, the public fund beneficiaries failed to make the assessment of the number of operational staff with respect to risks, complexity of operations and scope of funds they manage;

(3) the current job classification involving internal auditors has not been fully filled in, due to the lack of staff having university degree, low salaries, inadequately classified professional qualifications in respect with the scope and complexity of jobs, competition of the private sector;

(4) insufficient practical experience of internal auditors in specific areas that might become the subject of audit, which will be overcome by additional training and professional development of internal auditors;

(5) engagement of internal auditors to perform tasks that have not been included among the tasks and duties of internal audit;

3) including the Central Harmonization Unit:

(1) inadequate degree of understanding and acceptance of this system for financial management and control and internal audit by the management, who use them as the means for the efficient management and control;

(2) lack of funding and other resources that would enable CHU connection with other participants in IFCPS, by organizing regular meetings, workshops, use of web pages or issuing magazines to discuss relevant IFC issues.

This will be overcome by increasing the capacities of employees in the CHU to support the PA institutions in the process of implementation and upgrading of the IFCPS and other measures planned in this field.

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<sup>8</sup> Ministry of Finance and Economy, CHU Sector, Consolidated annual report for the year 2011, about the status of internal financial control in the public sector of the Republic of Serbia, Belgrade, August 2012.

### **III C. 3. ENHANCEMENT OF PUBLIC PROCUREMENT SYSTEM**

The public procurement system introduced by the new Public Procurement Law, has been considerably improved in the process of harmonization with the EU Directives in regard with combating corruption. The key novelties brought about by the new Law include: reduced number of exceptions from the law implementation and more stringent conditions for their enforcement, introduced mechanisms for preventing corruption and conflict of interest, increased transparency by laying down the obligation of publishing small procurements and tender documents, more efficiently regulated public procurement publishing system, increased control of conducting the negotiation procedures, introduction of partial centralization, enabling electronic procurement under specific conditions, possibility of concluding frame agreements, regulated procurement in the field of defence and security, changed description and method of work of the Republic Commission for the Protection of Rights in Public Procurement Procedures, extended competences of the Public Procurement Office and clear separation of competencies among the institutions responsible for the supervision within the public procurement system.

However, the competencies of key institutions in the public procurement system have not been clearly distinguished. More specifically, the Public Procurement Office performs, among other, the monitoring of compliance with the Public Procurement Law, and considering that it has the status of a special organization within the system of PA bodies, its rights and obligations in rendering the monitoring are not clear. This is particularly evident taking into account that the Ministry of Finance, pursuant to the Law on Ministries, also performs the duties of the PA related to the public procurement and specifically, the supervision of compliance with the Public Procurement Law is conducted by this Ministry, and/or the Budget Inspection, as the internal unit within the Ministry of Finance.

The function of the Budget Inspection, pursuant to the Law on Budget System is the enforcement of laws in the field of material and financial affairs and designated budget expenditure by their beneficiaries. In performing the control, the Budget Inspection also verifies the method of conducting the public procurement, and/or checks whether the particular procurement has been performed in line with the provisions governing this field.

In view of the above, the issue that comes to surface is the nature and scope of authority of the Public Procurement Office, provisions according to which it monitors the compliance with the Public Procurement Law and the relationship between the Ministry of Finance and the Public Procurement Office with regard to conducting such control.

The increased transparency and information availability, as the key principles in the field of public procurement, have been achieved thanks to further development and improvement of the Public Procurement Portal based on the newly introduced provisions of the new law, in particular: mandatory publishing of tender documents, announcement of supplier's notification of the commencement of negotiation procedure, publishing the list of clients, negative references, opinion of the Public Procurement Office about the justifiability of starting the negotiation procedure. The Government is also expected to pass the Regulation on introducing the general procurement glossary (CVP).

The functioning of the Public Procurement Portal has so far shown low efficiency of the search and browser systems of its contents, and that the improved communication with all the users is required, in the first place with the bidders and/or businesses. For this reason, the operation of this system will be upgraded, and the introduction of e-procurement procedure system is also planned.

So far, the key problem with the public procurement planning system has been the identified lack of Methodology for determining the assessed value, without conducting any market research. Also, there is a problem of having no methodology for determining the actual needs of the client with respect to the characteristics, quality and quantity of products and services to be procured. It is therefore essential to improve the methodology framework for determining the estimated value of goods and services and identifying the real needs of the contracting authority, in addition to the expected preparation and adoption of special Methodology for evaluating the justification and appropriateness of a public procurement and Methodological Guide for the concept of “Product life cycle expenditures”.

It has been identified in practise that the familiarization with the existing regulations is no longer sufficient for achieving the successful public procurement process, and that the management and officers involved in the public procurement need to acquire additional knowledge and skills in the fields such as: economy, organization, communication, IT etc. To handle this, it would be recommendable to establish an efficient system for monitoring and control of contracting and executing of contracts concluded upon the public procurement, in each phase.

Considering all the new competences and tasks assigned to the Public Procurement Office by virtue of the new Law, it is apparent that the Office lacks adequate human and financial resources and premises, to be able to efficiently discharge the delegated duties. It is therefore crucial that the capacities of civil servants and decision-makers are upgraded, first of all by their training in the public procurement systems and to additionally conduct preliminary analyses and introduce appropriate certification system in this field.

There is still no adequate cooperation between all relevant institutions in the system, and this situation will bring along even higher risks when the provisions of the new law start to apply. This will be handled by improving the cooperation between the regulatory, control and judiciary bodies in this field. In the future period, it is expected that the Ministry of Finance (Public Procurement System Group and Budget Inspection) and the Public Procurement Office will establish the institutional relationship relying on mutual cooperation and informing.

Recently the intensive cooperation between the Public Procurement Office and State Audit Institution was initiated, aimed at reaching the common position regarding the implementation of regulations.

Law on Public-Private Partnership and concession has introduced the PPP to the legal system of the Republic of Serbia for the first time. The Law regulates the procedures through which the state and local authorities will be able to obtain the most appropriate private partners for the realization of the public-private partnership projects.

This Law also constitutes the inter-sectorial Commission for Public-Private Partnership (CPPP) as the body providing its opinion about whether the particular project can be realized according to the principles and model of PPP with or without concession

elements and as collective advisory body, in the process of granting the draft PPP projects or proposed concession acts.

### **Autonomous province and local self-government**

The Law on Budget System is also the legal framework for the preparation and execution of the budgets of the autonomous province and local self-government. This law introduces novelties in terms of planning, preparation, adoption, execution and control of the budget of LSUs, as well. The problems encountered in this field are principally analogous to those identified at the national level, meaning that the planned reform of the public finance system will also initiate certain changes in the system of public finance at the provincial and/or local level of the administrative system.

### **Public Services**

To a certain extent, the system of public finance also affects the public services (first of all the institutions financed from the RS budget, autonomous provinces and/or LSUs), by which this system is directly connected with the critical state and/or provincial and local public policies. In this respect, it is necessary to establish a systemic synchronization between the state budget and/or provincial and/or local public finance (as the connection with the system of strategic planning within the provincial/local levels).

In the next period of reform (2013–2016), it will be vital to achieve the following:

- 1) develop and adopt the Methodology of the program budget model;
- 2) prepare the budget according to the 2015 program model;
- 3) connect the strategic planning and the budget drafting and execution process;
- 4) increase the professional qualifications level of civil servants for preparing and implementing the budget;
- 5) prepare the analysis of the budget adoption process, including the recommendation for further improvements;
- 6) implement the Methodology for the preparation and evaluation of capital projects;
- 7) training of civil servants in planning of capital projects;
- 8) select the capital projects by drafting the Fiscal Strategy for the year 2016, including the forecasts for the years 2017 and 2018;
- 9) prepare the analysis of the project implementation and measures for improving the planning and the realization of capital projects;
- 10) enhancement of the functionality of the Public Procurement Portal;
- 11) introducing the e-procurement system for the public procurement procedures;
- 12) introducing standardized forms of organizing the procurement services, depending on the categories and average annual value of procurement;
- 13) ensuring appropriate cooperation between relevant institutions within the system;
- 14) adoption of Methodological Guide for the implementation of the concept “Product life cycle expenditures” ;
- 15) adoption of Methodology for evaluating the justification and appropriateness of a public procurement;
- 16) adoption of Methodology for determining the estimated value;

- 17) introducing appropriate certification level within the public procurement system;
  - 18) upgrading of professional qualifications of civil servants and decision-makers in public procurement procedures;
  - 19) amendments to the Regulation on common criteria and standards for establishing, functioning and reporting on the financial management and control system in the public sector (“Official Gazette of RS”, No. 99/11 and 106/13);
  - 20) amendments to the Regulation on common criteria for organizing and standards and methodological guidelines for rendering and reporting on internal audit in the public sector (“Official Gazette of RS”, No. 99/11 and 106/13);
  - 21) enhancement of the financial management and control system;
  - 22) introducing of functional internal audit;
  - 23) professional training of internal auditors;
  - 24) building capacities of Central Harmonization Unit staff as the support to institutions of PA in the process of implementation and upgrading of the IFCPS system;
  - 25) ensuring participation of CHU staff in the international cooperation programs;
  - 26) upgrading of mechanism for monitoring of compliance with recommendations of internal finance control;
  - 27) Introduction of efficient mechanism of monitoring and control over contracting and execution of contracts upon public procurements in each phase.
- Other than these measures, the PAR process will continue with implementing other measures and activities provided in this PAR Strategy, following 2016.

### **III D. ENHANCEMENT OF LEGAL CERTAINTY AND IMPROVEMENT OF BUSINESS ENVIRONMENT AND QUALITY OF PUBLIC SERVICES**

#### **III D.1. ENHANCEMENT OF REGULATORY PROCESSES**

Internal reforms and harmonization with EU *acquis* require intensified adopting of quality regulations and their effective, efficient and economic implementation. Although numerous new, amended laws and other regulations have been adopted, some of them are still not fully clear, they are not aligned or fail to comply with real needs and possibilities of the state and society, some are not being implemented, do not produce positive or produce negative consequences, extensive expenses of entities applying or implementing them etc. The specified problems created space for legal uncertainty and made the exercising of some rights and obligations more difficult, along with slowing down the commercial activities, increasing costs of law implementation, directed the operations towards the “grey economy” and encouraged corruption. The results of the comprehensive reform of regulations focused on improving the quality of regulations and creating savings in economy, by cancelling or changing the regulations, or enacting a number of new regulations in a relatively short period.

Enhancement of legislation process represents one of the key elements of comprehensive reforms, on the road to introducing democratic institutions, protection and exercising human rights, respecting and protecting the rights of minorities, establishing the functional market economy, as the prerequisites for the improved economic and social image of society.

Objectives of enhancing the internal legislative process are the adoption of quality regulations aimed at resolving numerous economic, social and other problems and the

overall development of society, and internationally, fulfilment of assumed obligations, first of all by way of gradual harmonization and adoption of EU acquis by the national legal system.

Enhancement of legislative process is directly connected with a thorough PAR. The PA bodies participate in shaping the policy of the Government, by preparing laws, other regulations and general bylaws. Bearing in mind the decentralization and de-concentration of normative public authority, it is also necessary to take into account the bodies of autonomous province and local self-government, as well as other holders of these authorizations (public agencies, independent regulatory bodies). A quality monitoring of the status in this field, strategic planning coordinated development of public policies and selection of optimal regulatory instruments with openness towards ideas and information coming from the surrounding environment, may substantially contribute to drafting of high quality regulations. Normative and analytical knowledge and skills and ability to adopt different forms of communication with professionals, stakeholders and public in general, require some essential enhancements through different forms of education and continuing professional development. Efficient enactment of regulations vastly depends on the involvement of this category of civil servants in their drafting. At the same time, the officials managing administrative procedures and conducting inspection control including the administrative actions, also require a continuing professional development, but also the IT and other equipment.

In the forthcoming period, it is particularly important for the benefit of enhancing the legislative process to:

- 1) adopt a strategic document to support the legislative process;
- 2) ensure institutional organization of entire legislative process and provide an active and meaningful contribution of relevant actors participating in drafting the laws;
- 3) implement IT support to entire legislative process so as to achieve its acceleration, reduce errors and increase transparency;
- 4) build up the management system of the legislative process, to monitor the time schedule and achievement of planned legislative activities;
- 5) provide organizational, financial and personnel capacities (particularly through a continuing professional development);
- 6) to improve the efficiency and effectiveness of LSU bodies, the regulations and procedures should be unified at the local level, through the promotion of best practice examples and spreading new and upgraded solutions to other LSUs. This would guarantee an equal degree of legal certainty to all beneficiaries of local self-government services. It is also necessary to upgrade the mechanisms of having consultations between bodies of different levels of territorial organizations, including the civil society and private sector, in defining public policies and adopting the regulations.

### **III D.2. ENHANCEMENT OF ADMINISTRATIVE PROCEDURES**

Changes to social, economic and political environment have not been accompanied by appropriate enhancement of regulatory framework in administrative processes in general, which resulted in the enactment of a number of special laws laying down numerous deviations from the Law on General Administrative Procedure. Also, some procedures imply unnecessary costs and duration, as well as incomplete legal predictability, and quite often there is no protection of legitimate expectations of the clients, which creates problems to citizens and legal entities in exercising of their rights and interests and/or their business.



The reform in this field is the precondition for improved effectiveness, efficiency, cost-effectiveness and predictability in decision making of PA on rights, obligations and legal interests of clients. Besides, the reasons for adopting of new law that would regulate general administrative procedure, lies in the need for increasing the legal predictability and protecting legitimate expectations of parties in the process, reducing the number of individual administrative procedures, aligning the decisions passed in the administrative procedures with the principles of the European Administrative Space and other contemporary trends in the administrative law.

A prerequisite of achieving these goals is the adoption of new or upgrading of the existing legislation and the taking appropriate organizational actions, with the wider use of modern information technologies, to accelerate and simplify the procedures and build the operational capacity of the public administration

To improve the system of administrative decision-making, it is necessary to provide adequate professional development training for civil servants. This especially applies to employees who directly pass decisions in administrative procedures and to administrative inspectors. In addition to the reform process in this area, public awareness should be raised (among the citizens and legal entities of private law) in respect with novelties introduced with the new general administrative procedure.

Upon determining the results of inspection controls, the administrative inspectors should ensure analytical information and recommendations aimed at improving the state in the field of administrative decision-making. These information, as well as systematic monitoring of administrative procedure outcomes, will constitute grounds for introducing a unified administrative statistics management system and thus enable the substantive and formal evaluation of the administrative decision-making quality.

Taking into consideration that more than 70% of all administrative procedures are carried out at the level of autonomous province and local self-government, the PAR process should ensure the implementation of all the measures from this field at the levels below the PA, as well. At such levels, the legality and efficiency of administrative decision-making is even more significant, considering that it is more directly related to the parties in the administrative procedures.

### **III D.3. INSPECTION CONTROL REFORM**

In respect with the inspection control, there has been no comprehensive or meaningful reform. No special law has been adopted yet to regulate the inspection control, until which the provisions of the 1992 Law on Public Administration that are still effective will apply in the part relating to the inspection control. The common estimate of inspection authority managers, economic operators and experts is that these provisions are obsolete and deviate from the requirements of a modern public administration, economy and business environment attracting new investments. In parallel with the lack of a unique, systemic law, the inspection control has been regulated by over 1,000 special laws and subordinate legislation acts. The state in the inspection control negatively affects the competitiveness in Serbian economy on the international market and the economic activities on the national market. The reduced performance efficiency of inspections is predominantly the outcome of the fact that the inspection control is not planned based on the risk assessment related to illegal and/or irregular activities. The lack of coordination in the diverse inspection control organization (35 inspections within 15 Ministries) hinders the efficiency of inspection controls and

unnecessarily burdens the subject of the inspection control. Another critical remark is that the powers for combating the ‘underground economy’ conducted by unregistered entities have not been clearly defined. This allegedly causes contradictory situations – on one hand, there is a great administrative burden imposed on compliant entities and on the other hand, the lack of control of the ‘underground economy’. The inspection control subjects also point to other problems: activities of inspectors are often not clearly defined by the procedures (even where the regulations are in place, business entities are not familiar with them); inspection controls are too frequent and last too long; competencies of different inspections and the same segments are being checked, with inconsistent interpretation of regulations on many occasions; inspectors are not adequately trained at all times; sanction policy deviates from the severity of offences and fails to consider the economic capacity of business entities. One of the major problems is the understanding that the primary role of inspection controls is to impose sanctions to business entities and thus, successful performance of inspectors tends to be measured by the number of collected fines, instead of the achieved rate of compliance.<sup>9</sup>

There is a high degree of agreement in this field, that a unified, systemic and reformed Law on Inspection has to be adopted without delay, in order to provide better protection of public interest and strengthen the economic competitiveness by cutting the administrative costs of inspection control and at the same time reduce space for unfair competition in the form of the ‘underground economy’ undermining the economic sustainability of compliant entities. The major aspects on which the reform solutions of the new law will rely, are:

1) expanding the inspection control regime to bodies and organizations performing duties that are of the same or similar nature as those of the inspection control (different forms of control, supervision conducted by independent regulatory bodies, public agencies, public enterprises, public institutions and other holders/owners of public authority);

2) introduction of risk assessment and risk management in conducting inspection control, that help eliminate or considerably reduce arbitrary, inconsistent, corruptive and other potentially abusive actions upon initiating and carrying out inspection controls, as well as complaints to frequency and duration of inspection controls at some business entities, or the absence of such controls at other business entities;

3) defining of preventive role of inspection control that has to have primacy over its repression function, including the support that the inspection provides to sustainable business operations and to development of business entities by imposing measures that are proportionate to the assessed risks, illegal behaviour and economic capacities of entities undergoing the control;

4) improvement of inspection coordination;

5) defining clear powers of inspections to combat unregistered activities;

6) ensuring the balance between protecting the rights to information of public importance and protection of trade secrets, that is, the privacy rights;

7) ensuring legitimate expectation of entities undergoing inspection controls (aligning of operations);

8) legal regulation and introduction of Information System, to ensure the efficient data exchange and exchange of electronic documents in planning and administering the inspection controls;

9) setting up of criteria for the performance assessment of the inspection, as a whole, and inspectors, as individuals.

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<sup>9</sup> These statements are derived from the outcome of analyses conducted in the course of 2011, 2012 and 2013 by USAID BEP together with the representatives of the business community and Serbian inspections carrying out the inspection control over business entities.

In addition to the adoption of the Law on Inspection Control, this area of responsibility also requires the analysis of applicable laws and other regulations setting forth special inspection control procedures in keeping with the reform aspects of the Law on Inspection Control, analysis of special regulations, defining the competence of inspections aimed at their alignment, filling legal gaps and avoiding possible conflicts of responsibilities. To this end, it is necessary to improve the legal framework for this segment. Upgrading the effectiveness, efficiency and cost-effectiveness of inspection controls will require organizing the professional development of inspectors, adjusted to the overall regime and specificities of different inspection control segments.

### **III E. INCREASED TRANSPARENCY, ENHANCEMENT OF ETHICAL STANDARDS AND RESPONSIBILITIES IN DISCHARGING PA DUTIES**

In order for the administration to be able to provide efficient, effective and professional response to the needs of the citizens and offer the quality public services in accordance with the principles and standards of “good governance”, in addition to already specified reform activities, it is necessary to increase the transparency of its work and upgrade the ethical standards and responsibilities in discharging the PA duties.

The Law on Public Administration has defined the work of the public administration bodies as open to public. The PA bodies are obliged to enable access to their work to the public, as prescribed by the law governing the free access to information of public importance. Also they are obliged to notify the public about their work through media and in other appropriate ways. The employees authorized to prepare information and data to be published, are responsible for their accuracy and timeliness. Moreover, they are obliged to, in an appropriate manner and primarily in their premises where they work with the clients, notify the clients about their rights, obligations and the way in which they may exercise such rights and obligations, within their scope of activity, PA body monitoring their operations and the way in which they could contact them, as well as about other information relevant for the transparency of their work and for their relationship with clients, and to provide information by telephone or using other means of communication available to them. At any request of natural or legal persons, the PA bodies are obliged to provide their opinion about the implementation of legal provisions and other general bylaws, within 30 days.

The Law on Free Access to Information of Public Importance regulates the right to information of public importance available to public authorities, with the objective to exercise and protect the interests of the public to be informed and achieve free democratic system and open society. Achieving these rights is therefore supported by the established Commissioner for Information of Public Importance as the independent public authority, independent in discharging his duties.

Involvement of the public in political decision-making process also significantly relies on a timely reception of information about annual work plans, including the regulatory plans of the National Parliament and the Government.

In the context of informing, the recently adopted Law on Publishing the Laws and other Regulations and Bylaws should be mentioned. The purpose of its adoption is the establishment of economic and effective system in which, by reducing or eliminating costs for beneficiaries, using up-to-date information technologies, the availability of laws and subordinate legislation at

the first place will be improved for all bodies, organizations, services, institutions, legal and natural persons. This law sets forth the novelties in the legal system: issues related to the introduction of electronic form of the national official gazettes, establishment of legal and information system of the Republic of Serbia, use of database of legal documents, information and data from that system (with the possibility to use them either free of charge, or with mandatory payment in the amount set forth in accordance with the law), as well as partial financing of activities of general interest out of the budget.

The provisions of Constitution about publishing of laws and other general bylaws have been elaborated in detail. The activities of publishing the Official Gazettes of the Republic of Serbia and management of legal and information system have been determined as activities of public interest and special mechanisms of protection and general interest have been determined. In this respect, this law has provided in detail, the obligatory publishing of laws, other regulations and bylaws and additionally, the possibility of their publishing in the Official Gazette and other legal documents of bodies, legal and natural persons and public competitions, advertisements, public tenders and other forms of communication by bodies, legal and natural persons, for consideration.

Among crucial novelties provided by this law, in addition to printed forms, the introduction of electronic issue of Official Gazette, in PDF and HTML formats and providing that their official issues will be both the printed and electronic documents in PDF formats. The use of electronic issues of Official Gazettes will ensure easier approach and better availability of the Official Gazette to state authorities, business and other entities and citizens, and reduce costs of their use.

This law also provided for the legal and information system in Serbia, in the form of the compendium of electronic information containing: electronic form of the Official Gazette of the Republic of Serbia, archive of official gazettes, database containing the register and texts of current regulations and other legal documents of the Republic of Serbia published in the Official Gazette, database of the case law and other information relating to the legal system of Serbia and its connection with legal documents of EU. It is particularly important that the electronic form of the “Official Gazette of the Republic of Serbia” is available to all legal and natural persons without paying any consideration.

### **III E.1 IMPROVEMENT OF CONDITIONS FOR PARTICIPATION OF INTERESTED MEMBERS OF PUBLIC IN THE WORK OF THE PUBLIC ADMINISTRATION**

Active participation of citizens in defining and implementing of public policies is one of the key preconditions for achieving transparency of the PA. The documents adopted by European countries represent the good starting point for regulating a wide range of issues regarding the participation of the public in the decision-making process and defining of public policies at the national level.

The transparency of the operations of PA bodies and organizations has been established as the obligation in Serbia, together with the right of members of the public to access the information of public importance. General availability of laws and other regulations has also been regulated. Furthermore, the legislation provides for the possibility to organize public debate during the law enactment processes. Unfortunately, the public debate has still not been sufficiently used in practise (it has been organized for about 20% of laws) while the attention should be made to the way in which it is organized, the selection of invited

persons and other issues essential for increasing the quality of their outcome. This is chiefly explained by the requirement of having an urgent procedure of drafting and adopting laws, caused by internal and external reasons and particularly the process of its harmonization with EU acquis. On the other hand, the awareness about the significance of involving the members of the public in the process of drafting the laws is growing, as recently demonstrated through the amendments to the Rules of Procedure of the Government, that were passed to elaborate the issues relevant for conducting of public debates.

In accordance with general principles saying that the quality of public policies depends on enabling the comprehensive participation of the members of the public during the entire decision-making process, from determining the policy concept to its implementation, the intensity and form of such participation varies, depending on the phase of the process in which the participation is taking place. The methods and mechanisms of the public participation in the process of enacting laws and other instruments of public policies, differ in respect with the proportion of the public participation, degree of statutory nature, prescribed sanctions, type of respective legal documents and the level of the government authority, including the entities participating in this process. In general, the mechanism of participation can be established in several ways: by a strategic document, special law, subordinate legislation or the code of best practise, or their different combinations.

The Open Government Partnership (OGP) is a new multilateral initiative seeking support and stronger engagement of governments throughout the world on improving integrity, transparency, efficiency and accountability of public authorities through building of trust among the members of the public, cooperation with organizations of civil society, strengthening of the citizens' participation in governance, combating corruption, access to information, use of new technologies and in regard with acquiring more efficient and dependable work of the public authority. Understanding the importance of this initiative for the cooperation of the Government with the civil sector on promoting transparency, efficiency and accountability of the public administration, Republic of Serbia, having fulfilled the minimum conditions for its membership in this initiative, started the process of becoming a part of this initiative. The accession to this initiative involves the adoption of the two-year Action Plan for improving the openness of the administration. The main challenge in this process, chosen by the Republic of Serbia in the first year of its participation in the initiative, is the Improvement of Public Integrity (measures for combating corruption, public ethics, access to information, freedom of media and civil society).

Ministry of Justice and State Administration has developed a draft Action Plan, and established the Project Working Group tasked with developing an action plan for the improvement of administration's transparency. Considering that the Government firmly believes that the involvement of civil society in the decision-making processes is a crucial prerequisite for the open government concept, in addition to representatives of state authorities, the Working Group will include the representatives of civil society. The Ministry of Justice has already held several meetings with the representatives of civil society to define the modality of the active participation of civil society representatives in the working group. In accordance with the open government principles, it is very important that the draft Action Plan for Open Government in the Republic of Serbia for the period 2014-2015 be the result of the joint work of public authorities and the civil society. The Action Plan is expected to be finalized by the end of January 2014, followed by a public debate.

In view of all the above, in the next period it would be crucial to define the guidelines for the comprehensive cooperation of state and other public institutions with the public, as well as to establishing the principles, standards and measures for cooperation in the process of passing decisions governing the issues and taking positions of general interest. Moreover, the initiative for Open Government Partnership provides additional quality in the communication of public administration bodies and civil society, given that the participation in this initiative made it possible that in addition to the cooperation in the working group for drafting the Action Plan, the civil society becomes a permanent partner in monitoring the implementation and further development of Action plan - monitoring the activities to promote the opening of government to citizens. Also, it is necessary to pass the law on lobbying, which would be a good framework for achieving the balance between the right of the public to participate in discharging the duties of administration and transparency in this segment.

### **III E.2. STRENGTHENING OF ETHICAL STANDARDS OF EMPLOYEES IN PUBLIC ADMINISTRATION AND SURPRESSING CORRUPTION**

The Law on Civil Servants provides that the High Civil Service Council adopts the Code of Conduct for civil servants, that is critical for the establishment of ethical standards and their implementation in the public administration. Furthermore, recognizing the necessity of defining the standards of 'good governance' and their adoption by the wider group of persons discharging the PA duties, the Ombudsman prepared and delivered to the National Parliament the Code of Good Governance, representing the general framework for the proper conduct of administration, for public authorities and civil servants, that contains professional standards and ethical rules of conduct when performing civil service and managing the communication with citizens. This Code would at the same time act as a precursor in establishing the uniform legal framework for all the civil servants, seen by this Strategy as an essential prerequisite for achieving a more effective and efficient work of the PA, based on unique standards.

Fighting corruption is one of the priorities of the Government, proven by a range of activities initiated in the previous period. With regard to the combat against corruption, an institutional framework was established, which, aside from the Anti-corruption Agency, acting independently as the body which reports to the National Parliament, also involves the active role of the Ministry of Justice and State Administration, Ministry of Interior, Public Prosecutor's Office and other state authorities (e.g. Administration for the Prevention of Money Laundering, Public Procurement Office, State Audit Institution (SAI), Commissioner for Information of Public Importance and later Personal Data Protection). In addition, the Strategy for Fighting Corruption was adopted for the period 2013–2018, together with the Action Plan for its implementation, providing a number of measures and actions in this field. The implementation of this strategy and its Action Plan require intensifying of activities related to inter-sectorial cooperation.

Improved transparency, enhancement of ethical standards and responsibilities in performing the duties within the public administration, are the preconditions for the systemic prevention of corruption which, in spite of a progress shown in the list of Corruption Perceptions Index for the year 2013, (by eight places), still poses one of the crucial problems for the quality performance of the PA and economic development of the country.

The 2012 EU Commission Progress Report pointed out that corruption continued to be the serious problem in a range of areas and that the legal framework would have to be improved, particularly in the segment of protecting the 'whistle blowers'. Moreover, the implementation of law and efficiency of anti-corruption agencies must significantly improve. The similar conclusion is specified in the Annual Report of the Anti-corruption Agency for the year 2012.

The reform activities set forth in the PAR Strategy provide either direct or indirect contribution to reducing the possibility of having the corruption within the PA, with particularly significant measures and activities designed in view of the PA system reorganization and the introduction of aligned legal and labour status of PA employees. Establishment of efficient system for combating and preventing corruption requires, first of all, the establishment of good governance system based on transparency, clear procedures and clear responsibilities of competent institutions. Upgrading of legal framework in this segment is highly important, and at this point, it is essential that the Law on Protection of Whistle-blowers that is under way is adopted at the shortest possible notice. It is also particularly important for the realization of all the above activities to ensure raising awareness about the importance of fighting corruption and capacity building of the staff in preventing corruption in the PA. It is accordingly necessary that the ethics of civil servants and the fight against corruption become a part of the professional state examination in order to ensure a systemic awareness-raising about behaviours that are unacceptable within the PA and the way to prevent them.

### **III F. STRENGTHENING THE SUPERVISION CAPACITIES IN THE PUBLIC ADMINISTRATION**

A number of official and unofficial control mechanisms developed in a democratic legal state, should contribute to finding a balance between strong powers of the state (particularly its administration apparatus) on one side, and the rights and freedoms of individuals and legal entities of the private law on the other. In the Republic of Serbia, aside from the existing, traditional forms of internal control of administration (instance, inspection, official control), new forms of administration control have been developed, rather quickly. Apart from internal forms, in the meantime, a number of new forms of external control appeared both from the part of traditional institutions (such as the court administration controls now carried out by the Administrative Court in the administrative proceedings) and new mechanisms. The legal framework of different internal and external forms of control of public administration has been set forth by a range of individual laws.

#### **Internal administrative control**

- 1) PA bodies and other entities entrusted with discharging the administrative public authority in the process of instant control made in the administrative procedure (as the right to appeal in the administrative procedure);
- 2) PA bodies through administrative control of hierarchically superior PA body over the subordinate PA body;
- 3) Administrative inspection (as the body within the Ministry of Justice and State Administration);
- 4) Budget inspection (as the internal organizational unit of the Ministry of Finance and Economy);

5) Control of PA bodies over the bodies of local self-government, and/or autonomous province and other holders/owners of public authority.

In respect with the legal forms of administrative control over administration, the procedure of instance control and civil service control have been described in details in the Law on General Administrative Procedure. The Administrative inspection is a form of supervision over compliance with the laws and other regulations and acting of the PA bodies but also over a number of other bodies and services (Court services, public prosecutor's offices, Republic prosecuting attorney office, National Parliament service, President of the Republic, Prime Minister, Constitutional Court and services of bodies whose members are appointed by the National Parliament, etc.) whose contents, limits and authorizations have been determined by the Law on Administrative Inspection and special laws. The Administrative inspection performs inspection control over the compliance with laws and other regulations governing: the public administration, employment relationships in state authorities and LSUs, general administrative procedure and special administrative proceedings, appearance and form of the coat-of-arms, flag and anthem of the Republic of Serbia etc.

Finally, the importance of a consistent and/or systematic control should also be pointed out when it comes to monitoring the performance of different holders of public powers within the PA system. In this respect, it was shown in the previous period, that the control of PA bodies and/or local self-government bodies over the holders of public authority was often inefficient, if any, in spite of being laid down by the legal framework. It is therefore critical that the existing controls conducted over the performance of holders of public authority are analysed and that the outcome of such analysis is used to define standards for conducting the control over the efficiency of the holders of public authority.

#### External administrative control

1) Constitutional Court (as the supreme form of control of compliance with the Constitution and Laws at the national level and/or in the entire state);

2) Administrative Court (as the form of judicial control of legal compliance and legality of executive governance and administrative acts);

3) The Ombudsman (as the independent and autonomous body, taking care of the protection and improvement of human and minority rights and freedoms);

4) Commissioner for Information of Public Importance and Personal Data Protection (as the highest independent state authority in these two segments);

5) State Audit Institution (as the highest independent state authority for the control of public spending);

6) Anti-Corruption Agency (as the independent state authority for combating corruption);

7) Commissioner for Protection of Equality (as independent state authority in the field of preventing and protection from discrimination).

External control of administration by the Constitutional Court is carried out in the procedure for assessing the compliance with Constitution and laws of general legal acts (among other those adopted by the PA bodies) and through the right and procedure instigated upon constitutional appeal (to protect the rights of citizens from individual decisions made, primarily by the PA bodies). The status of the Constitutional Court has been regulated by the Republic of Serbia Constitution (and its competencies) and in more details by the Law on Constitutional Court. Thus, for the first time, the form of constitutional control was established in the procedure upon constitutional appeal, in the Republic of Serbia.



The following form of external legal control of administration is the control of administration conducted by courts. The most prominent form of the court control that is individual and directly refers to the public administration (functionally) is the court control of compliance of administration acts regulated by the Law on Administrative Disputes. Since 2010, the special Constitutional court competent for the settlement of administrative disputes, started with its work. The new Law on Administrative Disputes eliminated numerous gaps of the former law that regulated this form of court control. Improvement of the procedures for conducting administrative disputes corresponds with EU standards (since among other, it provides the obligation of conducting oral hearing and considerably expands the possibility of managing the dispute of full jurisdiction, meaning that the Constitutional court not only rules on court cases and/or about legitimacy of a constitutional act, but in some cases laid down by the law, it settles the administrative cases being the subject matter settled by the public administration).

Problems with regard to this segment include the insufficient number of judges, lack of specialized councils that would deal with specific matters, as well as non-existence of two-instance administrative court.

Specific mechanism of protection of the rights of citizens and administration control are entrusted to the Ombudsman, who protects human rights and controls the work of public authorities as laid down by the law. Most of the bodies controlled by the Ombudsman in Serbia are actually the bodies and different organizational forms of public administration. The Ombudsman, following the adoption of the Republic of Serbia Constitution in 2006, became the body of constitutional ranking. In the Republic of Serbia, Ombudsman has been established at lower levels of authority as well, in particular in the Autonomous Province of Vojvodina and in 20 more municipalities and cities in Serbia. In the mid-2012, the Association of Local Ombudsmen was founded.

The Law on Free Access to Information of Public Importance, by laying down the right to free access to information of public importance, enabled the citizens to perform the direct legal control of public authorities and introduced special mechanism of protection of such right outside the administrative organizational structure by the Commissioner. The Commissioner was the first independent *sui generis* institution that controls the work of public administration. Later the Commissioner was also delegated the area of personal data protection (through the Law on Personal Data Protection). In contrast to the free access to information where the Commissioner controls only the work of public administration authorities in the field of personal data protection, in addition to conducting the control over the PA, the Commissioner also controls any other entity dealing with collecting, handling and processing personal data. It should be noted here, that the PA bodies are obliged to publish the information of public importance as much as possible themselves, and that if the decisions passed by the Commissioner are not complied with, the procedure for establishing the responsibility of those who do not follow such decisions should be determined.

The segment of external audit has been regulated by the Republic of Serbia Constitution and the State Audit Institution Law. The State Audit Institution (SAI) is the highest state authority conducting the revenue audit in the Republic of Serbia and the Law lays down its independence, autonomy and its direct reporting to the Parliament. The SAI performs its activities in line with the Law and the Rules of Procedure of the State Audit Institution, and in line with International Standards of Audit, INTOSAI providing that

functionally, institutionally and financially independent top audit institutions present their reports exclusively to the National Parliament.

The law opened the opportunity for conducting the audit of all the budget beneficiaries. There are no limitations as to the documents and other data the audited entity has to provide to the authorized person of the SAI during the audit, thus providing for the first institutional framework to combat corruption.

SAI conducts the financial audit and audit of operating, with the final Audit Reports published on the webpage of SAI. The introduction of the VFM audits is also under way. Nevertheless, due to the high complexity of operations conducted by SAI staff, there are some problems with performing of controls that are already in place. This is explained by the relatively recent incorporation of this institution and the fact that it is dealing with the new type of duties that initially did not have appropriate HR.

According to the European Commission Report, the Law on SAI fails to ensure full financial and operative independence of SAI as provided by INTOSAI standards. The SAI still in the initial development phase taking into consideration that relatively short period has passed since its foundation. Available resources (both material and human resources) are insufficient and the coverage of public funds beneficiaries by audit is limited. The audit of effectiveness of entities has not been put into practise yet. Furthermore, SAI is legally bound to file offense and criminal reports to the competent authorities

The Anti-corruption Agency (being the independent state authority combating corruption) also plays a significant role as the mechanism of controlling the public administration bodies. The Agency acquired numerous powers. Some of them mainly refer to the control of PA aimed at successful prevention and combating corruption (conflict of interest, integrity plan, acting upon motions of citizens etc.).

The Commissioner for Protection of Equality is *sui generis* institution that conducts the control of public administration (but also of other entities, as well) to prevent discrimination and unjustified creation of differences or unequal treatment of persons or groups of persons, based on some of their personal characteristics. This body was established by the Law on Prohibition of Discrimination.

During the previous phase of PAR, the strong process and institutional framework of different forms have been developed particularly with respect to the external PA control by independent control authorities, thus achieving considerable progress in this segment. Despite the still pertaining problems arising from the existing legal and institutional framework, in this phase of reform, special attention has to be paid to ensuring different conditions (legal, political, organizational, material and spatial), that would enhance their position and performance

The laws regulating the status and the work of independent control bodies still have different shortcomings and therefore, in this phase of PAR as well, efforts should be made to ensure further improvements. Although the recommendations and opinion of Ombudsman, due to the specificity of such institution have no mandatory legal effect on bodies they are addressed to, it is notable that the number of bodies that do not act as recommended by the Ombudsman is increasing, as specified in the annual 2011 Report.

In respect with the Law on Confidentiality of Data, the subordinate legislation acts, prescribed by the law, being requisite for the implementation of this law, have not been adopted yet. The Law on Protection of Personal Data should be completely replaced by the new one, since it does not correspond to the Convention 108 of the Council of Europe and Directive 45/96 of the EU Council of Ministries, as specified on several occasions already.

Other than these formal forms of supervision over the performance and decision-making (and legal documents) of the PA bodies, there are other, informal controls in Serbia, conducted over the PA – such as, the control of independent media, public opinion, control of academic community, control of civil society organizations etc.

The 2012 Progress Report by European Commission should also be mentioned in this context. This report stated, with regard to numerous independent regulatory bodies, that they have logistics problems in conducting their activities, and that the Parliament should discuss their annual reports and that it predominantly supports the proposals and amendments of regulations proposed by these bodies. It was accordingly stated that the adoption of the Ombudsman Law was still under way, expected to underpin the independence of this institution, and that his recommendations are still not being sufficiently respected. The same conclusion applies to the recommendations by the Commissioner (also, the mechanisms for implementing the conclusions adopted by the National Parliament concurrently with the Annual Report on the work of Ombudsman, will be defined).

Considering that these are relatively young institutions and that the practise has shown that certain legal provisions should be upgraded in order to enable better performance of these institutions, as well as their full independence. It is particularly important to change the current status and provide for appropriate work of certain, and first of all the PA bodies, as provided by the final and enforceable resolutions of the Commissioner for Information of Public Importance and Personal Data Protection with regard to the free access to information and upon recommendations by the Ombudsman.

Another vital point in this field is the introduction of an efficient system for responding to complaints of citizens within the PA bodies, and aligning of different experiences in this segment with the practise of the Ombudsman.

SAI should reach full independence in preparing its Audit Reports, and increase its capacities for performing regular audit of the performance of public institutions, develop its information system and establish close cooperation with the European Audit Office. With regard to the development of the VFM audits in the state institutions, it is recommended that SAI dedicates more attention to the implementation of the strategies by the respective Ministries, and to the evaluation of deliverables of Projects funded by IPA. Furthermore, to provide protection to entities undergoing audit, they should be provided a legal remedy option against the decisions made by SAI.

In the forthcoming period, it is also essential to intensify the professional training of the staff that will perform the duties of the SAI that initially did not have adequate HR capacities within the PA system. In addition to this, there should be special tests in place, for checking the knowledge and skills of candidates during the competition for hiring civil servants, in

order to ensure that the highly demanding operations, requiring the interdisciplinary approach, are performed by highly professional and skilled staff.

#### **IV PUBLIC ADMINISTRATION REFORM MANAGEMENT**

The PAR Strategy will define new institutional and organizational structure for the coordination, monitoring, reporting and evaluation of the implementation process of this Strategy.

Coordination of the implementation of the PAR Strategy will take place at three levels:

The first and second are the levels of administrative coordination, and the third level is the level of political coordination of the public administration reform process.

Level one: Ministry responsible for the state administration affairs will continue to perform operational duties and tasks and the coordination of the PAR process. To ensure a successful accomplishment of these tasks and ensure the sustainability of this process, it is necessary to ensure appropriate capacities, primarily by building capacities of internal organizational unit (sector) of the ministry in the scope of which the state administration affairs related to the state administration system and the organization and work of ministries, , public agencies and public services, strengthening the organizational unit in which the activities of coordination of activities in the implementation of the PAR Strategy are performed. It is also necessary to provide in the state administration bodies a person in charge of monitoring, reporting and evaluation of the implementation of the PAR Strategy.

Level two: Inter-ministerial project group is tasked with performing the expert coordination and monitoring of PAR Strategy implementation. The duties of this Project Group primarily involve the professional coordination and drafting reports on the implementation of the PAR Strategy. This mechanism will ensure an active involvement of all the relevant state authorities in the process of the public administration reform.

The specific tasks of the Inter-Ministerial Project Group are: to participate in the creation of strategies and action plans in the process of public administration reform; the inclusion of all projects and normative activities in the PAR Strategy (within the framework of regular reviews of this strategy, or in the procedure of drafting the new PAR Strategy); recommending the inclusion of certain activities in the Annual Work Plan of the Government (in cooperation with the ministry in charge of state administration affairs); harmonization of other national strategic documents with the PAR Strategy (in cooperation with the General Secretariat of the Government and the Republic Secretariat for Public Policy); reviewing the bases and draft regulations establishing organs and organizations and other bodies in the public administration system (prior to submission to the state administration bodies for opinion), determining competencies in the performance of public administration tasks, defining the status of employees, as well as the mutual relations and coordination of bodies and organizations public administration; adoption of reports on the implementation and evaluation of the results achieved by the PAR Strategy (i.e. appropriate action plan based on the findings of the organizational unit of the ministry responsible for state administration affairs); proposing to the Public Administration Reform Council for the discussion and adoption of decisions on which no consensus is reached on the work of the Inter-Ministerial Project Group; participation in the evaluation of the results of the

implementation of the PAR Strategy (each member from the scope of work of his / her body).

Inter-ministerial project group consists of the members of the ministry's secretaries and assistant ministers whose scope is related to the activities of the public administration reform. The Inter-Ministerial Working Group meets regularly in accordance with the Rules of Procedure of the Inter-Ministerial Project Group.

Level third: the PAR Council has been established by the Decision on forming the Council for the Public Administration Reform, as the central strategic body of the Government, responsible for the public administration reform, tasked with defining the proposals for the strategic development of PA in the Republic of Serbia, initiating and proposing the measures and actions related to the public administration reform to the Government, discussing and adopting Reports on achieved objectives in connection with the PAR, promoting and monitoring the progress of the PAR Strategy implementation, particularly from the perspective of the incorporation of the principles and objectives of the PAR into the sectorial development strategies and measures from the plans, and discussing and providing of preliminary opinion to the Government, about development strategies, draft laws and other legal documents related to the organization and work of the Government, PA bodies and in particular those proposing the incorporation of new state authorities, organizations, services or bodies of the Government. In the former period this Council discussed the issues as provided by its delegated tasks, while in the future, from the date of the adoption of the PAR Strategy it is expected to take over the strategic role of coordinating and managing the reform processes within the public administration.

### **Monitoring and Evaluation**

Monitoring and evaluation of the planned reform activities is essential for an on-going harmonization of the process and/or enabling taking of timely actions and corrective measures in the event of identified delays or deviations. The monitoring system used for this process, is based on regular processing of collected data from regular and extraordinary reports. The system that has been used so far, hasn't been sufficiently supported by the IT system, instead of which, it has been predominantly applying the *ad hoc* and unaligned reporting and monitoring. It is therefore necessary to develop a complete and efficient monitoring and evaluation system for the outcome of performed activities. This principally implies the introduction of mandatory reports by all the stakeholders that would be submitted to the competent Ministry. After being processed by the competent Ministry, they are discussed by the Inter-ministerial Project. At least once a year, it is mandatory to discuss this at the Public Administration Reform Council. Should any issues be related to all the public administration bodies, the thematic sessions of the Government will also be organized, as necessary, to discuss and make conclusions about particular issues of general importance (while some can be discussed at the regular Government sessions).

The reports to be used for establishing the monitoring system of this process include easily understandable graphs and accompanying comments and recommendations. Special enclosure (the Annex) provides details about the implementation of the applicable Action Plan and about the outcome of the analysis and/or monitoring results. This will be additionally supported by developing and adopting the special

Methodology and other instruments (forms, info-systems etc.) for monitoring and evaluating the PAR processes.

Following the collection and processing of data from the regular reports on performed activities, and/or the continuing monitoring process, it is necessary to prepare occasional (but regular and systemic, well-grounded) assessments of the reform implementation, more specifically, the evaluation<sup>10</sup> of this complex process. The internal evaluation of the report should be accompanied with the independent external evaluation through the involvement of renowned educational and other related expert institutions, civil society and reports by independent assurance companies and relevant international organizations.

The information obtained in the course of monitoring and evaluation processes are used for planning of corrective activities taken when the PAR Strategy implementation lags behind the planned schedule and expected results, or more specifically, when determined that the planned activities are inconsistent with the set strategic goals.

In order for the competent Ministry to be able to ensure the effective and efficient implementation of these processes, a special unit needs to be established within the Department responsible for the public administration operations, with adequate number of civil servants possessing the knowledge and skills required for discharging such duties.

## **V. IMPLEMENTATION PLAN AND ECONOMIC IMPACT ASSESSMENT**

Special Action Plans will constitute the integral part of the PAR Strategy and they will provide the detailed contents and implementation schedule of this Strategy.

In respect with the sectorial approach, the PAR Strategy of the Republic of Serbia will act as the umbrella strategy of the public administration reform. Three sub-sectorial strategies will be prepared based on this Strategy that will be designated to the management of public finance, decentralization and e-government. These strategies will be used as the basis for developing appropriate action plans that will provide the detailed contents and their implementation time-schedule.

### **Funding of the PAR process**

Implementation of measures and activities necessary for the Republic of Serbia PAR will require substantial financial resources.

This means that the actors of these activities and the Leading Coordinator of the reform (ministry responsible for the public administration affairs) will, jointly with the ministry responsible for financial affairs, provide for the required budget funds for the implementation of the projected activities in each budget year (funding for the implementation of the Action Plan will be regularly planned during the budgeting process).

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<sup>10</sup> The term 'evaluation' means the assessment and/or professional appraisal of the quality and quantity of the specific outcome in the process of PA reform; in this case, this refers to the professional assessment of achievements and/or effectiveness in realizing the reform activities and reaching specific results in this process.

The major portion of required funds is provided through the engagement of civil servants at preparing the regulations and other public policies.

A part of required funds will be provided from other sources (such as the EU IPA fund, bilateral donors etc.).

## **VI FINAL PROVISIONS**

### **Action Plan**

The Action Plan for the implementation of the PAR Strategy in the Republic of Serbia in the period 2014–2016, will be adopted within 60 days as of the effective date of this Strategy.

### **Publishing**

The Strategy will be published in the „Official Gazette of the Republic of Serbia”.

05 No.: 020-656/2014

In Belgrade, January 24, 2014

## **GOVERNMENT**

### **PRIME MINISTER**

**Ivica Dačić**