

REPORT
ON IMPLEMENTATION OF THE PUBLIC FINANCIAL
MANAGEMENT REFORM PROGRAMME 2021-2025 FOR 2022

Ministry of Finance

April 2023

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ABBREVIATIONS AND ACRONYMS

AES & AIS	Automated Export and Import Systems
AFCOS	Anti-Fraud Coordination Service in dealing with EU Funds
BIS	Budget Information System
CAAT	Computer Assisted Audit Tools
COTS	Commercial off-the-shelf
DG AGRI	Directorate-General for Agriculture and Rural Development
DG NEAR	Directorate-General for Neighbourhood and Enlargement Negotiations
DG TAXUD	Directorate-General for Taxation and Customs Union
DSA	Debt Sustainability Analysis
ERIAN	Electronical Risk Analysis Information System
ESA	European System of National and Regional Accounts
EC	European Commission
EU	European Union
FAD	Fiscal Affairs Department of the IMF
FMIS	Financial Management Information Systems
GIZ PFR	Gesellschaft für Internationale Zusammenarbeit – German Agency for International Cooperation, Project “Public Finance Reform – 2030 Agenda”
IPSAS	International Public Sector Accounting Standards
ISDACON	Information System for Coordination of the Development Assistance to the Republic of Serbia
ISSAI	International Standards of Supreme Audit Institutions
MTDS	Medium-Term Debt Management Strategy
MIS	Management Information System
NAO SO	Support Office to the National Audit Office
NCTS	New Computerized Transit System
OECD	Organization for Economic Cooperation and Development

OLAF	European Anti-Fraud Office
PEFA	Public Expenditure and Financial Accountability
PIFC	Public Internal Financial Control
PIMIS	Public Investment Management Information System
RESPA	Regional School of Public Administration
SIDA	Swedish International Development Cooperation Agency
SIGMA	Support for Improvement in Governance and Management
TADAT	Tax Administration Diagnostic Assessment Tool
TAIEX	Technical Assistance and Information Exchange instrument of the European Commission
UNDP	United Nations Development Programme
USAID	United States Agency for International Development
SBRA	Serbian Business Registers Agency
GDP	Gross Domestic Product
BI	Budget Inspection
GFS	Government Finance Statistics Manual
DBB	Direct Budget Beneficiaries
SE	State-owned Enterprises
SAI	State Audit Institution
LoBS	Law on Budget System
LTPTA	Law on Tax Procedure and Tax Administration
IBB	Indirect Budget Beneficiaries
IV	Initial value
IA	Internal audit
ISCS	Information System of the Customs Service of Serbia
SIS	Single Information System
LSUs	Local Self-Government Units
PPO	Public Procurement Office
IMF	International Monetary Fund
IPSAS	International Public Sector Accounting Standards

MoF	Ministry of Finance
NPAA	National Programme for the Adoption of the Acquis
VAT	Value Added Tax
PRLSS	Programme for the Reform of the Local Self-Government System
PFM	Public Financial Management Reform Programme
TA	Tax Administration
PAR	Public Administration Reform
WB	World Bank
BSBA	Stand-By Arrangement
SEDI	Systematic Electronic Data Interchange
SCTM	Standing Conference of Towns Municipalities - National Association of Local Authorities in Serbia
SPIRI	Software for Planning, Execution, and Budget Accounting
HRMS	Human Resource Management Service of the Republic of Serbia
PDA	Public Debt Administration
PFM	Public Financial Management
FMC	Financial Management and Control
CHU	Central Harmonization Unit

INTRODUCTION

The Public Financial Management Reform Programme 2021-2025 (PFM RP), which was adopted by the Government of the Republic of Serbia on 24 June 2021, represents a new strategic framework for planning and implementation of reform processes in public financial management subsystems in the area of "public administration"¹, with the aim of achieving a better balanced and sustainable budget, reducing the level of public debt, strengthening financial management and control and improving the process of external control of public finances. Following the successful implementation of the previous PFM RP covering the period from 2016-2020², a roadmap was established for the implementation of reforms that is adequately aligned with the Public Administration Reform Umbrella Strategy for the period 2021-2030 and other public policy documents that are directly related to the PFM RP.

The Report for 2022 (hereinafter: "the Report on the implementation of the PFM RP") was prepared by the Working Group on Preparation, Monitoring and Reporting on the Implementation of the PFM RP 2021-2025 (hereinafter: "PFM RP Working Group").

Public financial management is of key importance for the process of European integration, and is connected to a large number of negotiation chapters: Chapter 5 - Public procurement; Chapter 16 - Taxation; Chapter 17 - Economic and monetary policy; Chapter 22 - Regional policy & coordination of structural instruments; Chapter 29 - Customs union; Chapter 32 - Financial control; and Chapter 33 - Financial and budgetary provisions. The area of Public Financial Reform is one of the important topics discussed with the European Commission within the Special Group on Public Administration Reform.

Apart from the importance for achieving sustainable growth, stable public finances are one of the necessary preconditions for the implementation of the necessary structural reforms and for an adequate State response in crisis situations, such as the one caused by the COVID-19 pandemic and the conflict in Ukraine. Thanks to the stability of public finances, the Republic of Serbia had fewer economic consequences caused by the crisis during the COVID-19 pandemic compared to other European countries. The demanding and targeted measures of fiscal consolidation in the previous period have contributed to the stabilization of public finances, and made it possible to adopt a significant package of economic assistance to the economy and population in crisis conditions in 2022 as well.

Seven out of the sixteen activities from the PFM RP 2021-2025, which are envisaged under the PFM RP Action Plan for 2022, have been successfully implemented, while the implementation of another seven activities is ongoing. The effect indicator at the level of the general objective of the PFM RP related to public debt was achieved, while the value related to real GDP growth rate, due to the energy crisis and other consequences of the conflict in Ukraine, was not achieved.

In consultations with members of the Working Group, as well as with the international partners, the need to make the necessary changes through the Programme Amendments was

¹ In accordance with the Decree on the Methodology for Public Policy Management, Regulatory and Public Policy Impact Assessment and the Content of Individual Public Policy Documents ("Official Gazette of the RS", No. 8/19).

² PFM RP 2015-2020, PFM RP 2021-2025 and all implementation reports can be found on the MoF website: <https://mfin.gov.rs/dokumenti2/program-reforme-upravljanja-javnim-finansijama-pfm>

acknowledged, which would include, in the best possible way, the elements related to the digitization process, green financing, as well as the updating of the existing activities to a certain extent, in line with the challenges we have been facing at the global level in the last couple of years. The plan is for the revision of the Programme to be adopted in 2023.

EXECUTIVE SUMMARY

During 2022, the values of the effect indicators at the level of the general goal of the PFM RP 2021-2025 have been partially fulfilled. These are, namely, the indicator related to real GDP growth rate (out of 4% of the target value, based of quarterly calculations, the value of 2.3% was achieved) and the indicator of the general government debt-to-GDP ratio (out of 57.9% of the target value, exceeded by 2.3 pp. and amounts to 55.6%).

Due to the challenges caused by the conflict in Ukraine and the energy crisis, the GDP growth in 2022 had failed to fully reach the planned level. After the growth of 7.4% in 2021, the growth continued in the amount of 2.3% during 2022. Also, **the estimate of GDP growth in the next three years is 2.5% in 2023, 3.5% in 2024, and 4% in 2025.**

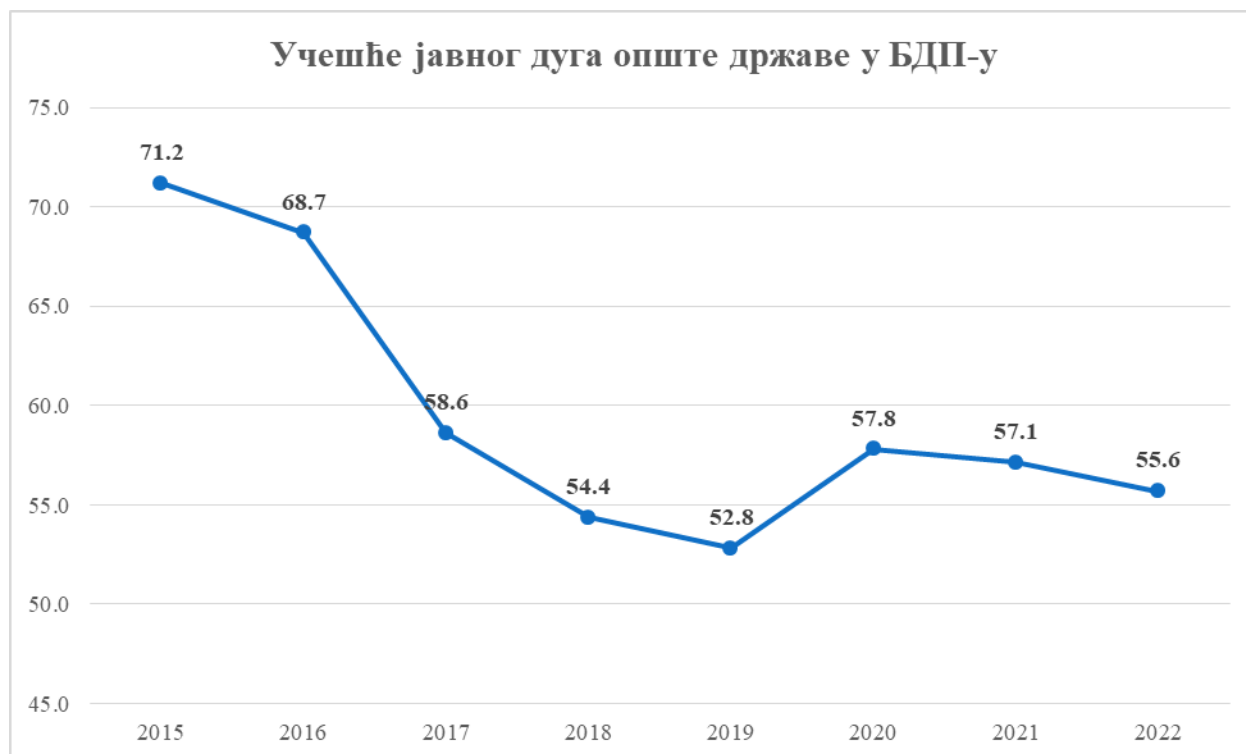


Graph No. 1: Movement and growth of GDP in the period from 2016 to 2022

Graph legend: Blue line – GDP, current price index, billions of RSD

Orange line – GDP, real growth, in %

The share of public debt-to-GDP ratio was reduced to 55.6% at the end of 2022, which is better than expected in relation to the performance indicator at the level of the general objective.



Graph No. 2: Share of general government public debt in GDP

Out of a total of 7³ outcome indicators at the level of Specific Objectives⁴ of the PFM RP in 2022, a total of 4 have been met, while 3 indicators have not been met.

Out of a total of 34 outcome indicators at the level of individual measures of public policies of the PFM RP in 2022, a total of 22 have been implemented, 7 have not been implemented, while we still lack data for 5 indicators⁵.

During 2022, 7 of the 16 planned activities have been implemented. Implementation of 6 activities is ongoing, while 3 activities have not been implemented.

³The total number of outcome indicators at the level of Specific Objectives is 9, of which 2 Specific Objectives had no target values in 2022

⁴ For more detailed information on outcome indicators at the level of Specific Objectives of PFM RP, please see the AP table.

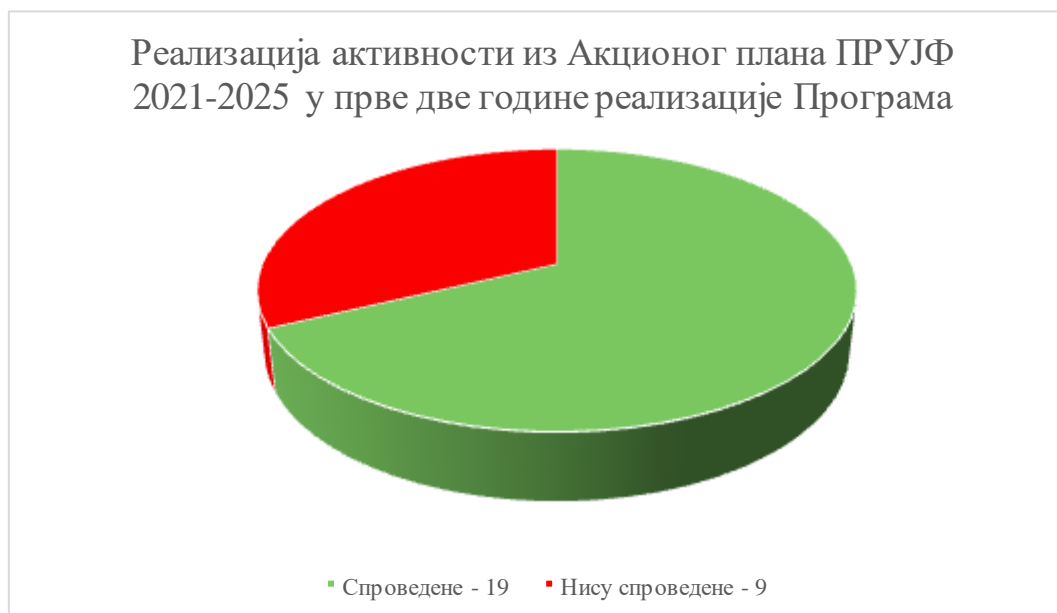
⁵ All 5 indicators for which we lack data refer to measure 4.1, and will be available after completing the Consolidated Annual Report on PIFC for 2021. For more information on outcome indicators, please see the table



Graph No. 3: Implementation of the activities from the PFM RP 2021-2025 Action Plan, with a deadline until the end of 2022

Graph legend: Green – Implemented Red – Not implemented

Observed cumulatively, the implementation of activities in the first two years amounts to 19 implemented activities out of 29 planned activities, while the implementation of the majority of unimplemented activities is ongoing.



Graph No. 4: Implementation of the activities from the PFM RP 2021-2025 Action Plan in the first two years of implementation of the Programme

Graph legend: Green – Implemented Red – Not implemented

During 2022, the achievement of 43 performance indicators was monitored at the level of the General Objectives, Specific Objectives and results. A total of 28 performance indicators have been achieved, 10 have not been achieved, while data for five performance indicators are still not available.

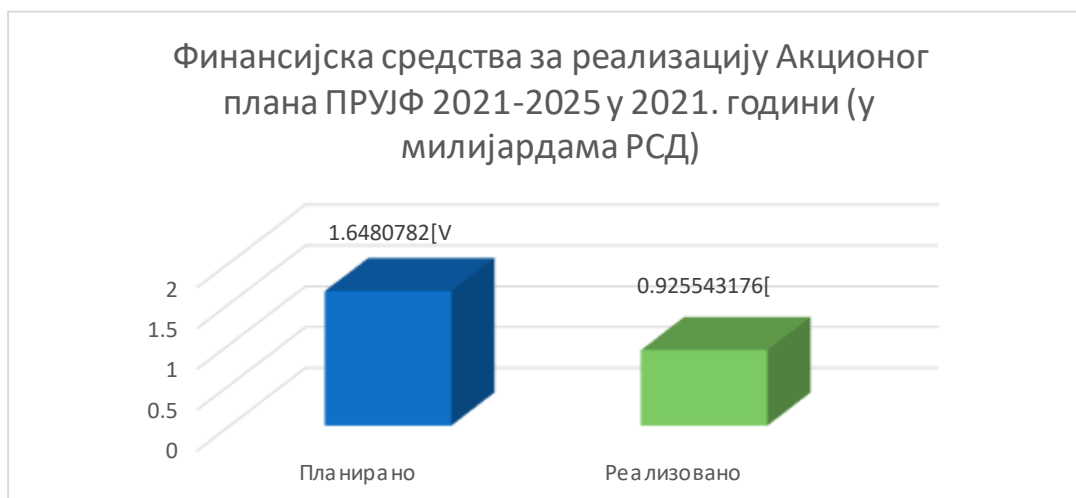


Graph No. 5: Achievement of performance indicators in 2022

Graph legend: Green – Implemented Red – Not implemented Blue – Data still unavailable

In 2022, progress was made in areas related to programme-based budgeting, capital project management, fiscalisation, Budget Inspection, internal audits and accounting in the public sector. Work was also conducted on further improvement in the areas of analysing the uniform structure of the programme budget for Local Self-Government Units, changing the business processes of the Tax Administration, strengthening the Medium-Term Debt Management Strategy, and regulating and strengthening the capacities of the PIFC.

During 2022, the plan is to spend the amount of RSD 1,648,078,200.00 for the implementation of the activities envisaged under the Action Plan. By insight into the implementation of the activities, it was revealed that RSD 925,543,176.00 was spent in the specified period, i.e. that 56% of the planned funds were spent. **This data cannot be considered as accurate because there is a lack of data from individual donors who do not share information about the financial resources used for the implementation of the activities they support.**



Graph No. 6: Financial resources for the implementation of the PFM RP 2021-2025 Action Plan in 2022

Graph legend: Blue – Planned Green – Implemented

Example of success under Specific Objective I:

The medium-term plan increases the transparency of responsibility for the implementation of public policies, by obliging the institution to use the funds allocated to it to implement a clearly defined set of measures and activities. The medium-term plan contributes to an effective programme budget and to a medium-term expenditure framework that is in line with the goals and priorities of the Government and the public policy documents.

In the area of public expenditure budgeting, workshops have been held in the previous period in connection with the analysis of the programme budget and the use of performance indicators. The recommendations for improvements given to the budget beneficiaries are included in the Instructions of the Ministry of Finance for the preparation of the budget for 2023 with forecasts for 2024 and 2025. Also, work on the analysis of the uniform structure of the programme budget of Local Self-Government Units has commenced. In 2022, in addition to programme-based budgeting, work continued on harmonising the regulations with the normative acts of the European Union in respect of the budget preparation process.

Thus, along with the improvement of medium-term planning, the transparency of the public administration's responsibility for the implementation of public policies as a whole has also increased. During 2022, medium-term planning at the national level was additionally improved, through the adoption and publication of over 20 medium-term plans by medium-term planning reporting entities which, *inter alia*, made it possible to additionally connect public policies with the medium-term expenditure framework in the Republic of Serbia.

Public investment management continues to be one of the priorities of the Ministry of Finance, whereby the focus in 2022 was, *inter alia*, on

Example of success under Specific Objective II: Successful transition to e-fiscalization

-Electronic fiscalization is a key project for bringing order to our fiscal system, on which the Ministry of Finance and the Tax Administration have been continuously working for the past two years. The application of the new e-fiscalization model became mandatory in the Republic of Serbia from 1 May 2022.

E-fiscalization implies the use of a new hardware or software solution, through which fiscal invoices with a QR code are issued. By scanning a QR code, customers and service users can check whether the invoice has been issued in accordance with the Law, establish a connection with the Tax Administration, and receive information on whether their invoice is valid.

- The advantages brought by the new system are numerous for the State, the economy and the citizens, because unfair competition shall be suppressed in this way, and because it enables a more efficient fight against the gray

economy, facilitates business, reduces costs in the long term, eliminates unnecessary administration and creates a better business environment.

The cost of fiscalization/defiscalization of cash registers and annual maintenance of fiscal devices

is eliminated, the cost of purchasing and storing the so-called "control strips" disappears, and the subscription fees with mobile providers for GPRS are cancelled

"greening" the capital project management process, for which the initial step was the adoption of the Regulation amending the Regulation on Capital Project Management ("Official Gazette of the RS", 139/22), as well as on the development of ideas for completing the legal framework related to the capital project management, the ultimate goal of which is a Single Project Pipeline for capital projects in the Republic of Serbia. Work on improving the functionality of the PIMIS information system was also continued. Given that the Government of the Republic of Serbia was in a technical mandate for most of 2022, only one session of the Capital Investment Commission was held; however, the work on data processing and improvements concerning the reporting format is carried out continuously. In addition, the Department for Fiscal Risks Monitoring of the Ministry of Finance has continued its work on improving the environment for efficient management of fiscal risks, with a special emphasis on the energy sector, bearing in mind the challenges that the whole world, including our energy system, faced in 2022. Protocols on cooperation between the competent state authorities have also been signed, based on the Single Methodology for Fiscal



No. 99/2021).

In the first half of 2022, the Tax Administration had successfully implemented a new model of fiscalization, which contributed to a significant reduction in the costs of the real sector and the recording of turnover in real time, which introduced a more efficient tool for combating the gray economy.

The full implementation of the Law on Fiscalization began on 1 May 2022, and in the period since the beginning of its implementation, the Tax Administration enabled and provided

assistance to fiscalization obligors in fulfilling their legal obligations, i.e., since commencing with the implementation of the new fiscalization system, a total of 263,000 security elements in form of card, as well as 86,000 security elements in form of PFX file, have been made for 147,000 fiscalization obligors,

The central activity of Tax Administration was focused on the implementation of the Tax Administration Transformation Programme 2021-2025. In 2022, the work on the creation of documents "Design of business processes with attachments and presentations" was completed. Simultaneously, activities have been initiated in the procedure of procurement of commercial off-the-shelf (COTS) solutions according to World Bank procedures. Also, the project "Consulting services for the institutional development of the Human Resources function of Tax Administration" was initiated. The aforementioned activities are carried out through the Tax Administration Modernization Project (TAMP), and are financed from the World Bank loan.

The Global Forum has developed a technical assistance programme (Introductory Programme) in order to support its members in implementing international standards related to the exchange of information. The purpose of the programme is to help new members set up the necessary legal framework and administrative capacities in order to benefit from the exchange of information. In this regard, the Secretariat of the Global Forum had conducted preparatory meetings in a virtual environment in the period from 25-28 January 2022, as a simulation of meetings for the expert assessment of the Republic of Serbia in meeting the standards of exchange of information upon request.

In 2022, the Ministry of Finance, with the consulting assistance provided by the experts engaged through the "Public Finance Reform – 2030 Agenda" project, had initiated the first phase of establishing a system of electronic delivery notes, which refers to the analysis of the current state of IT systems with which the integration is planned to be conducted, the examples of good practices in the neighbouring countries of the EU, as well as drafting the legal framework for the establishment of the system and architecture of the mobile app.

In 2022, for the purpose of implementing the Phase 5 of the NCTS system, the procurement of equipment and software was carried out (production is currently in the testing status), while at the level of the European Union, the introduction of the upgraded NCTS system is planned for the period from 2021 until 1 December 2023, when all Contracting Parties to the Convention on a Common Transit Procedure are obliged to submit transit declarations only under the upgraded system. The obligation to harmonize business processes with the new European regulations also affects the electronic exchange of data under the current NCTS system (Phase 4), which the Customs Administration already uses.

In the area of public procurement, bearing in mind the provisions of the Law on Public Procurement ("Official Gazette of the RS", No. 91/19, hereinafter: "LPP"), one of the key novelties is the introduction of the e-platform. The new Law on Public Procurement introduced the obligation of electronic communication and electronic data exchange in public procurement procedures. The new Public Procurement Portal (hereinafter: the "Portal"), which was established on 1 July 2020, represents a significant step forward in the process of digitization of public procurement procedures. Compared to the previous Portal, whose main purpose was "advertising", the new Portal is a Single Information System (SIS) that enables advertising and communication between different economic entities in public procurement procedures. The new Portal enables contracting authorities to compile and publish plans and notices on the Portal, publish tender documentation and decisions in public procurement

procedures, as well as many other options and functionalities, such as: e-bid submission, e-bidding, Dynamic Purchasing System, e-planning, e-appeals and e-catalogue. During 2022, three new versions of the Public Procurement Portal have been developed and published, and each of them brought some new opportunities for contracting authorities and bidders.

In addition, a mobile app has been developed for Android and iOS devices. The Public Procurement Office continued with the development of practical tools for the application of the law and the use of the Portal (video instructions, guidelines, tender documentation models). In addition to these efforts, the Public Procurement Office was committed to strengthening the capacities of contracting authorities and bidders in respect of the implementation of the Law on Public Procurement.

Example of success under Specific Objective III:

During the previous year, the centralization of Budget Inspection was carried out and by-laws were adopted for the implementation of the Law on Budget Inspection.

Strengthening the capacities of the Governmental Audit Office of EU Funds was one of the priorities in 2022. The preparation of the new Rulebook on Internal Organization and Systematization of Work Positions is still underway, which will be harmonized with the new Decree on the Competencies of Civil Servants. On the other hand, a project proposal for advanced employee training was prepared, which would be financed from IPA funds, and whose implementation should commence by the end of 2023.

During 2022, as part of the management of EU funds, active preparations were made as planned for the process of closing the programme based on the model of indirect/decentralized management from the perspective 2007-2013, which shall continue for the perspective 2014-2020. The management system is largely adapted to the perspective 2021-2027 (IPA III) and on that basis the Republic of Serbia has been entrusted with the duties of managing funds from the financial allocation for 2021, and the same is expected for all years within the perspective 2021-2027 (IPA III).

In the previous year, the area of inspections and protection of budget funds was improved by strengthening the legislative framework with the adoption of the new Law on Budget Inspection in December 2021⁶, as well as by strengthening the capacities for conducting inspections. In this regard, in 2022, the Budget Inspection had passed by-laws for the implementation of this law, namely: Rulebook on the Procedure for Enforced Collection upon the Executive Decision of the Budget Inspection, Methodology for Supervising the Execution of Public Procurement Contracts, Instructions on the Budget Inspection's Procedure for the Selection of Public Funds Beneficiaries, for which Inspection Supervision over the Execution of Public Procurement Contracts is Carried Out. Also, trainings from the adopted training programme for budget inspectors have been carried out through specific trainings and workshops, while budget inspectors were taken from the Autonomous Province and Local Self-Government Units, thus fulfilling the goal of providing the planned number of inspectors.

⁶ Law on Budget Inspection in 2021 <https://www.propisi.net/zakon-o-budzetskoj-inspekciji/>

In 2022, the Department - Central Harmonisation Unit of the Ministry of Finance was focused on improving communication with the PFBs and providing support in the field of internal financial control in the public sector. Support is provided through trainings which are organized at the local level, assessment of the quality of state of financial management and

Example of success under Specific Objective IV:

With the support of UNDP, during 2022, CHU held 5 two-day trainings for FMC attended by 164 participants - managers and other employees at PFBs at the local level (Čačak, Novi Pazar, Prokuplje, Loznica and Vrnjačka banja). In addition to municipal administrations, the trainings were also attended by employees from PUCs, preschool and school institutions and institutes.

control among public funds beneficiaries, as well as through the RELOF 2 project, with the help of which a pilot project for the establishment of the FMC system in schools was prepared. During the fourth quarter of 2022, for the first time ever and in accordance with the Sectoral Programme for Continuous Professional Development of Employees at LSUs⁷, a cycle of regional trainings for financial management and control intended for all cities and municipalities was conducted through SCTM. This year, great attention was paid to strengthening the capacities of internal auditors and raising the awareness of the importance of this profession. This year, great attention was paid to strengthening the capacities of internal auditors and raising the awareness of the importance of this profession. In 2021, with the support of UNDP, an analysis of the position of IAs, as well as of the competencies for IAs in the public sector, was prepared with competency assessment tools, namely a segment intended for PFB managers and a segment intended for potential future internal auditors. Based on that material, in the reporting period, two publications intended for internal auditors, PFB managers and future internal auditors have been prepared and published on the

CHU website.

In 2022, a campaign was carried out for promoting responsible management in the public sector and the profession of internal auditor, with an invitation to those interested (from the public and private sector, as well as to young people) to follow the competitions of public sector institutions for employment in the field of internal audit. Work was performed on the preparation of amendments to the regulations related to the field of internal audit in terms of seeking the best modality for attracting internal auditors to the public sector, as well as for improving their position. During 2022, work was conducted on the financial budget related to the proposed changes to the two regulations governing the field of IA (organization and certification). This new proposal of the Rulebook envisages significant changes, and considers the possible impact on different categories of PFBs. For the reporting year 2021, electronic reporting is fully functional, and that trend continued when submitting the reports for 2022. The User's Guide (in

⁷ Sectoral Programme within the General Training Programme for LSU Employees for 2022, available on the NAPA website: <https://www.napa.gov.rs/extfile/sr/3678/03.Op%C5%A1ti%20program%20obuka%20zaposlenih%20u%20JLS%20za2022.pdf>

Example of success under Specific Objective V:

Draft amendments to the relevant national regulations have been prepared in order to harmonize them with IPSAS for the cash basis.

A workshop was held in order to improve the professional competencies of accountants in the public sector.

written and video form) prepared by CHU, as well as the assistance of CHU representatives who provided all the necessary support during the reporting period, were of great help to the beneficiaries during the filling out and submission of the reports. Considering that the reporting for 2021 was further improved with the possibility of electronic signing of documents, many beneficiaries took advantage of this possibility and submitted their reports in electronic form for 2022 as well. Reporting on the state of the FMC for 2022 has been improved with a new or modified questionnaire form. The structure and manner of filling out the questionnaire has been changed, which enables beneficiaries to efficiently and objectively assess the application of the principles of the COSO Framework in their organization.

In 2022, as part of the further improvement of the accounting system in the public sector, the Treasury Administration was committed to implementing the Plan for the Improvement of Accounting in the Public Sector in phases, and by the end of 2022, in cooperation with experts, it prepared the Draft Amendments to the Rulebook on the

Method of Preparation, Compilation and Submission of Financial Reports of Budget Funds Beneficiaries, Beneficiaries of Funds of Organizations for Compulsory Social Insurance and Budget Funds and the draft Rulebook on Accounting Policies for Financial Reporting in Accordance with the Cash-Based IPSAS Rules. Also, with the aim of harmonizing the accounting legislation of the Republic of Serbia with international accounting standards and best practices, the Commission for Monitoring the Application of International Public Sector Accounting Standards⁸, which has a supervisory role in this process, was formed and actively participated in monitoring the application of International Public Sector Accounting Standards, as well as in providing an adequate translation of the IPSAS set of international accounting standards. In addition to this, great importance was given to strengthening personnel capacities in 2022 through professional training of accountants in order to acquire the necessary knowledge for the application of IPSAS. To that end, the continuous training of accountants in the public sector has continued, with a workshop having been held in Zlatibor in the period from 7-9 September 2022, with the presence of several leading representatives of the public finance sector of the Republic of Serbia.

The Treasury Administration has recognized the importance of compliance of the legal regulations in the field of accounting with the International Public Sector Accounting Standards (IPSAS), so that, in the coming period, it is expected to harmonize the legal regulations of the Republic of Serbia with IPSAS on a cash basis and to adopt the Accounting Policy for Financial Reporting in accordance with cash-based IPSAS.

With regard to the external supervision over the public finances from the scope of the State Audit Institution (SAI), the working method was further improved in 2022 in

⁸ Article 75a of the Law on Budget System ("Official Gazette of the RS", No. 138/2022).

Example of success under Specific Objective VI:

The practice of organizing public hearings on the occasion of presentation of the Budget Bill and the Bill on Final Account of the Budget, as well as of holding sittings outside of the National Assembly seat, was continued.

order to increase the number of audits of business expediency and the coverage of public funds by audit. In the SAI Work Report for 2022, the SAI presented the effects achieved by the actions of auditees based on the recommendations given by the SAI in the period 2020-2022. In this period, financial effects, savings, i.e. increase in revenues in the amount of RSD 9.62 billion have been achieved. When we compare the aforementioned amount with the amount of RSD 897 million which the SAI carried out in 2022, we would come to a conclusion that **for every RSD 1 invested into the work of SAI, RSD 11 were returned to the budget of the Republic of Serbia.** In addition, in 2022, the effects based on the alignment of operations with regulations were achieved in respect of over RSD 18.95 billion, as well as in respect of recording assets and liabilities of over RSD 255

billion. The largest part of assets and liabilities refers to recorded liabilities of direct and indirect budget beneficiaries in the Republic of Serbia. In 2022, SAI had prepared 284 audit reports. Also, SAI continuously improves the monitoring of implementation of recommendations, and audits of the regularity of corrective measures have been introduced for this purpose. In 2022, SAI gave a total of 2,743 recommendations to auditees, namely: 1,084 under the audit of financial reports, 680 under the audit of regularity of operations, 280 under the audit of regularity of operations in respect of corrective measures, 260 under the audit of financial reports and regularity of operations, 198 under the audit of regularity of operations and expediency of operations, and 241 under the audit of expediency of operations⁹.

In 2022, parliamentary supervision over public finances was further improved through the continued practice of holding sittings outside of the National Assembly seat, at which the reports on the audit of consolidated financial reports on the final account of the budget and reports on the audit of financial reports and regularity of operations for individual economic entities and other public funds beneficiaries were considered. Also, in 2022, public hearings were held on the occasion of the presentation of the Budget Bill and the Bill on Final Account of the Budget. This activity was incorporated into the PFM RP Action Plan in order to enable greater participation of the public, Civil society Organizations and other stakeholders. In addition to the representatives of the Ministry of Finance who presented the solutions contained in the aforementioned Bills, the public hearing, which was held on 4 December 2022, was also attended by other MPs, as well as by the representatives of the SAI, Fiscal Council, NBS and the representatives of numerous Civil Society Organizations.

The greatest challenges in regards to the implementation of measures and activities in 2022 were related to unfavourable circumstances caused by the COVID-19 pandemic and the energy crisis, as well as by delays related to the hiring of consultants who provide technical assistance in the implementation of certain Programme activities. It is necessary to intensify cooperation with the donor community in terms of supporting projects in the field of public finance reform, which would contribute to a more efficient implementation of the planned activities. The risks presented in the PFM RP 2021-2025 are presented in a separate table on page 97 of this Report.

⁹ Report on the work of the State Audit Institution for 2022 <https://dri.rs/godisnji-izvestaji-o-radu>

AGGREGATE OVERVIEW

The efficient public financial management is the basis for sustainable economic development and contributes to the macroeconomic stability of the country. In addition to strong GDP growth rate of 7.5% and stable public debt-to-GDP ratio of 55.6%, at the end of 2022, on the expenditure side, GDP growth in 2021 was entirely driven by domestic demand. The preserved **stability on the labour market and wage growth, along with favourable financing conditions, resulted in an increase in private consumption of around 8%**. Despite the pandemic, fixed investments have increased cumulatively during 2020 and 2021 by around 13% in real terms. Government investments have been growing since 2020, and have reached around 7.2% of GDP in 2021. **The inflow of foreign direct investments reached EUR 4.4 billion in 2022.**

At the same time, **the unemployment rate was 9.2% in the fourth quarter of 2022**, with the highest employment rate (50.1%) achieved so far.

After reaching 8.0% of GDP in 2020, largely as a result of a large package of discretionary fiscal policy measures for mitigating the crisis, **the general government debt-to-GDP ratio stood at 3.3% in 2022, and is expected to gradually decline further.**

After the successfully implemented fiscal consolidation measures in 2016, the growing trajectory of public debt and the public debt-to-GDP ratio was reversed, which at the level of the entire country decreased from **71.2%**, as recorded **at the end of 2015**, to **52.8%** at the end of 2019. Due to the need to fund the measures for supporting the economy and citizens in order to reduce the impact of the crisis caused by the COVID-19 pandemic, since April 2020, public debt has been on the rise, and at the end of 2020 its share in GDP was 57, 8%, only to subsequently decrease **during 2021**, at the end of which the general government public debt-to-GDP ratio was **57.1%**. **The downward trend of the public debt-to-GDP ratio continued in 2022, and at the end of the year, the stated ratio amounted to 55.6%.**

In the coming period, the fiscal policy shall be aimed at continuing to reduce the total tax burden on labour, which shall further relieve the economy, i.e. increase the competitiveness of the private sector. The focus will be on the continuation of the Tax Administration Transformation process.

On the expenditure side, infrastructure and capital projects, as well as pension and salary policy, will be prioritized. At the same time, due care shall be taken to ensure that the increase of these two largest categories of expenditures does not go beyond the planned sustainable framework. In addition, the planned amendments to the Law on Budget System shall contribute to the stability of public finances and to a sustainable fiscal framework, which will, *inter alia*, change the set of fiscal rules, both general and specific, and define special measures and consequences in case of non-compliance. Special focus shall be on amending the general rules regarding public debt and deficit of the general government, as well as on amending specific rules related to the sustainable level of expenditures for wages and pensions. Also, special attention shall be paid to the digitization process in public finances, both through strategic and functional strengthening of individual systems at the level of departments and administrations within the Ministry of Finance, as well as through their interoperability and interconnectivity.

By implementing the activities which will be an integral part of the PFM RP following the adoption of the Programme Amendments, the public finance management system shall be additionally strengthened, which will contribute to its stability, predictability and resilience, which is very important in crisis situations. In this way, a stable basis shall be created for further implementation of structural reforms in other areas as well, while the economy shall be provided with a stable business environment.

Finally, the implementation of the PFM RP 2021-2025 in 2022, as well as the aforementioned macroeconomic indicators, confirm the trend which leads to the fulfilment of the general goal of the PFM RP, which is reflected in the realization of a sustainable budget with a stable public debt-to-GDP ratio, by better financial management and control, internal audit process and connecting the budget planning with Government policies.

The biggest risks for the implementation of the PFM RP in the coming period are related to overcoming the impact of crisis situations, such as the conflict in Ukraine and the energy crisis. The timely implementation of the planned reform measures, the strengthening of interdepartmental cooperation in order to further strengthen the synergy between the various segments of the public finance system, as well as the provision of appropriate financial resources for their implementation, are extremely important.

The Working Group for the Preparation and Monitoring of Implementation of the PFM RP 2021-2022 had participated in the preparation of the Report on the Implementation of the PFM RP in 2022. The PFM RP Technical Secretariat shall enter the results of the implementation into the SIS database. The exchange of information was carried out electronically to the greatest extent, and for the purpose of joint work and preparation of the final version of the Report, a workshop was held from 22-24 March 2023, with support under the Project “Public Finance Reform – 2030 Agenda” implemented by GIZ.

In October 2022, a meeting of the Working Group was held, at which the members were informed about the upcoming process of preparing the Report and revising the programme, as well as about the detailed steps and time frame for their implementation.

The draft Report was published on the website of the Ministry of Finance on 11 April 2023, and all stakeholders were invited to submit their comments by 18 April 2023. By the specified deadline, the Standing Conference of Towns and Municipalities had submitted its comments and supplements, which were fully taken into account and which reflect progress in certain areas of Public Financial Management Reform at the level of local self-governments.

A special contribution of this Report is that its main results and indicators are contained in the Report on the Implementation of the Public Administration Reform Strategy 2021-2030 for 2022.



Image No. 1: The Working Group on Preparation, Monitoring and Reporting on the Implementation of the PFM RP 2021-2025 at the workshop for the finalization of the Report on the Implementation of the PFM RP for 2022

Below is an overview of the progress achieved in 2022, according to the specific objectives of the PFM RP:

Progress achieved under Specific Objective I

The outcome indicator at the level of Specific Objective I, which refers to the information concerning performance for the provision of public services as measured through the PEFA Assessment for the Republic of Serbia, has not been determined for 2022, during the preparation of the PFM RP, given that the upcoming PEFA Assessment will be carried out in the period up to the end of the implementation of the PFM RP (until the end of 2025).

As part of the measure for further improvement of the programme budget in 2022, additional workshops have been organized at which all objectives and performance indicators in respect of budget beneficiaries were analysed, which were defined during the preparation of financial plans for 2022 with forecasts for 2023 and 2024.

In addition to the progress achieved in respect of the preparation of the national budget, the Ministry of Finance has recognized the need to improve certain regulations in order to harmonize them with the normative acts of the European Union, regarding the preparation and obligations of Member States during the budget preparation process. In accordance with this, an analysis of the legislation related to the Law on Budget System was carried out, recommendations were made for the harmonization of regulations with EU norms, and a deadline for the harmonization of regulations was proposed. Also, in order to strengthen the capacities related to the preparation and obligations of EU Member States during the budget

preparation process, a workshop was organized at which a consultant from the Republic of Croatia presented his experiences in respect of the EU accession process and budget preparation.

During 2022, additional efforts were invested into the development of medium-term planning and connecting the budget of public funds beneficiaries with relevant planning documents, which resulted in a better overview of multi-annual obligations of beneficiaries determined under planning documents, better planning of public policies and more efficient implementation of the budget. By planning the medium-term expenditure framework and calculating the costs of medium-term plans, a better connectivity between sectoral planning frameworks is ensured, as well as focus on the achievement of performance indicators and reporting based on indicators. In 2022, the second reporting cycle on the implementation of medium-term plans was carried out by preparing reports for 2021 in respect of the adopted medium-term plans through SIS¹⁰. This laid the foundation for further transparent presentation of performance of the institutions in regards to the implementation of the established public policies in relation to the resources used. In 2022, the Public Policy Secretariat of the Republic of Serbia continued to provide mentoring support in the drafting of Medium-Term Plans by medium-term planning reporting entities. The indicator¹¹ at the level of the measure related to the improvement of medium-term planning is 100% fulfilled (22/22).

In 2022, a total of 22 institutions have adopted and published their medium-term plans for the period 2022-2024. In connection with medium-term planning at the local level, support for the development of medium-term plans for Local Self-Government Units (LSUs), as medium-term planning reporting entities was continued in 2022, based on the adopted development plans.¹² For the period from 2022 to 2024, seven medium-term plans of LSUs¹³ were adopted, and the Handbook for Drafting Medium-term Plans of Local Self-Government Units was prepared^[2].

The development of medium-term planning at the local level is of great importance for the establishment of a quality and efficient system in all LSUs for the implementation of public policies adopted at the national level, which are implemented at the level of LSUs, given that, in this way, it contributes to the improvement of planning at all levels of government.

In this sense, the topic of medium-term planning at the local level was supported through instructional seminars for LSUs for preparing the budget for 2023, which were held in October

¹⁰ The Public Policy Secretariat of the Republic of Serbia, the Ministry of Public Administration and Local Self-Government, the National Employment Service, the Republic Geodetic Authority and the Geological Survey of Serbia have prepared the Reports on Implementation of Medium-Term Plans for 2021 through SIS, while the Ministry of Defence has prepared and published an extract from the Report, in accordance with Article 25, paragraph 3 of the Regulation on the Methodology for Drafting of Medium-Term Plans ("Official Gazette of the RS", No. 8/2019).

¹¹ The number of adopted and medium-term plans of medium-term planning reporting entities at the national level, target value for 2022: 22

¹² Decree on mandatory elements of the development plan of the Autonomous Province and Local Self-Government Unit ("Official Gazette of the RS", No. 107/2020).

¹³ LSUs: Ada, Kuršumlija, Petrovac na Mlavi, Mali Zvornik, Bački Petrovac, Trstenik and Pirot.

^[2] <https://rsjp.gov.rs/wp-content/uploads/Prirucnik-za-izradu-srednjorocnih-planova-JLS.pdf>

2022 (in the form of 4 webinars, with 148 participants from 76 LSUs)¹⁴, while through direct support to LSUs, five medium-term plans were finalized¹⁵ and support for another 10 LSUs was initiated.¹⁶

The public investment management is one of the main priorities of the PFM RP 2021-2025. In this area, in 2022, the Group for Assessment and Monitoring of Capital Projects within the Department for Fiscal Risks Monitoring of the Ministry of Finance, by continuous work on the implementation and improvement of the existing legal framework, had initiated the process of incorporating "green" indicators into the process of prioritizing capital projects.

At the proposal of the Ministry of Finance, the Government of the Republic of Serbia has adopted the Decree on Amendments to the Decree on Capital Project Management on 16 December 2022 ("Official Gazette of the RS", No. 139/22, hereinafter: the "Decree"), which improved the legal framework for capital project management in terms of incorporation into the process of assessing the impact on environmental factors (flora and fauna, soil, water, air, climate and landscape, material and cultural assets, etc.) and their mutual interaction. The Decree and the planned changes to the investment documentation (special forms), as well as to the Rulebook, should result in improved processes for adequate assessment and prioritization of capital projects, which are based on their environmental impact. Also, the Decree should specifically indicate the importance of the environmental component during the pre-implementation phase, including the identification process, readiness assessment (feasibility and justification studies), and selection and prioritization of projects during their inclusion in the budget. Thus, part of the activity was implemented: Amendments to the Decree on Capital Project Management in accordance with the needs of practice, which is planned for the 4th quarter of 2022; however, due to the complexity of the matter and the necessity of a broader dialogue between all participants in the procedure of capital project management, this work shall also continue in 2023. When it comes to the PIMIS, the goal is to automate the entire process and enable all data on capital projects to be gathered in one place, perform their analysis and assessment, determine prioritization, as well as to monitor the implementation of capital projects, with the possibility of preventing the negative impacts on the budget of the Republic of Serbia. During 2022, work was performed on finalizing PIMIS and improving its functionality based on the suggestions and comments of the Group for Assessment and Monitoring of Capital Projects, which were provided based on the conducted testing.

From its establishment until the end of 2022, the Capital Investment Commission held a total of seven sessions, one of which was held during 2022, considering the Government's

¹⁴ The said seminars and training were implemented within the framework of the EU Exchange 6 Programme – Enhancing credibility of planning, programme-based budgeting and control in the execution of public expenditures at the local level in Serbia – financed by the European Union within the National Programme IPA 2019, with the MoF and Public Policy Secretariat of the Republic of Serbia (PPS) being the key competent institutions, while SCTM is the implementation partner for the implementation of the Programme.

¹⁵ The creation of five medium-term plans of LSUs was supported through projects of SCTM-UNDP and the Government of the Slovak Republic

¹⁶ Support for the development of medium-term plans of 10 LSUs is implemented under the EU Exchange 6 Programme

technical mandate. Regardless of this fact, the Group for Assessment and Monitoring of Capital Projects continued its work on data collection, processing and analysis, striving to continuously improve the reporting forms, which will be especially visible when PIMIS is fully adapted to the reporting that is necessary for the Commission. It should be added that, in cooperation with donors, trainings are planned for a more advanced level of reporting and data visualization. Donor support in order to improve the planning and budgeting of capital projects is also implemented at the local level, especially through professional support packages within the EU Exchange 6 Programme, through which selected cities and municipalities adopt methodological approaches in accordance with the Decree¹⁷.

Also, the Department for Fiscal Risks Monitoring has participated in negotiations with the International Monetary Fund, where progress in the area of capital project management was set as one of the goals for the signed arrangement, while negotiations with the World Bank and the French Development Agency are also underway, under which the improvement of the process of capital project and fiscal risk management in the Republic of Serbia and more efficient control of public expenditures are also set as important goals to be pursued.

Progress achieved under Specific Objective II

The actual revenues and expenditures of the general state budget on an annual level are in the range of 4.9% of the projected ones under the fiscal strategy, which fulfills the first indicator at the level of Specific Objective II. Annual public debt servicing costs (interest payments – net amount) as a % of GDP amount to 1.5%, which fulfills the second performance indicator at the level of the Specific Objective. The value of the indicators is better than planned as a result of a stable macroeconomic environment and adequately implemented fiscal policy. The performance indicator concerning the average time of an open procedure was achieved and amounts to 47 days, which is better than the target value of 48 days. By switching to electronic procurement, the duration of the open procedure was shortened.

The reform of the work of the Tax Administration in the Republic of Serbia has been identified as one of the most important reform processes not only in the area of public finance system, but also in the process of modernization of the entire public administration system.

During 2022, the central activity of Tax Administration was focused on the implementation of the Tax Administration Transformation Programme 2021-2025. In 2022, the work on the creation of documents "Design of business processes with attachments and presentations" was completed. Simultaneously, the activities have been initiated in the procedure of procurement of commercial off-the-shelf (COTS) solutions according to World Bank procedures. Also, in 2022, the project "Consulting services for the institutional development of the Human Resources function of Tax Administration" was initiated. The aforementioned activities are carried out through the Tax Administration Modernization Project (TAMP), and are financed from the World Bank loan.

In the period from 7 February to 18 March 2022, a TADAT Mission was held at the Tax Administration. The assessment of the Tax Administration System of the Republic of Serbia was

¹⁷ On the basis of a public tender that was carried out in cooperation with the MoF, the EU Delegation, the Ministry of European Integration, SCTM and other competent institutions of the EU Exchange 6 Programme, in the first half of 2022, professional support packages were awarded to 9 cities and municipality for the improvement of planning and budgeting of capital projects. This support shall also continue in 2023.

carried out again, with the help of the Tax Administration Diagnostic Assessment Tool (TADAT).

Tax Administration of the Republic of Serbia had received significant support from international experts, especially from IMF experts, in the following areas: Data and Tax Gap Analysis, Strengthening the Control Function, Control and Compliance in the Tax Administration, Issues Related to Procurement of an Integrated Tax System for the Tax Administration, Strengthening the Taxpayer Service Function, Leveraging Analytics in Investigations Based on Risk Assessment, Tax Administration and Policy and Tax Treaties, Data and Tax Gap Analysis, Strengthening Tax Debt Management and Future Transition Planning.

The final version of the document "Business Process Design with Attachments and Presentations" was created. The document "Business Process Design with Attachments and Presentations" was adopted on 14 November 2022, at the second session of the 47th Committee for Implementation of the Tax Administration Transformation Programme.

The improvement of the IT system in the digitization process remains one of the main priorities of the Administrations within the Ministry of Finance. In this regard, in 2022, the Committee for Implementation of the Tax Administration Transformation Programme had adopted three documents submitted by Serbian Business Systems (SBS), namely "Market Analysis", "To-Be State with Implementation Options" and "Technical Specifications for Commercial Off-the-Shelf (COTS) Solutions".

Upon the expiration of the contract with SBS, on 5 December 2022, the Tax Administration had signed an Agreement on the Provision of Advisory Services for overall support in respect of the procurement of commercial off-the-shelf (COTS) solutions for the Tax Administration of the Republic of Serbia with the consulting firm KPMG. The consultant had submitted an Introductory Report which was adopted by the Committee for Implementation of the Tax Administration Transformation Programme. The consultant had submitted drafts of parts of Section 7 of the form *Request for Quotation: Legal requirements which must be fulfilled by the information system, Context and Information materials* to the Tax Administration for comments, by which the work on drafting the Request for Quotation had commenced. By decision of the Director of Tax Administration, the Commission for the evaluation of the bids submitted under the procedure for procurement of a new commercial off-the-shelf (COTS) solution was formed. The Call for initial selection - submission of bids for the procurement and installation of commercial off-the-shelf (COTS) solution, with data integration and migration, was announced on 13 October 2022. By the decision of the Director of the Tax Administration, a Project Team was formed to work with the engaged consultant (KPMG) on the activities concerning the drafting of the Request for Quotation for the selection of a commercial off-the-shelf (COTS) solution.

The Global Forum has developed a technical assistance programme (Introductory Programme) in order to support its members in implementing international standards related to the exchange of information. The purpose of the programme is to help new members set up the necessary legal framework and practical infrastructure (establishing standards in practice), in order to benefit from the exchange of information. In this regard, the Secretariat of the Global Forum had conducted preparatory meetings in a virtual environment in the period from 25-28 January 2022, as a simulation of meetings for the expert assessment of the Republic of Serbia in meeting the standards of exchange of information upon request.



In the first half of 2022, the Tax Administration had successfully implemented a new model of fiscalization, which contributed to a significant reduction in the costs of the real sector and the recording of turnover in real time compared to the previous fiscalization system, therefore introducing a more efficient tool for combating the gray economy. The full implementation of the Law on Fiscalization began on 1 May 2022, and in the period since the beginning of its implementation, the Tax Administration enabled and provided assistance to fiscalization obligors in fulfilling their legal obligations, i.e., since commencing with the implementation of the new fiscalization system, a total of 263.000 security elements in form of card, as well as 86.000 security elements in form of PFX file, have been made for 147.000 fiscalization obligors, The Tax Administration of the Republic of Serbia, in cooperation with the competent Ministry of Finance, had launched a media campaign titled "From Your Pocket to Your Pocket", through which the public was informed about all the benefits of the new model of fiscalization in the Republic of Serbia. The material and recorded TV coverage were prepared on the topic of administration of reports of irregularities submitted through the mobile app Tax Alarm.

The continuation of the reform in the area of electronic invoicing is moving towards the introduction of the electronic delivery note (*eOtpremnica*) system – an electronic commercial document that confirms the delivery of the product. This document in its electronic version will be considered as proof that the delivery of goods was successful, in the same way as a printed delivery note, and for this purpose, the Ministry of Finance had invested its efforts in 2022 into the implementation of the first phase of the establishment of the electronic delivery note system, which refers to the analysis of the current state of IT systems with which the integration is planned to be conducted, the examples of good practices in the neighbouring countries of the EU, as well as drafting the legal framework for the establishment of the system and architecture of the mobile app.

In 2022, for the purpose of implementing the Phase 5 of the NCTS system, the procurement of equipment and software was carried out (production is currently in the testing status), and the plan is to provide and further upgrade the transit guarantee under this phase.

Also, in the course of 2022, the Customs Administration was dedicated to the development of capacities for the full implementation of Regulations of the European Union in

the area of Own Resources, i.e. Traditional Own Resources; therefore, within the project "Support to the Ministry of Finance within the Sectoral Reform Agreement for the Public Administration Reform Sector", which is implemented by KPMG, all the documents which were planned under the previous programme framework have been prepared: 1. "Comparative analysis of the existing legal framework relevant for the EU Traditional Own Resources system, recommendations for the full implementation of the EU regulations on TOR and the necessary amendments", "Ex-ante assessment of the administrative capacity of CA for the full implementation of the TOR system", "Assessment of training needs of customs officials for the EU TOR", and "Instructions for the implementation of the EU TOR based on the best practices of the EU Member States".

In 2021, the Tobacco Administration had established a single registry system which consolidates 9 registers and 3 record lists in order to improve the efficiency of its services. Thanks to this, acting upon the requests of economic entities shall be facilitated, and it shall also contribute to a more effective exchange of information with other competent authorities in order to carry out inspection supervision over economic entities which operate on the market of tobacco and tobacco products and to suppress illicit trade. In addition to improving the information system, the focus of the Tobacco Administration in 2022 was also on strengthening the capacities of employees for using the new register, as well as on raising the awareness of economic entities operating in the tobacco and tobacco products market to submit their requests electronically and via the eGovernment portal, which has contributed to the reduction of expenses of economic entities and time savings.

As a result of geopolitical instability due to the conflict in Ukraine, the rate of inflation at the global level had increased, and there is also a significant increase in borrowing costs on the international financial market. Despite the very challenging circumstances which necessitated additional financial expenditures from the State, the general government public debt-to-GDP fell to 55.6% at the end of 2022, from 57.1% at the end of 2021. The rating at all three rating agencies remained unchanged despite very turbulent circumstances, while the prospects for its increase are stable at all three agencies. In order to minimize costs of funding in such unfavourable circumstances during 2022, part of the funding was provided by the IMF, with which a two-year Stand-By Arrangement was concluded at the end of the year with a total value of around EUR 2.4 billion, part of which will be directed to mitigating the consequences of the crisis, while the other part shall serve as a precautionary measure in case of further economic disturbances. The development of the domestic Government securities market has continued. Due to the aforementioned circumstances, the primary goal was to secure funds under the most favourable conditions; for that reason, there was a reduction in the share of RSD debt, but this is the reason why the share of interest in GDP had amounted to only 1.5%.

In accordance with the provisions of the new Law on Public Procurement, the obligation of electronic communication and data exchange in the field of public procurement has been introduced. A Portal has been established, which was continuously improved during the implementation of the first PFM RP. During 2021 and 2022, the PPO had upgraded and developed new modules, functionalities and options of the Public Procurement Portal, optimized the Portal for use on mobile devices, translated the Public Procurement Portal into English for easier participation of foreign bidders in public procurement procedures, created mobile app for the Public Procurement Portal, etc. At the end of December 2022, the PPO, with the support of

USAID and the Improving Public Procurement Project, had translated the following video instructions into English for users of the Public Procurement Portal: 1) registration on the Public Procurement Portal, 2) Public Procurement Plan, 3) preparation and publication of the public procurement procedure, 4) submission of e-bids. The aforementioned video instructions with English subtitles are available on the Public Procurement Portal.

The strengthening of the operational capacities of the Office in terms of the number of its employees, as well as of the capacities of contracting authorities and bidders in respect of the application of the Law on Public Procurement and the Public Procurement Portal, was continued. During the organization of trainings and workshops on various topics, the Office was supported by SIDA, NALED, UNDP, USAID, and the Chamber of Commerce and Industry of Serbia. Also, a Model of a special act was drafted which regulates the planning method, the implementation of public procurement procedures and the monitoring of the execution of public procurement contracts, with the support of SIDA and NALED, as well as several models of tender documentation which were published on the website of the Office, in the section "PPO professional assistance" (<https://www.ujn.gov.rs/strucna-pomoc/modeli-dokumenata-zjn-2019/>).

Progress achieved under Specific Objective III

The Specific Objective III contains two performance indicators at the level of the Specific Objective. The first performance indicator at the level of the Specific Objective III refers to the percentage of recommendations given by the Audit Authority which were accepted and implemented by the indirect EU funds

management entities. The second indicator refers to the average number of illegalities and irregularities per inspection in relation to the total number of performed inspections, where the target value for 2022 was 2, which was also the achieved value, and by which the performance indicator was fulfilled.

A total of 248 illegalities and irregularities were found in respect of the entities who were subjected to inspections in 2022, which amounts to an average of 2 illegalities and irregularities per conducted inspection. Viewed in the long term, the goal of the Budget Inspection is to increase the number of conducted inspections, as well as their more efficient and economical implementation through the reduction of the number of detected illegalities and irregularities.

In 2022, the Governmental Audit Office of EU Funds was committed to strengthening its personnel capacities in order to make the performing of audits of the EU control system more efficient and effective. The increased volume of work that is expected following the adoption of the new methodology of the European Commission and certain requests, conditions the need to perform the internal reorganization of the Office by increasing the number of workplaces. The drafting of a new Rulebook on Internal Organization and Systematization of Work Positions is underway, which should be harmonized with the civil servants competencies framework. In addition to hiring new staff, the strengthening of capacities shall be implemented through the organization of advanced employee training, and in this regard, a revised project proposal for advanced training, which will be implemented centrally with IPA funds, was submitted to the EU Delegation to Serbia in December 2022. In addition to this, the Governmental Audit Office of EU Funds had participated in the Regional Conferences of Audit Authority "Audit of IPA Funds

– Lessons Learned from IPA II and Future Challenges of IPA III" and "Challenges and Perspectives of Auditing EU Funds 2021-2027", as well as in the following trainings: "Capacity building for the alignment with the *acquis* in the area of agriculture, rural development, food safety, veterinary and phytosanitary policy", "Methodology of internal IT audit", and it also participated in the TAIEX workshop dedicated to strengthening the capacities of the Office in carrying out inspections related to the implementation of the IPARD Programme.

In addition to the authority responsible for EU funds audit, one of the focuses of the structure of indirect EU funds management was on capacity building in order to strengthen the financial management system, control the use of funds, as well as manage risks and irregularities. In addition, intensive efforts were invested into active preparations for the closure of the programme from the perspective 2007-2013, i.e. "Assistance to institutions and capacity building" under the IPA 2013 Programme, as well as for the closure of the programme from the perspective 2014-2020. It is expected that the process of closing the Cross-Border Cooperation Programmes Serbia-Montenegro 2014 and Serbia-Bosnia and Herzegovina 2014 shall commence in 2023. During 2022, the employees of the Department for EU Funds Management of the Ministry of Finance have attended trainings provided by NAPA in the classic form, as well as in the form of webinars. The use of a database of digital, audio-visual and graphic materials titled "NAPA Infoteque", which also contains information on IPA funds, contributes to the availability and quality of training organized by NAPA. It thereby contributes to improving the knowledge of employees who deal with the system of indirect management of EU funds. The trainings were attended by a large number of civil servants, which further improved the knowledge about the entire IPA funds management system, which was one of the main objectives of the Support Office to the National Audit Office.

Another priority of the Department for EU Funds Management was the development of an IT system that should ensure the improvement of work processes in institutions involved in the decentralized/indirect management of EU pre-accession assistance (IPA). In this regard, of the three phases of implementation of the contract, the first and second phases were implemented in 2021, while the third phase was implemented in 2022. In 2022, a public procurement was also carried out for the upgrade of this system, the first phase of which has already been completed in 2022, while the implementation of the second and third phases is expected in 2023.

An important step in the process of centralizing Budget Inspection is the adoption of the Law on Budget Inspection in December 2021¹⁸. During 2022, the centralization of Budget Inspection was carried out by taking over budget inspectors and other civil servants in executive positions from the Autonomous Province and Local Self-Government Units.

In accordance with the aforementioned, the Rulebook on Internal Organization and Systematization of Work Positions at the Ministry of Finance, and in order to strengthen the role of Budget Inspection, its functional and personnel capacities, changes have been made to the organizational structure of the Budget Inspection Department in December 2022, in accordance with the Law on Budget Inspection and the centralization of Budget Inspection introduced by this Law.

In accordance with the enacted Law on Budget Inspection, the implementation of which began on 1 January 2023, the following by-laws necessary for the implementation of this Law have been adopted during 2022: The Rulebook on the Procedure for Enforced Collection upon

¹⁸ Law on Budget Inspection in 2021 <https://www.propisi.net/zakon-o-budzetskoj-inspekciji/>

the Executive Decision of the Budget Inspection and Rulebook on Amendments to the Rulebook on the Manner and Conduct of the Budget Inspection in Exercising Supervision over the Implementation of the Law on Payment Terms for Settlement of Financial Obligations in Commercial Transactions.

During 2022, in accordance with the accompanying legal framework, the following acts have been adopted: Amendments to the Methodology of Budget Inspection, Methodology for Supervising the Execution of Public Procurement Contracts, and Instructions on the Budget Inspection's Procedure for the Selection of Public Funds Beneficiaries, for which Inspection Supervision over the Execution of Public Procurement Contracts is Carried Out.

In order to strengthen the administrative and functional capacities of the employees, a special training programme for employees at the Budget Inspection Department for 2022 has been adopted. Trainings for budget inspectors have also been conducted.

The plan is to strengthen the capacities and functionality of the work of the Budget Inspection, as well as the professional development of budget inspectors and other employees in the Budget Inspection through continuous education. Bearing in mind the further development of capacities of the Budget Inspection, the improvement of employees' competencies, i.e. of their knowledge, skills and abilities through specific trainings and workshops, helps to improve the work of Budget Inspection in order to efficiently perform inspection supervision.

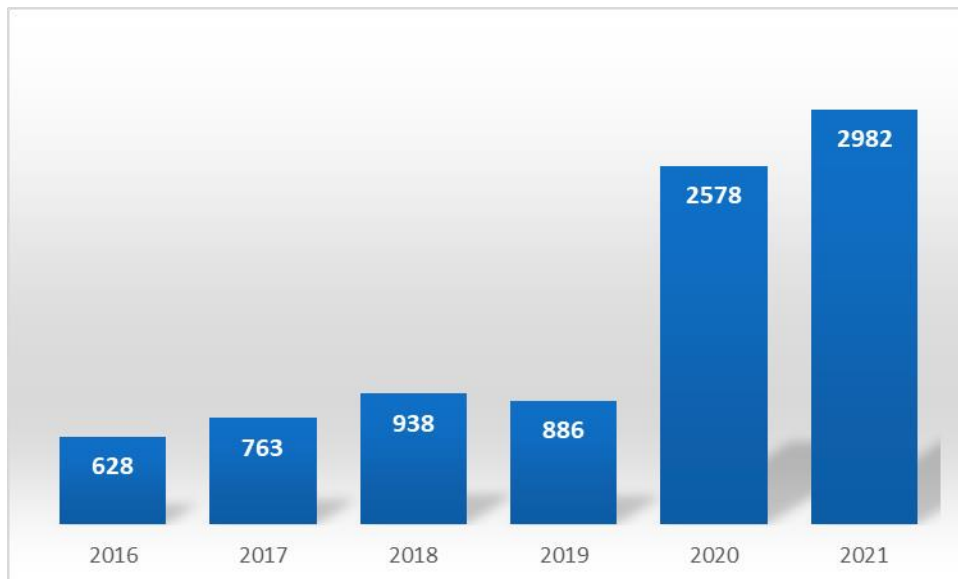
Progress achieved under Specific Objective IV

The performance indicator at the level of Specific Objective IV refers to the improvement of application of the internal financial control system in the public sector. The progress related to PIFC was identified under the Progress Reports of the European Commission for the Republic of Serbia for a specific year. The performance indicator was successfully achieved, which can be seen in the Progress Reports of the European Commission for the Republic of Serbia, whereby Serbia is moderately prepared in this chapter, while some progress was achieved in this reporting period.

The entire field of internal financial control in the public sector was continuously strengthened during 2022, and the primary focus of the Department - Central Harmonisation Unit of the Ministry of Finance as a leading institution in the field of internal control and internal audit was on strengthening the Financial Management and Control (FMC) and Internal Audit (IA) systems at the central level, as well as on the establishment of the FMC and IA at the local level. A special emphasis was placed on the training of managers in the field of FMC, the operationalization of the principles of management responsibility, as well as on raising the awareness about the importance of internal audit.

The number of submitted reports on the FMC system grows year by year, as shown in the graph below. The majority of PFBs are aware that this is a legal obligation that they must comply with, and the goal of the CHU in the coming period is to work on educating PFBs so that they understand the significance that self-assessment performed as part of the reporting carries in their case, and that it is the best tool they can use to monitor the level of compliance of their organization with the principles of the COSO Framework. In 2022, the questionnaire for FMC was improved with the aim of more efficient and objective reporting on the state of FMC. The

structure of the questionnaire is now such that PFBs should mark statements related to their organization, which demonstrate the application of the principles of the COSO Framework.



Graph No. 7: Number of processed annual reports on the FMC system submitted by PFBs, by reporting years

At the end of 2021, in cooperation with the "Local Finance Reform Project" (RELOF 2) and with the support of the Ministry of Education, Science and Technological Development, a pilot project was launched to establish the FMC system in schools, which in 2022 resulted in the establishment of the FMC system in primary and secondary schools in two LSUs, while four regional meetings on the topic of FMC in schools were organized in cooperation with CHU. In 2022, support for the establishment of the FMC system in eight IBBs was completed, and four regional meetings on the topic of FMC with IBBs were organized. Research was conducted on the topic: "Degree of application of FMC and IAs in the system of local self-government". In cooperation with the RELOF 2 project, during 2022, support was provided in the establishment of IAs in five LSUs. Capacity building for FMC at the local level is also supported by the implementation of a cycle of 6 one-day regional accredited trainings for all cities and municipalities, during November and December 2022, within the project "Institutional support to SCTM – Phase Three", financed by the Swiss Government.

At the beginning of 2022, CHU carried out the promotion of the IA profession through a campaign within which promotional activities were realized, which include materials in written and video form, as well as conferences where these materials were presented. CHU, with the support of UNDP, carried out the promotion of responsible management in the public sector and the profession of internal auditor, with an invitation to those interested (from the public and private sector, as well as to young people) to follow the competitions of public sector institutions for employment in the field of internal audit.

The assessment of the quality of the FMC system and the work of the IA units at the PFBs have become regular tasks of the CHU to which significant resources are allocated, since

they provide insights which are important for the FMC and the IA, the feedback from the field is respect of PFBs, which are important for further work and the improvement of methodological material and trainings. In addition to the specific recommendations intended for the PFBs, in which the quality of the work of the IAs and the FMC system was reviewed, both activities are valuable for the employees of the CHU who, in direct contact with users in the field, can gain a clearer picture of the level of establishment of the FMC and IAs, to observe the scope of their educational activities, as well as to observe the objectivity of the reports received from the PFBs. By looking at the quality of the FMC system, compliance with the regulatory framework is checked and the objectivity of the performed self-assessment is confirmed, i.e. the functioning of internal controls, as well as the level of commitment of the organization to achieving goals and results, is observed. The approach that the CHU applied in 2021 and 2022 differs from previous years, primarily because the CHU does not possess sufficient capacities, so the application of risk analysis for the selection of institutions is not adequate. The approach that is more acceptable in this case is the sectoral approach of the CHU. In 2022, six quality assessments were conducted, which will be included in the report to be prepared in 2023, in respect of the previous year. The review was carried out at the following PFBs: Municipality of Mali Zvornik, Specialized Hospital for Rehabilitation "Banja Koviljača", Municipality of Arandelovac, Specialized Hospital for Rehabilitation "Bukovička Banja", and Municipality of Sokobanja and Specialized Hospital for Non-specific Lungs Diseases Prevention, Medical Treatment and Rehabilitation "Sokobanja".

During the reporting period, a number of field activities have been carried out – workshops and trainings, at which the trainers and lecturers were representatives of the CHU. Advisory support was provided to more than 15 local self-governments/cities on the improvement of the FMC and IA systems. This concerns the following local self-governments: Čačak, Novi Pazar, Prokuplje, Loznica, Kuršumlija, Čuprija, Bajina Bašta, Požega, Vrnjačka Banja, Vlasotince, Leposavić, Priboj, Gornji Milanovac, Paraćin, Brus, and Veliko Gradište. Continuous work is being performed on the modernization of basic training for FMC, as well as on the preparation of training materials for FMC and IAs.

In the course of 2022, the CHU, with the support of the project, has organized trainings where internal auditors in the public sector acquired theoretical and practical knowledge regarding the methodology of internal IT audits, information system audits and information security audits. This type of training was organized for the first time ever, and the feedback from the participants was more than positive. Through the application of auditing techniques on a practical example, the internal auditors have conducted audits in groups by using the documentation of a simulated organization. The workshops were conducted through a prepared and agreed upon scenario, defined goals and conclusions reached by the participants through practical audit work. The hybrid workshops were an excellent opportunity for internal auditors to gain practical knowledge and know-how, to understand the decision-making process in the implementation of internal IT audits, as well as to acquire points for maintaining the internal auditor certificate in the public sector. In addition to this, the trainings were also significant for the improvement of auditors' soft skills, since they included teamwork, presentation of results, public speaking and group discussion.

Progress achieved under Specific Objective V

The outcome indicator at the level of the Specific Objective, which reads "Financial report prepared and presented to the Ministry of Finance of the Republic of Serbia, in accordance with Cash-Basis IPSAS" does not have a target value for 2022, whereby the first year in which this indicator will be measured shall be 2024. A draft amendments to the relevant national legislation was prepared for its mutual harmonization, as well as harmonization with the Cash-Basis IPSAS, as well as a draft accounting policy for financial reporting under the Cash-Basis IPSAS. In order to reduce the risk of non-fulfilment of this outcome indicator, regional experts, the Commission for Monitoring the Application of International Public Sector Accounting Standards, as well as other stakeholders, were involved in order to implement the draft of the relevant national legislation and accounting policy.

Accounting reform in the public sector and the transition to accrual accounting is a process which requires gradual and long-term implementation; therefore, it is of great importance to provide an adequate starting point, which is to strengthen the cash-based accounting system in accordance with IPSAS. In order to further improve the overall system of accounting in the public sector, the Treasury Administration plans a phased implementation of the Plan for Improving Public Sector Accounting in 2022 and, while working with consultants, has prepared a draft of the Decree on the Application of International Public Sector Accounting Standards (Decree) and Drafts of relevant national legislation for its mutual harmonization with the requirements of Cash-Basis IPSAS. In December 2022, the aforementioned Decree¹⁹ was adopted by the Government of the Republic of Serbia. The Treasury Administration has continued cooperation with the Serbian Association of Accountants and Auditors in order to prepare a contract on the translation of a set of International Public Sector Accounting Standards in order to enable the implementation of the Decree.

On the other hand, the basic prerequisite for the adequate implementation of accounting reform, i.e. the adoption of international reporting practices, is the competence of accountants and managers in the public sector. In this regard, the strengthening of professional competencies of accountants was one of the priorities in 2022; accordingly, the workshop "Improvement of accounting in the public sector" was held, with the aim of familiarizing with draft amendments to the relevant national legislation for its mutual harmonization with the requirements of Cash-Basis IPSAS. Also, an important step for the acquisition of know-how required for the application of IPSAS requires continuous education and certification of accountants in the public sector; therefore, the Plan for Improving Public Sector Accounting envisages that, in order to clearly regulate the aforementioned issues, the Commission for Monitoring the Application of International Public Sector Accounting Standards needs to adopt the national standard of education for professional accountants.

Progress achieved under Specific Objective VI

The outcome indicator at the level of Specific Objective VI, which refers to the number of reviewed audit reports in 2022, has not yet been met. A total of 145 audit reports of the State Audit Institution by the Committee on Finance, State Budget and Control of Public Spending of the National Assembly have been reviewed. The goal was not fully met due to the holding of extraordinary parliamentary elections in April 2022.

¹⁹ "Official Gazette of the RS", No. 144/22

In 2022, the State Audit Institution had also invested efforts to further improve the method of working in order to increase the number of audits of business expediency and audit coverage of public funds, in accordance with the Audit Programme. In this regard, SAI has drafted 284 audit reports in 2022. By conducting audits of public funds, the SAI contributes to the supervision and control over the intended spending of budget funds, which is one of the main elements of a transparent and efficient public finance system. In addition to the efforts invested in expanding the coverage of public funds through audits, in 2022, the following methodological acts have been updated: Methodological rules and guidelines for the audit of financial reports, Methodological rules and guidelines for the audit of regularity of operations, Methodological rules and guidelines for the audit of financial reports and regularity of operations, Methodological rules and guidelines for the audit of expediency of operations, as well as Instructions for the procedure after the conducted audit.

Capacity building and optimization of the SAI's organizational structure have been recognized as priorities in 2022, in order to fulfil the planned expansion of the external audit coverage.

The holding of the sessions of the Committee on Finance, State Budget and Control of Public Spending of the National Assembly and the meetings of the Sub-Committee for Review of SAI Audit Reports was continued, with one session having been held in 2022. The aim of holding sessions, at which the reports on audits of financial reports, audits of regularity of operations and audits of expediency of operations of audited entities are reviewed, is to raise the awareness at the central and local levels of the government about the importance of audit findings and SAI recommendations, as well as about the role of parliamentary supervision over public finances, which has been significantly strengthened since the adoption of the previous PFM RP.

The significance of the joint efforts of the National Assembly and the SAI is also reflected in the reviewing of the SAI Work Report for 2021 at the plenary session of the National Assembly, after which the National Assembly adopted a conclusion recommending the Government to act within its powers in order to ensure the implementation of the SAI's recommendations. Also, the National Assembly had accepted the recommendation from the Report on the Public Expenditure and Financial Accountability (PEFA) regarding the holding of a public hearing on the occasion of the presentation of the Bill on the Budget and the Bill on the Final Account of the Budget. This activity was incorporated into the Action Plan in order to enable greater participation of the public, Civil society Organizations and other stakeholders. It was concluded that such practice should continue in the future, since the involvement of the representatives of civil society, embassies, international financial organizations and state authorities contributes to a better understanding of the problem and finding quality solutions, as well as to increasing the transparency of the entire process. During the public hearing organized by the Committee, on the topic of presentation of the National Budget for 2023 and the Final Account of the Budget for 2021, the Report on the Audit of the Final Account of the Budget was presented.

SPECIFIC OBJECTIVE I – IMPROVED CAPACITIES FOR BUDGET PLANNING AND PUBLIC INVESTMENT MANAGEMENT

Achieved in the previous period

As part of the measure for further improvement of the programme budget in 2021, the first workshop was held where the programme structures of certain ministries were analysed, i.e. their goals and performance indicators, on the basis of which the budget beneficiaries shall receive recommendations for the preparation of the budget which they will be required to apply in their proposals for priority areas of funding for the period 2023-2025. When it comes to the application of programme budgeting at the local level, the Ministry of Finance had updated the Programme Budgeting Instructions in 2021 by introducing, *inter alia*, the new programme activities within the uniform structure of the LSUs programme budget (Annex 5 of the Instructions). As a form of additional support for the preparation of the LSUs budget, in accordance with the amendments to Annex 5 of the Instructions and the requirements of the ISBE AP LSU software, and based on the consultations between the Ministry of Finance and SCTM, the form/example of the Decision on the LSUs budget was updated and delivered to all LSUs in a timely manner through the SCTM Local Finance Network . In October 2021, four instructional webinars were held for all LSUs (a total of 206 representatives from 102 LSUs have participated) in order to guide the quality preparation of Budget Decisions for 2022, based on the findings of the SCTM and the analysis of LSUs budget documents from previous years, the findings of the SAI and MoF, and recommendations based on good practices from the aspect of programme budgeting, but also capital and medium-term planning, gender-responsive budgeting and ensuring budget transparency. An important step in the context of fiscal risk monitoring was the adoption of the Single Methodology for Fiscal Risk Monitoring in the Republic of Serbia by the Conclusion of the Government of the Republic of Serbia 05 No.: 40-9575/2021 of 21 October 2021. The Single Methodology includes individual methodologies for fiscal risk monitoring associated with the public sector operations (includes public enterprises and local self-governments), as well as methodologies related to other fiscal risks (risks from natural disasters and legal disputes). The adoption of this methodology was a reform goal from the programme signed with the International Monetary Fund (*IMF Country Reports: Republic of Serbia – Fifth Review under the Policy Coordination Instrument*). In 2021, the focus of the Ministry of Finance, when it comes to the capital project management, was on the acquisition and establishment of the PIMIS. The contract for the procurement of "PIMIS" was also implemented, while the project delivery acceptance record was signed on 23 December 2021.

During 2021, progress was also made in developing medium-term planning and connecting the budget of PFBs with relevant planning documents at the national level. The target value of the outcome indicator for this measure, which refers to the number of adopted medium-term plans of medium-term planning reporting entities at the national level, was fully achieved (7/7, 100%). In 2021, the first reporting cycle on the implementation of medium-term plans was also initiated by preparing and publishing reports for 2020, in respect of the adopted medium-term plans through SIS. This laid the foundation for further transparent presentation of performance of the institutions in regards to the implementation of the established public policies

in relation to the resources used. Significant progress was also achieved in respect of the strengthening of capacities of institutions and in establishing organizational mechanisms in order to ensure the quality and continuity of medium-term planning in the following planning cycles, which contributes to the strengthening of responsibility of institutions in the process of implementing public policies. In this regard, support was provided to 20 new institutions for the development of their first medium-term plans for the 2022-2024 planning cycle, 93 participants have received training through workshops, while four two-day training sessions with 144 participants have been held under NAPA training. Support to medium-term planning at the local level began with the preparation of the first medium-term plans in five municipalities for the period 2022-2024²⁰. The capacity building in the field of medium-term planning at the local level was also implemented, *inter alia*, by conducting the first cycle of accredited trainings intended for all LSUs in November 2021²¹, as part of the EU Exchange 6 Programme.

Achieved in 2022

Achieved outcome indicators at the level of the Specific Objective

The outcome indicator at the level of the Specific Objective is not planned for measurement in 2022

Measure 1.1: Improvement of the programme budget

Indicator(s) at measure level (outcome indicator)	Unit of measure	Source of verification	Initial value in 2020	Target value for 2022	Achieved value
An analysis of the application of the programme budget has been performed	number	Performed analysis	0	1	1
An analysis of the uniform structure of the programme budget of Local Self-Government Units has been performed	number	Performed analysis	0	1	0
A uniform programme structure for compulsory social insurance organizations and their beneficiaries has been established	number	Budget Law	0	1 (bearing in mind that the deadline for the implementation of activity 1.1.3 is the fourth quarter of 2025, the value of the indicator for 2022 in the AP was erroneously	-

²⁰ The Municipalities of Sjenica, Kuršumlija, Petrovac na Mlavi, Mali Zvornik and Bački Petrovac, which, in the first phase, were provided with support for the drafting of development plans through a project financed from grant funds under Slovak aid, which was implemented through UNDP in cooperation with PPS and SCTM. In 2022, 4 out of 5 supported LSUs have adopted medium-term plans (except for the Municipality of Sjenica).

²¹ Training for medium-term planning in LSUs, in the form of 4 webinars, was implemented in accordance with the adopted Sectoral Professional Training Programme for Employees in LSUs for 2021 (in coordination with NAPA), with the participation of 191 representatives from 66 LSUs.

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- Under measure 1.1, there are three outcome indicators, while within the framework of the Action Plan it is foreseen that all three outcome indicators shall be achieved in 2022. Indicator - The performed analysis of the application of the programme budget was fulfilled through the improvement of the Instructions for the preparation of the budget for 2023 with forecasts for 2024 and 2025. Workshops were held in connection with the improvement of the programme budget, in cooperation with the GIZ Project “Public Finance Reform – 2030 Agenda”, at which the programme structures of certain ministries and their goals and performance indicators have been analysed. Based on the analysis, recommendations have been sent to the ministries for improving the programme budget. Budget beneficiaries have implemented these recommendations in their proposal of priority areas of funding for the period 2023-2025.
- Outcome indicator - The performed analysis of the uniform structure of the programme budget of Local Self-Government Units was not achieved in 2022; however, the analysis of the uniform structure was initiated in cooperation with the KPMG consultant. When it comes to the analysis of the implementation of the programme budget at the local level, it is important to note that the monitoring of the implementation of basic methodological objectives by local self-governments, on which the SCTM reports in regular intervals since 2015, has also continued in 2022. In this sense, a further upward trend was noted, i.e. that 94% of LSUs have satisfactorily applied the basic requirements of programme budgeting from the Decisions on the budget for 2022, which is a better result compared to the indicator of 87% for the previous year 2021. This improvement can be largely attributed to the continuous joint efforts and support activities of the MoF and SCTM through project activities, advisory support and capacity building. Thus in October 2022, as part of the EU Exchange 6 Programme, instructional webinars were, *inter alia*, held for all LSUs with the aim of providing guidance for the quality preparation of the Decisions on the budget for 2023.²²
- The improvement of IT support for budget preparation has continued in 2022 through the development of unique Software for Planning, Execution, and Budget Accounting (SPIRI).
- The practice of public hearings on the Draft Budget Law of the Republic of Serbia was introduced at the level of the National Assembly, and in this way the public was enabled to become familiar with the Budget Law.

Financing of the measure

The measure was financed in accordance with the PFM RP Action Plan from the budget of the Republic of Serbia and from the donor funds under the German development aid, which is

²² As in previous years, the instructions were provided based on the findings of the SCTM and the analysis of LSUs budget documents from previous years, the findings of the SAI and MoF, and recommendations based on good practices from the aspect of programme budgeting, but also capital and medium-term planning, gender-responsive budgeting and ensuring budget transparency. The 4 held webinars were attended by at least 150 representatives from 76 LSUs (through one registered participation, the webinar was followed simultaneously by several representatives of individual LSUs, so only the minimum number of registered participations was given for the record).

implemented through the GIZ Project “Public Finance Reform – 2030 Agenda”. As regards the part of complementary activities at the local level, they were financed mainly from the funds under the EU Exchange 6 Programme (IPA 2019) in 2022.

Planned in the upcoming period

In the upcoming period, further work on improving the programme budget and performance indicators is planned. In the long term, until the conclusion of the PFM RP, the plan is to determine the programme structure for compulsory social insurance organizations and their beneficiaries, as well as workshops for beneficiaries at all levels of the government. Specifically, when it comes to further capacity building regarding the implementation of programme budgeting at the local level in the upcoming period, support is planned in coordination with the MoF and SCTM within the EU Exchange 6 Programme, as well as through other cooperation activities for all local self-governments, through annual instructional seminars and advisory support.

Measure 1.2: Strengthening of capacities as regards the preparations and obligations of EU Member States during the budget preparation process

- There are two outcome indicators under measure 1.2: The performed analysis of the budget preparation process of EU Member States and the number of study visits. **The achievement of both outcome indicators is planned for 2023.**

Financing of the measure

- The measure is financed from the budget of the Republic of Serbia and from donor funds.

Key challenges

- Strengthening the administrative capacities of the Budget Sector and budget beneficiaries in the area of budget preparation of EU Member States.

Planned in the upcoming period

- In the upcoming period, further activities are planned on the analysis of the budget preparation process of EU Member States and the obligations of the Republic of Serbia, as well as in respect of the activities concerning the training of employees at the Ministry of Finance and the budget beneficiaries.

Measure 1.3 - Improvement of the medium-term planning:

Indicator(s) at measure level (outcome indicator)	Unit of measure	Source of verification	Initial value in 2020	Target value for 2022	Achieved value
The number of adopted and medium-term plans of medium-term planning reporting entities at the national level	number	Websites of medium-term planning reporting entities	2	22	22

During 2022, medium-term planning at the national level was additionally improved, through the adoption and publication of over 20 medium-term plans by medium-term planning reporting entities which, *inter alia*, made it possible to additionally connect public policies with the medium-term expenditure framework in the Republic of Serbia.

This provided a significant contribution to the implementation of the reform of the planning system at the national level, especially in the part of public policy budgeting, i.e. determining the costs of measures and activities that will be implemented in the medium term, and particularly their compliance with the balance sheet possibilities determined under the budget, fiscal strategy and medium-term expenditure framework.

The newly adopted medium-term plans of medium-term planning reporting entities have become one of the more important management instruments of the medium-term planning reporting entities' institutions, which defined which measures and activities, established under the valid public policy documents of the institutions, will be implemented in the next three years. Thus, along with the improvement of medium-term planning, the transparency of the public administration's responsibility for the implementation of public policies as a whole has also increased.

The activity related to the mentoring support for the drafting of medium-term plans of medium-term planning reporting entities at the national level has been fully implemented. Also, the indicator²³ at the level of the measure related to the improvement of medium-term planning is 100% fulfilled (22/22).

In this regard, during 2022, a total of 22 institutions have adopted and published their medium-term plans for the period 2022-2024, namely: Institute for Social Insurance, Republic Secretariat for Legislation, Ministry of Culture and Information, Ministry of Family Welfare and Demography, Mine Action Centre, Directorate for Railways, Ministry of European Integration, Public Procurement Office, Republic Agency for Peaceful Settlement of Labour Disputes, Ministry of Rural Welfare, Ministry of Education, Science and Technological Development, Ministry of Economy, Intellectual Property Office, Republic Directorate for Property, Ministry of Human and Minority Rights and Social Dialogue, Statistical Office, National Employment Service, Geological Survey of Serbia, Ministry of Public Administration and Local Self-Government, Public Policy Secretariat, Ministry of Finance and the Ministry of Defence.

As in previous years, the Public Policy Secretariat had invested significant efforts in providing methodological support to medium-term planning reporting entities, which was implemented with the support of the project "*Support to Public Administration Reform within the framework of the Sector Reform Contract*" under IPA 2015²⁴. During 2022, the appropriate

²³ The number of adopted and medium-term plans of medium-term planning reporting entities at the national level, target value for 2022: 22

²⁴ A total of 21 institutions have been supported through the Project, and 15 institutions have drafted and adopted their medium-term plans for the period 2022-2024.

trainings of medium-term planning reporting entities have been conducted in order to strengthen the capacities for the drafting of medium-term plans in cooperation with the Public Policy Secretariat and the National Academy for Public Administration. In this sense, during 2022, a total of 67 civil servants have received their training within the framework of two conducted trainings on the topic: "Medium-term planning." In respect of medium-term planning at the local level, in 2022, capacity building and support for the development of medium-term plans to LSUs as medium-term planning reporting entities has continued (although progress is more modest than at the national level, since only 7 LSUs have adopted medium-term plans for the period 2022 -2024). Advisory support to all LSUs, creation of models and instructions, and exchange of information regarding the drafting of medium-term plans of LSUs was made concrete in 2022, *inter alia*, by the publication of the Manual for the drafting of medium-term plans of LSUs (in coordination with the PPS, through the aforementioned project under IPA 2015). Horizontal support to the LSUs in the field of medium-term planning (along with the promotion of the aforementioned manual) was continued under the EU Exchange 6 Programme, during the instructive seminars for the LSUs for the preparation of the budget for 2023, which were held in October 2022. Direct professional support to LSUs for the drafting of medium-term plans was finalized with 5 beneficiary LSUs under the project which was financed from grants from Slovak development aid until the middle of 2022 (commenced in 2021), while 10 LSUs were selected under the EU Exchange 6 Programme in accordance with the conducted public tender, which since the middle of 2022, receive professional support packages for the drafting of medium-term plans through SCTM (this support shall continue in 2023).

Financing of the measure

- The measure was financed from regular budget funds of the Republic of Serbia and from donor funds, whereby a total of RSD 3,263,970 have been spent in 2022, under the Project of Complementary Technical Assistance to Public Administration Reform (IPA2015). As regards some of the complementary activities related to the local level, they were financed from the funds of the EU Exchange 6 Programme (IPA 2019) in 2022, as well as through the Slovak development aid project.

Key challenges

A potential challenge in the implementation of the measure in 2023 could be the insufficient capacity of institutions, the difficulties in establishing efficient methods of coordination in the process of developing a medium-term plan, as well as, in case of certain ministries, the fact that a number of umbrella sectoral strategies, which are the basis for developing the structure of the medium-term plan, have not yet been developed. Also, a special risk is the short period for the preparation and finalization of medium-term plans for the period 2023-2025, following the formation of the new Government²⁵. On that occasion, there was a change in the number of ministries and special organizations, as well as a change in their organizational structure. All of this will be reflected in the dynamics and number of adopted

²⁵ Law on Ministries ("Official Gazette of the RS", No.: 116/22).

medium-term plans in the 2023-2025 planning cycle, but also in the 2024-2026 medium-term planning cycle. Based on the assessed risks, it was concluded that it is necessary to revise the target values of the performance indicators for this measure, in order to change the target value for 2023, as well as to determine the target values for 2024 and 2025 and, accordingly, it is necessary to harmonize the deadline for the implementation of the activities.

Planned in the upcoming period

The Public Policy Secretariat shall, in accordance with its capacities, continue to provide methodological support to institutions that express interest in this type of support. Special attention shall be paid to institutions that are preparing their medium-term plans for the first time. At the local level, the awarding of targeted packages of professional support shall also continue, with the covering of (10) new LSUs as part of the EU Exchange 6 Programme in 2023.

Measure 1.4: Improving the environment for efficient capital project management

Indicator(s) at measure level (outcome indicator)	Unit of measure	Source of verification	Initial value in 2020	Target value for 2022	Achieved value
Capital projects (excluding those of special importance for the Republic of Serbia) that have not passed the pre-implementation phase according to the methodology, but are included in the budget of the Republic of Serbia, where the line ministries are authorized as proposers	number	Budget Law/Report for Capital Investment Commission	61	20	Not applicable
Trained civil servants from project management units at the level of line ministries and other institutions	%	Report on held workshops - NAPA	0	20	0

- The target values of the result indicators for 2022 for this measure were not achieved. The indicator concerning the number of capital projects which have not been evaluated in accordance with the valid methodology, excluding the projects of special importance for the Republic of Serbia, but which are included in the budget, cannot be realistically assessed due to the incomplete application of the Decree on Capital Project Management, in the segment concerning evaluation of capital projects prior to their inclusion in the budget. As regards the training of civil servants from project management units at the level of line ministries and other institutions, all the necessary activities which are a prerequisite for the establishment and implementation of training at NAPA have been carried out, so the training on the topic "Evaluation and monitoring of capital projects" has been included in the annual training programme, four employees from the Group for Assessment and Monitoring of Capital Projects have been accredited for the given area, and the first training is scheduled for April 2023. In accordance with the aforementioned, the target value of 20% is expected to be achieved in 2023.

- In 2022, the Group for Assessment and Monitoring of Capital Projects within the Department for Fiscal Risks Monitoring of the Ministry of Finance, by continuous work on the implementation and improvement of the existing legal framework, had initiated the process of incorporating "green" indicators into the process of prioritizing capital projects. At the proposal of the Ministry of Finance, the Government of the Republic of Serbia has adopted the Decree on Amendments to the Decree on Capital Project Management on 16 December 2022 ("Official Gazette of the RS", No. 139/22, hereinafter: the "Decree"), which improved the legal framework for capital project management in terms of incorporation into the process of assessing the impact on environmental factors (flora and fauna, soil, water, air, climate and landscape, material and cultural assets, etc.) and their mutual interaction. The Decree and the planned changes to the investment documentation (special forms), as well as to the Rulebook, should result in improved processes for adequate assessment and prioritization of capital projects, which are based on their environmental impact. Also, the Decree should specifically indicate the importance of the environmental component during the pre-implementation phase, including the identification process, readiness assessment (feasibility and justification studies), and selection and prioritization of projects during their inclusion in the budget. Thus, part of the activity was implemented: Amendments to the Decree on Capital Project Management in accordance with the needs of practice, which is planned for the 4th quarter of 2022; however, due to the complexity of the matter and the necessity of a broader dialogue between all participants in the procedure of capital project management, this work shall also continue in 2023



Image No. 2: Visual representation of the process of capital project assessment in accordance with the amended Decree on Capital Project Management (pre-implementation phase)

бр. 55/05, 71/05 – исправка, 101/07, 65/08, 16/11, 68/12 – УС, 72/12, 7/14 – УС, 44/14 и 30/18 – др. закон),
Влада доноси

УРЕДБУ
о изменама и допунама Уредбе о управљању капиталним пројектима

Члан 1.
У Уредби о управљању капиталним пројектима („Службени гласник РС”, број 51/19), у члану 3. тачка 4) мења се и гласи:
„4) Инвестициона документација је документација која се израђује у пословном фазам пројектног циклуса рада сагледавања финансијских, друштвено-економских, техничких, технолошких, просторних, социјалних и осталих ефеката капиталног пројекта, сагледавања утицаја капиталног пројекта на регионални развој, заштиту животне средине, усађујући процену утицаја на животну средину (фору и форму, озонски ефекат, воду, ваздух, климу и пейзаж, материјала и културна добра и др.) и њихову међусобну интеракцију, у сврху доношења одлуке о финансирању капиталног пројекта”.

Члан 5.
У члану 15. послова стана 1. додаје се нови став 2, који гласи:
„Овлашћени предлагач подноси студију о процени утицаја на животну средину надлежном органу у складу са законом којим се уређује процена утицаја на животну средину, ради давања сагласности на студију о процени утицаја на животну средину”.
У досадашњем ставу 2, који постаје став 3, рече: „става 1.” заменију се речима: „ст. 1. и 2.”, на оба места, а после речи: „доминанте” додају се зagrada и рече: „односно сагласност на студију о процени утицаја на животну средину”.
У досадашњем ставу 4, који постаје став 5, после речи: „доставља” додају се речи: „и Министарству животне средине, ради

листе приоритетних пројекатних идеја, са мишљењима по питању финансирања и имплементационог аспекта, као и мишљењима, односно обавештењима о потреби процене утицаја на животну средину Министарства животне средине, републиничкој комисији ради усвајања”.
Досадашњи став 11. постаје став 12.
У досадашњем ставу 12, који постаје став 13, рече: „става 10.” заменију се речима: „става 11.”.
У досадашњем ставу 13, који постаје став 14, рече: „става 12.” заменију се речима: „става 13.”.

Члан 4.
У члану 14. став 1. рече: „става 12.” заменију се речима: „става 13.”.
Став 2. мења се и гласи:
„Овлашћени предлагач је дужан да у року од 30 дана од дана пријема обавештења из члана 13. став 14. ове уредбе Министарству за европске интеграције, Министарству финансија, Министарству грађевинарства и Министарству животне средине достави Упутник о процени спремности пројекта”.
У ставу 4. рече: „и Министарство грађевинарства” заменију се зagrada и речима: „Министарство грађевинарства и Министарство животне средине”.

8 Број 139 **Гласник** 16. децембар 2022.

Члан 12.
Ова уредба ступа на снагу осмог дана од дана објављивања у „Службеном гласнику Републике Србије”, а примењује се од 1. априла 2023. године.
05 број 110-10471/2022
У Београду, 15. децембра 2022. године
Влада
Председник,
Ана Бриабалић, с.р.

САДРЖАЈ

Влада	Одлука о измени Одлуке о образовању Радне групе за реализацију пројекта „Игралића београдског метроа”	24
Уредба о привременој мери ограничавања цене гаса и издвајања разлике у цени природног гаса набављеног из увоза или произведеног у Републици Србији у случају поремећаја на тржишту природног гаса	Решени о развојним, постављенима и изменомима	24 до 33
Уредба о допуни Уредбе о ванредној интервенцијој мери подршке производњима брашна	Решени о преставку дужности почасног министра Републике Србије у Карловом Форуму, Република Француска	33
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Image No. 3: Presentation of the publication of the Decree on Amendments to the Decree on Capital Project Management in the Official Gazette of the Republic of Serbia

Given that the Government of the Republic of Serbia was in a technical mandate for most of 2022, only one session of the Capital Investment Commission was held; however, the work on improvements to reporting is carried out continuously. The Ministry of Finance is currently monitoring around 160 projects, individually worth over EUR 5 million, which are implemented at the national level, and which are financed from various sources. Through participation in the EU Exchange 6 Programme, the Ministry of Finance monitors the implementation of professional support packages for the improvement of planning and budgeting of capital projects, which were awarded to 9 cities and municipalities based on a public tender in the first half of 2022. In order to introduce functional multi-year capital budgeting, the support is based on the logic of the Decree on Capital Project Management and the requirements of the Budget System Law, but with consideration (proposals) of capital projects regardless of the amount of the estimated budget (cost), therefore also for the so-called “small value projects”. In this sense, work is conducted with the beneficiary LSUs on the development of procedures for internal coordination, nomination of ideas for capital projects, their prioritization and evaluation, and inclusion in the budget.

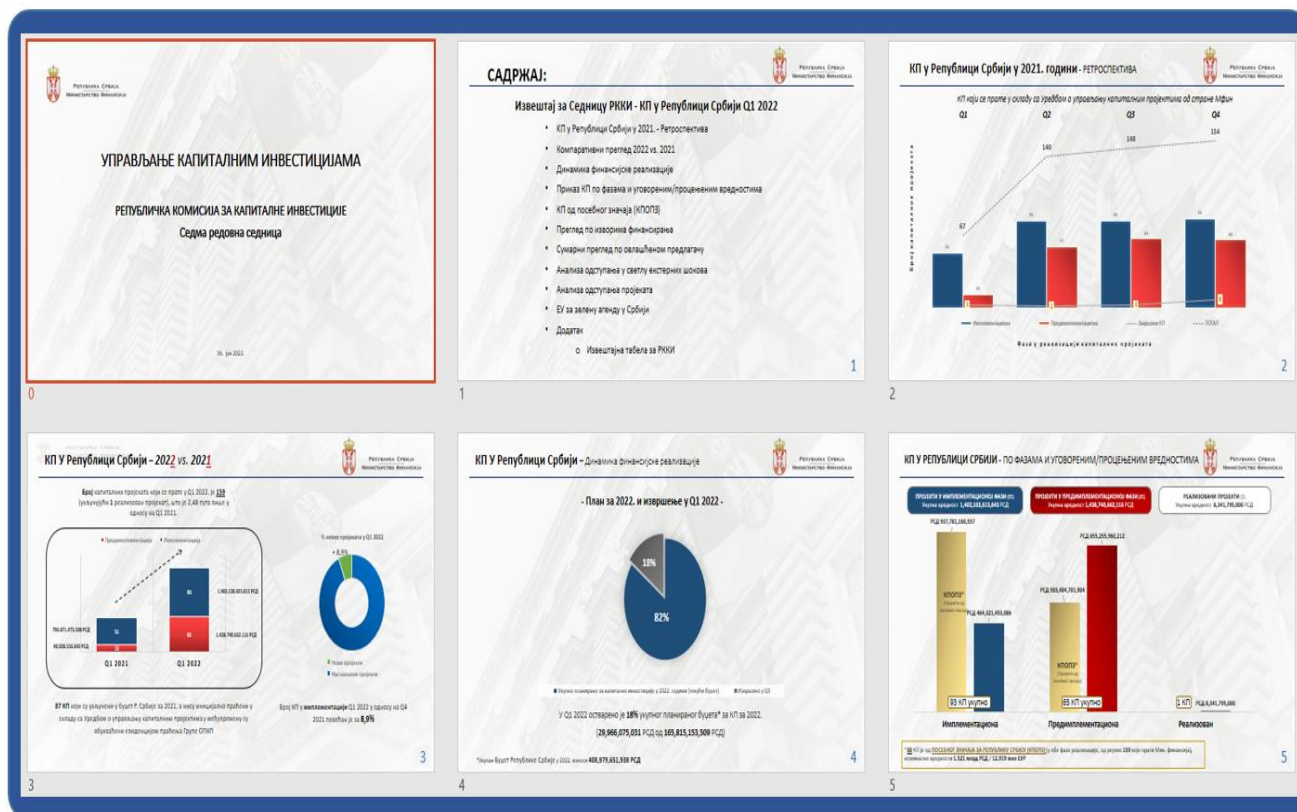


Image No. 4: Excerpt from the Report for the 7th session of the Capital Investment Commission

- During 2022, work was performed on finalizing PIMIS and improving its functionality. The Group for Assessment and Monitoring of Capital Projects had tested the information system and guided the process for its improvement with their suggestions and comments, while simultaneously working on the training of all employees at the Group for Assessment and Monitoring of Capital Projects for work in PIMIS and preparing the planned training for beneficiaries - authorized proposers. The goal is to automate the entire process and focus on the analysis and assessment of capital projects, as well as on the prediction of possible negative impacts on the budget of the Republic of Serbia, i.e. of fiscal risks arising from inadequate planning or deviations from the implementation plan.

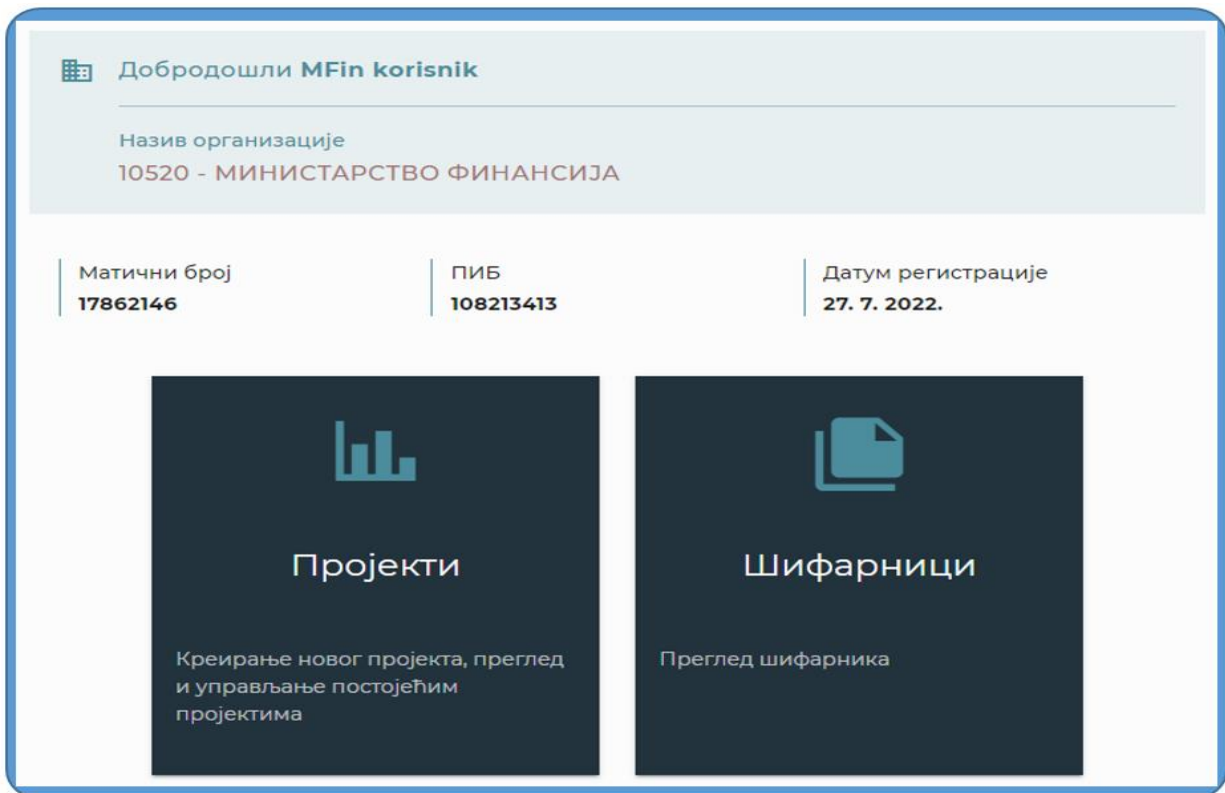


Image No. 5: PIMIS



Platforma za upravljanje kapitalnim projektima

PIMIS je jedinstveni informativni instrument, baza podataka i instrument nadzora nad upravljanjem za sve kapitalne projekte koji se finansiraju iz javnih resursa.

U pitanju je centralizovana platforma za upravljanje kapitalnim projektima sa svim pripadajućim elementima informacionog sistema i neophodnih funkcionalnosti. PIMIS obezbeđuje platformu za razmenu elektronske dokumentacije i predstavlja trajnu jedinstvenu bazu svih kapitalnih projekata tokom celog životnog ciklusa kapitalnog projekta, od trenutka njegove prvobitne registracije i unosa do naknadnog upita i sagledavanja nakon okončanja i zatvaranja kapitalnog projekta.

Ovaj dokument sadrži kompletnu dokumentaciju za projekat što uključuje funkcionalnu, tehničku, korisničku i administrativnu dokumentaciju.

Dokumentacija se takođe može preuzeti i čitati offline na stranici za [download](#).

Image No. 6: Capital Project Management platform

I

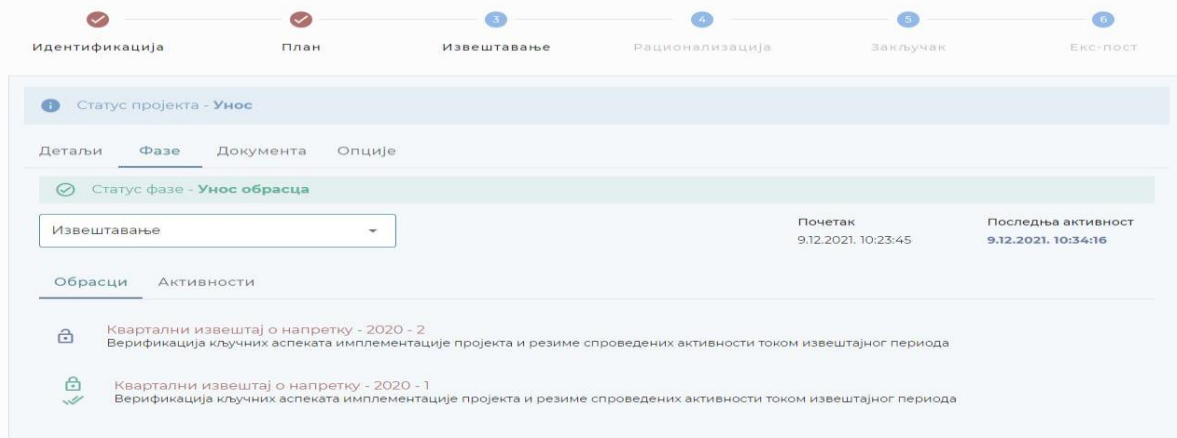


Image No. 7: View of the introduction page of the "PIMIS" platform

- As regards the personnel capacities of the Department, they have been further strengthened by the end of the public competition for filling systematized positions, which was successfully completed in 2022, so that almost all systematized positions at the Department are currently filled. The employees have attended numerous trainings such as "Project Management Methodology" and "Green Project Management" (organized by the German Agency for International Cooperation), "Feasibility Studies for Public Investment Projects and their Independent Review and Assessment", i.e. "Monitoring, Reporting and Disclosure of Fiscal Costs and Fiscal Risks in Externally Financed Projects" (organized by the World Bank), which have contributed to a better understanding of this complex matter, and opened opportunities for further improvement of the existing system for efficient management of capital projects and fiscal risks.
- The employees from the Group for Assessment and Monitoring of Capital Projects have been accredited as lecturers at the National Academy for Public Administration, and have represented the Republic of Serbia at the event "European Network on Infrastructure Governance Conference", organized by the "Joint-Vienna Institute" in Vienna.

Image No. 8: Training "Feasibility Study for Public



Investment Projects and their Independent Review and Assessment, Monitoring, Reporting and Disclosure of Budget Costs and Fiscal Risks in Externally Financed Projects" organized by the World Bank.

Financing of the measure

- The measure is financed in accordance with the planned funds under the PFM RP 2021-2025 Action Plan, from the budget of the Republic of Serbia and within regular allocations. Support activities related to the local level are financed mainly from the funds of the EU Exchange 6 Programme (IPA 2019).

Key challenges

- Establishing adequate cooperation and the single capital project management system is a long-term and complex process, but significant efforts are continuously being made in order to improve communication and coordination of the participants in the process. A special challenge is also reflected in securing and synchronization of the appropriate donor projects that want to support this process (WB, IMF, IPA and bilateral projects).

Planned in the upcoming period

- In 2023, the Group for Assessment and Monitoring of Capital Projects shall continue to increase its capacities and train its employees, improve the legal framework that includes further amendments to the Decree and accompanying rulebooks (through interdepartmental cooperation), and further work on the "PIMIS" information system for which an upgrade is planned. After systematic amendments to the legal framework, it will be possible to commence with the planned activities - the drafting of manuals and reports.
- In the adopted General Training Programme for Civil Servants in 2023, in addition to the training titled "Assessment and Monitoring of Capital Projects", which is intended for civil servants from project management units at the level of line ministries and other institutions, a new training titled "PM2 Methodology for Project Management" was also envisaged. Four employees from the Group for Assessment and Monitoring of Capital Projects were also accredited for conducting this training, all with the aim of raising the awareness about the importance and need for project planning in public administration. In accordance with the adopted Sectoral Programme for Continuous Professional Development of Employees at LSUs for 2023, the implementation of a cycle of regional accredited trainings for all LSUs on the topic of "Capital budgeting in LSUs" through SCTM, as part of the EU Exchange 6 Programme, is planned for the middle of the year, and the allocation of targeted professional support packages covering (11) new LSUs shall continue in 2023.

Measure 1.5: Strengthening the capacities of the Department for Fiscal Risks Monitoring

Indicator(s) at measure level (outcome indicator)	Unit of measure	Source of verification	Initial value in 2020	Target value for 2021	Achieved value
Filled systematized work positions in the Department for Fiscal Risks Monitoring	Percentage (%)	Ministry of Finance Fact Sheet	33%	80%	87%

Trained employees at the Department for Fiscal Risks Monitoring	Percentage (%)	Report on the conducted trainings	0%	80%	80%
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- The target value of the outcome indicator related to the occupancy of systematized work positions in the Department for Fiscal Risks Monitoring in 2022 (of 80%) has been achieved, considering that 14 out of 16 systematized work positions have been filled, so the current occupancy of work positions is at 87.5% . .
- The target value of the outcome indicator related to the training of employees in 2022 (of 80%) has been achieved since the models for fiscal risk monitoring were created according to the adopted Single Methodology for Fiscal Risk Monitoring, and since the basic trainings for the use and application of the said model were held.
- In July 2022, the Minister of Finance, on the basis of the adopted Single Methodology for Fiscal Risk Monitoring in the Republic of Serbia, namely the Methodology for Monitoring of Fiscal Risks Arising from the Operations of Public Enterprises, has signed a Protocol on Cooperation with the Minister of Economy in order to achieve coordinated joint activities on improving the work of public enterprises.
- Within the Department for Fiscal Risks Monitoring, the Group for Monitoring of Fiscal Risks Related to Public Sector Operations had developed a model that is applied in monitoring and assessing fiscal risks arising from the operations of public enterprises, the so-called “Altman Z-Score Model”.

Financing of the measure

- The measure is financed in accordance with the planned funds under the PFM RP 2021-2025 Action Plan, from the budget of the Republic of Serbia and within regular allocations.

Key challenges

- HR challenges concerning the training of civil servants and the need for continuous, advanced trainings.

Planned in the upcoming period

- Continuous updating and improvement of the application of the model for fiscal risk monitoring based on the Single Methodology, as well as organizing training sessions for employees at the Department, both by national educators (NAPA) and by external partners, through which the employees at the Department shall gain insight and the best international practice.
- Formalization of cooperation with key participants from whom the data is collected in the form of signing the Protocol on Cooperation.

SPECIFIC OBJECTIVE II - EFFICIENT COLLECTION AND MANAGEMENT OF BUDGET FUNDS

Achieved in the previous period

In October 2021, as part of the project "Advisory Services for the Re-Engineering of Tax Operations, Including Training of Trainers to Introduce the New Functions to the Operational Units of Tax Administration of the Republic of Serbia", the Report "General TA Business Model" was adopted, which is based on an analysis of the gap between the current TA business model and the best international practices. Also, the National Assembly of the Republic of Serbia had adopted the Law on Fiscalization on 21 December 2020, which created normative conditions for the introduction of a new model of fiscalization. A contract was concluded with the consortium led by Serbian Business Systems for "Provision of consulting services for market analysis and preparation of specifications for commercial off-the-shelf (COTS) solution"; also, a proposal for the project "Strengthening the Legislative Framework and Institutional Capacities for fulfilling the EU pre-accession conditions for the development of the VAT Information Exchange System (VIES)" was drafted. In 2021, the Tobacco Administration had established a single registry system which consolidates 9 registers and 3 record lists in order to improve the efficiency of provision of its services by the Tobacco Administration.²⁶ In addition to the full implementation of the single registry system, the activities were carried out in order to strengthen the capacities of the Tobacco Administration for the use of the new information system and provide more efficient services within the scope of the Administration's work.²⁷ An activity was carried out for raising the awareness of economic entities, which operate on the market of tobacco and tobacco products, to submit their requests electronically and via the eGovernment portal, which contributed to the reduction of expenses of economic entities and time savings.²⁸ In 2021, for the purpose of implementing the Phase 5 of the NCTS system, the procurement procedure for equipment and software was carried out. The general government public debt-to-GDP ratio had decreased to 57.1% at the end of 2021, from 57.8% at the end of 2020. In March 2021, *Moody's* rating agency increased the credit rating of the Republic of Serbia to Ba2 from Ba3, as a result of a very successful response to the crisis caused by the COVID-19 pandemic and the preservation of macroeconomic stability, while in December, *Standard & Poor's* rating agency improved the prospects for further increase in credit rating from 'stable' to 'positive', and confirmed the credit rating of the Republic of Serbia at the BB+ level. In 2021, the implementation of the Law on Public Procurement had continued with the upgrade to the new Public Procurement Portal with new functionalities, the creation of practical tools (instructions, guidelines, tender documentation models), such as Guidelines for green public procurement, as well as by strengthening the operational capacities of the Public Procurement Office.

²⁶ Source: Record of handover of procurement items.

²⁷ Verification source: List of training participants.

²⁸ Verification source: Notifications were sent through the e-Administration Portal, the Tobacco Administration website, and through direct contact via e-mail.

Achieved in 2022

Achieved outcome indicators at the level of the Specific Objective

Indicator(s) at the level of the Specific Objective (outcome indicator)	Unit of measure	Source of verification	Initial value	Target value for 2022	Achieved value
The actual revenues and expenditures of the general state budget on an annual level are in the range of 5% of the projected ones under the fiscal strategy.	Percentage (%)	Fiscal Strategy	Within 5%	Within 5%	Within 5%
Annual public debt servicing costs (interest payments – net amount) as a % of GDP	Percentage (%)	Annual Report on the work of the Public Debt Administration	1.9%	1.9%	1.5%
Average duration of an open procedure	Day	Annual report on public procurements	52	48	47

Measure 2.1: Efficient collection of budget revenues that are the responsibility of the Tax Administration



Graph No. 8: Realized value of collection in RSD billions (income tax, profit tax, gross domestic VAT, gross excise duties) in 2022

Graph legend: Value of 1044.2 – Planned

Value of 1140.8 – Realized

- The outcome indicator related to the efficient collection of budget revenues that are under the jurisdiction of TA - The percentage of realized collection in relation to the approved budget estimate (income tax, profit tax, gross domestic VAT, gross excise duties), has been achieved According to the forecast based on the Budget Law for 2022, it was necessary to collect RSD 1,044.2 billion of the most important budget revenue. **Realized collection amounts to RSD 1,140.8 billion, whereby the realization index is 109.2%.**
- In the period from 7 February to 18 March 2022, a TADAT Mission was held. The assessment of the Tax Administration System of the Republic of Serbia was carried out again, with the help of the Tax Administration Diagnostic Assessment Tool (TADAT). The new assessment, which followed after a similar assessment carried out in July 2016, provides an overview of reform achievements or lack thereof, as well as new information about the current situation that can be used to determine reform priorities.



A series of meetings of the business functions of the Tax Administration and TADAT mission was held in all areas of performance that were the subject of assessment.

- **Re-engineering of business processes of basic functions.** At the beginning of 2022, interactive workshops of the selected consultant (KPMG) were held with Tax Administration teams, formed by functionality, where the new General TA Business Model was elaborated in detail, with special reference to the concept of introducing a single account for the payment of public revenues and variants of the method for calculating interest on due, unpaid obligations, in the context of their impact on the redesigned business processes. The representatives of the selected consultant were also involved in the work of the workshops concerning the project “Provision of consulting services for market analysis and preparation of specifications for commercial off-the-shelf (COTS) solution”, based on the previously adopted decision to synchronize the work of the two projects. The consultant had submitted a draft of the document "Business Process Design with Attachments and Presentations" to the Tax Administration, after which intensive consultations were held between the Tax Administration, the Treasury Administration, the Ministry of Finance and the consultant with the aim of harmonizing views, remarks and suggestions on the submitted document, especially in respect of its parts which refer to the order of settlement of tax obligations, as well as to identifiers and schedule of deposit payments for bidding and purchase prices. Afterwards, the consultant continued working on the development of the new General Business Model in detail, in accordance with the decisions made by the Tax Administration and the Ministry of Finance, and had created a corrected version of the draft document "Business Process Design with Attachments and Presentations" and presented the results of its work to the Tax Administration and the Ministry of finance. After harmonization performed in

accordance with the suggestions and decisions made by the Tax Administration and the Ministry of Finance, the final version of the document "Business Process Design with Attachments and Presentations" was drafted. The document "Business Process Design with Attachments and Presentations" was adopted on 14 November 2022, at the second session of the 47th Committee for Implementation of the Tax Administration Transformation Programme.

- **Introduction of a new fiscalization system.** In the first half of 2022, the Tax Administration had successfully implemented a new model of fiscalization, which contributed to a significant reduction in the costs of the real sector and the recording of turnover compared to the previous fiscalization system, therefore introducing a more efficient tool for combating the gray economy. The full implementation of the Law on Fiscalization began on 1 May 2022, and in the period since the beginning of its implementation, the Tax Administration enabled and provided assistance to fiscalization obligors in fulfilling their legal obligations, i.e., since commencing with the implementation of the new fiscalization system, a total of 263.000 security elements in form of card, as well as 86.000 security elements in form of PFX file, have been made for 147.000 fiscalization obligors, In the organizational part, the technical preparations for the organization and commissioning of the "control room" for monitoring the issuance of fiscal invoices in real time have been completed. The development of the module for reporting through the Advanced Analytics Platform (AAP), from the system of the new model of fiscalization for the purposes of risk analysis, is still in progress. After that, in the following period, coordinated activities have been carried out between the Ministry of Finance and the Tax Administration on promoting the new fiscalization system, with the aim of encouraging taxpayers to make the transition to the new fiscalization system in a timely manner so as to prevent potential delays in the issuance and collection of security certificates, as well as to prevent possible non-compliance of taxpayers with the regulations due to missing the legal deadline for switching to the new fiscalization system.



Image No. 9: <http://budiefiskalizovan.gov.rs/>

- **Improving the ICT infrastructure – COTS. Provision of consulting services for market analysis and preparation of specifications for commercial off-the-shelf (COTS) solution.** Interactive workshops of the selected consultant were held with the

teams of the Tax Administration, formed by functionality, where functional and non-functional requirements that the commercial off-the-shelf (COTS) solution should fulfil were discussed and agreed upon, with the aim of creating a basis for the preparation of technical specifications for commercial off-the-shelf (COTS) solution. In 2022, the Committee for Implementation of the Tax Administration Transformation Programme had adopted three documents submitted by the consultant, namely “Market Analysis”, “To-Be State with Implementation Options” and “Technical Specifications for Commercial Off-the-Shelf (COTS) Solutions”.

Upon the expiration of the contract with the selected consultant *Serbian Business Systems* (SBS), on 5 December 2022, the Tax Administration had signed an Agreement on the Provision of Advisory Services for overall support in respect of the procurement of commercial off-the-shelf (COTS) solutions for the Tax Administration of the Republic of Serbia with the consulting firm *KPMG*. The consultant had submitted an Introductory Report which was adopted by the Committee for Implementation of the Tax Administration Transformation Programme. The consultant had submitted drafts of parts of Section 7 of the form *Request for Quotation*: Legal requirements which must be fulfilled by the information system, Context and Information materials to the Tax Administration for comments, by which the work on drafting the Request for Quotation had commenced.

The Call for initial selection - submission of bids for the procurement and installation of commercial off-the-shelf (COTS) solution, with data integration and migration, was announced on 13 October 2022.



Image No. 10: Phases of COTS project implementation and specific objectives of each phase

Procurement of commercial off-the-shelf (COTS) solution. A series of presentations of commercial off-the-shelf solutions was held by potential suppliers who accepted the invitation of the Tax Administration to hold the presentation. A meeting was held with the representatives of the IMF in order to share the experiences of introducing commercial off-the-shelf (COTS) solutions in tax administrations, in which the representatives of the IMF have participated in various roles. An analysis of the contracts on sale and implementation of the COTS solution of suppliers of commercial off-the-shelf solutions was carried out, who responded to a survey conducted within the

framework of the project "Provision of consulting services for market analysis and preparation of specifications for commercial off-the-shelf (COTS) solution", after which, based on the number of taxpayers according to the tax forms administered by the Tax Administration and the funds allocated under the World Bank loan for this purpose, the criteria for the supplier pre-selection procedure were drawn up. Upon publishing of criteria for the initial selection for the procurement of a commercial off-the-shelf (COTS) solution, nine bidders have applied. By decision of the Director of Tax Administration, the Commission for the evaluation of the bids submitted under the procedure for procurement of a new commercial off-the-shelf (COTS) solution was formed. By the decision of the Director of the Tax Administration a Project Team was formed to work with the engaged consultant (*KPMG*) on the activities concerning the drafting of the Request for Quotation for the selection of a commercial off-the-shelf (COTS) solution.

- At the beginning of January 2023, a workshop was held on the topic: "Procurement of a commercial off-the-shelf solution for the needs of Tax Administration of the Republic of Serbia".
- In the course of 2022, with the support of the Project "Public Finance Reform – 2030 Agenda" implemented by GIZ, the Ministry of Finance had initiated the first phase of development of the electronic delivery note system, which refers to the analysis of the administrative and legal framework for the establishment of the system, as well as its planned integration with the existing and future systems. In this regard, with the consulting support of experts engaged through the project, the following documents have been prepared:
 - 1) Report on the current state of the IT systems with which the integration of the future electronic delivery note system is planned
 - 2) Report on the examples from practice of neighbouring EU Member States
 - 3) Draft of the legal basis for the introduction of the electronic delivery note system
 - 4) Draft action plan for the introduction of the electronic delivery note system
 - 5) Architecture of mobile apps
- The Global Forum has developed a technical assistance programme (Introductory Programme) in order to support its members in implementing international standards related to the exchange of information. The purpose of the programme is to help new members set up the necessary legal framework and administrative capacities in order to benefit from the exchange of information. In this regard, the Secretariat of the Global Forum had conducted preparatory meetings in a virtual environment in the period from 25-28 January 2022, as a simulation of meetings for the expert assessment of the Republic of Serbia in meeting the standards of exchange of information upon request. The current exchange of information on request and spontaneous exchange of information is performed entirely in accordance with the rules of the Global Forum. As part of the second round of the expert assessment of the Republic of Serbia in meeting the standards of exchange of information on request, in the period from 17 to 19 January 2023, meetings

were held with representatives of the Global Forum on Transparency and Exchange of Information for Tax Purposes.

- Based on the project task for the selection of a consultant and the tender for the selection of a consultant, the submitted bids were evaluated, the consultant was selected, and the contract was signed, by which the project "Provision of consulting services for the institutional development of HR in the Tax Administration" had commenced. The introductory meeting was held on 8 September 2022. The representatives of the Tax Administration were headed by the director, who, in her opening presentation, stressed the key importance of the reform of the human resources management function for the implementation of the Tax Administration Transformation Programme 2021-2025, which was adopted by the Government of the Republic of Serbia on 20 May 2021. The first operational meeting between the selected consultant *Manpower Business Solutions & Ernst & Young* and the Working Group for work with the hired consultant for the activities of institutional development of the human resources function of the Tax Administration of the Republic of Serbia, which was formed by the decision of the Director of the Tax Administration on 25 August 2022, was held on 12 September 2022. Following the intensive meetings of the Working Group, which was formed by the Decision of the Director of Tax Administration for work with the hired consultant, the document 1. "Initial Report with Work Methodology" was submitted, which was adopted on 8 November 2022 at the first session of the 47th Committee for Implementation of the Tax Administration Transformation Programme. The TA Working Group expects the delivery of corrected deliverables, 2. Presentation of the best international practices in the field of HRM, analysis between the existing and desired state (gap analysis), and 3. Analysis of the difference between the existing and the desired organizational state of Tax Administration of the Republic of Serbia with a presentation, following the suggestions provided by the Working Group.
- Within the component of the project "Public Finance Reform – 2030 Agenda" implemented by GIZ, and within the project "Remote control analysis", the consultant prepared the documents "Introductory Report" and "Gap Analysis Report with recommendations for implementation", which were adopted by the Tax Administration.
- The project "Knowledge Sharing Programme under the auspices of the Ministry of Economy and Finance of the Republic of Korea and the Korea Development Institute (KDI)." The goal of the project was to improve the system and work of the Tax Administration of the Republic of Serbia by strengthening the capacities of tax policy for the fiscal development of Serbia. After the final workshop which was held in August 2021, a final document titled "Strengthening the capacities of tax policy for the fiscal development of Serbia: Improving the Tax Administration" was drafted. With the publication of the final document, the project was completed in March 2022.
- Also, during 2022, a new project "2022/23 Knowledge Sharing Program (KSP): Capacity building in the area of Big Data – design and development of the area in order to increase the effectiveness of data utilization, control and reporting" was launched, under which three sub-components were proposed:

1. Diagnosis of the current status of data utilization capacity at TA: Analysis of the current status of available data in TA, available data between the ministries, and data from other institutions (information on financial transactions and revenues, etc.) in order to increase the utilization of TA data. Overview of TA modernization status and improvement proposals for a better data utilization environment.
 - 2 Korea Big Data Centre Case Study: presenting the relevant Korean experiences and case studies on the use of data and big data
 - 3 Proposal of technical conditions for the improvement of big data in TA: propose the appropriate technological and political environment necessary for the future use of big data and artificial intelligence.
- As part of the individual activities for the implementation of the Tax Administration Transformation Programme 2021-2025, the focus was on the activities which contribute to significantly increasing the capacity of the control function and the Register of Taxpayers. The Tax Administration is engaged in the Project "Support to the Ministry of Finance within the Sectoral Reform Agreement for the Public Administration Reform Sector", which is funded by the European Union. Following the analysis of the current situation in the area of the Registry, a conceptual solution proposal was made for improving the Register of Taxpayers, its contents, up-to-dateness of data and system maintenance. In order to further strengthen the capacities of the Tax Administration, support the development of strategic risk analysis and enable the effective and efficient exchange of information between the relevant authorities with the aim of improving the work of the Tax Administration, work was continued within the components.
 - Contribution of international technical experts in managing changes, i.e. support for the implementation of the Tax Administration Transformation Programme 2021-2025. Cooperation with IMF experts, as well as with other international experts, in the following areas:
 - ✓ Data analysis and tax gap analysis (January 2022),
 - ✓ Strengthening the control function (April 2022),
 - ✓ Presentation "Control and compliance in the Tax Administration" (April 2022),
 - ✓ Questions related to the procurement of an integrated tax system for the Tax Administration (April 2022),
 - ✓ Presentation of the Swedish Tax Administration, Mission of the Swedish Tax Administration (September 2022),
 - ✓ Strengthening the function of services provided to taxpayers (September 2022),
 - ✓ Leveraging analytics in risk assessment-based investigations (July-October 2022).
 - ✓ Seminar of the OECD Korea Policy Centre, on the topic of Tax Administration and Policy and Tax Treaties (November 2022),
 - ✓ Data analysis and tax gap analysis (November-December 2022),
 - ✓ Strengthening tax debt management and planning for the future transition (November-December 2022)
 - ✓ The third meeting of donors and creditors at which the Master Plan was presented, covering the key components of the TA Transformation Programme 2021-2025, as well as priority areas in the year ahead. The representatives of donors and creditors of the World Bank, GIZ, IMF, SECO, the Delegation of the European Union to the Republic of Serbia, the Korean Development Institute, SIDA and NALED have individually presented the key activities in respect of the support to

implementation of the Tax Administration Transformation Programme and the progress achieved (December 2022).



Image No. 11: The third meeting of donors and creditors that directly support the Tax Administration Transformation Programme

Financing of the measure

The measure is financed from the budget of the Republic of Serbia, the World Bank, the IPA Programme, the German Agency for International Cooperation GIZ and from other donor sources. A total of RSD 649,433,219 was spent for the implementation of this measure in 2022.

Key challenges

- Timely process of procurement and implementation of a commercial off-the-shelf (COTS) solution. Also, a risk that can threaten the implementation concerns the lack of HR capacity with the necessary knowledge in a certain area.
- Delay in the adoption of the new legislative frameworks based on the recommendations from the Expert Assessment of the Global Forum on alignment with EU Directives and the lack of coordination/communication between state institutions.
- Insufficient IT resources and HR capacity for the implementation of the reform.
- Lack of human resources and knowledge necessary for the functioning of the new information exchange system

Planned in the upcoming period

- Work on the Implementation Plan of the proposed new General TA Business Model; work on the development of the Action Plan; it is planned to hold trainings on the design and re-engineering of business processes, the implementation of re-engineered business processes, the identifying of the schedules of sub-projects for the application of re-engineered business processes, as well as the transfer of knowledge on planning activities concerning risk management with practical and theoretical training.
- Implementation of the procurement procedure and selection of vendors for the implementation of a commercial off-the-shelf (COTS) solution for the needs of TA.
- Further promotion of the new fiscalization system through the **Media Campaign Project in support of the new Law on Fiscalization**.
- As regards the Improvement of the HR management function through the development of the HR Strategy and the improvement of the existing information system for HR management, it is necessary to ensure the coordination of the work of the consultant for

business process re-engineering, the new consultant for the preparation of technical documentation for the procurement of COTS solutions, and of the consultant for the institutional development of the HR function and business functions of the Tax Administration.

- Commencement with the implementation of the project "Strengthening the Legislative Framework and Institutional Capacities for fulfilling the EU pre-accession conditions for the development of the VAT Information Exchange System (VIES)" under IPA 2021.
- Drafting of technical specifications of hardware and software solutions for the electronic delivery note system, as well as preparation of procurement documents.

Measure 2.2 Modernization of the work process of the Tobacco Administration

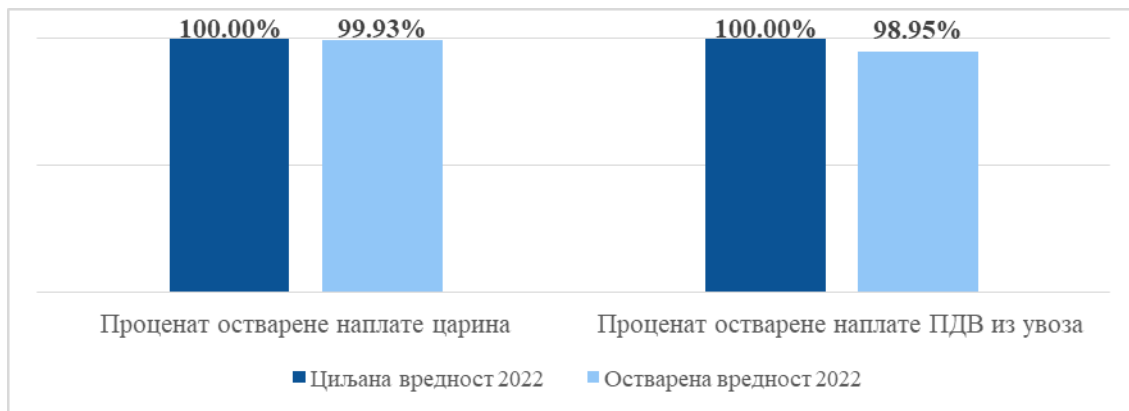
The measure was fully implemented by the end of 2021, in accordance with the stipulated deadline. In the following period, the Tobacco Administration will continue with its efficient work within its jurisdiction, and consider new activities within the revision of the Public Financial Management Reform Programme that will be implemented in the period from 2023-2025.

Planned in the upcoming period:

- A further upgrade to the established integrated information system of the Tobacco Administration is planned in terms of automating business processes and improving the efficiency of providing services to economic entities which operate on the market of tobacco and tobacco products.

Measure 2.3 Strengthening the administrative capacities of the Customs Administration

Performance indicator at the outcome level



Graph No. 9: Percentage of realized collection

Graph legend: Dark blue – Target value for 2022

Light blue – Achieved value in 2022

The outcome indicator related to revenue collection in relation to the projected budget estimate, amounts to: for customs 99.93%, and for VAT - from imports 98.95%. Although the achieved results did not reach the target value of 100%, the customs collection is

27.65% higher compared to 2021, i.e. it amounts to RSD 17.2 billion, while VAT on imports is 24.25%, i.e. it amounts to RSD 137.6 billion. The outcome indicator is achieved due to the allowed deviation in the amount of 5%.

- In 2022, for the purpose of implementing the Phase 5 of the NCTS system, the procurement of equipment was carried out in full. Also, in accordance with the Agreement concluded on 22 December 2021, activities were undertaken on the development of software for Phase 5 of the NCTS system, whereby the development of the said software is currently at the testing status. Within this phase of development of the New Computerized Transit System and in the area of improving the customs debt security process, it is expected to ensure electronic communication between the economic entities and the accompanying systems for managing GMS guarantees and AMS approvals, in both directions, in such a way as to enable the electronic submission of requests and accompanying documents, as well as the submission of GMS approvals – a subsystem which enables registration and records of guarantors, registration and records of issuance of approvals for depositing security for the national transit procedure/ joint transit procedure.
- As part of the project "Support to the Ministry of Finance within the Sectoral Reform Agreement for the Public Administration Reform Sector", documents were prepared in the area of the EU Own Resources which were planned under the previous programme framework:
 - ✓ "Comparative analysis of the existing legal framework relevant for the EU Traditional Own Resources (TOR) system, and recommendations for the full implementation of the EU regulations on TOR and the necessary amendments"
 - ✓ "*Ex-ante* assessment of the administrative capacity of CA for the full implementation of the TOR system",
 - ✓ "Assessment of training needs of customs officials for the EU TOR"
 - ✓ "Instructions for the implementation of the EU TOR based on the best practices of the EU Member States".
- When it comes to improving the capacities for efficient follow-up controls (establishing customs value, preferential origin and classification of goods), this activity is carried out continuously. Instructions/explanations regarding the correct application of regulations in the area of customs value, classification of goods and origin are regularly submitted. The Customs Administration prepares and implements the Annual Plan for follow-up control.
- In the course of 2022, there are no plans to begin with the implementation of activities related to the modernization of the Customs Laboratory (providing adequate premises and complete equipping of the laboratory); however, part of the equipment necessary for the work of the Customs Laboratory has been procured, in accordance with the Budget Law (old existing equipment refurbished and three new devices procured). The technical-technological modernization of the customs service and the high level of automation and paper-free operations of the Customs Administration, in accordance with EU information standards, is connected with the implementation of several important projects: Roll-out of the Automated Import/Export Systems (AIS-AES) and Custom Decision Management System (CDMS), as well as the introduction of Integrated Tariff Management System

I

(ITMS). During 2022, the funding of the project "Roll-out of the Automated Import/Export Systems (AIS-AES) and Custom Decision Management System (CDMS)" was approved.

Financing of the measure:

The project "Roll-out of the Automated Import/Export Systems (AIS-AES) and Custom Decision Management System (CDMS)" is financed from EU funds, with a national co-financing of 15% for the Procurement Agreement for "Introduction of Automated Import/Export System and Custom Decision Management System" – IPA 2020. In 2022, a total of RSD 202,000,000 was spent from the budget funds.

Key challenges:

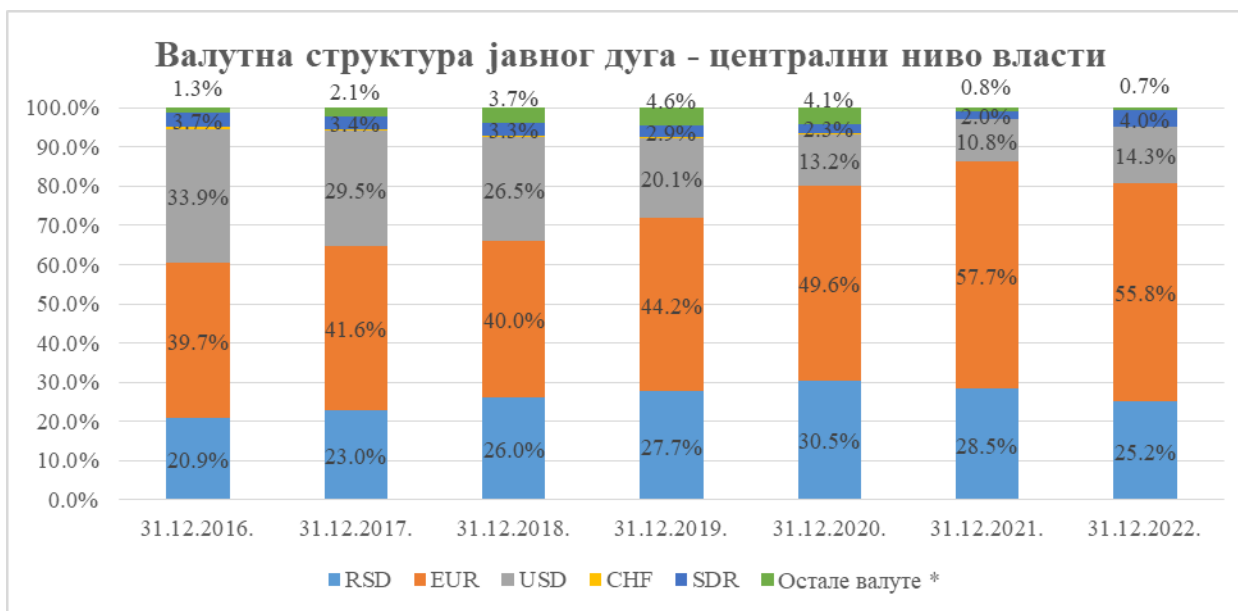
- For the full application and establishment of the Guarantee Management System - GMS - at the national level, the implementation of this segment is also quite significant within the framework for the establishment of the Automated Import/Export System, where a "transitional" Custom Decision Management System should be developed and implemented, including the management component, which will only function at the national level. It is expected that the GMS component should support the process of guarantee registration, guarantee monitoring and guarantee release.
- As part of capacity building for the full implementation of the EU TOR legislation and reporting on EU revenues, two trainings were held in 2022 on the topics "Technical assistance for improving the accounting of customs duties and the allocation of funds to A and B accounts" and "Accounting principles for customs officials".

Planned in the upcoming period:

- In the course of 2023, the commencement with the implementation of the project "Introduction of Automated Import/Export System and Custom Decision Management System" - IPA 2020 is expected, under which the tender documentation has been prepared and the evaluation for all three contracts within the project has begun. On 14 November 2022, the first evaluation phase for the Technical Assistance Agreement for CDMS began, while the completion and signing of the minutes by the Commission members was announced on 12 December 2022. Also, on 5 December 2022, the first evaluation phase for the Contract for Roll-out of the Introduction of Automated Import/Export Systems (AIS-AES) commenced, the signing and completion of which was announced by the Commission on 30 December 2022. On 20 December 2022, the final evaluation phase for the Procurement Agreement for "Introduction of Automated Import/Export System and Custom Decision Management System" - IPA 2020 commenced. The evaluation process is still ongoing.

Measure 2.4 Efficient public debt management

Performance indicator at the outcome level



Graph No. 10: Currency structure of public debt at the central level of government

Graph legend: Green – Other currencies

The outcome indicator related to the share of debt in local currency in the total public debt - the central level of government, was not achieved, and it amounts to 25.2%. Due to the sudden growth of interest rates at the global level and the limited market for borrowing in domestic currency, the primary goal was to secure funds on the most favourable terms, i.e. with the lowest costs. For example, the 6 months Euribor rate rose from -0.539% - the value at the beginning of the year, to 2.693%, which was the value at the end of 2022. During 2022, the reference interest rate of the National Bank of Serbia increased from 1.00% to 5.00%. Despite such a high and rapid growth of interest rates on the market, the weighted average interest rate on the total public debt had increased minimally from 2.53% at the end of 2021, to 2.81% at the end of 2022. At the same time, the Average Time to Maturity (ATM) at the end of 2022 increased to 7.4 years from 6.8 years at the end of 2021.

- During 2022, the active management of the public debt continued, in order to ensure financing under the most favourable conditions, while simultaneously reducing the risk and increasing the maturity of the public debt.
- The development of the domestic market of government bonds continued, despite very unfavourable circumstances on the financial market and the rapid and sudden growth of interest rates.
- In order to minimize costs of funding in such unfavourable circumstances during 2022, part of the funding was provided by the IMF, with which a two-year Stand-By Arrangement was concluded at the end of the year with a total value of around EUR 2.4 billion, part of which will be directed to mitigating the consequences of the crisis, while

the other part shall serve as a precautionary measure in case of further economic disturbances.

Financing of the measure: The measure is financed from IPA and from other donor funds. In 2022, a total of RSD 12,000,000.00 were planned for the implementation of the planned activities, but due to the donor's policy, the total amount of spent funds is not available.

Key challenges:

- The challenges which have been identified in this process are related to the lack of financial resources should the donor community become disinterested in financing these activities.

Planned in the upcoming period:

- In the following period, the plan is to continue work on strengthening the medium-term strategy of public debt management by developing a risk management model and upgrading the existing information system (PDMS), with a developed risk management module.

Measure 2.5 Improvement of the electronic public procurement system

Performance indicator at the outcome level

- **The value of the outcome indicator which refers to the number of bids under public procurement procedures for 2022 is 2.5²⁹, which means that this outcome indicator was not achieved**, bearing in mind that the target value was 2.8.
- During 2022, three new versions of the Public Procurement Portal have been developed and published, and each of them brought some new opportunities for contracting authorities and bidders. These technical improvements to the Portal refer to all contracts awarded to a specific bidder, search optimization, authorizations for administrative users, as well as a series of records for exporting content to Excel or JSON format. Also, some improvements are related to the protection of rights, quarterly reports and advance notices.
- A mobile app has been developed for Android and *iOS* devices. The mobile app can be downloaded from the Google Play Store, as well as from the Apple Store. All the options available via the web app are also available via the mobile app. Links on the list of bidders who were awarded a contract were implemented to the list of contracts and framework agreements that were concluded with the selected economic entity. In this way, the interested public was enabled, in a simple way, to gain insight as regards the information about the bidders with whom the economic entities have concluded contracts and framework agreements.

²⁹ You can find more information about the average number of bids in public procurement procedures in relation to the type of public procurement subject in the Annual Report on Public Procurement in the Republic of Serbia for 2022, prepared by the Public Procurement Office, which can be found at the following link: [file:///C:/Users/PC/Downloads/Godisnji%20izvestaj-2022%20\(1\).pdf](file:///C:/Users/PC/Downloads/Godisnji%20izvestaj-2022%20(1).pdf).

- The PPO, with the support of USAID and the Improving Public Procurement Project, had translated the following video instructions into English for users of the Public Procurement Portal: 1) registration on the Public Procurement Portal, 2) Public Procurement Plan, 3) preparation and publication of the public procurement procedure, 4) submission of e-bids. The aforementioned video instructions with English subtitles are available on the Public Procurement Portal.
- The capacities of the PPO were strengthened so that, as of 31 December 2022, a total of 33 civil servants and nine persons employed at the PPO on the basis of contracts on performance of temporary and occasional jobs, which is a total of 42 persons. In order to strengthen the capacities of economic entities, the PPO has organized trainings for contracting authorities and bidders on various topics, such as: implementation of the Law on Public Procurement, use of the Public Procurement Portal, preparation for partaking in the public procurement officer examination, dynamic procurement system, partnership for innovation, social and environmental procurement. During 2022, a special emphasis was also placed on presentation of functionality of the Public Procurement Portal and the most frequently monitored irregularities in practice in Serbia in the field of public procurement for the needs of judges and judicial assistants of the special anti-corruption departments of higher courts, the deputy high public prosecutors and prosecutorial assistants of the special anti-corruption departments of Higher Public Prosecutor's Offices, and police representatives. During the organization of trainings and workshops, the PPO was supported by SIDA, NALED, UNDP, USAID, and the Chamber of Commerce and Industry of Serbia.

A Model of a special act was created which more closely regulates the way of planning, implementation of public procurement procedures and monitoring of the execution of public procurement contracts, as well as the Guidelines for Partnerships for Innovation and the Guide to monitoring the implementation of regulations in the field of public procurement, with the support of SIDA and NALED, as well as several model tender documents published on the website of the PPO (<https://www.ujn.gov.rs/strucna-pomoc/>).

Financing of the measure: The measure is financed from the budget of the Republic of Serbia, IPA and from other donor funds. In addition to regular financial allocations planned for the needs of this measure, a total of RSD 3,570,000.00 from donor aid were spent for the implementation of the planned activities in 2022.

Key challenges:

- The key challenge in the upcoming period will be the further strengthening of the capacities of contracting authorities and bidders.

Planned in the upcoming period:

- An upgrade of the Portal is planned in the upcoming period. The capacity building of the PPO shall also continue with the organization of trainings for contracting authorities and bidders.

SPECIFIC OBJECTIVE III - IMPROVEMENT OF BUDGETARY DISCIPLINE AND MORE TRANSPARENT USE OF PUBLIC FUNDS

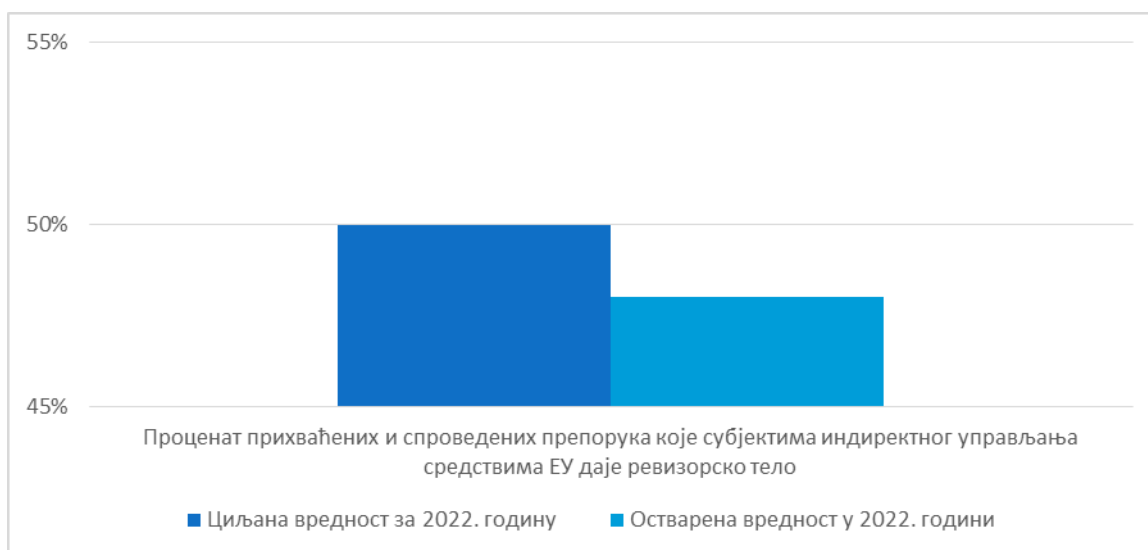
Achieved outcome indicators at the level of the Specific Objective



Graph No. 11: The average number of established illegalities and irregularities per controlled entity

Graph legend: Blue – Target value

Red – Achieved value



Graph No. 12: The percentage of accepted and implemented recommendations given by the Audit Authority to indirect EU funds management entities

Graph legend: Dark blue – Target value for 2022

Light blue – Achieved value in 2022

Achieved in the previous period:

The strengthening of capacities of the Governmental Audit Office of EU Funds was one of the priorities in the previous period. The focus was on advanced employee training. In the area of EU funds management, it was emphasized that investments were made in human resources through work on the development of the staff retention policy, the adoption of a new rulebook on systematization and through a large number of targeted trainings. Also, within the entire system, special attention was paid to the prevention and resolution of irregularities, as well as on raising the awareness of employees about this topic, which has produced visible results. The area of inspections and protection of budget funds was improved by strengthening the legislative framework with the adoption of the new Law on Budget Inspection in December 2021⁹, as well as by strengthening the capacities for conducting inspections. In this regard, the Budget Inspection has adopted three expert-methodological instructions for performing inspections by control areas. Also, trainings from the adopted training programme for budget inspectors have been carried out through specific trainings and workshops, with the recruitment of new personnel, thus fulfilling the goal of providing the planned number of inspectors.

Achieved in 2022

Measure 3.1 – Formation of a base for strengthening the institutional and administrative capacities of the Governmental Audit Office of EU Funds, which enable an effective audit of the EU control system



Graph No. 12: Number of high and medium risk findings by EC auditors in respect of the Governmental Audit Office of EU Funds³⁰

Graph legend: Blue – Target value

Orange – Achieved value

- The measure refers to the adoption of a new, appropriate legal framework and to the implementation of a functional analysis, in order to improve the organizational capacities of the Governmental Audit Office of EU Funds (hereinafter: the "Office").³¹ The implementation of this measure is planned through the PLAC III project. The experts who will work on the project have been selected, after which the kick-off meeting was held in February 2023. The implementation of the planned project activities is underway, while the project itself should be realized by the end of 2023.
- The performance/outcome indicator at the level of this measure is "The number of EC audit findings in relation to the number of implemented audit recommendations". The target value of this performance indicator was achieved in 2022; more precisely, of the provided 8 audit findings, 8 were acted upon, thus fulfilling the performance indicator which measures success and progress in this area.
- Thanks to significantly strengthened capacities in the period from 2019 to 2021, further progress was achieved in the work during 2022, which can be seen on the basis of the above-mentioned performance indicator. The preparation of the new Rulebook on Internal Organization and Systematization of Work Positions is underway, due to harmonization with the new Decree on the Competencies of Civil Servants.
- A project proposal for advanced training from IPA funds was prepared and revised in order to further strengthen the administrative capacities. The project documentation proposal was submitted to the Delegation of the European Union in December 2022. The start of the implementation of this project was postponed, but intensive cooperation with the EU Delegation team has continued since January 2023.
- During 2022, a large number of workshops and trainings were held in order to strengthen the capacities of the Office, namely:
 - In cooperation with a special Department within the Directorate-General for Neighbourhood and Enlargement Negotiations of the European Commission – TAIEX, a workshop was held on the topic "Support for further strengthening of the capacities of the Audit Authority" in the period from 28 November until 1 December 2022. The aim of the workshop was to improve the knowledge of the auditors employed at the Office in performing on-site inspections, with special emphasis on construction works under

³⁰ The data for the performance/outcome indicator were obtained based on the last available data from the DG NEAR Report Ref. Ares(2021) 5794281 and DG AGRI Ref. Ares(2021)834679

³¹ The Office was established in 2011 by the Decree on the Establishment of the Governmental Audit Office of EU Funds ("Official Gazette of the RS", No. 41/11 and 83/11)

IPARD projects; in the field of prevention and detection of irregularities and fraud by IPARD actors; the specifics of Measure 7 (Farm diversification and business development) and Measure 9 (Technical assistance), related to the implementation of the IPARD Programme for Measure 9, with special reference to the PRAG rules.

- At the residence of the American ambassador, on 5 October 2022, a formal reception was held for Certified Fraud Examiners (CFE) and Certified Anti-Money Laundering Specialists (CAMS), organized by the Association of Certified Fraud Examiners (ACFE), which provides education and certification in the field of fraud prevention and detection. Two employees of the Office have successfully passed the exams and obtained international certificates.



Image No. 12: Conference of Audit Authorities

- The Regional Conference of Audit Authorities "Challenges and Perspectives of Auditing EU Funds 2021-2027" was held in Bucharest, from 26 to 27 September 2022, in organization of the Auditing Authority of Romania. The representatives of the Office have participated in the Regional Conference, which was dedicated to the following topics: 1. Risk-based management verifications; 2. Audit approach to audit of operations; 3. Previous rating of the simplified cost variant; and 4. Tools for improving audit efficiency. The second part of the Conference was held in the form of workshops - round tables, dedicated to topics such as: *Article 94 ex-ante assessment SCOs and further audit approach; Efficiency of the audit work and statistical sampling methods & Risk-based management verifications.*

The representatives of the Office have actively participated in the workshops by exchanging their practical experiences. The Conference was also an opportunity for better networking of audit authorities, with the aim of standardizing the approach to future audits of EU funds.

- The Central Harmonization Unit (hereinafter: CHU) of the Ministry of Finance had organized the Basic Training for Internal Auditors, in the period from 28 February to 8 March 2022, in the presence of 55 participants, one of whom was also a representative of the Office. In conducting the training, in addition to the lecturers from the CHU, the director of the Office had also participated. In this way, the long-term cooperation between the CHU of the Ministry of Finance and the Office, in respect of the implementation of Basic training for internal auditors, has continued, as well as in respect of implementation of special training of internal auditors for the audit of IPA funds of the European Union, with the following theoretical topics: the purpose of audit reports; fraud concepts; specifics of the audit of IPA funds, as well as with a practical topic - Training for the use of basic internal audit tools - topic 5: case study – revenues.
- Within the framework of the IPA 2015 project "Capacity building for the alignment with the EU *acquis* in the area of agriculture, rural development, food safety, veterinary and phytosanitary policy", a workshop was held at the Farmers' Club, Belgrade, on 20 January 2022. The workshop was intended for ministries and other relevant institutions, organised to present, in accordance with the relevant EU regulations, the role, tasks, responsibilities and the necessary organisational structure of the future "Competent Authority"³². The workshop was led by the expert Maša Kerstein from the Slovenian Ministry of Agriculture, Forestry and Food, who is the authorised person for the Competent Authority for Accreditation of the Slovenian Paying Agency. With the adoption of the Action Plan for CH 11 by the Government at the end of October 2018 (Criterion 1 for opening negotiations in CH 11), which was submitted to the EC in early November of the same year, the Republic of Serbia undertook to establish a "Competent Authority" in line with the EU *acquis*. In Chapter 1, Horizontal issues – 1.2. Horizontal structures, the section *Certification Body of this plan* reads as follows: "In the Republic of Serbia, the body appointed for the certification of pre-accession IPA funds is the Governmental Audit Office of EU Funds (the role of the Audit Authority). It is envisaged that the Office shall also have the function of the Certification Body for CAP measures after the accession."³³

³² Action Plan for taking over, adopting and applying the EU *acquis* in the field of agriculture and rural development, within the framework of pre-accession negotiations, (page 28) approved by the Government Conclusion 05 No. 337-9097 / 2018-1 of 18 October 2018

³³ Action Plan for taking over, adopting and applying the EU *acquis* in the field of agriculture and rural development, within the framework of pre-accession negotiations, (page 28) approved by the Government Conclusion 05 No. 337-9097 / 2018-1 of 18 October 2018

Financing of the measure

Financing of this measure is planned from the budget of the Republic of Serbia and donor aid (IPA/EU). No additional financial resources were used for the implementation of activities in 2022.

Key challenges:

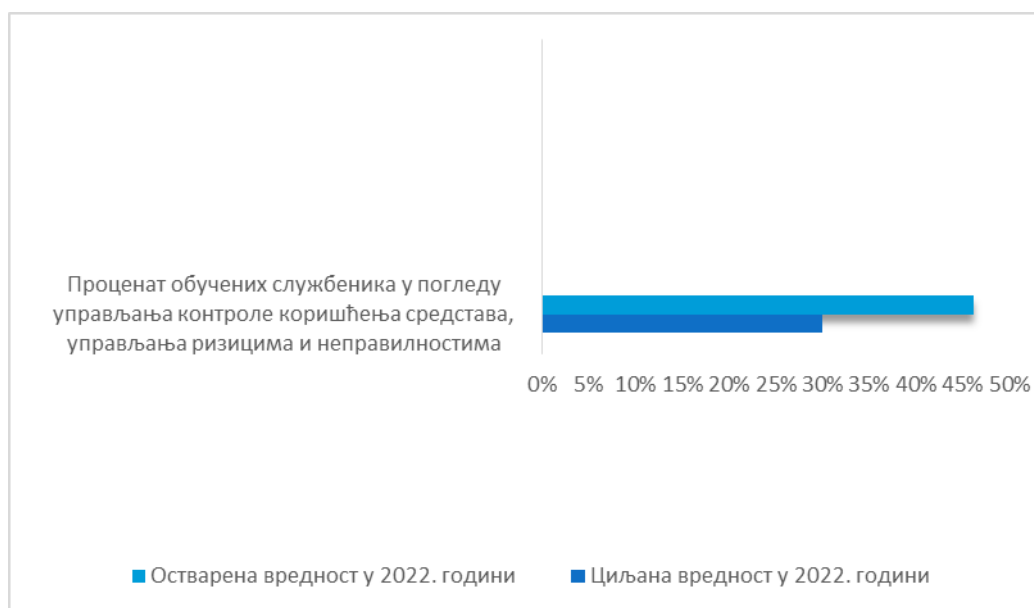
- Postponing the adoption of the proposed legislative framework for the re-institutionalization of the Office;
- Lack of an adequate staff retention policy, bearing in mind the need to prevent the outflow of staff, through systemic reforms in respect of HR management;
- Constantly present significant turnover of trained personnel requires the admission of new employees, as replacements, and their intensive training.

Planned in the upcoming period:

- Additional strengthening of the Office's administrative capacities, in order to provide relevant recommendations for the IPA structure for improving decentralized/indirect management of EU pre-accession funds, as well as for the implementation of programmes and projects financed from IPA funds;
- Implementation of the project, which aims to establish an adequate legislative framework for the audit of the EU funds management system. The goal is to ensure the appropriate institutional framework and position of the Office without disrupting the integrity of existing functions, while preserving functional independence from all actors in the control and supervision management system, which were established in the Republic of Serbia for the implementation of EU funds. In this way, it will be possible to implement a series of systemic measures for strengthening the administrative capacities, with an analysis of the assessment of the employee workload;
- Preparation of a comprehensive Policy for the retention of personnel within the IPA structure, in accordance with the measures that will be adopted at the national level for public administration bodies and Government services, in which public administration tasks, related to the management of EU pre-accession funds, are performed in accordance with their scope, as well as in accordance with the updated assessment of the employee workload;
- The preparing of three-year review strategies in accordance with the *Laws on Ratification of the Framework Agreement between the Republic of Serbia and the European Commission on the arrangements for the implementation of European Union financial assistance to the Republic of Serbia, under the Instrument for Pre-accession Assistance (IPA II and IPA III)* and their annual updates, in accordance with the risk assessment;
- Preparation of annual audit plans, in accordance with the *Law on Ratification of the Framework Agreement between the Government of the Republic of Serbia and the European Union on the rules for cooperation concerning the implementation of EU financial assistance to the Republic of Serbia, under the Instrument for Pre-accession Assistance (IPA)* and their implementation;
- Improvement of internal procedures and creation of a manual for audit implementation under the new IPA III programme period;
- Further strengthening of the Office's administrative capacities, aimed at accepting new obligations arising from:

Chapter 22 – Regional development – Cohesion policy³⁴;
 Chapter 11 - Agriculture and rural development - Certification body; and
 Chapter 24 - Justice, Freedom and Security³⁵.

Measure 3.2: Strengthening the system for more efficient and effective management of EU funds



Graph No. 13: Percentage of trained officers

Graph legend: Dark blue – Target value for 2022

Light blue – Achieved value in 2022

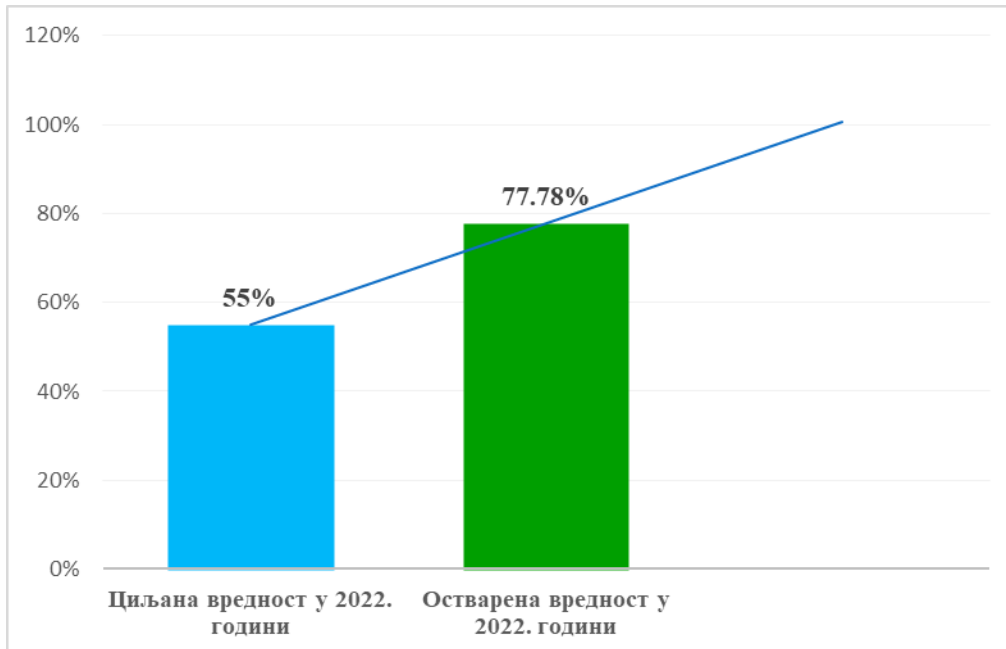
- An indicator related to the development of a staff retention policy, in order to ensure adequate and stable administrative capacities of the system: In 2022, the NAO SO, together with other bodies within the management structure, has worked on a retention policy as part of securing and retaining staff. During the last quarter of 2022, the NAO had joined the regional initiative to work together on the issue of staff retention policy,

³⁴ COMMISSION STAFF WORKING DOCUMENT Serbia 2021 Report of 19 October 2021 - CLUSTER 5: RESOURCES, AGRICULTURE AND COHESION: "The Republic of Serbia is invited to implement the Action Plan for meeting the requirements of the EU Cohesion policy and improve its capacities for managing indirect management programmes under EU pre-accession assistance".

³⁵ ACTION PLAN FOR CHAPTER 24 of 24 May 2017 - 2.1.6. RECOMMENDATION: 6 - assessment of administrative capacities, training needs and infrastructure for asylum support and the use of the Asylum, Migration and Integration Fund, if necessary, by the date of accession – activity 2.1.6.7. – development of the structure and responsibility of the Audit Authority, with the aim of harmonization with the EU *acquis* on migration and asylum.

and is also working with authorities within the system to propose a permanent solution to the problem of staff turnover. This is also performed while keeping in mind the future management of structural funds under measure 3.2, and can be considered as a partially fulfilled indicator.

- The indicator related to the **percentage of trained civil servants in terms of managing the control over the use of funds, managing risks and irregularities** was successfully achieved. The target value of the indicator for 2022 was 30%, bearing in mind that these indicators are calculated cumulatively over the years. It is important to point out that the indicator was estimated by aggregating the total number of people who participated in the available trainings, which is 367. Given that, during a single year, one employee attends several trainings, it is estimated that one person had attended three trainings per year on average, which is 26.2%. Together with the value of 20% from 2021, it makes 46.2%, which is why the indicator has been achieved. This value can be considered as the most accurate approximate value.
- The indicator related to **on-site inspections at public fund beneficiaries** can be considered as fulfilled, given that all visits, which were planned and adopted by the annual plan of on-site visits, were carried out. It should be noted that within the Public Financial Management Reform Programme 2021-2025 (Official Gazette of the RS", No. 30/18), the planned indicator was 12 visits per year. Taking into account the newly arisen situation in terms of the needs of the system, the adaptation in respect of IPA III and the simultaneous closure of the previous programme, a management decision was made to carry out seven on-site visits within the framework of the National Action Programmes and the Cross-Border Cooperation Programmes, as well as five visits within the IPARD programme, which makes a total of 13 visit.



Graph No. 14: Percentage of irregularities identified during the first/primary control

Graph legend: Blue – Target value for 2022

Green – Achieved value in 2022

- The indicator related to the **"Percentage of irregularities identified during the first/primary control"** had a target value of 55%, whereby 18 cases of irregularities were reported in 2022, of which 14 were reported by control at the Contracting Authority, by which the target value of the indicator for 2022 was achieved.
- Preparation of the Decree on the Management of EU Pre-Accession Assistance Programmes under the Instrument for Pre-accession Assistance (IPA III) 2021-2027: The first Draft of the Decree on the Management of EU Pre-Accession Assistance Programmes under the Instrument for Pre-accession Assistance (IPA III) 2021-2027 is ready, while the comments and suggestions are being prepared by the Management Structure. In December 2022, the *Law on the Ratification of the Financial Framework Partnership Agreement between the European Commission and the Republic of Serbia, represented by the Government of the Republic of Serbia, on specific arrangements for implementation of the Union financial assistance to the Republic of Serbia under the Instrument for Pre-Accession Assistance (IPA III)* was adopted, which created possibilities for the adoption of the Decree, which is expected in the first half of 2023.
- A significant number of trainings were held during 2022, both in the form of webinars and *ex cathedra*. The trainings were held in order to strengthen the capacities of all the relevant participants in the project/contract management process, in order to ensure a more comprehensive protection of the financial interests of the EU, as well as of the beneficiaries' own budgets. There were four main training organizers during 2022 for employees in the system of indirect management of EU funds:

During 2022, the following trainings were held with the aim of capacity building:

1. Organized by the National Academy for Public Administration:
 - Contracts on performance of works – PRAG
 - Contracts on the purchase of goods - PRAG
 - Programming and creation of programme documents
 - Implementation of the Stabilisation and Association Agreement
 - Project Cycle Management
 - Ethics and integrity
 - Use of spreadsheets (EXCEL)
 - Advanced use of spreadsheets (EXCEL)
 - Irregularities in the context of IPA36
2. Organized under DIS Technical Assistance project:
 - Implementation of grant agreements
 - Effective communication in the management of EU funds
 - Information and Communication Technologies for project managers
 - Organizational development plan

³⁶ Conducting an internal audit in the context of IPA

3. Organized by GIZ:
 - Project management in accordance with the PM2 methodology
 - Regional workshop on IPA III- Window 4: Competitiveness and inclusive growth
 - Study visit held in Ljubljana on the topic of Slovenia's experience in using Structural Funds
 - Evaluation of bids and quality control
 - Training on the management of irregularities and fraud
 - Possibilities of Simplified Cost Options
 - Contracts on procurement of services
4. Organized by the Management Structure:
 - Workshop on closing the programme under TAIB 2013
 - Workshops on the topic of preparation of amendments to the legal and administrative basis for IPA III

Bodies within the system have also attended trainings on the following topics:

- IPA basic training, Basics of public procurement and contract management (PRAG), Financial management in the context of indirect management and control system, Innovative partnerships in public procurement procedures, Basics of public procurement – using the criteria of the most economically advantageous bid in the field of advisory and consulting services; On tender evaluation and contracting and quality control, Workshop related to service contracts, procurement of goods and works, and preparation of tender documents, Training on Simplified Cost Options.
- The first contract for IPA MIS was signed in February 2021. All three phases of the contract have been implemented. The second contract for IPA MIS 2, with the aim of integrating additional working processes as well as the IPA III perspective, was signed in October 2022. The first of three phases has been implemented. The second phase of implementation is currently in progress.

The representatives of the management structure, as well as the special advisor of the minister (Ministry of Finance) for IT, continuously participate in the process and monitor the project activities.

Financing of the measure:

The measure was financed with regular funds from the national budget, i.e. with funds of both the Ministry of Finance and of the National Academy for Public Administration. The amount necessary for employees was envisaged under the Budget for 2022, and it is also foreseen under the Budget for 2023. As in the previous years, the donor funds were provided by the German Agency for International Cooperation - GIZ, through the Project “Public Finance Reform – 2030 Agenda”. The possibility of continuing with the use of financial resources from EU funds, through a potential technical assistance project, is being considered, while financing opportunities with the support of TAIEX and long-term sources shall also be examined.

Key challenges

- Due to the time it takes to hire and train new staff, as well as the time it takes to establish a long-term staff retention policy, there is a risk of reduced quality and delays in all

relevant business processes. It is important to note that during 2023, as well as in the upcoming years, the focus will be precisely on these issues.

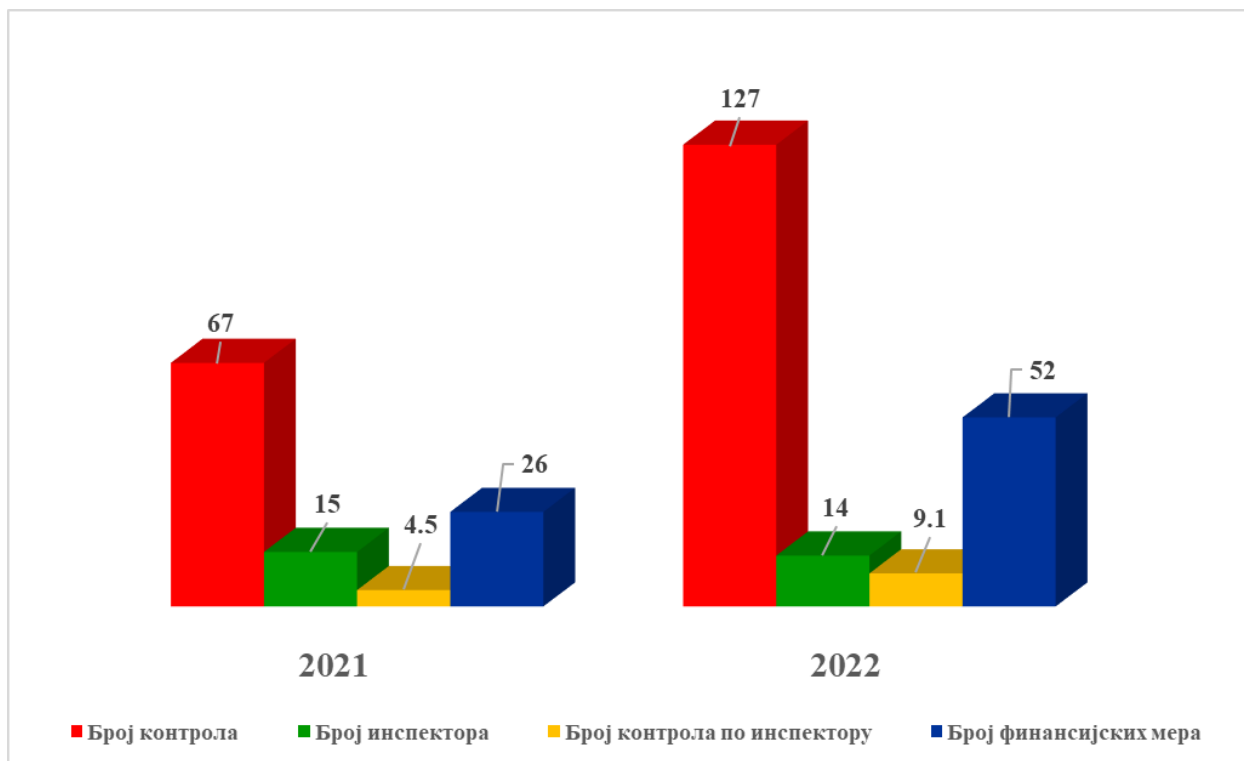
- The consequences of delays caused by the COVID-19 pandemic are still noticeable, while the management structure is making efforts to overcome the challenges this presents, as well as to meet the deadlines related to the preparation of the entire legal basis for the management of funds for the period 2021-2027 and the entrustment of duties for the following financial years.

Planned in the upcoming period

- Increasing the capacities of structures for the management and protection of national and EU funds, which includes possible study visits, in order to successfully implement funds for the period 2021-2027 and prepare for future structural funds.
- The further improvement of procedures for indirect management, in accordance with possible new guidelines and auditor findings.
- Continuing with the work on closing the programme under the financial year 2013, 2014 and the following years in respect of indirect management, which represents the first such direct experience for structures in the Republic of Serbia.

Measure 3.3 - Increasing the efficiency and effectiveness of inspections

- Within this measure, two performance indicators have been defined. The first indicator at the measure level is the total number of performed inspections. During 2022, significant progress was made in respect of the work of the Budget Inspection, compared to the number of inspections carried out in the previous year, which increased from 67 to 127 inspections, as shown in Graph No. 16. The target value of this performance indicator for 2022 is projected in the amount of 52 inspections.
- In the course of 2022, the Budget Inspection had carried out inspections in respect of 127 entities. The total number of performed inspections has exceeded the number of inspections established under the Work Programme for 2022, i.e. 244% of the planned number of inspections has been carried out.



Graph No. 15.: Comparative overview of inspections carried out in 2021 and 2022

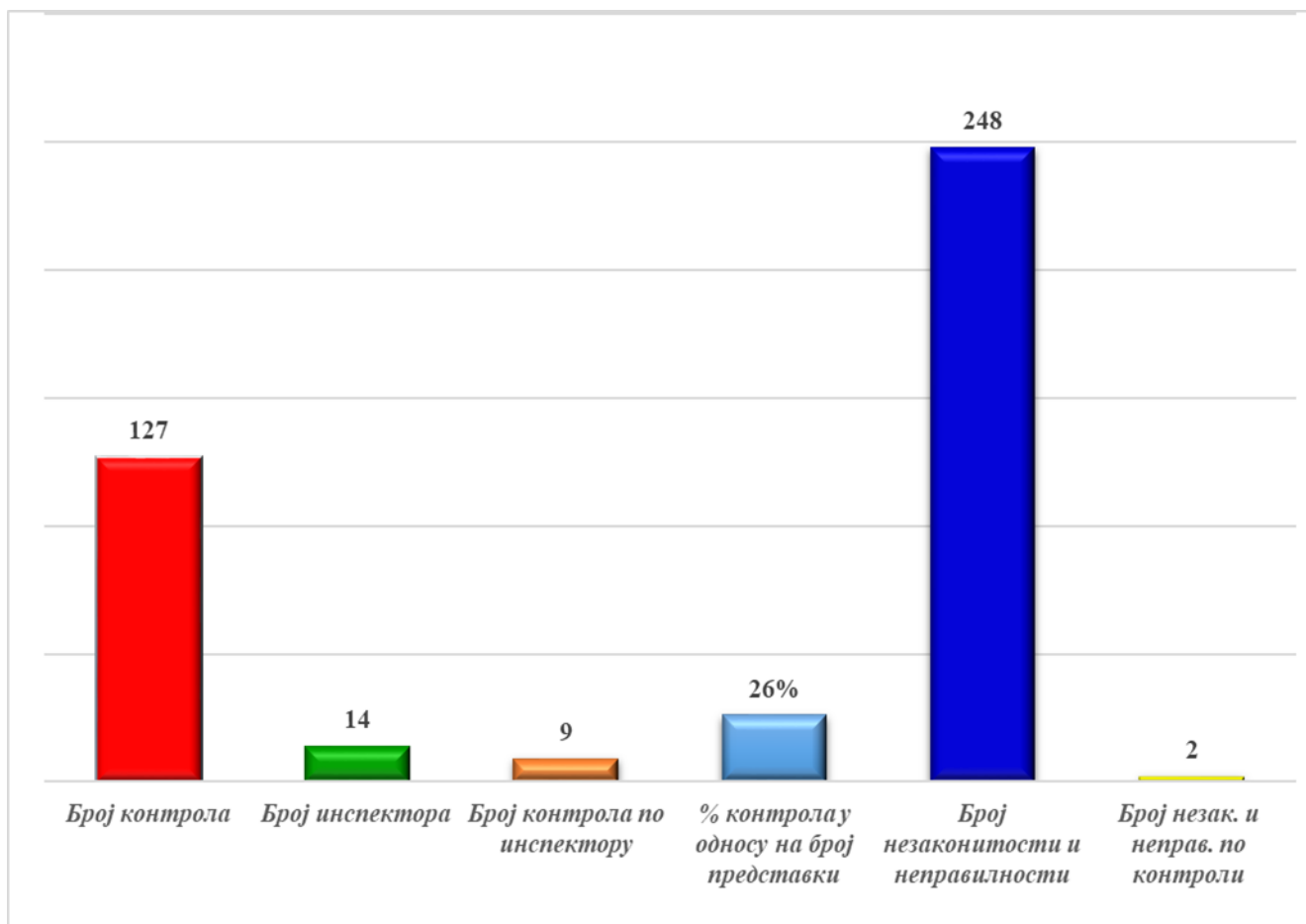
Graph legend: Red – Number of inspections

Yellow – Number of inspections per inspector

Green – Number of inspectors

Blue – Number of financial measures

- Another indicator of the success of the Budget Inspection at the measure level is the percentage of planned controls in relation to the number of received applications, petitions, remarks and control requests.
- Bearing in mind that the Budget Inspection’s Work Programme for the current year is being prepared on the basis of received applications, petitions, remarks and control requests from the previous year, the projected target value for 2022 of this performance indicator amounted to 17% of performed controls.
- The achieved value of this performance indicator for 2022 is 26% of the planned inspections in relation to the number of applications, petitions, remarks and requests for inspections received during 2021.
- A total of 248 illegalities and irregularities were found in respect of the entities who were subjected to inspections in 2022, which amounts to an average of 2 illegalities and irregularities per conducted inspection. Viewed in the long term, the goal of the Budget Inspection is to increase the number of conducted inspections, as well as their more efficient and economical implementation through the reduction of the number of detected illegalities and irregularities.
- In the continuation of this document, an overview of the elements for evaluating the results of the work of the Budget Inspection in 2022 is given, which is shown in Graph No. 16.



Graph No. 17: Overview of the elements for evaluating the results of the work of the Budget Inspection in 2022

Graph legend: Red – Number of inspections

Orange – Number of inspections per inspector

Green – Number of inspectors

Blue – Number of illegalities and irregularities

Light blue - % of inspections compared to the number of applications

Yellow - Number of detected illegalities and irregularities per inspection

- In order to efficiently carry out inspections, during 2022, three expert-methodological instructions were drawn up, which the Minister of Finance issued by the Decision on Amendments to the Decision on the Expert-Methodological Instructions of the Budget Inspection of the Ministry of Finance No.: 401-00-01762/1/2022-26: Expert-methodological instructions on the manner of performing inspection supervision over the implementation of the Law on Public Property; Expert-methodological instructions on the manner of performing inspection supervision over salaries of employees in primary, secondary and higher education; Expert-methodological instructions on the manner of performing inspection supervision over the implementation of the Law on the Central Registry of Compulsory Social Insurance.
- During 2022, trainings for budget inspectors were carried out in the form of specific trainings and workshops, in accordance with the planned development of Budget

Inspection's capacities and improvement of the knowledge and skills of the employees, namely: Communication skills and professional behaviour of inspectors; The influence of gender equality in the drafting of regulations; Improvement of accounting in the public sector; Harmonisation of views regarding the implementation of the Law on Public Procurement.

- The plan is to strengthen the capacities and functionality of the work of the Budget Inspection, as well as the professional development of budget inspectors and other employees in the Budget Inspection through continuous education. Bearing in mind the further development of capacities of the Budget Inspection, the improvement of employees' competencies, i.e. of their knowledge, skills and abilities through specific trainings and workshops, helps to improve the work of Budget Inspection in order to efficiently perform inspection supervision.
- The planned activity of providing the necessary number of inspectors in 2022 has been implemented. The obligation to centralize the Budget Inspection from the Negotiation Chapter 32-Financial control, was implemented on 1 January 2023, with the beginning of implementation of the Law on Budget Inspection, so that the number of budget inspectors exceeds 38.
- In 2022, preparatory actions for the centralization of Budget Inspection were carried out by taking over budget inspectors from the Autonomous Province and Local Self-government Units, and Budget Inspection groups of the Ministry of Finance were formed in Belgrade, Novi Sad, Kragujevac and Niš.
- In 2023, the provision of the required number of inspectors shall continue in accordance with the Rulebook on Internal Organization and Systematization of Work Positions in the Ministry of Finance of December 2022.
- In December 2021, the Law on Budget Inspection was adopted, by which the obligation to pass the law was fulfilled, and with that, the centralization of Budget Inspection from the Negotiation Chapter 32-Financial control, began. The implementation of the Law commenced on 1 January 2023, and in accordance with it, the Budget Inspection functions only at the national level. The centralization of the Budget Inspection which is carried out in accordance with this Law, *inter alia*, aims to increase the average number of inspections carried out per inspector.
- In addition to increasing the average number of inspections per inspector, the centralization of Budget Inspection also aims at administrative and functional strengthening of the Budget Inspection's capacities, which was achieved by implementing staffing measures, i.e. in this specific case, by taking over budget inspectors and other civil servants in executive positions who meet the conditions for performing inspection supervision, as well as through professional development of budget inspectors and other employees at the Budget Inspection through continuous education.
- In 2022, in accordance with the enacted Law on Budget Inspection, the implementation of which began on 1 January 2023, the by-laws were adopted for the implementation of the Law, primarily the Rulebook on the Procedure for Enforced Collection upon the Executive Decision of the Budget Inspection. The amendments were made to the Methodology of Budget Inspection in order to harmonize it with the Law on Budget Inspection. The Methodology for Supervising the Execution of Public Procurement Contracts and Instructions on the Budget Inspection's Procedure for the Selection of

Public Funds Beneficiaries, for which Inspection Supervision over the Execution of Public Procurement Contracts is Carried Out, have been adopted.

Financing of the measure:

Funds for financing the measure are provided from the Budget of the Republic of Serbia.

Key challenges:

Implementation of the complete reform of the Budget Inspection through the administrative and functional strengthening of the Budget Inspection's capacities and through uniform action of the Budget Inspection in carrying out inspection supervision throughout the territory of the Republic of Serbia

Planned in the upcoming period:

- In 2023, the plan is to draft the Rulebook on the Internal Supervision of the Budget Inspection, the Methodology on Risk Assessment in the Exercise of Supervision in the Field of Public Procurement, and Amendments to the Strategic Plan of the Budget Inspection of the Ministry of Finance for the period 2021-2026, in accordance with the Public Financial Management Reform Programme 2021-2025 and the new legislative framework.
- The plan is to strengthen the capacities and functionality of the work of the Budget Inspection, as well as the professional development of budget inspectors and other employees in the Budget Inspection through continuous education.

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SPECIFIC OBJECTIVE IV - IMPROVING THE APPLICATION OF THE INTERNAL FINANCIAL CONTROL SYSTEM IN THE PUBLIC SECTOR

Achieved in the previous period

In the previous period, the Department - Central Harmonization Unit had focused its activities on strengthening the FMC and IA systems at the central and local levels through the improvement of communication with the PFBs. During the reporting period, a number of field activities have been carried out – workshops and trainings, at which the trainers and lecturers were representatives of the CHU. Advisory support was provided for local self-governments/cities on the improvement of the FMC and IA systems. This concerns the following local self-governments: Čačak, Novi Pazar, Prokuplje, Loznica, Kuršumlija, Čuprija, Bajina Bašta, Požega, Vrnjačka Banja, Vlasotince, Laposavić, Priboj, Gornji Milanovac, Paraćin, Brus, and Veliko Gradište. The training was proposed as part of the 2022 Sectoral Programme for Continuous Professional Development of Employees at LSUs, and was conducted by SCTM during November and December 2022. The training was attended by 126 participants from 46 LSUs, and was implemented by regional grouping of LSUs within the project "Institutional support to SCTM – Phase Three", financed by the Swiss Government. A special emphasis was placed on the training of managers in the field of FMC, the operationalization of the principles of

management responsibility, as well as on raising the awareness about the importance of internal audit.

Significant resources of the CHU have been engaged for the implementation of the activity of assessing the quality of the FMC system and the work of the IA units at the PFBs. Feedback from the field was received from PFBs, which is significant for further work and improvement of methodological materials, trainings and reporting processes prepared by the CHU from these areas. The monitoring function was improved by introducing new functionalities into the reporting application and focusing on strengthening the awareness of the responsibility of the PFBs manager for managing the organization by submitting the Statement on Internal Controls. As a result of better monitoring of the needs of PFBs, an improved form for the Annual Report on the FMC system was created, which is simpler and clearer. Also, prestigious training was organized in the area for which the training needs were the greatest (internal IT audit methodologies, information system audits and information security audits).

Achieved outcome indicators at the level of the Specific Objective

Indicator(s) at the level of the Specific Objective (outcome indicator)	Unit of measure	Source of verification	Initial value	Target value for 2022	Achieved value	Reasons behind the deviation
The progress related to PIFC was identified under the Progress Reports of the European Commission for the Republic of Serbia for a specific year	1. Early stage of preparedness 2. Some level of preparedness 3. Moderate preparedness 4. Good level of preparedness	The EC Report on Serbia for a specific year (Chapter 32)	Moderately prepared, with good progress achieved in 2019	Moderate preparedness	Moderate preparedness	The outcome indicator has been achieved

Measure 4.1: Improvement of the FMC system in public sector institutions.

- The values of the outcome indicator at the level of the measure are not yet available, and will be available when the Consolidated Annual Report on PIFC for 2022 is prepared, which is expected in mid-2023. The Report on the FMC system status for 2022 has been amended, in the sense that the Questionnaire for FMC has been improved. The structure and way of evaluating the principles of the COSO Framework have been changed. The data for 2022, which refer to the average grade, will be displayed in a different way. Given that the questionnaire is now clearer and more precise, the data shall be presented more objectively than in previous years, and therefore it will be a more useful tool for improving the FMC system at PFBs. The outcome indicators refer to the percentage of priority PFBs that submit a report on the FMC system status, the percentage of priority PFBs that have compiled the Risk

Register, the average rating of the priority group of PFBs which updates the Risk Register (performs risk assessment and review of the adequacy of measures at least once a year), and the average rating of the priority group of PFBs in which managers make

decisions for managing the identified risks (regarding the risk response: acceptance, avoidance, mitigation or risk sharing).

- The modernization of CHU's trainings has begun. In the course of 2022, the development of a new, more modern concept of basic training organized by the CHU was initiated, along with the preparation of webinars and video trainings, which will become part of NAPA training platform for employees and managers in the public administration and LSUs. A draft of training for managers, coordinators for FMC and introductory training for internal auditors was prepared.
- An expert was hired to develop an analysis of the coherence of the PIFC regulations with other horizontal regulations. In 2022, consultations were held with an expert.
- In March 2022, a conference was held on the importance of PIFC at the local level, at which the presidents of municipalities and mayors have gathered, who were presented with the importance of introducing PIFC, as well as with a lecture related to the annual reporting of the CHU. They were shown a video instruction produced by the CHU, with the support of the German Development Cooperation implemented by GIZ, which serves as an aid to the PFBs when submitting the consolidated annual report.
- A number of field activities have been carried out – workshops and trainings, at which the trainers and lecturers were representatives of the CHU. Advisory support was provided to more than 15 local self-governments/cities on the improvement of the FMC and IA systems. This concerns the following local self-governments: Čačak, Novi Pazar, Prokuplje, Loznica, Kuršumljija, Čuprija, Bajina Bašta, Požega, Vrnjačka Banja, Vlasotince, Lepsavić, Priboj, Gornji Milanovac, Paraćin, Brus, and Veliko Gradište.
- At the end of 2021, in cooperation with the RELOF2 Project and with the support of the Ministry of Education, Science and Technological Development, a pilot project was started to establish the FMC system in schools, which in 2022 resulted in the establishment of the FMC system in primary and secondary schools in two LSUs. Support for the establishment of the FMC system in 13 LSUs and support for the establishment of the FMC system in eight IBBs has been completed.

In cooperation with the CHU and the Ministry of Education, Science and Technological Development, four regional meetings on the topic of FMC at IBBs and four regional meetings on the topic of FMC in schools have been organized, and an agreement on further steps was reached in respect of the approach to FMC which is specific for schools. Research was conducted on the topic *“Degree of application of Financial Management and Control and Internal Audit in the local self-government system”*.

Financing of the measure:

The implementation of the activities (4.1.4 and 4.1.5) was financed from donor funds from Switzerland and under the Public Finance Reform Project at the local level (SECO-RELOF2), SIDA - the Swedish International Development Cooperation Agency, and the platform project for responsible management of public finances; in the following period, the implementation of these activities shall continue with the support of the project Exchange 6 - Standing Conference of Towns and Municipalities. Activity 4.1.6 is financed with the donor

Key challenges:

- Lack of capacities at the CHU.
- Frequent institutional changes and turnover of managers at PFBs and FMC coordinators.
- Insufficiently developed awareness of managers and employees about the importance and benefits of introducing FMC and establishing IAs.

Planned in the upcoming period:

- Finalization of the Analysis of the coherence of the PIFC regulations with other horizontal regulations
- Further activities related to the improvement of LSUs capacities for the establishment and implementation of FMC and PIFC, in accordance with the legal deadline regarding the reporting on the FMC system.
- Cooperation with the Agency for Prevention of Corruption as regards the harmonization of risk management methodology (risk of fraud and corruption).

Measure 4.2: Improved internal audit function in the public sector, in accordance with the international standards and principles

- The outcome indicator at the level of measure 4.2 follows the SIGMA indicator of the functioning of the internal audit. The SIGMA assessment for the Republic of Serbia for 2021 had increased Serbia's rating from 1/5 to 2/5. Within the PFM RP 2021-2025, the target value for 2022 is not envisaged, since it is envisaged for the last year of implementation of the Programme, i.e. for 2025, and it amounts to 3/5.
- After 2021, with the support of the UNDP project, numerous documents have been prepared which aimed to highlight the importance of the internal audit profession, as well as to improve the position of the internal auditor in the public sector. Publications intended for internal auditors, managers and future internal auditors have been prepared and published on the CHU's website. The document "Analysis of the position of internal auditors in the public sector, proposal of policies for improving the position and attracting personnel and a package of proposals for changes to normative acts in order to improve the policies of attracting and retaining personnel at the CHU and Internal Audit Units in the public sector" was prepared. The logical continuation was the implementation of a campaign aimed at promoting responsible management in the public sector and the profession of internal auditor.
- The Central Harmonization Unit, with the support of UNDP, carried out the promotion of responsible management in the public sector and the profession of internal auditor, with an invitation to those interested (from the public and private sector, as well as to young people) to follow the competitions of public sector institutions for employment in the field of internal audit.

ЗА ОДГОВОРНО УПРАВЉАЊЕ ЈАВНИМ СРЕДСТВИМА

ВОДИМО РАЧУНА О НОВЦУ ГРАЂАНА
И СТАЛНОМ РАЗВОЈУ ЈАВНОГ СЕКТОРА.



Image No. 13:

- Specifically, the implementation of the media campaign included:
 - billboards in 15 cities, with two conceptual designs, which were put on display for two weeks in different cities. Advertising on billboards was implemented in the period from 28 February until 13 March 2022 (15 in Belgrade, 15 in other cities, among which are: Novi Sad, Niš, Kragujevac, Čačak and Vranje);
 - Advertising in the daily newspaper “*Politika*” and “*Večernje novosti*”, in the same period, with a total of six announcements (three in each of the said media);
 - A video lasting up to three minutes, with a shorter version of 60 seconds, was created. The video promotes the work of CHU and IA, inviting interested internal auditors to follow job vacancies for IA in public sector institutions.
(available at the following link: <https://mfin.gov.rs/o-ministarstvu/institucije-javnog-sektora-u-potrazi-za-novim-internim--revizorima>)
- The shorter version of the video (60 seconds) is intended for publication on MoF’s social networks, but also for prospective broadcast on TV;
- Creation of a leaflet that presents the work and achieved results of the CHU, and additionally emphasizes the need for internal auditors in the public sector. The leaflet is available in electronic format on the website of CHU, and has been further distributed in print form at events/trainings organized by the CHU;
 - The meeting with media representatives was held on 17 March 2022, at which the representatives of the CHU presented the work/achieved results and the work of the internal audit.
- After the event, a press release was delivered to the media, which was published in several media outlets, giving CHU additional media space;



Image No. 14:

- All the aforementioned activities should contribute to greater information about the IA profession, increased attractiveness of the profession itself, correction of negative preconceptions about this profession, familiarization of a wider circle of quality candidates with this profession, attraction of quality personnel, better selection during employment, and indirectly familiarizing the general public with the internal audit's function and its importance in terms of the additional value it provides to the organization.
- A Programme for continuous professional development of internal auditors (link to activity 4.4.4) has been prepared.
- Improvement of the IA function was completed in five LSUs. Support for internal auditors was provided through mentoring support and direct work in the field. During the process of supporting LSUs in improving the IA function, internal auditors were provided with mutual professional development via organized trainings, which contributed to their networking and further exchange of experiences. With the aim of contributing as much as possible to the improvement of the system, the CHU mentors have very successfully cooperated with the RELOF Project by supporting internal auditors in the certification process.

Financing of the measure:

The implementation of the activity (4.2.3) was financed from the donor funds of SIDA - the Swedish International Development Cooperation Agency, and the platform project for responsible management of public finances; Activity (4.2.4) was supported from the donor funds of Switzerland and the Public Finance Reform Project at the local level (SECO-RELOF2); in the

upcoming period, the implementation of these activities shall continue with the support of the Exchange 6 Project - Standing Conference of Towns and Municipalities.

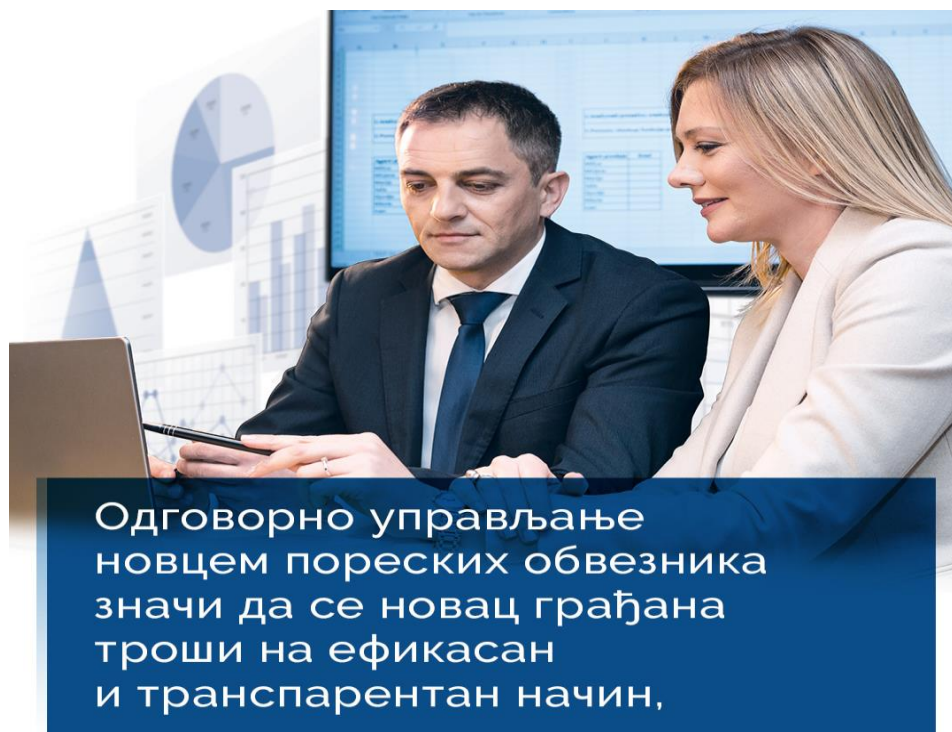


Image No. 15:

Key challenges:

- The number of internal auditors in the public sector of the Republic of Serbia is still not sufficient for optimal coverage of the internal audit function of the PFBs.

Planned in the upcoming period:

- Adoption of improved Rulebook in the area of IA.
- Analysis of the application of the existing methodological framework and its improvement (e.g. for performance audits, information security audits, advisory services, etc.)
- Further work on the popularization of the IA profession.
- Involvement in the preparation of the amendments to the regulation which shall enable the sustainability of the external assessment of the quality of work of the IA according to the collegial review method.

Measure 4.3: Increased monitoring of Public Internal Financial Control (PIFC)

The outcome indicator for this measure is a functional IT system for IFC. The value for 2022 has not been defined, and is expected to be measured only in 2025.

- The Report on the FMC system status for 2022 has been amended, in the sense that the Questionnaire for FMC has been improved. The structure and way of evaluating the principles of the COSO Framework have been changed. Given that the questionnaire is now clearer and more precise, the data shall be presented more objectively than in previous years, and therefore it will be a more useful tool for improving the FMC system at PFBs.
- In 2022, a Contract on maintenance of the PIFC reporting software application for the duration of one year was signed.
- With the support of the German Agency for International Cooperation implemented by GIZ, a video instruction was created to support the PFBs in the annual reporting process through the PIFC software application.

Financing of the measure:

The activity related to the full application of electronic reporting through the web application is financed from the Budget of the Republic of Serbia.

Key challenges:

- The capacities of CHU for providing the necessary support to PFBs when using the web application for reporting on the state of the FMC system, the performed audits and internal audit activities.
- PFBs consider that the annual report on the FMC state is too extensive and complicated.

Planned in the upcoming period:

- In the upcoming period, the plan is to carry out activities related to the procurement and application of software for internal reporting on the implementation of the recommendations of the IA and Analytical Units, as well as of the module for CHU.
- Improving the functionality of the existing application for annual reporting.

Measure 4.4: Modernization of the training system in the field of PIFC

- The outcome indicator, which refers to the number of training participants in the field of internal controls organized by NAPA, was achieved and amounts to 294 participants, implying that this indicator has been achieved for 2022. When it comes to the indicators related to the percentage of authorized internal auditors who have collected the prescribed number of points within the continuous professional development and the percentage of certified internal auditors in priority PFBs – the values for 2022 have not been defined, and are expected to be measured only in 2025.
- In 2022, the implementation of the activities under the project "Support to the Ministry of Finance within the Sectoral Reform Agreement for the Public Administration Reform Sector" began with the support of KPMG, with the aim of modernizing trainings and training materials from the field of PIFC. The training materials intended for managers at PFBs and FMC coordinators and training materials intended for new IAs have been prepared; however, due to the volume of work of this activity, the actual production of the video trainings was postponed to 2023. In the course of 2022, the development of a new, more modern concept of basic training organized by the CHU was initiated, along with the preparation of webinars and video trainings, which will become part of NAPA

training platform for employees and managers in the public administration and LSUs. The CHU continued with the practice of providing relevant trainings intended for the professional development of internal auditors. In the course of 2022, the CHU, with the support of the project, has organized two webinars at which the internal auditors in the public sector acquired theoretical knowledge regarding the methodology of internal IT audits, information system audits and information security audits. Based on the positive feedback from the participants of these webinars, as well as on the basis of the conducted survey, the CHU had provided project support in organizing two more hybrid workshops for up to 300 internal auditors engaged in the public sector (up to 80 internal auditors participating in person, and up to 220 online participants), in order to improve the knowledge and skills and provide practical guidelines in the implementation of IT internal audits. Under these workshops, the internal auditors received their training through the application of auditing techniques on a practical example, using the documentation of a simulated organization. The workshops were conducted through a prepared and agreed upon scenario, defined goals and conclusions that the participants should reach through practical audit work. The audit tasks were carried out both in groups and individually, by using the obtained pre-prepared material. The hybrid workshops were an excellent opportunity for internal auditors to gain practical knowledge and know-how, to understand the decision-making process in the implementation of internal IT audits, as well as to acquire points for maintaining the internal auditor certificate in the public sector. This activity had also contributed to the improvement of internal financial control and to more efficient work of internal audit in the public sector.

- The webinar organized by SIGMA, on the topic "Good governance – Managerial accountability", was held on 21 July 2022. This webinar focused on the key opportunities and challenges for Governments in the area of managerial accountability, both now and in the future. Issues such as the need for effective delegation for decision-making, the link between the budget and administrative structures, and the implementation of performance measurement mechanisms were discussed with key actors from the Western Balkans region and the EU. The focus of the training was on the public administration, but it was also useful for all the others from the public sector

Financing of the measure:

The main donor support is provided under the project "Support to the Ministry of Finance within the Sectoral Reform Agreement for the Public Administration Reform Sector", implemented by KPMG. The implementation of activity 4.4.4 is continuously conducted with the donor support of the German Development Cooperation implemented by GIZ.

Key challenges:

- Lack of capacities at the CHU.
- Cooperation with NAPA regarding the transfer of trainings.

Planned in the upcoming period:

- Improving the certification of internal auditors.

- Modernization of trainings and training materials in the field of PIFC (expansion of the e-learning modules)
- Preparation and implementation of trainings for internal auditors through the Programme for Continuous Professional Development of Internal Auditors in the Public Sector.

SPECIFIC OBJECTIVE V – IMPROVED ACCOUNTING IN THE PUBLIC SECTOR BY APPLYING INTERNATIONAL PUBLIC SECTOR ACCOUNTING STANDARDS (IPSAS)

Achieved outcome indicator at the level of the Specific Objective

The outcome indicator at the level of the Specific Objective is not envisaged in 2022.

Achieved in the previous period

During 2021, the Treasury Department, in cooperation with consultants, had prepared the Draft Plan for the Improvement of Accounting in the Public Sector³⁷, in order to further improve the entire system of accounting in the public sector. In November 2021, by the Decision of the Government of the Republic of Serbia ("Official Gazette of the RS", No. 107/21), the Commission for the Application of International Public Sector Accounting Standards was formed, which will have the role of monitoring and supporting the activities aimed at harmonizing the accounting legislation of the Republic of Serbia with international standards and best practices.

In 2021, the Treasury Administration had established cooperation with the Serbian Association of Accountants and Auditors in order to prepare a translation contract, but also to ensure the implementation of the Decree on Application of International Public Sector Accounting Standards in the Republic of Serbia. During 2021, the training continued in order to present the values of the accounting and reporting system according to IPSAS to the participants, and point out the information possibilities that the accounting reporting system offers. From 2021, work is being performed on the creation and improvement of the new information system for for Planning, Execution, and Budget Accounting (SPIRI), which should replace the current Information System for Budget Execution (ISIB).

Achieved performance indicators at the outcome level

<i>Measure 5.1: Analysis of the current situation in public sector accounting and development and implementation of the Plan for Improving Public Sector Accounting</i>	
<i>Institution responsible for implementation (coordination of implementation) of the measure: Ministry of Finance - Treasury Administration</i>	
<i>Implementation period: 2021-2022</i>	<i>Measure type: Institutional management organizational</i>

³⁷<https://www.trezor.gov.rs/files/documents/regulations/ostala%20dokumenta/Reforma%20ra%C4%8Dunovodstva/Plan%20unapre%C4%91enja%20ra%C4%8Dunovodstva%20u%20javnom%20sektoru%20u%20Republici%20Srbiji.pdf>

Indicator(s) at measure level (outcome indicator)	Unit of measure	Source of verification	Initial value	Target value for 2022	Achieved value	Reasons behind the deviation
The Plan for Improving Public Sector Accounting was adopted	number	Treasury Administration website	0	1	1	Although the indicator at the level of the measure was planned for 2022, it was achieved before the planned deadline (2021)

Although the indicator at the level of the measure was planned for 2022, it was achieved before the planned deadline (2021).

Achieved in 2022

Measure 5.1 - Analysis of the current situation in public sector accounting and development and implementation of the Plan for Improving Public Sector Accounting



Image No. 16: Implementation plan for Specific Objective V

- In order to further improve the entire public sector accounting system, the Treasury Administration has continued with the phased implementation of the Plan for Improving Public Sector Accounting during 2022³⁸.
- Ensuring an adequate translation of the set of IPSAS standards by concluding the Contract for the Translation of IPSAS with the Serbian Association of Accountants and Auditors (a member of IFAC), is considered to be an activity of exceptional importance, and to this end, the cooperation with the Serbian Association of Accountants and Auditors has been continued. Until the end of 2022, no contract has been signed with the Serbian Association of Accountants and Auditors.

³⁸<https://www.trezor.gov.rs/files/documents/regulations/ostala%20dokumenta/Reforma%20ra%C4%8Dunovodstva/Plan%20unapre%C4%91enja%20ra%C4%8Dunovodstva%20u%20javnom%20sektoru%20u%20Republici%20Srbiji.pdf>

Financing of the measure: The measure was financed from the budget funds, namely the activity 5.1.2 in the amount of RSD 5,906,250.

Key challenges:

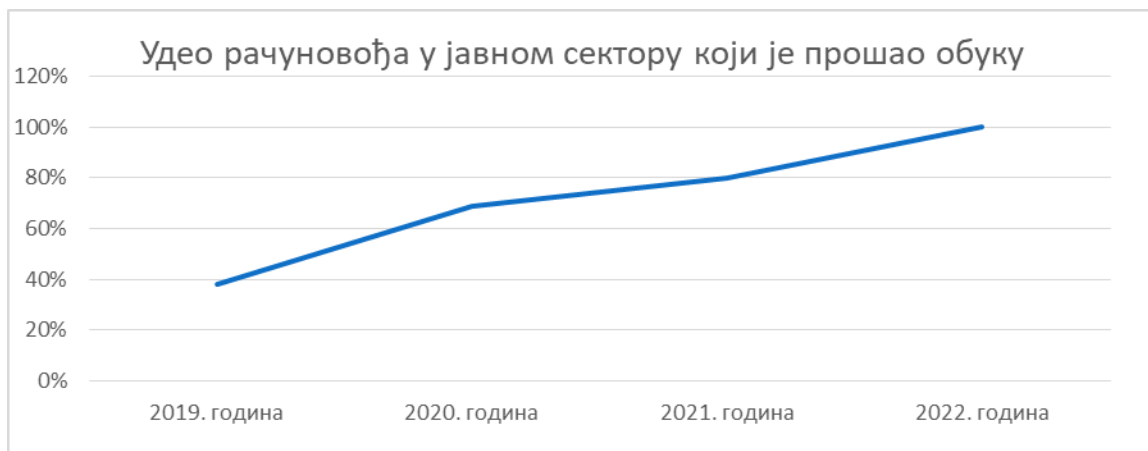
- The activities provided for in the Plan are continuous and chronologically conditioned. Failure to implement the initial activities, which the Plan envisages, would cause difficulties in the later stages of the Plan's implementation.
- Failure to establish the continuity of the work of the Commission for Monitoring the Application of International Public Sector Accounting Standards (the Commission) would lead to breaking the deadlines defined under the PFM RP 2021-2025 Action Plan.
- The establishment of inadequate communication in the system of information and submission of proposals to the Commission, in connection with the tasks defined in Article 75a of the Budget System Law, would make it impossible to implement the follow-up activities provided for under the PFM RP 2021-2025 Action Plan.
- Failure to achieve continuity in further cooperation and failure to ensure up-to-dateness of translations of IPSAS standards would make it impossible to further implement the adopted Decree on the Application of International Public Sector Accounting Standards.

Planned in the upcoming period:

- The Plan for Improving Public Sector Accounting was adopted, and the Commission for Monitoring the Application of International Public Sector Accounting Standards was formed, which will contribute to the implementation of the Decree on the Application of International Public Sector Accounting Standards, strengthening of the public sector accounting system, enabling the formation of a precise framework and a plan for further reform steps which must be implemented in order to bring the accounting system in line with the international standards in the best possible way.
- Continuous work of the established Commission on the performance of tasks defined under Article 75a of the Budget System Law.
- Continuation of cooperation with the Serbian Association of Accountants and Auditors and provision of adequate translation.

Measure 5.2 - Improving the professional competencies of accountants in the public sector through adequate trainings

- **The target value of the outcome indicator for 2022, related to the share of accountants employed in the public sector who underwent training concerning the improving of public sector accounting, has been met and amounts to 100%, as planned.**



Graph No. 17: The percentage of accountants in the public sector who underwent training concerning the improving of public sector accounting

- The implementation of the activity 5.2.1 had contributed to this result and to the fulfilment of the target value, while the activity 5.2.3 was not even planned for implementation in 2022.
- The Treasury Administration, in cooperation with the German Agency for International Cooperation (GIZ), had organized the workshop "Improving Accounting in the Public Sector" in Zlatibor, from 7-9 September 2022. The workshop was implemented with the support of regional experts. Among those present were the members of the Commission for Monitoring the Application of International Public Sector Accounting Standards, the representatives of financial services of Ministries, funds (compulsory social insurance organization) and the State Audit Institution.
- The preparatory activities for the introduction of certification were discussed at the Commission, and will continue during 2023.
- One of the key priorities for improving the entire accounting system is certainly the strengthening of professional competencies of accountants in the public sector.
- Improving the professional competencies of accountants, as well as of managers in the public sector, is one of the conditions for the adoption of international reporting practices, in accordance with IPSAS.



Image No. 17: Workshop “Improving Accounting in the Public Sector”, Zlatibor, September 2022



Image No. 18: Workshop “Improving Accounting in the Public Sector”, Zlatibor, September 2022

Financing of the measure: The measure is financed from donor funds, namely the activity 5.2.1 – donor funds (GIZ).

Key challenges

- Institutional difficulties in implementing certification.

Planned in the upcoming period

- The plan is for the Commission for Monitoring the Application of International Public Sector Accounting Standards to adopt the National Standard of Education for Professional Accountants, in order to facilitate the acquisition of knowledge necessary for the application of IPSAS, and thus to strengthen HR capacities in the field of accounting. It is necessary to define the method of certification, as well as professional accounting titles, all within the framework of the Plan for Improving Public Sector Accounting.
- By the end of 2025, the plan is to certify approximately 200 accountants in the public sector, with precise criteria for the selection of the specified number of accountants.

Measure 5.3 - Improving the coverage of accounting data through the application of International Public Sector Accounting Standards

- The outcome indicator "Draft of the Financial Report in Accordance with the Cash-Based IPSAS Rules submitted to the Government of the Republic of Serbia" does not have a target value in 2022.
- In cooperation with experts, work was done on amending the legislation for mutual harmonisation and harmonization with the requirements of Cash-Based IPSAS:
 - The Decree on the Application of International Public Sector Accounting Standards was adopted in December 2022 ("Official Gazette of the RS", No. 144/22);
 - Draft Amendments to the Rulebook on the Method of Preparation, Compilation and Submission of Financial Reports of Budget Funds Beneficiaries, Beneficiaries of Funds of Organizations for Compulsory Social Insurance and Budget Funds has been prepared;
 - The Draft Rulebook on Accounting Policies for Financial Reporting in Accordance with the Cash-Based IPSAS Rules has been prepared.

Financing of the measure: The measure is financed from donor funds (GIZ).

Key challenges:

- Even though accounting data on revenues and expenditures kept in the Treasury Administration's General Ledger allow for timely and comprehensive reporting of budget transactions for all DBBs and some IBBs covered by the budget execution system, it is necessary to adopt relevant legislation in order to obtain a better quality report on a cash basis in accordance with IPSAS.

Planned in the upcoming period:

- In the upcoming period, the Treasury Administration will be focused on improving the completeness and coverage of accounting data through the adequate introduction of accounting standards, as well as through their presentation in financial reports on a cash basis in accordance with IPSAS, which aims to further develop the comprehensiveness of the Final Account.
- By the end of 2023, the implementation of the following activities is planned:

- Adoption of prepared draft legislation and legal regulations for mutual harmonisation and harmonisation with IPSAS and the European System of National and Regional Accounts - ESA 2010;
- Enacting and adopting a clear Accounting Policy for Financial Reporting in accordance with cash-based IPSAS, with the support of the Commission for Monitoring the Application of International Public Sector Accounting Standards, as well as the publication of financial reports in accordance with cash-based IPSAS.

The aforementioned steps shall ensure further harmonisation of accounting legislation in the Republic of Serbia with IPSAS, strengthening the cash basis on the one hand, while gradually switching to accrual-based accounting on the other.

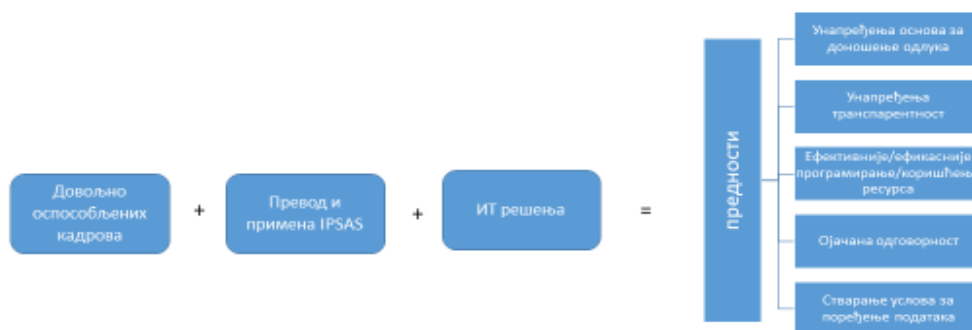


Image No. 19: Importance of applying IPSAS

SPECIFIC OBJECTIVE VI – STRENGTHENING EXTERNAL SUPERVISION OVER PUBLIC FINANCES

Achieved in the previous period

In 2021, the State Audit Institution had also invested efforts to further improve the method of working in order to increase the number of audits of business expediency and audit coverage of public funds, in accordance with the Audit Programme. In addition to the efforts invested in expanding the coverage of public funds by auditing, significant attention was paid to the improvement of methodological acts and guidelines for the audit of financial reports, regularity of operations and expediency of operations. In 2021, SAI had prepared 271 audit reports. A total of 111 reports on the audit of regularity of operations, 98 reports on the audit of financial reports, 38 reports on the audit of responses to audit report, 14 reports on the audit of

expediency of operations, as well as 10 reports on the audit of financial reports and regularity of operations, have been prepared. The representation of audits of operations (regularity and expediency) in the annual SAI Audit Programme for 2021 amounts to 54%. When the percentage of combined audits (4%) is added to these percentages, the SAI had conducted 58% of audits of operations in 2021. Audits of expediency of operations covered seven areas. The following methodological acts have been adopted: Amendments to the Methodological rules and guidelines for the audit of financial reports in order to harmonize them with the Law on State Audit Institution, standard references and audit standards; Guidelines for strategic planning and reporting, Guidelines for the audit of consolidated financial reports (groups), new Methodological rules and guidelines for the audit of financial reports and regularity of operations, as well as new Instructions for the procedure after the conducted audit. In 2021, SAI had performed 29 inspections for quality control and quality assurance.

Progress in the field of external audit has been confirmed by SIGMA and the World Bank, which can be observed on the basis of the highest external audit scores under the Report on the Public Expenditure and Financial Accountability (PEFA) and the SIGMA Assessment Report for the Republic of Serbia for 2021, as well as in the international Open Budget Survey for 2021.

The SIGMA Assessment Report for the Republic of Serbia for 2021 (Principles of Public Administration) found that the quality of public financial management has improved significantly, with an emphasis on improving the effectiveness of external audit. The external audit, i.e. the work of the SAI, is the area with the highest rating in Serbia and the biggest improvement compared to 2017. The rating back then was 3.5, while the field of external audit was rated 4.5 in 2021. In this area, Serbia is far ahead of the regional average. In the Report on the Public Expenditure and Financial Accountability (PEFA), SAI was rated “A” in three dimensions (audit scope and standards, response to external audit reports, independence of SAI), while “B” rating was awarded in respect of submission of audit reports to the legislative authority. The results of the international Open Budget Survey for 2021 showed that the work of the SAI is one of the most significant positive factors which contribute to the openness and supervision over the budget of institutions. The scores for Serbia are above average in the category of budget supervision, 83 out of a possible 100, and the relatively good result in this category was decisively influenced by the comprehensiveness of the audits carried out by the SAI.

In 2021, the National Assembly had reviewed 205 SAI audit reports and held four sittings outside of the National Assembly seat. The aim of holding sessions, at which the reports on audits of financial reports, audits of regularity of operations and audits of expediency of operations of audited entities are reviewed, is to raise the awareness at the central and local levels of the government about the importance of audit findings and SAI recommendations, as well as about the role of parliamentary supervision over public finances, which has been significantly strengthened since the adoption of the previous PFM RP.

Also in the previous year, the National Assembly held a public hearing on the occasion of the presentation of the Budget Bill for 2022 and the Bill on Final Account of the Budget for 2020.

The significance of the joint efforts of the National Assembly and the SAI is also reflected in the reviewing of the SAI Work Report for 2020 at the plenary session of the National Assembly in October 2021, after which the National Assembly adopted a conclusion

recommending the Government to act within its powers in order to ensure the implementation of the SAI's recommendations.

Achieved in 2022

Achieved outcome indicators at the level of the Specific Objective

Indicator(s) at the level of the Specific Objective (outcome indicator)	Unit of measure	Source of verification	Initial value	Target value for 2022	Achieved value
Number of reviewed audit reports	number	Committee reports/Minutes from Committee sittings	194	215	145

Measure 6.1 – Improving the scope, quality and impact of external audits (in accordance with the Strategic Plan of SAI)

- Of the five outcome indicators at the level of measure 6.1, four were achieved in 2022, while the value was not achieved in respect of one indicator. Specifically, for the outcome indicator related to the number of audit reports, the value was fully achieved because out of the planned 270 audits under the Audit Programme for 2022, 284 were carried out. This exceeded the target value for 2022, which was 270. For the outcome indicator related to the number of employees, out of the planned target value of 374, 329 were realized, which means that this target value was not achieved. For the indicator "Number of the following areas covered by audits of expediency of operations: social welfare, general public services, defence, public law and order, economic affairs, environmental protection, improving public management and use of information technology (IT), healthcare, education, improving financial planning, management and recording", the target value of eight (8) has been exceeded, given that ten areas have been covered by audits of expediency of operations, i.e. the indicator has been achieved. As regards the indicator "Number of inspections for quality control and quality assurance", 29 inspections have been carried out, which also exceeded the indicator. Finally, for the indicator related to the share of audit of operations (regularity and expediency) under the annual Audit Programme of SAI, the target value is 46%, while 63% was achieved; therefore, this outcome indicator was also exceeded.
- In the previous period, the emphasis was on optimizing the SAI's organizational structure, all with the aim of increasing the number of audits of expediency of operations and coverage of public funds by audits. The audit of a larger number of entities was made possible by increasing the scope and quality of the SAI audits, which leads to the

strengthening of the influence of external audits, and thus to the improvement of the transparency and stability of the complete public finance system.

- In respect of entities under the Audit Programme for 2022, SAI conducted audits of financial reports, audits of regularity of operations, as well as a combined audit of financial reports and regularity of operations, a combined audit of regularity and expediency of operations, and an audit of regularity of operations, and corrective measures according to reports on audits carried out in previous years.
- In 2022, SAI had prepared 284 audit reports. A total of 98 reports on the audit of regularity of operations, 93 reports on the audit of financial reports, 24 reports on the audit of financial reports and regularity of operations, 24 reports on the audit of regularity and expediency of operations, 14 reports on the audit of expediency of operations, as well as 31 reports on the audit of responses to audit report, have been prepared.
- The representation of audits of operations (regularity and expediency) in the annual SAI Audit Programme for 2022 amounts to 49.6%. When the percentage of combined audits (10.4%) is added to these percentages, it can be concluded that the SAI had conducted 63% of audits of operations in 2022.
- In the previous period, in public procurement audits, SAI had mainly examined the regularity of the public procurement procedure itself, from the planning and implementation of public procurements to the conclusion and execution of contracts. The question of the expediency of public procurement was discussed in only a few reports of expediency audits. By acknowledging the problem that the question of expediency of public procurement may, to the greatest extent possible, affect the efficient and responsible management of public funds, and in accordance with its Strategic Plan for the period 2019-2023, i.e. under sub-goal 2.4: Ensure the proper management of public procurement in the public administration, SAI has commenced with combined audits of the regularity and expediency of public procurement operations since 2022. An additional incentive to achieve the goal is also the consideration of public procurements at the level of groups of potential auditees (ministries, local self-government, healthcare institutions, etc.). The combined public procurement audits were conducted at the level of Local Self-Government Units on the topic of public procurement planning efficiency and at the level of institutions of student standard on the topic of public procurement management. The implementation of these audits made it possible to evaluate public procurements both at the level of the entire segment (local self-governments and institutions of student standard) according to all significant identified risks, whether they arose from in expediency or irregularities, as well as at the level of individual auditees. In this way, SAI has prepared 24 reports on this topic. Such reporting will reach the wider public and enable the initiation of necessary changes.

- Audits of expediency of operations covered ten different areas:

No.	Strategic Plan of SAI		Revision title
	Goal	Sub-goal/Area	
1	1	1.9 Education	Scholarships for students from the Budget of the Republic of Serbia
2	1	1.9 Education	Prevention and suppression of peer violence in schools

No.	Strategic Plan of SAI		Revision title
	Goal	Sub-goal/Area	
3	2	1.3 Public law and order 2.5 Improving the public management and use of information technologies (IT)	Information systems in the judiciary
4	2	2.5 Improving the public management and use of information technologies (IT)	Management of incidents in ICT systems of particular importance
5	1	1.4 Economic affairs	The impact of regional development on demographic trends in the Republic of Serbia
6	1	1.5 Environmental protection	Hazardous waste treatment
7	1	1.4 Economic affairs	Efficiency of use of state-owned agricultural land
8	1	1.1 General public services 2.2 Improving financial planning, management and recording	The impact of preparation of the decisions on the budget of Local Self-Government Units on the efficient and effective use of budget funds
9	1	1.7 Healthcare	Efficiency of billing for provided emergency medical services
10	1	1.0 Social welfare	Efficiency of allocation and use of special transfers in social welfare
11	2	2.3 Establish and maintain a good control environment for all PFBs	The efficiency of the establishment of internal financial control in public enterprises and for-profit companies that perform activities of general interest
12	1	1.4 Economic affairs 1.5 Environmental protection	Management of biomass as a renewable energy source
13	1	1.5 Environmental protection	Industrial waste water treatment
14	1	1.4 Economic affairs	Improvement to the bicycle traffic

- In 2022, the following methodological acts have been updated: Methodological rules and guidelines for the audit of financial reports, Methodological rules and guidelines for the audit of regularity of operations, Methodological rules and guidelines for the audit of financial reports and regularity of operations, Methodological rules and guidelines for the audit of expediency of operations, as well as Instructions for the procedure after the conducted audit.
- In 2022, SAI had performed 29 inspections for quality control and quality assurance.
- The development of Audit Management System - AMS, enabled the digitization of the audit procedure. SAI Audit Teams have used the software, for the first time ever, for the purpose of conducting audits under the Audit Programme for 2022. The audit procedure has been further improved, audits are carried out more efficiently, while the software also

contributes to the fact that the audit procedure is fully automated in accordance with the methodological acts of the institution.

- At the end of 2022, the SAI had 329 employees, including 5 members of the Council, 291 employees in audit services, 32 employees on audit support tasks, as well as one employee in the Internal Audit Service.
- On 4 October 2022, the SAI Work Report for 2021 was discussed at the session of the Committee on Finance, State Budget and Control of Public Spending. On the occasion of consideration of this report, the Committee had upheld the draft conclusion and submitted it to the National Assembly for consideration and adoption.
- On 4 December 2022, the Report on the Audit of the Final Account of the Budget of the Republic of Serbia for 2021 was presented, during a public hearing, at the plenary session of the National Assembly.
- On 27 February 2023, the National Assembly of the Republic of Serbia had adopted the SAI Work Report for 2021.
- A single two-day sitting of the Committee on Finance, State Budget and Control of Public Spending was held outside of the National Assembly seat, on the 27-28 December 2022 in Sombor. The aim of these sittings was to raise awareness, at both the central and local level of government, about the importance of the SAI's audit findings and recommendations, as well as about the role of parliamentary oversight of public finances.
- SAI continuously improves the monitoring of implementation of recommendations, and audits of the regularity of corrective measures have been introduced for this purpose. The Law on SAI stipulates that the auditee is obliged to undertake measures to eliminate the identified irregularities and inexpediencies. A corrective measure is a measure undertaken by the auditee in order to eliminate a certain irregularity or inexpediency in respect of its operations, or to reduce the risk of future occurrence of inexpediency or irregularity. According to the Law on SAI, the post-audit procedure ends with the issuance of the post-audit report, which is usually issued within four to five months from the issuance of the audit report. After issuing the post-audit report, recommendations with a longer deadline for elimination are followed, while SAI has no mechanism to react in case of failure to implement them, except for the conducting of new audits. In order to strengthen the influence of the SAI and check the sustainability of the implemented corrective measures, i.e. acting upon the recommendations, this type of audit was also introduced, which will have a positive impact on the future level of implementation of the recommendations.
- The following are published on the website of the State Audit Institution, for each audit: audit report, summary of the report, responses of the auditees to the audit reports (in case the response to audit report is not credible, the report on audit of the response to audit report is also published), post-audit report, as well as the register of recommendations, all with the aim of increasing transparency. The response of the auditee to the audit reports contains the identified irregularities and the corrective measures undertaken by the auditee, i.e. acting upon the recommendations given by the SAI. Post-audit reports contain an assessment of each individual corrective measure, an opinion as to whether the corrective measures are satisfactory, and a conclusion as to whether the auditee violates

the obligation of good business conduct or a more serious form of violation of the obligation of good business conduct in case the corrective measures are unsatisfactory. Starting in 2019, the SAI publishes a register of recommendations on its website, so that information regarding the stages of implementation of recommendations – action undertaken according to the recommendation, partial action upon recommendation, in progress, deadline set for implementation, and failed to act upon recommendation, are available to all stakeholders.

Financing of the measure

The measure is financed from budget funds.

Key challenges

- The main challenge which the SAI faced during the implementation of measure 6.1 is the unfavourable epidemiological situation, which had an impact on the planned increase in the number of employees, which is why the SAI corrected its Staffing Plan for 2022 (which was approved by the competent authority) to 354 employees. At the end of the year, the SAI had 329 employees. The difference was also due to internal promotion and redistribution of work tasks, which led to a reduced need for external employment.

Planned in the upcoming period

- Continue the implementation of activities in accordance with the Strategic Plan of SAI for the period 2019-2023, the Audit Programme for 2023, as well as in accordance with the activity plan coordinated with the competent Committee on Finance, State Budget and Control of Public Spending.

Measure 6.2 – Ensuring efficient Parliamentary oversight of public finances

Indicators at the measure level	Unit of measure	Source of verification	Initial value in 2020	Target value for 2022	Achieved value in 2022
Review of the Annual SAI Work Report, with the adoption of the draft conclusion	number	Committee report/Minutes from Committee sitting	1	1	1
Holding a sitting/meeting of the Committee for Reviewing the Recommendations for Amendments to the Law, in the presence of SAI and the Ministry of Finance	number	Minutes from the sitting/meeting	1	1	1

Achieved in 2022

- Bearing in mind that the activities established under the previous Revised Public Financial Management Reform Programme gave very good results, the Committee on

- Finance, State Budget and Control of Public Spending and the Subcommittee for Review of SAI Audit Reports have continued the activities from the previous period, and due to noticing new opportunities for further development of its control function, these activities have been expanded.
- During 2022, the Committee on Finance, State Budget and Control of Public Spending, from the point of view of fulfilling the set value for the performance indicator at the level of the Specific Objective, had partially achieved the target value established under the Action Plan, i.e. it had reviewed 145 audit reports of the State Audit Institution. When it comes to this value, it should be borne in mind that due to the holding of parliamentary elections in April 2022 and its subsequent constitution, the National Assembly did not have an actual convocation for almost six months (from February to August), and did not have the opportunity to conduct a sitting;
 - In 2022, the Committee, in fulfilling its legal obligations, had reviewed the Annual SAI Work Report for 2021, paying special attention to the recommendations which the State Audit Institution highlighted in order to eliminate the observed irregularities. On the basis of the aforementioned recommendations, the Committee had adopted a draft conclusion regarding the review of the Annual SAI Work Report. With this, the target value for 2022 is fully achieved when it comes to the performance indicator at the level of the measure - Review of the Annual SAI Work Report with the adoption of the draft conclusion;
 - The Committee had also achieved the target value for 2022 when it comes to the performance indicator at the level of the measure, which refers to the holding of the Committee sitting/meeting at which the recommendations for amendments to the law will be considered in the presence of the State Audit Institution and the Ministry of Finance.
- In 2022, the Committee had, in addition to its legislative activity until the end of 2022, held one sittings outside of the National Assembly seat, during which the Subcommittee also held its sitting, and at which the report on the audit of consolidated financial reports on the final account of the budget for the city Sombor was also reviewed. In addition, the reports on the audit of financial reports and regularity of operations for certain economic entities and other PFBs were also discussed at this sitting. This sitting, in addition to the representatives of the State Audit Institution and the representatives of the Ministry of Finance, was also attended by the representatives of the municipal and city authorities, who, in direct discussion, were able to express their opinions and provide comments on the found irregularities, and also consult on measures for their rectification. Other special, sectoral reports which were prepared for 2021 by the State Audit Institution and, in accordance with the law, submitted to the National Assembly, were also discussed at the sittings outside of the National Assembly seat. The representatives of the State Audit Institution have reported to the Committee that the audit revealed a large number of irregularities in terms of unreliable accounting records, non-use of sub-ledgers, poor functioning of internal control, inventory of assets and public procurements. In the audit reports, recommendations were given with measures for rectifying the observed irregularities of the auditees - the PFBs were given deadlines for their rectification. With this, in 2022, the Committee had fully implemented the activity 6.2.1. Strengthening the

control function of the National Assembly by organizing sittings/meetings of the Committee and Subcommittee for Review of SAI Audit Reports.

- In 2022, the Committee on Finance, State Budget and Control of Public Spending had issued a draft conclusion by which it adopted the SAI Work Report for 2021. Proceeding from the recommendations of the State Audit Institution contained in the SAI Work Report for 2021, the Committee had submitted to the National Assembly a draft conclusion for adoption, under which the Government should undertake measures within its competence to ensure the implementation of the recommendations of the State Audit Institution, primarily by proposing to the National Assembly to adopt adequate laws, i.e. by making amendments to by-laws that it adopts independently, as well as regulations under the competencies of ministries that are specifically highlighted in the Report. Proceeding from the findings of the State Audit Institution that the majority of audited PFBs have not established an internal control system which ensures operations in accordance with the regulations, the National Assembly has concluded that it is necessary for the Government, in accordance with its responsibility concerning the enforcement of the law, to ensure the consistent implementation of the Budget System Law in the part that refers to the obligation to establish an adequate FMC system and the introduction of IAs for PFBs. The Committee will monitor the implementation of the conclusion of the National Assembly, the execution of which is the responsibility of the Government – the Ministry of Finance. Proceeding precisely from the recommendations for amendments to the law that the State Audit Institution highlighted in its Work Report, and which the Institution also defined in a special submission submitted to the National Assembly and the Government, the Committee on Finance, State Budget and Control of Public Spending held a sitting outside of the National Assembly seat in Sombor, at which the recommendations for amendments to the law were discussed in the presence of representatives of the Institution and the representatives of the Ministry of Finance. It was noted that in this way, through direct dialogue, the greatest number of issues can be solved, i.e. that this type of discussion results in the accurate identification of critical issues and acting upon the greatest number of recommendations. As an illustration, the number of recommendations for amendments to the law in 2020 was 14, in 2021 was only 6, and in 2022 was 12. With these activities, the Committee had fully achieved the target value for 2022 in respect of both indicators for the measure 6.2 (Review of the Annual SAI Work Report, with the adoption of the draft conclusion and Holding a sitting/meeting of the Committee for Reviewing the Recommendations for Amendments to the Law, in the presence of SAI and the Ministry of Finance).
- Respecting the recommendations of the PEFA Assessment for the Republic of Serbia, the Committee had included activity 6.2.3 - Organizing a public hearing on the occasion of the presentation of the Budget Bill and the Bill on Final Account of the Budget. This activity was incorporated into the Action Plan in order to enable greater participation of the public, Civil society Organizations and other stakeholders. In addition to the representatives of the Ministry of Finance who presented the solutions contained in the aforementioned Bills, the public hearing, which was held on 4 December 2022, was also attended by other MPs, as well as by the representatives of the SAI, Fiscal Council, NBS and the representatives of numerous Civil Society Organizations. All the participants of

the public hearing have agreed that issues can be better understood in this way, and that better solutions can be achieved through participation in such a dialogue. It was concluded that the Committee should continue with the practice of holding such public hearings in the future. After the public hearing, the Bill on Final Account of the Budget for 2021 and the Report on the Audit of the Final Account of the Budget for 2021 were also discussed in the regular legislative procedure at the Committee sitting and at the plenary session of the National Assembly. By holding such a public hearing, the Committee met the target value for 2022 when it comes to activity 6.2.3 under the Action Plan.

- After all the activities and measures have been carried out, it can be concluded that the public finance reform cannot be successfully carried out if complete control in the domain of public finances is not ensured, so that the irregularities in the work of PFBs are reduced to the smallest extent possible. In this sense, there is a great responsibility both on the PFBs and on the bodies of the executive and legislative authorities that monitor the enforcement of regulations, i.e. that supervise the work of the executive branch.
- The sittings of the National Assembly of the Republic of Serbia and sessions of all working bodies, press conferences, public hearings, activities of the Speaker of the National Assembly and other events can be followed live via the National Assembly website (live-stream), or a recording of the live-stream can be accessed via the archive on the website, thus providing access to the media and interested NGOs and third parties.

Key challenges:

- Failure of the competent ministry to act upon the conclusion of the National Assembly on the adoption of the Annual SAI Work Report and established recommendations - measures for rectifying irregularities in financial reporting and operations of PFBs; unjustified extension of time required for the preparation of laws and other by-laws, based on the recommendations of the SAI.

Planned in the upcoming period

- The Committee will carry out efficient parliamentary supervision over public finances by monitoring the execution of the measures stated in the conclusion of the National Assembly regarding the adoption of the SAI Work Report for 2021. The implementation of the measures stated in the conclusion of the National Assembly refers to the preparation of new regulations and by-laws or amendments to the valid regulations stated in the Annual SAI Work Report, which the Government should submit to the National Assembly for review and adoption.
- In addition to the Annual SAI Work Report, the board will consider all individual, sectoral reports of the SAI in order to gain a more complete insight into the regularity of financial reporting, the regularity of operations and the expediency of the actions of PFBs, with the effects and efficiency of the implementation of recommended measures.
- The Committee shall also monitor the implementation of the conclusion of the National Assembly, the execution of which is the responsibility of the Government, through the PIFC Consolidated Annual Status Report prepared by the Ministry of Finance.

- At the sittings of the Committee and Sub-committee, when SAI reports or other matters of importance for the control function are considered, the Committee shall ensure the presence of the president of SAI, Council members and supreme state auditors – SAI sector managers, representatives of the Ministry of Finance and, if necessary, shall ensure the presence of the representatives of other relevant authorities, organizations and institutions, in order to determine further directions of work and determine the most expedient measures for action at the highest professional level of reporting and discussion.
- The practice of holding sittings outside of the National Assembly seat will continue, at which the reports on the audit of financial reporting, regularity of operations and the expediency of work of municipalities and cities will be discussed, with the presence of SAI representatives and representatives of local self-government. Depending on the established agenda, the representatives of the Ministry of Finance will be invited to the sittings of the Committee outside of the National Assembly seat.
- The practice of holding sittings/meetings of the Committee for the review of recommendations for amendments to the law in the presence of representatives of SAI and the representatives of the Ministry of Finance will continue, bearing in mind that it has been observed that, by doing so, the key challenges in reaching consensus regarding certain legal solutions are detected the fastest and most effectively.
- The Committee, in agreement with the president of the SAI, will also review the Report on the Audit of the Final Account of the Budget of the Republic of Serbia, along with the Bill on the Final Account of the Budget.
- In the National Assembly, the Committee will continue to organize public hearings on the occasion of presentation of the Bill on the Budget and the Bill on the Final Account of the Budget for the next year, so that MPs and other participants will have the opportunity to ask questions and receive timely information.

RISK MANAGEMENT

Table No. 3 Risk analysis for the implementation of PFM RP 2021-2025 and mitigation measures during 2022

Key Risks	Risk Assessment	Probability Assessment	Risk Mitigation Measure	Measures taken during 2022	Responsible for the Risk
Political Commitment of PFM RP	high	low	PFM RP is adopted by the Government. Annual reports on the implementation of the PFM RP are adopted by the Government.	FULLY IMPLEMENTED PFM RP 2021-2025 was adopted by the Government of the Republic of Serbia on 24 June 2021. The report on the implementation of the Programme for 2022 was prepared within the deadline provided under the law.	Ministry of Finance
Involvement of all relevant institutions and stakeholders in the implementation of the PFM RP	high	low	All relevant parties are involved in the process of drafting, monitoring and reporting on the progress of the PFM RP. A transparent process of reporting by stakeholders on the achieved results is provided.	FULLY IMPLEMENTED In May 2021, a workshop of the Working Group for the Finalization of the Public Financial Management Reform Programme 2021-2025 was held. In March 2022, a workshop was held for the Working Group with the aim of finalizing the Report on the Implementation of the Programme in 2021. In May 2022, the Dialogue on Public Financial Management Policy was held, where progress in all areas of the Programme was presented. In May 2022, a workshop on public financial management was held for members of the Working Group.	All relevant institutions

				In February 2023, a workshop on public financial management was held for Civil Society Organizations.	
Inadequate HR capacities for implementing PFM RP	high	medium	Filling of vacancies in accordance with the systematization of work positions.	PARTIALLY IMPLEMENTED Some institutions that identified this risk have strengthened their HR capacities during 2022, but there is still a need for additional activities in this area.	All relevant institutions
Insufficient funds for funding PFM RP	high	medium	Planning of necessary appropriations in the state budget. Bilateral and donor aid planning.	FULLY IMPLEMENTED During 2022, a separate donor meeting was not organized for the area of Public Financial Management Reform; however, cooperation with existing donors continued, and appropriate support was provided through a larger number of projects which will be available to beneficiaries in the coming period.	All relevant institutions
Inadequate, disconnected and incompatible IT systems	medium	medium	Further investments in IT infrastructure and an improved system of coordination between institutions. More intensive cooperation with the Office for IT and eGovernment.	PARTIALLY IMPLEMENTED In 2022, the preparation of the Digitization Development Plan in the Field of Finance for the period 2021-2025 was completed, which created a strategic framework for improving the interconnectivity of IT systems and implemented a large number of projects in the field of digitization. Efforts to harmonize the IT system will be continued in the coming period.	All relevant institutions
The global pandemic of COVID-19	medium	medium	Realistic planning of reform activities, especially for the first two years of implementation of the PFM RP.	PARTIALLY IMPLEMENTED The risks that cause delays were considered, and an effort was	All relevant institutions

				made to overcome them.	
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***During the drafting of the Report, the risk assessment was carried out once more, and it was found that there were no changes in the wording of risks and their assessments, as well as in respect of measures for risk mitigation.**

Activities and indicators measured in 2022 are marked with the appropriate colour:

Green - achieved values

Red – unachieved values

TABLE OVERVIEW OF IMPLEMENTATION OF THE PUBLIC FINANCIAL MANAGEMENT REFORM PROGRAMME ACTION PLAN FOR 2022

GENERAL GOAL: ACHIEVING A SUSTAINABLE BUDGET WITH A STABLE PUBLIC DEBT-TO-GDP RATIO WITH THE HELP OF BETTER FINANCIAL MANAGEMENT AND CONTROL, AUDIT PROCESSES AND LINKING BUDGET PLANNING WITH GOVERNMENT POLICIES

Indicator(s) at the level of the General Objective (effect indicator)	Unit of measure	Source of verification	Initial value	Target value for 2022	Achieved value	Reasons behind the deviation
Real GDP growth	Percentage (%)	Fiscal Strategy, Economic Reform Programme	/	4%	2.3%	The value of the effect indicator was not achieved
The general government debt-to-GDP ratio	Percentage (%)	Fiscal Strategy, Economic Reform Programme	/	57.9%	55.6%	The value of the effect indicator is better than planned as a result of a stable macroeconomic environment and adequately implemented fiscal policy

SPECIFIC OBJECTIVE I: IMPROVED CAPACITIES FOR BUDGET PLANNING AND PUBLIC INVESTMENT MANAGEMENT

Indicator(s) at the level of the Specific Objective (outcome indicator)	Unit of measure	Source of verification	Initial value	Target value for 2022	Achieved value	Reasons behind the deviation
Performance information for the provision of public services	Rating	PEFA Assessment for the Republic of Serbia	C+	/	/	The outcome indicator was not planned for monitoring in 2022

Measure 1.1: Improvement of the programme budget

Institution responsible for implementation (coordination of implementation) of the measure: Ministry of Finance - Budget Department

Implementation period: 2021-2025

Measure type: Informative and educational

Indicator(s) at measure level (outcome indicator)	Unit of measure	Source of verification	Initial value	Target value for 2022	Achieved value	Reasons behind the deviation
An analysis of the application of the programme budget has been performed	number	Performed analysis	0	1	1	The outcome indicator has been achieved

An analysis of the uniform structure of the programme budget of Local Self-Government Units has been performed	number	Performed analysis	0	1	0	The indicator was not fulfilled. At the end of 2022, work on the analysis commenced
A uniform programme structure for compulsory social insurance organizations and their beneficiaries has been established	number	Budget Law	0	1	/	Bearing in mind that the deadline for the implementation of activity 1.1.3 is the fourth quarter of 2025, the value of the indicator for 2022 in the AP was erroneously set)
Name of the Activity:	Deadline for completing the activity	Institution responsible for implementation	Progress achieved	Challenges and next steps	Risk analysis	Budget
1.1.1 Analysis of the implementation of the programme budget and the use of performance indicators	Q4 2022	Ministry of Finance	Activity has been implemented.			
1.1.2 Analysis of the uniform structure of the programme budget of Local Self-Government Units	Q4 2022	Ministry of Finance	Activity has not been implemented. Implementation of the activity is in progress.	Work on the analysis has commenced		
1.1.3 Determining the programme structure for compulsory social insurance organizations and their beneficiaries	Q4 2025	Ministry of Finance	Implementation was not planned for 2022.			
1.1.4 Workshops and trainings for all beneficiaries at all levels of government	Q4 2025	Ministry of Finance		Implementation was not planned for 2022.		
1.1.5 Study visit regarding the improvement of the performance report	Q4 2022	Ministry of Finance	Activity has not been implemented.			
<i>Measure 1.2: Strengthening of capacities as regards the preparations and obligations of EU Member States during the budget preparation process</i>						
<i>Institution responsible for implementation (coordination of implementation) of the measure: Ministry of Finance - Budget Department</i>						
<i>Implementation period: 2021-2025</i>				<i>Measure type: Institutional management organizational</i>		
Indicator(s) at measure level (outcome indicator)	Unit of measure	Source of verification	Initial value	Target value for 2022	Achieved value	Reasons behind the deviation

The performed analysis of the budget preparation process of EU Member States	number	Performed analysis	0	-	-	/
Number of study visits	number	Report from the study visits	0	-	-	/
Name of the Activity:	Deadline for completing the activity	Institution responsible for implementation	Progress achieved	Challenges and next steps	Risk analysis	Budget
1.2.1 Analysis of the budget preparation process of EU Member States and the obligations of the Republic of Serbia during budget preparation	Q4 2023	Ministry of Finance	• Implementation is in progress			
1.2.2 Trainings for employees at the Ministry of Finance and for Direct Budget Beneficiaries	Q4 2025	Ministry of Finance	Activity has not been implemented.			
1.2.3 Study visit	Q4 2025	Ministry of Finance	Activity has not been implemented. Implementation was not planned for 2022.			
<i>Measure 1.3: Improvement of medium-term planning</i>						
<i>Institution responsible for implementation (coordination of implementation) of the measure: Public Policy Secretariat of the Republic of Serbia</i>						
<i>Implementation period: 2021-2025</i>				<i>Measure type: Informative and educational</i>		
Indicator(s) at measure level (outcome indicator)	Unit of measure	Source of verification	Initial value	Target value for 2022	Achieved value	Reasons behind the deviation

The number of adopted and medium-term plans of medium-term planning reporting entities at the national level	number	Websites of medium-term planning reporting entities	22 (7,2021)	22	22	The outcome indicator has been achieved
Name of the Activity:	Deadline for completing the activity	Institution responsible for implementation	Progress achieved	Challenges and next steps	Risk analysis	Budget
1.3.1 Mentoring support for the drafting of medium-term plans of medium-term planning reporting entities at the national level	Q4 2023	PPS	During 2022, methodological support was provided to institutions for the drafting of medium-term plans (MTPs).	Insufficient capacities of institutions, inefficient coordination within the institution, as well as the lack of an umbrella strategy as a basis for the structure of the MTPs. PPS continues to provide support.	A short period for the drafting of the MTPs following the formation of the new Government, the change of their organizational structure to insufficient capacities of institutions	1 Regular budget funds of PPS 2. Support of the IPA 2015 Public Administration Reform Support Project 3,263,970
1.3.2 Analysis of the degree of compliance of medium-term plans with public policy documents in the relevant planning area	Q4 2025	PPS				
<i>Measure 1.4: Improving the environment for efficient capital project management</i>						
<i>Institution responsible for implementation (coordination of implementation) of the measure: Ministry of Finance - Department for Fiscal Risks Monitoring</i>						
<i>Implementation period: 2021-2025</i>				<i>Measure type: Regulatory</i>		
Indicator(s) at measure level (outcome indicator)	Unit of measure	Source of verification	Initial value	Target value for 2022	Achieved value	Reasons behind the deviation

Capital projects (excluding those of special importance for the Republic of Serbia) that have not passed the pre-implementation phase according to the methodology, but are included in the budget of the Republic of Serbia, where the relevant ministries are authorized as proponents	number	Budget Law/Report for Capital Investment Commission	61	20	Not applicable	The outcome indicator is not achieved, because the indicator cannot be realistically viewed due to the incomplete application of the Regulation on Capital Project Management in the segment concerning the evaluation of capital projects before their inclusion in the budget.
Trained civil servants from project management units at the level of line ministries and other institutions	%	Report on held workshops - NAPA	0	20	0	The outcome indicator has not been achieved, but all the necessary activities which are a prerequisite for the establishment and implementation of trainings at NAPA have been carried out.
Name of the Activity:	Deadline for completing the activity	Institution responsible for implementation	Progress achieved	Challenges and next steps	Risk analysis	Budget
1.4.1 Amendments to the legal framework in line with identified weaknesses in implementation	Q4 2022	Ministry of Finance	In 2022, the Decree on Capital Project Management was amended, which improved the legal framework in terms of incorporating the "green" indicators.	Work on improving the the legal framework shall continue, which includes further amendments to the Decree and accompanying rulebooks, through interdepartmental cooperation.		
1.4.2 Development of a training programme for relevant participants in the capital project management process	Q4 2023	Ministry of Finance	All the necessary activities which are a prerequisite for the establishment and implementation of trainings at NAPA have been carried out.			
1.4.3 Preparation of a public report on the status of capital projects monitored in accordance with the methodology	Q4 2025	Ministry of Finance				
1.4.4 Development of a Manual with capital project management methodology (design, prepress, proofreading, content consulting)	Q2 2023	Ministry of Finance	Implementation was not planned for 2022.			

1.4.5 Development of an information system for capital project management (Updated info according to the state of affairs: Creating an info-system: first phase)	Q4 2021	Ministry of Finance	The activity has been implemented			
Measure 1.5: Strengthening the capacities of the Department for Fiscal Risks Monitoring						
<i>Institution responsible for implementation (coordination of implementation) of the measure: Ministry of Finance - Department for Fiscal Risks Monitoring</i>						
Implementation period: 2021-2025				Measure type: Institutional management organizational		
Indicator(s) at measure level (outcome indicator)	Unit of measure	Source of verification	Initial value	Target value for 2022	Achieved value	Reasons behind the deviation
Filled systematized work positions in the Department for Fiscal Risks Monitoring	Percentage (%)	Ministry of Finance Fact Sheet	33%	80%	87%	The outcome indicator has been achieved.
Trained employees at the Department for Fiscal Risks Monitoring	Percentage (%)	Report on the conducted trainings	0%	80%	80%	The outcome indicator has been achieved.
Name of the Activity:	Deadline for completing the activity	Institution responsible for implementation	Progress achieved	Challenges and next steps	Risk analysis	Budget
1.5.1 Training for employees of the Ministry of Finance	Q4 2023	Ministry of Finance	Activity is in progress	Progress depends on establishing a full legal framework and hiring a certain number of personnel.		
1.5.2 Establishing methodologies for the Group to for Fiscal Risk Monitoring related to public sector operations	Q4 2021	Ministry of Finance	The activity has been implemented			

1.5.3 Establishing methodologies for the Group to for Fiscal Risk Monitoring - - natural disaster risks and litigations	Q4 2021	Ministry of Finance	The activity has been implemented.			
SPECIFIC OBJECTIVE II: EFFICIENT COLLECTION AND MANAGEMENT OF BUDGET FUNDS						
Indicator(s) at the level of the Specific Objective (outcome indicator)	Unit of measure	Source of verification	Initial value	Target value for 2022	Achieved value	Reasons behind the deviation
The actual revenues and expenditures of the general state budget on an annual level are in the range of 5% of the projected ones under the fiscal strategy.	Percentage (%)	Fiscal Strategy	Within 5%	Within 5%	Within 5%	The outcome indicator has been achieved
Annual public debt servicing costs (interest payments – net amount) as a % of GDP	Percentage (%)	Annual Report on the work of the Public Debt Administration	1.9%	1.9%	1.5%	The outcome indicator has been achieved. The value of the indicators is better than planned as a result of a stable macroeconomic environment and adequately implemented fiscal policy
Average duration of an open procedure	Day	Annual report on public procurements	52	48	47	The outcome indicator has been achieved
<i>Measure 2.1: Efficient collection of budget revenues that are the responsibility of the Tax Administration</i>						
<i>Institution responsible for implementation (coordination of implementation) of the measure: Ministry of Finance - Tax Administration</i>						
<i>Implementation period: 2021-2025</i>			<i>Measure type: Institutional management organizational</i>			
Indicator(s) at measure level (outcome indicator)	Unit of measure	Source of verification	Initial value	Target value for 2022	Achieved value	Reasons behind the deviation
The percentage of realized collection in relation to the approved budget estimate (income tax, profit tax, gross domestic VAT, gross excise duties)	Percentage (%)	Budget Law and Report of the Tax Administration	110.9	100	109.7	The outcome indicator has been achieved. The value is better than planned due to the higher realized revenue collection than expected

Name of the Activity:	Deadline for completing the activity	Institution responsible for implementation	Progress achieved	Challenges and next steps	Risk analysis	Budget
2.1.1 Re-engineering of business processes of basic functions	Due to a technical error, the deadline for the implementation of the activity was listed as Q2 2022, while the actual deadline for the implementation of the activity is Q3 2023	Tax Administration	Implementation of the activity is in progress	Implementation of the adopted General Business Model and work on the development of the Action Plan and the implementation plan	Lack of HR capacities with the necessary domain knowledge	RSD 133.729.439.00 The World Bank
2.1.2 Introduction of a new fiscalization system	Q3 2022	Tax Administration	Activity has been implemented	Further promotion of the new fiscalization system was planned through the Media Campaign Project in support of the new Law on Fiscalization.	The activity was fully implemented in accordance with the Action Plan	RSD 468.833.333 Budget
2.1.3 Improving the ICT infrastructure- COTS	Q4 2024	Tax Administration	Implementation of the activity is in progress	Timely and successfully implemented procurement of COTS solutions	Lack of capacities for implementation of COTS solutions	RSD 39.434.469.00 The World Bank
2.1.4 Harmonization of the legislative framework and preparation of technical specifications for the implementation of information exchange systems according to the EU standard (indirect taxation exchange systems and direct taxation exchange systems), as well as compliance with the recommendations of the Global Forum for the Implementation of the International Standard for Information Exchange at Request and for Automatic Exchange.	Q4 2025	Tax Administration	The activity was not planned for implementation in 2022	Commencement with the implementation of the project "Strengthening the Legislative Framework and Institutional Capacities for fulfilling the EU pre-accession conditions for the development of the VAT Information Exchange System (VIES)" under IPA 2021.	Lack of capacities for adequate application of the VIES system	

2.1.5 Improving the HR management function by developing HR strategy and enhancing the existing information system for HR management	Q4 2024	Tax Administration	Implementation of the activity is in progress	The next steps are in accordance with the project task of the project "Consulting services for the institutional development of the Human Resources function of Tax Administration"	Currently, there are no obstacles for the successful implementation of the activity	7,435,977.00 The World Bank
2.1.6 Introduction of the electronic delivery note system - analysis of the legal and administrative framework, and preparation of procurement documents	Q4 2023	Ministry of Finance	Implementation of the activity is in progress	Drafting of technical specifications of hardware and software solutions for the electronic delivery note system, as well as preparation of procurement documents	Successful drafting of adequate technical specifications of hardware and software solutions	GIZ donor funds
2.1.7 Introduction of the electronic delivery note system - introduction of IT systems	Q4 2025	Ministry of Finance	The prerequisite for commencing with this activity is the implementation of activity 2.1.6			
2.1.8 Introduction of an IT system for management of immovable property of the Ministry of Finance and its Administrations	Q4 2023	Ministry of Finance	Activity has not been implemented. Implementation was not planned for 2022.			

Measure 2.2: Modernization of the work process of the Tobacco Administration

Institution responsible for implementation (coordination of implementation) of the measure: Ministry of Finance - Tobacco Administration

Implementation period: 2021

Measure type: Informative and educational

Indicator(s) at measure level (outcome indicator)	Unit of measure	Source of verification	Initial value	Target value for 2022	Achieved value	Reasons behind the deviation

A single registry system has been established.	number	Record of handover of public procurement items	-	-	-	The outcome indicator was achieved in 2021.
All employees of the Tobacco Administration have been trained to work in a single registry system	Percentage (%)	List of training participants	-	-	-	The outcome indicator was achieved in 2021.
% of economic entities operating on the market of tobacco and tobacco products that use the electronic services of the Tobacco Administration	Percentage (%)	Single registry system Registry	0%	20%	20%	The outcome indicator has been achieved
Name of the Activity:	Deadline for completing the activity	Institution responsible for implementation	Progress achieved	Challenges and next steps	Risk analysis	Budget

2.2.1 Establishment of a single registry system that will consolidate all registers and record lists in order to enhance the efficiency of service provision by the Tobacco Administration	Q4 2021	Tobacco Administration	The activity has been fully implemented			
2.2.2 Strengthening the HR capacities of the Tobacco Administration and other partner institutions	Q4 2021	Tobacco Administration	The activity has been fully implemented			
2.2.3 Increasing the digital awareness of economic entities operating on the market of tobacco and tobacco products	Q4 2021	Tobacco Administration	The activity has been fully implemented			

Measure 2.3: Strengthening the administrative capacities of the Customs Administration

Institution responsible for implementation (coordination of implementation) of the measure: Ministry of Finance - Customs Administration

Implementation period: 2021-2025

Measure type: Institutional management organizational

Indicator(s) at measure level (outcome indicator)	Unit of measure	Source of verification	Initial value	Target value for 2022	Achieved value	Reasons behind the deviation
The percentage of realized collection of customs duties and VAT on imports in relation to the approved budget estimate.	Percentage (%)	Budget Law and the Customs Administration Fact Sheet	Customs 105.49% VAT 101.86%	Customs 100% VAT 100%	Customs 99,93 (-0,07%) VAT 98.95 (-1.05%)	Customs collection is 27.65% higher than in 2021, i.e. 24.25% in respect of VAT on imports; taking into account the permitted deviation, the outcome indicator is achieved.

Name of the Activity:	Deadline for completing the activity	Institution responsible for implementation	Progress achieved	Challenges and next steps	Risk analysis	Budget
2.3.1 Improving the process for financial security of customs debt	Q4 2024	Customs Administration	Implementation of the activity is in progress.	Further improvement of transit guarantees within the NCTS system	Currently, there are no obstacles for the successful implementation of the activity	RSD 174.000.000.00 IPA 2020
2.3.2 Capacity development for the full-fledged implementation of TSSEU regulations and reporting on EU revenues	Q4 2025	Customs Administration	Implementation of the activity is in progress	Creation of a simulation for posting to A and B accounts	Currently, there are no obstacles for the successful implementation of the activity	-
2.3.3 Capacity building for effective ex-post controls, establishing customs value and preferential origin and classification of goods	Q4 2025	Customs Administration	Implementation of the activity is in progress	Continuous implementation of the Annual Plan for subsequent controls.		The activity is implemented from regular budget funds, in accordance with the Budget Law
2.3.4 Modernization of the Customs Laboratory	Q4 2025	Customs Administration	Implementation of the activity is in progress	Provision of adequate premises for the Customs Laboratory	Lack of budget funds for providing adequate space	RSD 28.000.000
2.3.5 Preparatory activities aimed at improving the management and public sale of seized customs goods and the development of special-purpose customs warehousing infrastructure	Q4 2025	Customs Administration	For the aforementioned activity, the start of implementation is not planned for 2022.			
2.3.6 Roll-out of the Automated Import/Export Systems (AIS-AES) and Custom Decision Management System (CDMS)	Q4 2025	Customs Administration	Implementation of the activity is in progress	Implementation of the projects "Roll-out of the Automated Import/Export Systems (AIS-AES) and Custom Decision Management System (CDMS)	Insufficient capacity in respect of consultants who will provide assistance and capacities of the Customs Administration	

2.3.7 Introduction of an Integrated Tariff Management System (ITMS)	Q4 2025	Customs Administration	For the aforementioned activity, the start of implementation is not planned for 2022	The implementation of the project is expected to commence in the first half of 2023	Insufficient capacity in respect of consultants who will provide assistance and capacities of the Customs Administration	
2.3.8 Procurement of a warehouse for customs data storage (data warehouse)	Q4 2024	Customs Administration	For the aforementioned activity, the start of implementation is not planned for 2022	The implementation of the project is expected to commence in the first half of 2023	Insufficient capacity in respect of consultants who will provide assistance and capacities of the Customs Administration	
Measure 2.4: Efficient public debt management						
<i>Institution responsible for implementation (coordination of implementation) of the measure: Ministry of Finance - Public Debt Administration</i>						
<i>Implementation period: 2022-2024</i>					<i>Measure type: Institutional management organizational</i>	
Indicator(s) at measure level (outcome indicator)	Unit of measure	Source of verification	Initial value	Target value for 2022	Achieved value	Reasons behind the deviation
Share of domestic currency debt in total public debt - central level of government	Percentage (%)	Quarterly reports of the Public Debt Administration	30,5%	32%	25.2%	The outcome indicator related to the share of debt in local currency in the total public debt - the central level of government, was not achieved. Due to the sudden growth of interest rates at the global level and the limited market for borrowing in domestic currency, the primary goal was to secure funds on the most favourable terms, i.e. with the lowest costs. For example, the 6 months Euribor rate rose from - 0.539% - the value at the beginning of the year, to 2.693%, which was the value at the end of 2022. During 2022, the reference interest rate of the National

						Bank of Serbia increased from 1.00% to 5.00%. Despite such a high and rapid growth of interest rates on the market, the weighted average interest rate on the total public debt had increased minimally from 2.53% at the end of 2021, to 2.81% at the end of 2022. At the same time, the Average Time to Maturity (ATM) at the end of 2022 increased to 7.4 years from 6.8 years at the end of 2021.
Name of the Activity:	Deadline for completing the activity	Institution responsible for implementation	Progress achieved	Challenges and next steps	Risk analysis	Budget
2.4.1 Strengthening the medium-term public debt management strategy by developing risk management model	Q4 2022	Public Debt Administration	The activity was not implemented within the stipulated period, but its implementation is in progress. Finalization of the activity depends on the commencement with the activity 2.4.3	Continuation of consultants' work on model development.	Delay in model creation by consultants. Model implementation in PDMS.	-
2.4.2 Implementation of a pilot project for the introduction of the Primary Dealer system and further development of the domestic bond market	Q4 2024	Public Debt Administration	The implementation of the activity has not yet commenced	Commencement with implementation within the defined period.	Lack of funds, market conditions.	-
2.4.3 Upgrading the existing information system (PDMS) – using business intelligence tools, to improve reporting	Q4 2025	Public Debt Administration	The implementation of the activity has not yet commenced	Commencement with implementation within the defined period.	Lack of funds.	-
2.4.4 Upgrading the existing information system (PDMS) with a developed risk management module.	Q4 2024	Public Debt Administration	The implementation of the activity has not yet commenced	Commencement with implementation within the defined period.	Lack of funds Complexity of model implementation.	-

<i>Measure 2.5: Improvement of the electronic public procurement system</i>						
<i>Institution responsible for implementation (coordination of implementation) of the measure: Public Procurement Office</i>						
<i>Implementation period: 2021-2025</i>					<i>Measure type: Institutional management organizational</i>	
Indicator(s) at measure level (outcome indicator)	Unit of measure	Source of verification	Initial value	Target value for 2022	Achieved value	Reasons behind the deviation
Number of bids per public procurement procedure	number	Annual report on public procurements	2.5	2.7	2.5	The outcome indicator was not achieved
Name of the Activity:	Deadline for completing the activity	Institution responsible for implementation	Progress achieved	Challenges and next steps	Risk analysis	Budget
2.5.1 Upgrading the Public Procurement Portal with new functionalities	Q4 2025	Public Procurement Office	Implementation of the activity is in progress	A further upgrade of the Portal is planned	Implementation of the project under IPA III, upon which the dynamics of the Portal's upgrade largely depends	The activity is being implemented with the help of international aid

2.5.2 Development of a mobile app for the Public Procurement Portal	Q4 2021	Public Procurement Office	Activity has been implemented	.		3,570,000.00
2.5.3 Strengthening the capacities of the Public Procurement Office	Q1 2021	Public Procurement Office	Activity has been implemented			
2.5.4 Organization of trainings for contracting authorities and bidders	Q4 2025	Public Procurement Office	Implementation of the activity is in progress	Continued organization of trainings for contracting authorities and bidders	Lack of funds for implementation of trainings.	The activity is being implemented from regular budget funds and international aid funds of SIDA, USAID, and UNDP.
2.5.5 Drafting and adoption of a of a public policy document for the development of public procurement for the period 2024-2028	Q4 2023	Public Procurement Office	The activity was not planned for implementation in 2022	Drafting of the document began in the Q1 of 2023. It is expected that a public hearing will be held in the second half of 2023.	Currently, there are no obstacles for the successful implementation of the activity	Regular budget funds International aid (SIDA, NALED)

SPECIFIC OBJECTIVE III: IMPROVEMENT OF BUDGETARY DISCIPLINE AND MORE TRANSPARENT USE OF PUBLIC FUNDS								
Indicator(s) at the level of the Specific Objective (outcome indicator)	Unit of measure	Source of verification	Initial value		Target value for 2022	Achieved value	Reasons behind the deviation	
Average number of illegalities and irregularities per control compared to the total number of performed controls	Number	Annual Budget Inspection Work Report	2		2	2	The outcome indicator has been achieved	
The percentage of accepted and implemented recommendations given by the Audit Authority to indirect EU funds management entities	Percentage (%)	Annual audit report	0		55%	48%	The outcome indicator was not fulfilled in 2022.	
<i>Measure 3.1: Formation of a base for strengthening the institutional and administrative capacities of the Governmental Audit Office of EU Funds, which enable an effective audit of the EU control system</i>								
<i>Institution responsible for implementation (coordination of implementation) of the measure: Governmental Audit Office of EU Funds</i>								
<i>Implementation period: 2021-2023</i>					<i>Measure type: Institutional management organizational</i>			
Indicator(s) at measure level (outcome indicator)	Unit of measure	Source of verification	Initial value	Target value for 2022		Achieved value	Reasons behind the deviation	
Number of EC audit findings compared to the number of implemented audit recommendations	number	Report of the European Commission	16	8		8	The outcome indicator has been achieved	

Name of the Activity:	Deadline for completing the activity	Institution responsible for implementation	Progress achieved	Challenges and next steps		Risk analysis	Budget	
3.1.1 Strengthening the legislative framework for the reinstitutionalisation of the Governmental Audit Office of EU Funds – adoption and implementation of a new legal basis	Q4 2022	Governmental Audit Office of EU Funds, Ministry of European Integration	This activity has not yet been implemented, but the activities for its implementation by the end of 2023 are in progress.	An expert who shall work on the project was selected.		Lack of funds Intended steps: undertaking the necessary activities in order to improve the legislative framework of the Office, which would contribute to a better readiness of the Office to absorb EU funds and fulfil its obligations	Donor funds (EU) - PLAC III project	
3.1.2 Developing a staff retention policy to ensure adequate and stable administrative capacities of the Office	Q4 2023	HR management service Ministry of Finance	Implementation is in progress.			Lack of funds, continued outflow of personnel Intended steps: Intensify the hiring of missing personnel Postponing the start of project implementation Intended steps: Intensification of cooperation with the project team of the EU Delegation	Budget of the Republic of Serbia	
3.1.3 Strengthening the capacities of the Governmental Audit Office of EU Funds to ensure an efficient system of control and audit of EU funds in line with the EU legislative framework	Q4 2025	Governmental Audit Office of EU Funds, Ministry of European Integration	A project proposal has been prepared, which will be financed from the programme for 2023	Postponing the start of project implementation as support under IPA 2023 would be untimely, taking into account the goal		Outflow of personnel Intended steps: Intensification of cooperation with the project team of the EU Delegation		

				of the project proposal.				
Measure 3.2: Strengthening the system for more efficient and effective management of EU funds								
Institution responsible for implementation (coordination of implementation) of the measure: Ministry of Finance - Department for EU Funds Management								
Implementation period: 2021-2025					Measure type: Institutional management organizational			
Indicator(s) at measure level (outcome indicator)	Unit of measure	Source of verification	Initial value	Target value for 2022		Achieved value	Reasons behind the deviation	
Adopted acts aimed at staff retention policy	number	Official Gazette of the RS	0	1		1	The outcome indicator was partially achieved - through the official letter of joining the regional initiative	
Percentage of trained civil servants in terms of managing the control over the use of funds, managing risks and irregularities	Percentage (%)	Reports on the conducted trainings	9.5%	20%		26.2%	The outcome indicator has been achieved (cumulative calculation – 46.2%)	
Performed on-site inspections carried out at PFBS	number	Annual plans concerning the on-site inspections of relevant IPA bodies	9	12		13	The outcome indicator has been achieved	
Percentage of irregularities identified during the first/primary control	Percentage (%)	AFIS-IMS reporting system, Annual progress reports submitted to the NAO, Management declarations	75%	60%		77.8%	The outcome indicator has been achieved	
Percentage of business processes that are supported by the IT system	Percentage (%)	Reports on the functioning of the IT system	0	0		0	/	
Name of the Activity:	Deadline for completing the activity	Institution responsible for implementation	Progress achieved	Challenges and next steps		Risk analysis	Budget	
3.2.1 Development of new operating procedures, methodological guidelines and other supporting tools for institutions responsible for the management and implementation of EU funds, in order to increase the efficiency of controls and	Q4 2023	Ministry of Finance, Department for EU Funds Management	Implementation is in progress. During 2022, intensive work was done in respect of preparation of procedures for the implementation of the IPA III	The next steps will consist of further work on procedures in accordance with the legislative framework and possible audit findings for the			Funds are provided from the state budget and the Technical Assistance Project DIS4	

reduce the administrative burden				IPA III financial perspective.				
3.2.2 Establishment and implementation of continuous professional and on-site trainings related to system management and supervision, financial management, control of the use of funds, risk and irregularity management	Q4 2025	Ministry of Finance, Department for EU Funds Management	Implementation is in progress. •Project Cycle Management	During 2023, NAPA shall organize trainings in accordance with the approved plan, which will be available to employees. Also, various possibilities for the funding of trainings from donor funds shall be explored			Funds are provided from the budget and the Technical Assistance Project DIS4, GIZ funds and the budget of the National Academy for Public Administration	
3.2.3 Ensuring an adequate number of staff and capacity building in terms of expanding the scope and quality of on-site inspections and performing supervisory functions among PFBs	Q4 2025	Ministry of Finance, Department for EU Funds Management	Implementation is in progress	The announced competitions shall be finalized by the end of Q1 of 2022			Funds are provided from the budget	
3.2.4 Improving the information system intended to support business processes for system management and contract implementation and use of funds	Q4 2025	Ministry of Finance, Department for EU Funds Management	Implementation is in progress	The implementation of the third phase is expected during Q1 of 2022.			Funds are provided from the budget	
Measure 3.3: Increasing the efficiency and effectiveness of inspections								
Institution responsible for implementation (coordination of implementation) of the measure: Ministry of Finance - Budget Inspection Department								
Implementation period: 2021-2025					Measure type: Institutional management organizational			
Indicator(s) at measure level (outcome indicator)	Unit of measure	Source of verification	Initial value	Target value for 2022		Achieved value	Reasons behind the deviation	
Total number of performed inspections	number	Annual Budget Inspection Work Report	29	52		127	The outcome indicator has been achieved. The value is better than expected due to greater efficiency of inspection	
Percentage of planned inspections in relation to the number of complaints,	Percentage (%)	Annual Budget Inspection Work Report	12%	17%		26%	The outcome indicator has been achieved. The value is better than expected due to greater efficiency of inspection.	

applications and inspection requests received							
Name of the Activity:	Deadline for completing the activity	Institution responsible for implementation	Progress achieved	Challenges and next steps		Risk analysis	Budget
3.3.1 Adoption of methodological instructions on the manner of the Budget Inspection work by areas of inspection	Q4 2021	Ministry of Finance - Budget Inspection Department	The activity has been implemented through partnerships and concessions			enactment of regulations within the competencies of the Ministry)	Donor funds (GIZ) - expert consulting assistance was provided in the preparation of methodological instructions
3.3.2 Professional development of budget inspectors and other employees in the Budget Inspection through continuous education	Q4 2025	Ministry of Finance - Budget Inspection Department	Implementation is in progress.	The plan is to strengthen the capacities and functionality of the work of the Budget Inspection, as well as the professional development of budget inspectors and other employees in the Budget Inspection through continuous education			
3.3.3 Providing the required number of inspectors – 38 in 2025	Q4 2025	Ministry of Finance - Budget Inspection Department	Implementation is in progress. In 2022, the planned number of employees is 32. In order to implement the Law on Budget Inspection, as of 1 January 2023, budget inspectors were taken over from the local level, so the number of budget inspectors currently exceeds 38.	In 2023, the provision of the required number of inspectors shall continue in accordance with the Rulebook on Internal Organization and Systematization of Work Positions in the Ministry of Finance of December 2022.			

<p>3.3.4 Amendments to the Budget System Law and bylaws of the Budget Inspection / Adoption of the Law on Budget Inspection</p>	<p>Q1 2022</p>	<p>Ministry of Finance - Budget Inspection Department</p>	<p>In December 2021, the Law on Budget Inspection was adopted, by which the obligation to pass the law was fulfilled, and with that, the centralization of Budget Inspection from the Negotiation Chapter 32-Financial control. The implementation of the Law commenced on 1 January 2023, and in accordance with it, the Budget Inspection functions only at the national level.</p>	<p>In 2023, the plan is to: Draft the Rulebook on Internal Supervision of the Budget Inspection</p> <p>Develop the Methodology on Risk Assessment in Conducting Supervisions in the Field of Public Procurement</p> <p>Amendments to the Strategic Plan of Budget Inspection of the Ministry of Finance for the period 2021-2026.</p>		<p>Due to organizational changes at the Ministry of Finance or insufficient professional staff for the drafting of the Law, untimely adoption of the law may occur.</p>	<p>Donor funds (GIZ) - expert consulting assistance was provided in the drafting of the Law on Budget Inspection</p>
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SPECIFIC OBJECTIVE IV: IMPROVING THE APPLICATION OF THE INTERNAL FINANCIAL CONTROL SYSTEM IN THE PUBLIC SECTOR

Indicator(s) at the level of the Specific Objective (outcome indicator)	Unit of measure	Source of verification	Initial value		Target value for 2022	Achieved value	Reasons behind the deviation
The progress related to PIFC was identified under the Progress Reports of the European Commission for the Republic of Serbia for a specific year	1. Early stage of preparedness 2. Some level of preparedness 3. Moderate preparedness 4. Good level of preparedness	The EC Report on Serbia for a specific year (Chapter 32)	Moderately prepared, with good progress achieved in 2019		Moderate preparedness	Moderate preparedness	The outcome indicator has been achieved
<i>Measure 4.1: Improvement of the FMC system in public sector institutions</i>							
<i>Institution responsible for implementation (coordination of implementation) of the measure: Ministry of Finance - Sector - Central Harmonization Unit</i>							
<i>Implementation period: 2021-2025</i>				<i>Measure type: Institutional management organizational</i>			
Indicator(s) at measure level (outcome indicator)	Unit of measure	Source of verification	Initial value		Target value for 2022	Achieved value in 2021.	Reasons behind the deviation
Percentage of priority PFBs ³⁹ that submit a report on the state of the FMC system	Percentage (%)	Consolidated annual report	91.49		92	93.48	The data is obtained from individual beneficiaries' reports, compiled within the Consolidated Annual Report on PIFC. Data for 2022 will be available after the adoption of the Consolidated Annual Report for 2022.
Percentage of priority PFBs ⁴⁰ that have compiled the Risk Register	Percentage (%)	Consolidated annual report	63.95%		68	70.93	The data is obtained from individual beneficiaries' reports, compiled within the Consolidated Annual Report on PIFC. Data for 2022 will be available after the adoption of the Consolidated Annual Report for 2022.
The average rating of the priority group of PFBs ⁴¹ which updates the Risk Register (performs risk assessment and review of the adequacy of measures at least once a year)	Arithmetic mean of self-assessment	Consolidated annual report	3.91		4.2	3.63	The data is obtained from individual beneficiaries' reports, compiled within the Consolidated Annual Report on PIFC

³⁹Ministries, Organizations for Compulsory Social Insurance, Public enterprises that perform activities of public interest and operate in accordance with the Law on Public Enterprises, cities. Please note: the composition of the category of ministries and PEs is variable

⁴⁰Ministries, Organizations for Compulsory Social Insurance, Public enterprises that perform activities of public interest and operate in accordance with the Law on Public Enterprises, cities.

⁴¹ *ibid*

The average rating of the priority group of PFBs ⁴² in which managers make decisions for managing the identified risks (regarding the risk response: acceptance, avoidance, mitigation or risk sharing).	Arithmetic mean of self-assessment	Consolidated annual report	3.68		4.00	3.76	The data is obtained from individual beneficiaries' reports, compiled within the Consolidated Annual Report on PIFC		
The average rating of the priority group of PFBs ⁴³ reporting risks to the management	Arithmetic mean of self-assessment	Consolidated annual report	3.62		4.00	3.73	The data is obtained from individual beneficiaries' reports, compiled within the Consolidated Annual Report on PIFC		
Name of the Activity:	Deadline for completing the activity	Institution responsible for implementation	Progress achieved	Challenges and next steps		Risk analysis	Budget		2025
4.1.1 Cooperation with the Budget Department regarding the enhancement of the performance management of the organisation (link to the PAR Strategy, measure 4.1.2)	Q4 2025	Ministry of Finance-CHU	Implementation is in progress.						1
4.1.2 Analysis of the application of the existing legal and methodological framework and its improvement (e.g. prioritization of PFBs in terms of reporting on internal controls, improvement of reporting, quality assessment, risk management, irregularity management, management statements, etc.)	Q4 2025	Ministry of Finance-CHU	Implementation is in progress.	In the following period, the work on improvement of reporting shall continue, the monitoring activity will be carried out continuously.					3
4.1.3 Improving risk management in the PFBs priority group at the central level ⁴⁴ through direct project support	Q4 2025	Selected PFBs from the priority group ⁴⁵	The implementation of the activity has not yet commenced.						2

⁴² *ibid*

⁴³ *ibid*

⁴⁴ Ministries, Organizations for Compulsory Social Insurance, Public enterprises that perform activities of public interest and operate in accordance with the Law on Public Enterprises

⁴⁵ *ibid*

4.1.4 Development of practical methodological tools / FMC knowledge products adapted to the specifics of certain significant groups of indirect PFBS at the central level (selected departments)	Q4 2025	Ministry of Finance-CHU	Implementation is in progress. In cooperation with the Ministry of Education. Connection with 4.1.5						
4.1.5 Support to the establishment and enhancement of the FMC system at local level ⁴⁶	Q4 2025	Selected LSUs and their indirect beneficiaries	Activities with the RELOF 2 project, related to the establishment and improvement of the FMC, have been completed	During the next year, under the Exchange 6 Projects, activities aimed at establishing/improving the adequate FMC and IA system at the local level shall continue			The commitment of the LSU management, access adjustment for beneficiaries	USD 72,360 - SIDA CHF 395.239,80.- RELOF 2	-
4.1.6 Development of analysis of PIFC regulations coherence with other horizontal regulations, with comparative analysis of EU funds management system and national funds management system from internal control perspective	Q4 2022	Ministry of Finance-CHU	Implementation of the activity is in progress	An expert was selected for the development of the Analysis, consultations were held and the draft is being prepared.			The KPMG project was late in implementing this activity	/	-
Measure 4.2. Improved internal audit function in the public sector, in accordance with the international standards and principles									
Institution responsible for implementation (coordination of implementation) of the measure: Ministry of Finance - Sector - Central Harmonization Unit									
Implementation period: 2021-2025					Measure type: Institutional management organizational				
Indicator(s) at measure level (outcome indicator)	Unit of measure	Source of verification	Initial value	Target value for 2021	Target value for 2022	Achieved value	Reasons behind the deviation		
SIGMA adequacy indicator of the operational framework for internal audit	Points	SIGMA Monitoring Report	3/5	/	/	3/5	The outcome indicator did not have a target value in 2022		
SIGMA indicator of internal audit functioning	Points	SIGMA Monitoring Report	1/5	/	/	2/5	The outcome indicator did not have a target value in 2022		
Name of the Activity:	Deadline for completing the	Institution responsible	Progress achieved	Challenges and next steps		Risk analysis	Budget		

46 A more detailed description of the planned activity is established under the PRLSS 2021-2025 within the framework of Specific Objective 2: Improvement of the local self-government financing system, within the framework of special measure 2.4: Intensive development of the PIFC system at the local level, while in respect of the Programme and its Action Plan, they are shown in order to complete the insight into all the activities undertaken at the local level in the area of PIFC, and funds for this will not be planned or will reports be made within the Action Plan of this Programme, but within the PRLSS Action Plan 2021-2025. In accordance with that, the activities from measure 2.4, of Specific Objective 2 under PRLSS AP, i.e. activities No. 2.4.1, 2.4.4, 2.4.6 and parts of activities 2.4.7 and 2.4.8, have been integrated in this activity

	activity	for implementation								
	4.2.1 Analysis of the application of the existing methodological framework and its improvement (e.g. for performance audits, information security audits, advisory services, etc.)	Ministry of Finance-CHU	Implementation is in progress.						6000*	2
	4.2.2 Preparation and implementation of the Programme for continuous professional development of internal auditors (link to activity 4.4.4)	Ministry of Finance-CHU	The activity has been implemented.				The program was prepared by employees of CHU.		-	
	4.2.3 Staffing of internal audit (promotion of the profession, tools for recruitment and selection of internal auditors, proposal for improvement of the professional position of internal auditors, etc.)	Ministry of Finance-CHU	The activity has been implemented.				USD 62,184.00		-	
	4.2.4 Support to the establishment and enhancement of IA at the local level ⁴⁷	Selected LSUs	Implementation is in progress. The activities in cooperation with the RELOF 2 project, related to the establishment of IA at the premises, have been completed	In the upcoming period, through EXCHANGE 6 projects, the activities aimed at establishing/improving and IA at the local level shall be continued			The commitment of the LSU management, access customization for beneficiaries		-	
	4.2.5 Introduction of external quality assessment according to the peer review method (piloting, methodology, rulebook, training and certification of evaluators, adoption and implementation of the External Quality Assessment Programme)	Ministry of Finance-CHU	Implementation is in progress.	Adoption of the Rulebook and commencing with the collegial review			Risk – failure to provide labour fees for IAs performing this type of review	Due to donor policy, the total amount of spent funds is not known.	2,520	2

47 A more detailed description of the planned activity is established under the PRLSS 2021-2025 within the framework of Specific Objective 2: Improvement of the local self-government financing system, within the framework of special measure 2.4: Intensive development of the PIFC system at the local level, while in respect of the Programme and its Action Plan, they are shown in order to complete the insight into all the activities undertaken at the local level in the area of PIFC, and funds for this will not be planned or will reports be made within the Action Plan of this Programme, but within the PRLSS Action Plan 2021-2023. In accordance with that, the activities from measure 2.4, of Specific Objective 2 under PRLSS AP, i.e. activities No. 2.4.2, 2.4.3, 2.4.5 and parts of activities 2.4.7 and 2.4.8, have been integrated in this activity

4.2.6 Improving the existing legal framework in order to optimize the organization of internal audit and IA reporting	Q4 2023	Ministry of Finance-CHU	Implementation is in progress.	Harmonization of positions, obtaining opinions from relevant stakeholders and adoption of amendments to the Rulebook on IA		Adapting to a new way of working - Preparation and introduction of new procedures			3600*	2
4.2.7 Unification of management and documentation of internal audit engagements and recording and monitoring of the status of internal audit findings and recommendations through the application of software (connection with measure 4.3.2)	Q4 2025	Ministry of Finance-CHU	The implementation of the activity has not yet commenced						-	
Measure 4.3: Increased monitoring of Public Internal Financial Control (PIFC)										
Institution responsible for implementation (coordination of implementation) of the measure: Ministry of Finance - Sector - Central Harmonization Unit										
Implementation period: 2021-2025						Measure type: Institutional management organizational				
Indicator(s) at measure level (outcome indicator)	Unit of measure	Source of verification	Initial value	Target value for 2021	Target value for 2022	Achieved value	Reasons behind the deviation			
Functional IT system for IC	Yes/No	Consolidated annual report	No	No	No	No	The outcome indicator did not have a target value			
Name of the Activity:	Deadline for completing the activity	Institution responsible for implementation	Progress achieved	Challenges and next steps		Risk analysis	Budget			
									2023	

4.3.1 Full implementation of electronic reporting through the application (functional application, trainings, obligation through regulations, connection with measure 4.1.5)	Q4 2025	Ministry of Finance-CHU	Implementation is in progress	Improving the reporting application with new functionalities.			Due to the donor's policy, the spending of the funds is not known		600	
4.3.2 Establishment of a single information system for internal control in the public sector (Procurement and implementation of software for managing and documenting internal audit engagements and recording and monitoring the status of internal audit findings and recommendations, recommendations from external quality assessment of internal audit, recommendations from FMC system quality review at PFBs and recommendations from Consolidated Annual Report, database of internal auditors, automation of CHU work, links to the registers of other institutions, database of trainees, database of Analytical units and contact persons for FMC, etc. with the possibility of defining additional modules after the system analysis)	Q4 2025	Ministry of Finance-CHU							36000*	
Measure 4.4: Modernization of the training system in the field of PIFC										
Institution responsible for implementation (coordination of implementation) of the measure: Ministry of Finance - Sector - Central Harmonization Unit										

Implementation period: 2021-2022					Measure type: Institutional management organizational				
Indicator(s) at measure level (outcome indicator)	Unit of measure	Source of verification	Initial value	Target value for 2021	Target value for 2022	Achieved value	Reasons behind the deviation		
Number of participants in trainings in the field of internal controls, organized by NAPA	Number of participants	NAPA reports on the conducted trainings	0	50	200	294	The outcome indicator has been achieved.		
Percentage of certified internal auditors who collected the required number of points during the continuous professional development	Percentage (%)	Consolidated annual report	58.1%	/	/	/	The outcome indicator did not have a target value in 2022		
Percentage of certified internal auditors in priority PFBs ⁴⁸	Percentage (%)	Consolidated annual report	80%	/	/	/	The outcome indicator did not have a target value in 2022		
Name of the Activity:	Deadline for completing the activity	Institution responsible for implementation	Progress achieved	Challenges and next steps		Risk analysis		Budget	
4.4.1 Development of a detailed joint implementation plan, with proposed amendments to regulations, relevant materials and procedures to support the transfer of trainings	Q4 2022	Ministry of Finance-CHU	Implementation is in progress. Preparatory activities with the KPMG Project have begun.	Due to the delay in the administrative procedure for approval and the COVID-19 pandemic, there was a delay in respect of the commencement of the activity.		Adapting to a new way of working			-
4.4.2 Preparation, development and implementation of an improved certification process for internal auditors	Q4 2025	Ministry of Finance-CHU	Implementation is in progress.	Adoption of amendments to regulations		Adapting to a new way of working			360*
4.4.3 Modernization of trainings and training	Q4 2025	Ministry of Finance-	Implementation is in	Training materials intended for managers at PFBs and FMC and IA coordinators		Insufficient HR capacities for the			1,

⁴⁸ Ministries, Organizations for Compulsory Social Insurance, PEs at the central level performing activities of public interest and operating in accordance with the Law on PEs with more than the prescribed number of employees to form a unit for IA, AP and cities

materials in the field of PIFC (expansion of the e-learning modules)		CHU	progress.	have been developed	Preparation of a new basic training concept. Modernization of modules.	preparation of new trainings	
4.4.4 Preparation and implementation of trainings for internal auditors through the Programme for Continuous Professional Development of Internal Auditors in the Public Sector Connection with measure 4.2.2	Q4 2025	Ministry of Finance-CHU	Implementation is in progress.	Trainings are conducted continuously.	The Programme for Continuous Professional Development of Internal Auditors in the Public Sector has been prepared, and accordingly, trainings are being prepared in the upcoming period.		

SPECIFIC OBJECTIVE V: IMPROVED ACCOUNTING IN THE PUBLIC SECTOR BY APPLYING INTERNATIONAL PUBLIC SECTOR ACCOUNTING STANDARDS (IPSAS)

Indicator(s) at the level of the Specific Objective (outcome indicator)	Unit of measure	Source of verification	Initial value	Target value for 2022	Achieved value	Reasons behind the deviation
Financial report prepared and presented to the Ministry of Finance of the Republic of Serbia in accordance with IPSAS requirements for cash basis	number	Treasury Administration website	0	0	0	The outcome indicator is not planned for implementation in 2022

Measure 5.1: Analysis of the current situation in public sector accounting and development and implementation of the Plan for Improving Public Sector Accounting

Institution responsible for implementation (coordination of implementation) of the measure: Ministry of Finance - Treasury Administration

Implementation period: 2021-2022 *Measure type: Institutional management organizational*

Indicator(s) at measure level (outcome indicator)	Unit of measure	Source of verification	Initial value	Target value for 2022	Achieved value	Reasons behind the deviation
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The Plan for Improving Public Sector Accounting was adopted	number	Treasury Administration website	0	1	1	Although the indicator at the level of the measure was planned for 2022, it was achieved before the planned deadline (2021).
Name of the Activity:	Deadline for completing the activity	Institution responsible for implementation	Progress achieved	Challenges and next steps	Risk analysis	Budget
5.1.1 Drafting the Public Sector Accounting Improvement Plan, in stages	Q4 2021	Treasury Administration	<ul style="list-style-type: none"> Implemented A draft of the Public Sector Accounting Improvement Plan was prepared	Successful implementation of the Plan	The activities provided for in the Plan are continuous and chronologically conditioned. Failure to implement the initial activities, which the Plan envisages, would cause difficulties in the later stages of the Plan's implementation.	
5.1.2 Preparatory activities for the establishment of the Commission for Application of International Public Sector Accounting Standards	Q4 2021	Treasury Administration	<ul style="list-style-type: none"> Implemented Commission established	Continuous work of the established Commission on the performance of tasks defined under Article 75a of the Budget System Law.	<p>Failure to establish the continuity of the Commission's work would lead to breaking the deadlines defined under the Action Plan for PFM RP 2021-2025.</p> <p>The establishment of inadequate communication in the system of information and submission of proposals regarding the work of the Commission would make it impossible to implement the</p>	Budget funds in the amount of RSD 5,906,250.

					following activities.	
5.1.3 Activities for the purpose of concluding the Contract on Translation and Implementation of IPSAS with the Serbian Association of Accountants and Auditors (a member of IFAC)	Q4 2021	Treasury Administration	<ul style="list-style-type: none"> • Implemented Cooperation with the Serbian Association of Accountants and Auditors initiated. 	Continuation of cooperation with the Association.	The failure to reach an agreement on further cooperation and the failure to sign the Contract on Translation of IPSAS makes it impossible to implement the Decree on the Application of International Public Sector Accounting Standards	
5.1.4 Implementation of the Contract from activity 5.1.3 in order to enable the implementation of the Decree on the Application of International Public Sector Accounting Standards	Q4 2022	Treasury Administration	The activity was not implemented within the stipulated period, but its implementation is in progress.	<p>Failure to reach an agreement and termination of cooperation with the Association.</p> <p>Improvement of cooperation in order to reach an agreement on signing the Contract on Translation of IPSAS.</p>	Absence of translation or obtaining an inadequate translation of IPSAS.	

<i>Measure 5.2: Improving the professional competencies of accountants in the public sector through adequate trainings</i>						
<i>Institution responsible for implementation (coordination of implementation) of the measure: Ministry of Finance - Treasury Administration</i>						
<i>Implementation period: 2021-2025</i>					<i>Measure type: Institutional management organizational</i>	
Indicator(s) at measure level (outcome indicator)	Unit of measure	Source of verification	Initial value	Target value for 2022	Achieved value	Reasons behind the deviation
The share of employed accountants in the public sector who underwent the training “Improving of public sector accounting”	Percentage (%)	Report on the implementation of the training programme	69	100	100	The outcome indicator has been achieved
Name of the Activity:	Deadline for completing the activity	Institution responsible for implementation	Progress achieved	Challenges and next steps	Risk analysis	Budget
5.2.1 Conducting trainings in order to improve the professional competencies of accountants in the public sector	Q4 2022	Treasury Administration	<ul style="list-style-type: none"> Implemented Training was held in order to familiarize accountants with the advantages of the accounting system and reporting according to IPSAS.	.		Donor funds
5.2.2 Preparatory activities for the introduction of certification for the profession of accountant in the public sector	Q4 2024	Treasury Administration	Activity is in progress. The preparatory activities for the introduction of certification were discussed at the Commission, and will continue during 2023	Acquiring the knowledge required for the application of IPSAS, i.e. the strengthening HR capacities in the field of accounting requires certification, continuous education and licensing of professional qualifications.	Failure to reach an agreement on the method of certification implementation	

5.2.3 Certification of 200 accountants in the public sector	Q4 2025	Ministry of Finance	Activity has not been implemented. Implementation was not planned for 2022	By the end of 2025, the plan is to certify approximately 200 accountants in the public sector, with defined and clear criteria for the selection of the specified number of accountants.	Failure to conduct certification in the planned period.	
<i>Measure 5.3: Improving the coverage of accounting data through the application of International Public Sector Accounting Standards</i>						
<i>Institution responsible for implementation (coordination of implementation) of the measure: Ministry of Finance - Treasury Administration</i>						
<i>Implementation period: 2021-2024</i>				<i>Measure type: Institutional management organizational</i>		
Indicator(s) at measure level (outcome indicator)	Unit of measure	Source of verification	Initial value	Target value for 2022	Achieved value	Reasons behind the deviation
Draft financial report prepared in accordance with Cash-Basis IPSAS submitted to the Government of the Republic of Serbia	number	Ministry of Finance	/	/	/	The outcome indicator is not planned for implementation in 2022
Name of the Activity:	Deadline for completing the activity	Institution responsible for implementation	Progress achieved	Challenges and next steps	Risk analysis	Budget
5.3.1 Amendments to relevant national legislation for its mutual harmonization and harmonization with the IPSAS requirements for cash basis and ESA 2010	Q2 2022	Treasury Administration	The Decree on the Application of International Public Sector Accounting Standards was adopted. Draft Amendments to the Rulebook on the Method of Preparation, Compilation and Submission of Financial Reports for Compulsory Social Insurance and Budget Funds has been	Breaking the deadline for the adoption of proposed amendments to the Rulebook. Adoption of the Rulebook.	Failure to adopt the proposed amendments to the Rulebook	

			prepared.			
5.3.2 Adoption of Accounting Policy for Financial Reporting in accordance with Cash-Based IPSAS	Q2 2022	Treasury Administration	Implementation of the activity is in progress. The Draft Rulebook on Accounting Policies for Financial Reporting in Accordance with the Cash-Based IPSAS Rules has been prepared.	Breaking the deadline for the adoption of the Rulebook. Adoption of the Rulebook.	Failure to adopt the Rulebook	
5.3.3 Preparation of Cash-Based Financial Report in accordance with IPSAS	Q2 2024	Treasury Administration	Activity has not been implemented. Implementation was not planned for 2022	Provided translation and application of IPSAS, sufficient number of competent personnel in financial services, as well as the best IT solutions shall significantly contribute to the improvement of accounting records and financial reporting.	Non-compliance of national legislation with IPSAS requirements for cash basis.	

SPECIFIC OBJECTIVE VI: STRENGTHENING EXTERNAL SUPERVISION OVER PUBLIC FINANCES

Indicator(s) at the level of the Specific Objective (outcome indicator)	Unit of measure	Source of verification	Initial value	Target value for 2022	Achieved value	Reasons behind the deviation
Number of reviewed audit reports	number	Committee reports/Minutes from Committee sittings	194	215	145	The outcome indicator was not achieved

Measure 6.1: Improving the scope, quality and impact of external audits (in accordance with the Strategic Plan of State Audit Institution (SAI))

Institution responsible for implementation (coordination of implementation) of the measure: State Audit Institution

Implementation period: 2021-2025 *Measure type: Institutional management organizational*

Indicator(s) at measure level (outcome indicator)	Unit of measure	Source of verification	Initial value	Target value for 2022	Achieved value	Reasons behind the deviation
Number of audit reports	number	Report on the work of SAI	254	270	284	The outcome indicator has been achieved. The achieved value is better than the target value.

Number of employees	Number	Report on the work of SAI	331	374	329	The outcome indicator was not achieved
Number of the following areas covered by audits of expediency of operations: social welfare, general public services, defence, public law and order, economic affairs, environmental protection, housing and community affairs, healthcare, recreation, sports, culture and religion, education.	number	Report on the work of SAI	7	8	10	The outcome indicator has been achieved. The achieved value is better than the target value
Number of reviews for quality control and quality assurance	number	Report on the work of SAI	20	28	29	The outcome indicator has been achieved. The achieved value is better than the target value
Share of audits of operations (regularity and expediency) in the annual SAI Audit Programme	Percentage (%)	Report on the work of SAI	40%	46%	63%	The outcome indicator has been achieved. The achieved value is better than the target value.
Name of the Activity:	Deadline for completing the activity	Institution responsible for implementation	Progress achieved	Challenges and next steps	Risk analysis	Budget
6.1.1 Further strengthening of external audit through continuous improvement of audit procedures	Q4 2025	SAI		Continue with the implementation of activities in accordance with the Strategic Plan of SAI for the period 2019-2023, as well as with the Audit Programme for 2023		-
6.1.2 Presentation of reports on performed audits to the competent Committee and Subcommittee to ensure the review of SAI findings and recommendations and to improve accountability and transparency in respect of public funds spending	Q4 2025	SAI		Continue with the implementation of activities in accordance with the Strategic Plan of SAI for the period 2019-2023, as well as in accordance with the activity plan coordinated with the competent Committee on Finance, State Budget and		-

				Control of Public Spending.		
<i>Measure 6.2: Ensuring efficient Parliamentary oversight of public finances</i>						
<i>Institution responsible for implementation (coordination of implementation) of the measure: National Assembly - Committee on Finance, State Budget and Control of Public Spending</i>						
<i>Implementation period: 2021-2025</i>				<i>Measure type: Institutional management organizational</i>		
Indicator(s) at measure level (outcome indicator)	Unit of measure	Source of verification	Initial value	Target value for 2022	Achieved value	Reasons behind the deviation
Review of the Annual SAI Work Report, with the adoption of the draft conclusion	number	Committee report/Minutes from Committee sitting	1	1	1	The outcome indicator has been achieved.
Holding a sitting/meeting of the Committee for Reviewing the Recommendations for Amendments to the Law, in the presence of SAI and the Ministry of Finance	number	Minutes from the sitting/meeting	1	1	1	The outcome indicator has been achieved.
Name of the Activity:	Deadline for completing the activity	Institution responsible for implementation	Progress achieved	Challenges and next steps	Risk analysis	Budget

6.2.1 Strengthening the control function of the National Assembly by organizing sittings/meetings of the Committee and Subcommittee for Review of SAI Audit Reports	Q4 2025	National Assembly - Committee on Finance, State Budget and Control of Public Spending - Subcommittee for Review of SAI Audit Reports	A sittings outside of the National Assembly seat has been held	Continuation with the implementation of the activity	Uncertainty regarding the time and schedule of holding such sittings	2,000,000.00
6.2.2 Hiring experts on “as needed” basis in order to better review the actions of entities in accordance with the conclusions, findings and recommendations contained in the SAI audit reports	Q4 2025	National Assembly - Committee on Finance, State Budget and Control of Public Spending - Subcommittee for Review of SAI Audit Reports	There was no need to hire an expert	There was no need to hire an expert		
6.2.3 Organizing a public hearing on the occasion of the presentation of the Budget Bill and the Bill on Final Account of the Budget	Q4 2025	National Assembly - Committee on Finance, State Budget and Control of Public Spending	Activity has been implemented	Continuation with the practice of organizing public hearings on the occasion of the presentation of the Budget Bill and the Bill on Final Account of the Budget	The impossibility of organizing a public hearing can be expected in a situation in which the Government of the Republic of Serbia would refer the aforementioned Draft Bills to the parliamentary procedure, with the proposal that they be reviewed as urgent.	220,000.00

