

Action Plan for the implementation of the Revised Public Financial Management Reform Programme 2016–2020 for the period from July 2019 to December 2020

The vision:

‘Serbia manages its public finances in a way that ensures fiscal and macroeconomic stability, effective funding of national policy priorities, transparency of public finances, and efficient control over public spending.’

The overall objective:

‘The overall objective of the Public Financial Management Reform Programme is to achieve a sustainable budget with reduced public debt relative to GDP through better financial management and control, as well as an improved audit process and better linking of budget planning to Government policies.’

PILLAR I: PUBLIC EXPENDITURE PLANNING AND BUDGETING						
Specific objective 1			Strengthened mid-term budget planning system and capacities			
Outcome indicator			Baseline value	2019	2020	
Percentage of programme performance reports produced in accordance with the methodology and submitted to the Ministry of Finance			60%	72%	85%	
Measure	Activity	Implementation deadline	Lead institution	Partner institutions	Additional costs required	
					Budget	External support
1.1. Further implementation of multi-annual programme budgeting at all government levels — Institutional managerial and organisational measure	1.1.1. Improving the IT system/developing new modules for monitoring and reporting on the performance of budget programmes	Q4 2020	Budget Department		RSD 4,561,627	

	1.1.2 Training on budget preparation and performance reporting	Q4 2020			RSD 321,300	
	1.1.3. Development of medium-term plans in accordance with the RS Planning System Law and the Decree on the methodology for the preparation of medium-term plans	Q4 2020	Ministry of Finance	PA		
1.2. Improving public investment planning — Institutional managerial and organisational measure	1.2.1. Alignment of the Capital Projects Decree and the legislative framework with the new methodology	Q4 2019	Ministry of Finance		0	
	1.2.2. Preparing and setting up PIMIS (the new Information System that will help manage public investment)	Q3 2020	Fiscal Risk Monitoring Department		RSD 102,000,000	
	1.2.3. Capacity strengthening within the Ministry of Finance in order to implement the new public investment management methodology	Q3 2020			0	

PILLAR II: EFFICIENT AND EFFECTIVE BUDGET EXECUTION						
Specific objective 2		Maintaining sufficient liquidity with a view to achieving effective management of public funds through balanced revenue collection, efficient public procurement, and adequate debt management				
Outcome indicator		Baseline value	2019	2020		
Actual revenues and expenditures of the general government budget annually are in the range of 5% of those projected in the Fiscal Strategy		In the range of 5% of those projected in the Fiscal Strategy				
Measure/Indicator	Activity	Implementation deadline	Lead institution	Partner institutions	Additional costs required	
					Budget	External support
2.1. Effective revenue collection/Growth in tax revenue collection (107.4 ¹ for 2018, 110.7 for 2019, and 111.8 for 2020) — Institutional managerial and organisational measure	2.1.1. Strengthening the strategic management and primary functions of the Tax Administration, improving the organisational structure and business processes, improving services to taxpayers	Q4 2020	Tax Administration		RSD 44,802,991	
	2.1.2. Improving and simplifying the key functions processes: control, payment, tax police	Q4 2020	Tax Administration		RSD 43,000,000	
	2.1.3. Establishing the Tax Administration's new organisational structure with separate	Q3 2019	Tax Administration		RSD 226,000,000	

¹ The baseline value for 2018 is calculated as a collection growth index compared with 2017 and amounts to 107.4; below is the shown collection growth index compared with 2017

2.1. Efficient revenue collection/Increasing revenue collection (collected by the Customs Administration) as a % of GDP (11.17 in 2017, 11.27 in 2019, to be determined subsequently for 2020) — Institutional managerial and organisational measure	primary and secondary activities					
	2.1.4. Automatic exchange of information with third parties aimed at improving risk analysis through simpler data analysis	Q4 2020	Tax Administration			EUR 159,091 (funds not secured)
	2.1.5. Establishing the information and communication system related to EU integration (Chapter 16)	Q4 2020	Tax Administration			To be determined
	2.1.6. Improving the process for bank guarantees/securing customs debt	Q4 2020	Customs Administration	Association of Serbian Banks		EUR 78,430 (funds not secured)
	2.1.7. Implementation of the ERIAN system	Q4 2020	Customs Administration			EUR 78,430 (funds not secured)
	2.1.8. Improving anti-corruption measures	Q4 2020	Customs Administration			To be determined
	2.1.9. Customs Laboratory modernisation	Q4 2020	Customs Administration			EUR 138,050 (funds not secured)
	2.1.10. Strengthening the Customs Administration's capacities for proper calculating, accounting, collection, and payment for EU traditional own resources	Q4 2020	Customs Administration	Ministry of Finance		EUR 117,810 EUR 78,430 (funds not secured)

2.1. Efficient revenue collection — Institutional managerial and organisational measure	2.1.11. Establishing a uniform system of registers that will integrate all registers and records in order to improve the efficiency of the services provided by the Tobacco Administration	Q4 2020	Tobacco Administration	Tax Administration Customs Administration Serbian Business Registers Agency Ministry of Agriculture, Forestry and Water Management Ministry of Trade, Tourism, and Telecommunications Ministry of Interior Ministry of Health	RSD 4,900,000	EUR 124,274
	2.1.12. Strengthening the Tobacco Administration's HR capacities and those of other partner institutions	Q4 2020	Tobacco Administration	Tax Administration Customs Administration Serbian Business Registers Agency Ministry of Agriculture, Forestry and Water Management; Ministry of Trade, Tourism, and Telecommunications Ministry of Interior Ministry of Health	RSD 417,333	EUR 8,183
	2.1.13. Increasing digital awareness among companies in the tobacco industry	Q4 2020	Tobacco Administration		RSD 181,118	
2.2. Effective public debt management/Annual	2.2.1. Strengthening the medium-term debt management strategy	Q2 2020	Public Debt Administration	World Bank		EUR 95,000

public debt servicing costs (interest payments) as a % of GDP (baseline value 2.7; for 2019 — 2.2; for 2020 — 2.1) — Regulatory/institutional managerial and organisational measure	through cost risk analysis					
	2.2.2. Introducing the Primary Dealer system and further development of the domestic bond market	Q2 2020	Public Debt Administration	World Bank		EUR 80,000
	2.2.3. Developing IT systems — business intelligence tools and the second stage of development of IT tools for risk analysis	Q3 2020	Public Debt Administration	World Bank		EUR 80,000
	2.2.4. Risk management and control using derivatives	Q3 2020	Public Debt Administration	World Bank		EUR 45,000
2.3. Improved public procurement system/Shortening of average number of days for the procurement procedure (baseline value 65 ² ; for 2018 — -65, for 2020 — -61) — Regulatory measure	2.3.1. Adoption of secondary legislation that result from the new Public Procurement Law in accordance with EU directives	Q4 2020	Public Procurement Office			EUR 88,037
	2.3.2. Preparation and publication of standardised formats for publishing public procurement notices	Q4 2020	Public Procurement Office			EUR 24,661
	2.3.3. Preparation and publication of standardised models of tender documentation	Q4 2020	Public Procurement Office			EUR 17,719
	2.3.4. Preparation and publication of	Q3 2019	Public Procurement Office			EUR 12,979

² According to the annual public procurement report for the first six months of 2018, the average duration of open-ended procurement procedures is 62 days.

	Framework Agreements (3 procurement subjects)					
	2.3.5. Preparation and adoption of the Public Procurement System Development Strategy 2019–2023	Q4 2019	Public Procurement Office	Stakeholders within state administration Non-governmental organisations		EUR 49,376
	2.3.6. Preparation and adoption of the Guidelines for improving green public procurement	Q4 2019	Public Procurement Office			EUR 9,479

PILLAR III: EFFECTIVE FINANCIAL CONTROL	
Specific objective 3	Improved financial management and control and internal audit systems in accordance with international standards and principles³ with a view to supporting the EU accession process
Specific objective 4	Effective financial control of EU funds with a view to meeting the criteria of full EU membership
Specific objective 5	Effective financial control of the Republic of Serbia’s budget

³ INTOSAI for IA and COSO for FMC

Outcome indicator		Baseline value	2019	2020		
Increased number of reviews of the quality of performance in financial management and control and internal audit organised by the CHU		6 for internal audit+0 for financial management and control	10 for internal audit+2 for financial management and control	12 for internal audit+3 for financial management and control		
Number of Management Declarations confirmed		12	16	17		
Number of EC audit findings compared with number of implemented audit recommendations		5	6	4		
Increase of number of completed inspection controls		25	+5%	+5%		
Measure/Indicator	Activity	Implementation deadline	Lead institution	Partner institutions	Additional costs required	
					Budget	External support
3.1. Improved implementation of financial management and control and further development of the internal audit function in accordance with international	3.1.1. Introducing quality control in financial management and improving the reviewing of the quality of internal audit of public funds beneficiaries	Q4 2020	Central Harmonization Unit		0	0
	3.1.2. Preparing irregularity management guidelines for all public funds beneficiaries that would enable them to create their own irregularity management procedures	Q4 2020	Central Harmonization Unit		0	0
	3.1.3. Improving the quality of the consolidated Annual	Q3 2019	Central Harmonization Unit	State Audit Institution	0	0 ⁴

⁴ Activities will be delivered within existing capacities and resources

standards and principles	Report, taking into consideration SAI reports and recommendations on internal audit and financial management and control					
3.2. Strengthened legislative framework for establishing the basis for building the Office's institutional and administrative capacities that enable effective audit of the EU funds control system/ <i>Current number of employees/required number of employees to carry out tasks in line with the scope of work analysis</i>	3.2.1. Strengthening the legislative framework for the reinstitutionalisation of the Office — adopting and implementing the new legal basis	Q4 2020	Governmental Audit Office of EU Funds, Ministry of European Integration	Ministry of Finance Ministry of State Administration and Local Self-Government; Ministry of Justice Republic Secretariat for Legislation Public Policy Secretariat State Audit Institution	RSD 30,800,000	EUR 59,680
	3.2.2. Developing a staff retention policy to secure that the Office has adequate and stable administrative capacities	Q4 2020	HR Management Service	Governmental Audit Office of EU Funds Ministry of Finance		EUR 9,000

3.3. Developed mechanism and strengthened capacities for recovery of funds aimed at protecting the EU's financial interests / Amount of recovered funds over a given period / amount of funds due for recovery in the same period * 100 — Institutional managerial and organisational measure	3.3.1. Comprehensive analysis of the area of funds recovery (including the legislative and institutional frameworks), identifying deficiencies, proposing improvements, and best practices and testing best practice models and applying models through hands-on training	Q4 2020	EU Funds Management Department		EUR 78,750
	3.3.2. Increasing the capacities of structures responsible for EU funds for managing irregularities through advanced training	Q4 2020	EU Funds Management Department		EUR 30,000
	3.3.3. Development of methodology for managing risks of irregularities and fraud	Q4 2019	Anti-Fraud Coordination Service for combating irregularities and fraud in dealing with EU funds (AFCOS)		EUR 25,500
		Q3 2019	Budget Inspection		EUR 21,900

3.4. Strengthened institutional capacities of the budget inspection for the protection of the Republic of Serbia's financial interests / % increase in trained budget inspectors (b.v. 40%, c.v. 2019 60%, c.v. 2020 80%) — Institutional managerial and organisational measure	3.4.1. Development of the Budget Inspection Methodology					
	3.4.2. Development of the Training Programme for budget inspectors	Q3 2019	Budget Inspection			EUR 5,000
	3.4.3. Conducting training in accordance with the Training Programme	Q4 2019	Budget Inspection			EUR 3,850
	3.4.4. Preparation and adoption of the Planning Document and accompanying Action Plan for the Development of the Budget Inspection for the period 2020–2025	Q1 2020	Budget Inspection	Planning Document Development Working Group		EUR 12,600

PILLAR IV: PUBLIC SECTOR ACCOUNTING						
Specific objective 6		Improved existing accounting capacities in the public sector				
Outcome indicator		Baseline value	2019	2020		
Share of public sector accountants involved in the certification programme ⁵		8%	38%	69%		
Measure	Activity	Deadline	Lead institution	Partner institution	Additional costs required	
					Budget	External support
4. Strengthened accounting capacities through certification, training, and additional analysis — Institutional managerial and organisational measure	4.1.1. Comparative analysis with countries in the region that have already transitioned to accrual accounting, as well as analysis of options, risks, costs, etc. (cost-benefit analysis) pertaining to the reform of the accounting system and the application of international accounting standards for the public sector in the Republic of Serbia	Q4 2020	Treasury Administration			RSD 20,000,000

⁵ According to the territorial and institutional principles, 200 accountants were selected from the total number of public sector accountants for recruitment in the training programme

	4.1.2. Implementing training courses in order to continue to develop capacities in the accounting sector	Q4 2020	Treasury Administration			EUR 120,000
	4.1.3. Certification of public sector accountants	Q4 2020	Treasury Administration			EUR 219,000

PILLAR V: EXTERNAL CONTROL OF PUBLIC FINANCES						
Specific objective 7			Improved management of public funds in a responsible, cost-effective, efficient, effective, and transparent manner			
Outcome indicator			Baseline value	2019	2020	
Share of the SAI's audit recommendations adopted by audited entities			73% ⁶	74%	75%	
Measure/Indicator	Activity	Implementati on deadline	Lead institution	Partner institutions	Additional costs required	
					Budget	External support
5.1. Improving the scope and quality of external audits / Increasing performance audits (baseline value 2018)	5.1.1. Strengthening external audit through continuous improvement of auditing and HR management processes	Q4 2020	State Audit Institution		0	EUR395,796 (EUR 98,048; funds not secured)

⁶ The baseline value for the performance indicator was taken from the 2018 State Audit Institution's Performance Report and pertains to the percentage of recommendations presented to audited entities in 2017 that were implemented in 2018

<p>— 60; 2019 — 67; 2020 — 70) — Institutional managerial and organisational Measure</p>	<p>5.1.2. Introducing the Audit Management System (AMS)</p>	<p>Q4 2020</p>	<p>State Audit Institution</p>	<p>Audited entities National Assembly</p>	<p>RSD 33,200,000</p>	<p>EUR 479,375</p>
<p>5.2. Ensured robust parliamentary oversight of public finances / <i>Number of sessions outside the headquarters of the Assembly Committee/Subcommittee to deliberate over reports of the SAI's published audits (baseline value 2017 — 1; 2018 — 2; 2019 — 3; 2020 — 4)</i>⁷ — Institutional</p>	<p>5.2.1. Strengthening the control function of the National Assembly by organising meetings of the Committee and the Subcommittee on Finance, State Budget and Public Spending Control in the form of a session on deliberating over the Report on the SAI's completed audits at the central and local government levels</p>	<p>Q4 2020</p>	<p>National Assembly Members of the Committee/Subcommittee</p>	<p>State Audit Institution</p>	<p>0</p>	<p>EUR 2,500⁸</p>

⁷ The baseline value is 2017 because that was the year when the Guidelines for reviewing the SAI's reports were adopted.

⁸ Approximate amount to date that has been project-funded so far

managerial and organisational measure	5.2.2. Establishing the expert group to train members of the Committee/Subcommittee aimed at better understanding the SAI's audit reports	Q4 2020	National Assembly (Committee/Subcommittee) members	Faculty of Economics professors, Governmental Audit Office of EU Funds, Chamber of Authorized Auditors, Serbian Association of Internal Auditors, SIGMA, GIZ, Delegation of the European Union	0	0
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