OPERATION “IMPROVING PUBLIC FINANCIAL MANAGEMENT FOR THE GREEN TRANSITION” (2023–2027)

Green Transition – Serbia’s Path Toward Sustainable Development

The green transition, through efficient and transparent public finance management, delivers lasting benefits for citizens, institutions, and society as a whole.

More efficient use of public funds, improved environmental protection, and alignment with European Union standards.

Context

The green transition represents a priority development direction of the Republic of Serbia, in line with national planning documents and the process of accession to the European Union. Strengthening public finance management in support of the green transition enables more efficient planning and use of public funds, the introduction of green criteria in decision-making, as well as sustainable resource management.

The effects of the Operation stem from a broader public finance reform process aimed at modernization, transparency, and climate responsibility. By supporting projects that enhance energy efficiency, environmental protection, and resilience to climate risks, it delivers lasting benefits for citizens, institutions, and society as a whole.

The Operation and Institutional Framework

The Operation “Improving Public Financial Management for the Green Transition” is implemented by the Government of the Republic of Serbia in cooperation with the World Bank through the International Bank for Reconstruction and Development (IBRD) and the French Development Agency (AFD), for the period 2023–2027.

The Operation is financed through an IBRD loan and an AFD credit, with a total value of EUR 138.6 million.

It consists of two main components:

- one provides budget support through the achievement of clearly defined results, and
- the other ensures technical assistance to institutions for the successful implementation of reforms and program objectives.

Implementation takes place within the existing institutional competencies.

It involves the participation of:

✓ Ministry of Finance (with divided roles as beneficiary, supervisory body, and overall coordinator),
✓Ministry of Environmental Protection,
✓Public Procurement Office,
✓Republic Secretariat for Public Policy,
✓Republic Property Directorate of the Republic of Serbia,
✓as well as other competent institutions, in accordance with responsibilities under the components of the Operation.

Two working bodies have been established:

1. **Steering Committee for Monitoring the Implementation of the Operation,** and
2. **Technical Working Group,** responsible for operational implementation.

Objectives of the Operation

The primary objective is to enhance key green and climate-related elements within the public finance management system.

Progress is monitored through **eight key reform indicators**:

1. Integration of green aspects into public policy documents.
2. Tagging (recording) of green budget items.
3. Improvement of public investment and public asset management.
4. Increase in the share of investment directed toward environmental protection and climate change response.
5. Application of green public procurement.
6. Strengthening fiscal transparency and program budgeting with gender-disaggregated data.
7. Improvement of the fiscal risk monitoring system.
8. Development of a system for monitoring, reporting, and verification (MRV) of greenhouse gas emissions.

Public and Stakeholder Engagement

Public engagement is carried out in accordance with the World Bank environmental and social protection standards. These standards require that the public be informed in a timely manner and provided with opportunities to ask questions and submit suggestions.

- **World Bank Environmental and Social Framework (ESF) –** sets the rules and guidelines on how World Bank–financed projects must protect the environment and human rights.
- **Standard ESS10 – Stakeholder Engagement –** ensures that citizens, organizations, and all those affected by the project have the opportunity to participate and express their views.
- **Stakeholder Engagement Plan (SEP) –** a specific document that describes how citizens and organizations will be informed and engaged throughout project implementation.

Grievance Redress Mechanism (GRM) within the Operation

To ensure two-way communication, a Grievance Redress Mechanism has been established within the Operation. It allows all stakeholders to submit comments, suggestions, or complaints related to the implementation of the Operation.

This mechanism provides a transparent, accessible, and timely means of communication with the public and stakeholders within the Operation:

E-mail: zalbe.pfmgt@mfin.gov.rs

All remarks and suggestions are recorded, reviewed, and evaluated by the competent institutions, with the obligation to provide a response within a reasonable timeframe.

Key Effects of the Operation

The Operation delivers lasting benefits for citizens, institutions, and society by advancing modernization, transparency, and climate responsibility within public finance management.

- **More efficient resource management** – through improved program budgeting and multi-year planning, public funds are directed toward priority areas with the greatest impact on citizens' quality of life (energy, healthcare, transport, and environmental protection).
- **Strategic investment and risk management** – new mechanisms for assessing public investments and fiscal risks ensure stable public finances and more responsible management of capital projects.
- **Digitalization of financial flows** – by improving electronic systems for budget planning and execution, upgrading the public procurement portal, and modernizing IT solutions in the public finance management system, the state increases efficiency and reduces spaces for misuse.
- **Support for the green transition** – funding is directed toward projects that reduce emissions, promote energy efficiency, and strengthen resilience to climate risks.
- **Transparency and accountability** – the public gains better insight into how public money is spent. Citizens' budgets, performance reports, e-portals, and digital databases make public finances more accessible and easier to understand.
- **Dialogue with civil society organizations and international partners** – continuous engagement with organizations and international institutions ensures transparency and alignment with European standards.

Achieved Results

✓ **Green Budget introduced**, providing a clear overview of green projects.

✓ **Expanded application of green public procurement**, accompanied by training for government authorities.

✓ **A fully digitalized system for monitoring, reporting, and verification of greenhouse gas emissions established**, where all applications are submitted exclusively electronically, and all communication and document exchange between operators, the Environmental Protection Agency, and the Ministry is conducted entirely in digital form through the **eGHG platform**.

✓**The Fiscal Strategy now includes, for the first time, an analysis of natural disaster risks.**

How You Can Contribute

The Budget Portal – a tool for all citizens

The Ministry of Finance has launched the Budget Portal, a new online platform that enables citizens to actively participate in the budget process. The portal provides:

- clear and visually accessible budget data,
- tools for easier understanding of public finance,
- an option to submit proposals and suggestions for the next budget cycle,
- an AI-powered budget assistant that answers questions and explains budget terminology.

The Budget Portal is an important step toward open governance and dialogue with citizens.

Budget Portal: https://budzet.mfin.gov.rs/sr-cir/

Conclusion

The Operation represents an important step in strengthening the public finance management system, introducing green criteria into budget and investment processes, and increasing transparency. Its impact is reflected in more efficient use of public funds, alignment with European standards, and the gradual development of a sustainable growth model.

https://www.mfin.gov.rs/

More Information

Detailed information is available on the official website of the Ministry of Finance:

https://www.mfin.gov.rs/dokumenti2/operacija-unapreenje-upravljanja-javnim-finansijama-za-zelenu-tranziciju

The Ministry of Finance website provides accessibility features for persons with disabilities, including the "Read to Me" text-to-speech option.