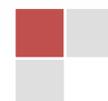


Annual Report on
Implementation of the Public
Financial Management Reform
Program 2016 – 2020. for the
period from December 2015. to
December 2016.

Ministry of Finance

March 2017



CONTENTS:

INTRODUCTION.....	5
II METHODOLOGY FOR REPORTS PREPARATION.....	6
III CONNECTION WITH STRATEGIC DOCUMENTS	7
IV COORDINATION MECHANISM FOR PROGRAM IMPLEMENTATION	10
V PROGRAM FINANCING	12
VI IMPLEMENTATION OF THE PROGRAM ACTION PLAN.....	13
Report for the period December 2015 – June 2016	13
Report for the period December 2015 – December 2016	14
PILLAR I – SUSTAINABLE MEDIUM-TERM MACRO-FISCAL AND BUDGETARY FRAMEWORK	15
Measure 1 – TO IMPROVE THE CREDIBILITY OF MACROECONOMIC FORECASTING	15
PILLAR II – PLANNING AND BUDGETING OF PUBLIC EXPENDITURES.....	18
Measure 3 – TO FURTHER IMPLEMENT MULTI-ANNUAL PROGRAM BUDGETING ACROSS ALL LEVELS OF GOVERNMENT	18
Measure 4 – TO IMPROVE PUBLIC INVESTMENT PLANNING	19
Measure 5 – TO IMPROVE BUDGET PLANNING	20
Measure 6 – TO IMPROVE OPERATIONAL CAPACITIES FOR PUBLIC INVESTMENT COORDINATION AND BUDGET PLANNING	22
PIILLAR III – EFFICIENT AND EFFECTIVE BUDGET EXECUTION.....	24
Measure 7 – TO IMPROVE REVENUE COLLECTION	24
Measure 9 – TO IMPROVE CAPACITIES FOR PUBLIC DEBT MANAGEMENT	30
Measure 10 – TO IMPROVE PUBLIC PROCUREMENT LEGISLATION AND PROCEDURES	31
PILLAR IV EFFECTIVE FINANCIAL CONTROL	32

Measure 11 – TO IMPROVE STRATEGIC AND LEGISLATIVE FRAMEWORK FOR IMPLEMENTING OF PUBLIC INTERNAL FINANCIAL CONTROL	33
Measure 12 – TO ENHANCE THE IMPLEMENTATION OF FINANCIAL MANAGEMENT AND CONTROL	35
Measure 14 – TO FURTHER STRENGTH THE LEGISLATIVE FRAMEWORK, INSTITUTIONAL AND OPERATIONAL CAPACITIES OF AUDIT AUTHORITY OFFICE OF EU FUNDS	37
Measure 15 – TO IMPROVE IRREGULARITY MANAGEMENT, ANTIFRAUD COORDINATION AND COOPERATION AND PROTECTION OF FINANCIAL INTERESTS OF THE EUROPEAN UNION	38
PILLAR V – ACCOUNTING, MONITORING AND FINANCIAL REPORTING.....	39
Measure 16 – TO IMPROVE COVERAGE AND QUALITY OF BUDGET EXECUTION REPORTING	40
Measure 17 – MOVING GRADUALLY AND SYSTEMATICALLY TOWARDS ACCRUAL BASIS ACCOUNTING	41
PILLAR VI – EXTERNAL SCRUTINY OF PUBLIC FINANCES.....	42
Measure 18 – TO STRENGTHEN COVERAGE AND QUALITY OF EXTERNAL AUDITS	43
Measure 19 – TO STRENGTHEN PARLIAMENTARY SUPERVISION OVER PUBLIC FINANCES	45
VII CONCLUSION	46
VIII RECOMMENDATION FOR FURTHER WORK	49
ANNEX 1: TABLE OF IMPLEMENTATION OF THE ACTION PLAN.....	50

ACRONYMS AND ABBREVIATIONS

AFCOS	Anti-Fraud Coordination Service in dealing with EU Funds
BRA	Business Registers Agency
BSL	Budget System Law
CAAT	Computer Assisted Audit Tools
CHU	Central Harmonization Unit
DBB	Direct Budget Beneficiaries
EC	European Commission
ERP	Economic Reform Program
ESA	European System of National and Regional Accounts
EU	European Union
FAD	Fiscal Affairs Department (IMF)
FMC	Financial Management and Control
FMIS	Financial Management Information System
GAO	Governmental Audit Office of EU Funds
GFSM	Government Finance Statistics Manual
HRMS	Human Resource Management Service
IA	Internal Audit
IBB	Indirect Budget Beneficiaries
ICT	Information and Communications Technology
IMF	International Monetary Fund
IPSAS	International Public Sector Accounting Standards
ISSAI	International Standards of Supreme Audit Institutions
IV	Initializing Value
MA	Managerial Accountability
MEFP	Memorandum of Economic and Financial Policies
MTBF	Medium-Term Budgetary Framework
NCTS	New Computerized Transit System
NPAA	National Programme for the Adoption of the EU Acquis
OECD	Organization for Economic Co-operation and Development
OLAF	European Anti-Fraud Office
PAR	Public Administration Reform
PDA	Public Debt Administration
PE	Public Enterprise
PEFA	Public Expenditure and Financial Accountability
PEP	Pre-Accession Economic Program
PFM	Public Financial Management
PIFC	Public Internal Financial Control
PPO	Public Procurement Office
SAA	Stabilization and Association Agreement
SAI	State Audit Institution
SBA	Stand By Arrangement
SBS	Sector Budget Support
SIGMA	Support for Improvement in Governance and Management
SOE	State Owned Enterprises
TA	Tax Administration
UNDP	United Nations Development Program
USAID	US Agency for International Development
WB	World Bank

INTRODUCTION

Public Financial Management Reform Program 2016-2020 (hereinafter: Program) was adopted by the Government of the Republic of Serbia on 28 November, 2015, and was amended in December 2015¹. **The First Semi-Annual Report** on Program implementation included the period from December 2015 to June 2016, and was adopted by the Government on 3 November 2016². **The First Annual Report** on Program implementation will include key findings from the First Semi-Annual Report and will analyse in detail the results achieved in the second half of 2016. The purpose of this Report is to provide for the insight into the dynamics and quality of Program implementation, and the accent is put not only on the activities that have already been conducted, but also on the achieved results and their influence on improvement of public finances. Also, the Report will make a component of the documentation which is to be sent to the European Commission within the Tranche Release Request from the Sector Budget Support, keeping in mind that a successful Program implementation is one of the general pre-conditions for this type of support.

The aim of the Program is to provide a comprehensive framework for planning, coordinating, implementing and monitoring the progress in public financial reforms, in order to improve macroeconomic stability, to provide for efficient and effective use of public resources and to improve the quality of services delivered by the Serbian Public Administration, whilst at the same time improving transparency and overall functionality of the PFM and fulfilling the preconditions for EU accession.

Over the last decade, connection and order of reform activities implementation in various subsystems of Public Financial Management have not been harmonized, which resulted in uneven progress in several key areas. That is why the decision has been made to prepare a comprehensive Program, which will serve as a main guideline for enhancement of legal and institutional framework and Public Financial Management system in the period from 2016 to 2020, in compliance with EU and international standards.

The Program itself is based on the draft of PEFA Repeat Assessment 2015, SIGMA Financial Management Report for 2015 and IMF Fiscal Affairs Department (FAD) Report from March 2015, within the framework of the Memorandum of Economic and Financial Policies (MEFP), concluded within a stand-by arrangement (SBA) with IMF, the progress reports of the Republic of Serbia, issued by the European Commission, as well as the demands for the

¹ <http://www.mfin.gov.rs/UserFiles/File/dokumenti/2016/Public%20Financial%20Management%20Reform%20Program%202016-2010%20EN.PDF>

² http://www.mfin.gov.rs/UserFiles/File/strategije/PFM%20report_eng%20.pdf

accession process negotiations. The Program implementation has been partially funded by the funds from the budget of the Republic of Serbia, from donors (EU, WB, IMF, OECD, USAID, UNDP, as well as by the governments of Germany, Switzerland, Sweden and Great Britain) and other.

The reports on Program implementation are prepared by the Technical Secretariat of the Program, contained in the Group for programming of projects funded by the European Union and Development Aid, within the Department for International Cooperation and European Integration in the Ministry of Finance, and based on inputs issued by designated organizational units of both the Ministry and institutions involved in the process. After preparation, the Report was sent to all members of Working group for Program preparation and monitoring (hereinafter: Working group) for verification, and then to the Program Steering Committee, which thoroughly analyzed the Report and gave guidelines for further implementation of the Program. In this regard, the Report serves as a mechanism for risk prevention in the Program implementation process.

Due to the fact that the Program was prepared during 2015, and that the Program implementation includes a five-year period, annual Reports serve as indications whether it is necessary for the Program to be improved further more. This particularly, if not exclusively, refers to the formulation of indicators and financial framework required for realization of activities, having regard to the fact that these two areas represented, by far, the biggest challenge in the Program preparation process. The reasons can be found both in significant delay of PEFA reports, and, therefore, shorter deadlines for Program development, and in assessment of financial requirements for the realization of activities. The Decision on improvement of documents and necessary guidelines are issued by the members of the Program Steering Committee, headed by the Minister of Finance.

The work on the Program implementation represents a high priority to the Ministry of Finance and all participating institutions, which can be observed through the efficient work of the Working group, as well as through good communication between the members of the Working group for Program implementation and Technical Secretariat of the Program, which coordinates the process and prepares Reports.

II METHODOLOGY FOR REPORTS PREPARATION

Methodology used for Reports preparation is based on the methodology established for monitoring the process of implementation of Action Plan of the Public Administration Reform Strategy, in order to ensure uniformity in reporting. Status of each activity is represented with adequate color:

- **green** – for implemented activities;
- **yellow** – for partially implemented activities, clarifying the reasons for the activity not being implemented in full, along with a precise definition of new deadline for implementation;
- **red** – for activities not conducted within the deadline defined in the Program, with mandatory state of detailed reasons for delay, further steps and a definition of the new timeframe for implementation;

- **orange** – for activities which have not yet reached a deadline for implementation (or are marked as continuous), with significant progress being made in their implementation.

The Annual report summarizes the realized in first two quarters and offers detailed results, whose deadline was the third and the fourth quarter of 2016. While in the first semi-annual report the accent was on implemented activities, in the first Annual report, as it will be in any subsequent one, the accent was on results, that is, on the analysis of the impact that realized (or unrealized) results have on public finances enhancement. More attention is paid to the essence of undertaken steps and quality progress in the public finances reform program.

Also, the Report includes presentation of the progress made in relation to the results which have not yet reached a deadline for implementation or are marked as continuous activities, but so far, some significant steps have been taken concerning the implementation, so that the result can be characterized as partially achieved.

In this respect, comments on first semi-annual Report, given by the European Commission and IMF, are of great importance. Suggestions and recommendations obtained in this way contributed to the improvement of quality of the report, as well as to the coverage of specific areas that were not foreseen in the first semi-annual report.

Activities from the Action Plan, not marked with any color, represent the activities which have not yet reached the deadline, and competent organizational units/institutions have not emphasized that so far any steps have been taken in relation to their implementation. Also, in some cases, these are activities for which there are certain preconditions that have to be fulfilled in order to start the process of implementation.

III CONNECTION WITH STRATEGIC DOCUMENTS

It is exceptionally important that the Program is in compliance with other strategic documents of the Government of the Republic of Serbia.

Public finances reform is one of the key pillars of the Public Administration Reform Strategy (PAR), and the accompanying Action Plan. Key actions in the area of Budget Planning and Preparation, Financial Control and Public Procurements have been further defined under the third special objective of the PAR implementation Action Plan, adopted in March, 2015. Public Financial Management Reform Program 2016 – 2020 complements the PAR strategy with measures presented in detail, planned results and activities defined within six pillars. It also establishes a strategic framework for more detailed strategies in certain subfields of public finances, such as, for example, Public Internal Financial Control Strategy. Due to their complexity, the reports on implementation of those sub strategies shall be prepared separately, whereas in this report they shall include only those areas foreseen in the Action Plan of the Program.

Program takes into consideration all relevant documents in the area of European integrations, starting from the Stabilization and Association Agreement between the European Union and the Member Countries on one side, and the Republic of Serbia on the other side (hereinafter: SAA), as well as all relevant strategic documents in this area. The Program is in compliance with all the obligations that Republic of Serbia has undertaken in the negotiating process on EU accession.

The Program serves as an important document in programming developmental help from IPA and other sources. Preparation and successful implementation of the Program also represent a precondition for significant funds provided for support of public administration reform through the modality of sector budget support to any other sector to subsequent years. In particular, a successful implementation of the Program gives the opportunity of using sector budget support for the field of education and integrated border management, from IPA2016.

The Government of the Republic of Serbia signed a Memorandum of Economic and Financial Policies (hereinafter: MEFP) with the IMF in early 2015, which outlines the economic and financial policies which the Government of the Republic of Serbia intends to implement under the Precautionary Stand By Arrangement (hereinafter: SBA) in the period 2015 – 2017 in order to face the economic challenges. The MEFP sets the ground and sketches out the framework within which Public Financial Management Reform will be implemented in a medium term, as part of the overall Public Administration Reform, whilst at the same time providing some of the key themes and elements appearing in the Public Financial Management subsystems.

For most of the areas, the Program is underpinned by more detailed strategies prepared by the respective responsible state entities, such as Tax Administration Transformation Program, the Arrears Clearance and Prevention Strategy, the National Anticorruption Strategy, the Public Procurement Development Strategy of the Republic of Serbia for the period 2014 – 2018 etc. In addition, the Government's Reform Strategy is complemented by the constitutionally independent State Audit Institution for complying the work of this institution with INTOSAI standards.

The Fiscal Strategy for the period 2017 – 2019 recognizes the Public Financial Management Reform Program 2016 – 2020 as one of the key processes for successful implementation of fiscal consolidation program. Significant reform activities on both revenue and expenditure side result in a reduction of deficit and public debt, as well as in improvement of the procedures of overall budget process, starting from the medium-term planning phase to the control and audit of spending the budgetary funds. Improvement of the procedures related to planning, implementation and control on one side, and increasing the efficiency of institutions in charge of revenue collection on the other side, contribute and support the fiscal consolidation program.

Economic Reform Program – ERP is the document developed annually by the Republic of Serbia, as being a candidate country for EU membership, for the purpose of establishing the platform for more efficient fiscal planning and coordination of economic policies, as well as the involvement in the European Semester „light“.

In the guidelines of the European Commission for ERP preparation for the period 2016 – 2018, as well as for the period 2017 – 2019, the importance of the public financial management is emphasized. In addition to the fact that the subject of public finances is present in the first three chapters of ERP document, one of the areas of the highest priority within the chapters 4 – 6, referring to the Structural Reforms Priorities (SRP) – is related to the area of public financial management.

In the area – Public Financial Management within the document ERP and ERP 2017-2019 two priority structural reforms have been defined – 1. Tax Administration Transformation and 2. Enhancement of Capital Investments Management, taken from the Public Financial

Management Reform Program 2016 – 2020. In accordance to the EU Council Recommendations for economic and financial issues from May 2016, improvement of revenue collection is needed, in a systematic way suitable for the economy, by implementing the Tax Administration Transformation Program, as well as by working on resolving issues related to the shortfall of capital public expenditures, by improvement of setting priorities and capital investments management. Despite improvements of tax policy and administration, in order to achieve efficient and effective tax revenues management, main challenges in the area of public financial management still are: tax evasion as the result of the inefficient control mechanism, establishing and collecting the taxes and other public revenues, realization of planned capital investments, but also the space for more efficient management of the other budgetary resources, as the result of the lack of the comprehensive planning and budgeting system within the state administration, the assessment of justification, project planning and preparation and implementation monitoring.

A Special Group for public administration reform, co-chaired by the European Commission and Ministry of Public Administration and Local Self-Government of the Republic of Serbia, as a special supervisory body in monitoring the implementation of SAA, with the basic task to monitor the implementation of Public Administration Reform Strategy and accompanying Action Plan, will continue to serve as the appropriate instrument for communication, coordination and reporting on public administration reforms in the Republic of Serbia. The third meeting of the Special Group for Public Administration Reform was held in Belgrade, on 10 March, 2016. At this meeting, the implementation of the Program was presented, as well as the activities conducted in the first three months of the Program implementation.

The public finance management reform process was the subject of the conversation with the European Commission within the meeting of the Committee for the implementation of the SAA, held in Brussels, on 12 April 2016. European Commission regularly reports on this area in annexes to the progress reports as well, progress assessment of which includes public finances. Certain areas from the Program will be processed in detail and within the adequate negotiating chapters, in particular Chapter 32 – Financial Supervision, 16 – Taxation, 17 – Economic and Monetary Policies, 29 – Customs Union, 33 – Financial and Budgetary Provisions, 5 – Public Procurements etc. Monitoring of implementation of the Sector Budget Support for the area of Public Administration Reform IPA 2015, as well as other forms of using this instrument of support, also represent one way of monitoring the implementation of certain parts of the Program. The given kinds of cooperation with the European Commission will continue and will represent the significant contribution to the improvement of Program Implementation.

Public Financial Management Reform Process is related to and contained in the vertical functional analysis of the Ministry of Finance, conducted during 2016 by the World Bank. Certain recommendations from the Action Plan of the vertical functional analysis are separated and grouped in a special Action Plan for implementation of recommendations from the vertical functional analysis of the Ministry of Finance, presented and approved by the Public Administration Reform Council on 29 December, 2016. Preparation of this Action Plan represented one of the indicators for 2016, for approval of a part of the variable tranches from the Sector Budget Support for the Public Administration Reform. The results of the functional analysis will be taken into consideration on the occasion of the possible future improvement of the Program.

IV COORDINATION MECHANISM FOR PROGRAM IMPLEMENTATION

Program implementation has been monitored through the Reports on Program implementation, prepared twice a year. The first Report is prepared after the end of the second quarter of the current year, whereas the annual Report is prepared after the end of the fourth quarter, that is, in the beginning of the next calendar year. The preparation of the reports is preceded by the meetings of the Working group, at which the methodology for preparation of inputs submitted by the members is agreed, as well as the methodology of the Report as a whole. The meetings of the members of the Working group are also the possibility to exchange experiences in the process of implementation of planned activities or to point out the possible challenges and obstacles to the Program implementation, that is, the need for further improvement of some parts of the Program. The members of the Working group shall submit inputs from their own jurisdiction to the Technical Secretariat of the Program, which, based on the obtained information, shall prepare the Report on Program implementation. During the preparation of the Report, there is a frequent communication between the members of the Working group and the Technical Secretariat, in order to prepare all parts of the Report as accurately and objectively as possible. After preparation of the Draft Report, it shall be submitted to the members of the Working group for adjustment, and then to the members of the Program Steering Committee for getting familiar with the Report, verification and providing recommendations for the further implementation of the Program. These recommendations are primarily related to the improvement of the Program implementation, removing the identified obstacles and a possible decision on improvement of the document. After considering the Report by the Program Steering Committee, the Report is sent to the Government of the Republic of Serbia for adoption, and then it is placed on the web page of the Ministry of Finance, translated in English, submitted to the European Commission, EU Delegation, and to all interested parties.

Working group for preparation and monitoring of the implementation of the Public Financial Management Reform Program (herein after: Working group), officially formed in February 2015, headed by the Minister of Finance, consists of the representatives of the following relevant institutions: Ministry of Finance (including the Department for Macroeconomic and fiscal analysis and projections, the Budget Department, Department for International Cooperation and European Integrations, Department for Fiscal System, Department for Custom System and Policies, Department for Internal Control and Internal Audit, Department for Control of Public Funds³, Department for Management of EU Funds, Tax Administration, Treasury Administration, Public Debt Administration and Customs Administration), National Assembly Committee on Finance, State Budget and Control of Public Spending, State Audit Institution, Ministry of Public Administration and Local Self-

³ In accordance to the current systematization of jobs in the Ministry of Finance, Department for Control of Public Funds consisted of: Budget Inspection, Group for Public Procurement System, Group for Anti-Fraud Coordination Service in dealing with EU Funds

Government, Public Policies Secretariat of the Republic of Serbia, Public Procurement Office, Audit Authority Office of EU Funds and European Integration Office. Working group is formed as a key technical body, whose role is to define the scope and concrete reform measures and activities, while coordinating their implementation within the relevant institutions engaged in the process of implementation, to monitor the progress in the process of the implementation of the Program objectives, and to inform the Program Governing Board about that.

Program **Steering Committee** is responsible for carrying out political coordination at high level, headed by the Minister of Finance. A pillar coordinator is in charge of each pillar of the Program – two state secretaries from the Ministry of Finance competent for monitoring the area, the President of the State Audit Institution as well as the President of the National Assembly Committee on Finance, republic budget and the control of expenditure of public spending (except for the result 18.2) for the pillar related to external monitoring of public finance.

Technical Secretariat of the Program is located in the Group for programming Projects Funded by the EU and Development Aid, within the Department for International cooperation and European Integration of the Ministry of Finance. The Technical Secretariat, charred by Acting Assistant Minister, monitors the level of the Program implementation, coordinates the drafting reports process, organizes meetings of the Working group and prepares the reports on Program implementation.

The level of implementation has been monitored through the regular communication between the Technical Secretariat and the members of the Working Group. Among other things, the Technical Secretariat is in charge of preparation of 6-months and annual Reports on Program implementation. After the preparation, in which the members of the Working group take part, Reports are submitted to the Program Steering Committee, which takes the necessary steps in order to provide undisturbed Program implementation.

During 2016, the Technical Secretariat consulted the Working group for the purpose of:

- collecting data reports for preparation of the First semi-annual report on Project implementation, as well as for preparation of Annual Report;
- the Working group meeting, held on 28 December, with the aim to prepare and consider the methodology used for preparation of the Annual Report;
- collecting data reports and preparations for the Special group for Public Administration Reform meeting with the European Commission in March, as well as collecting **informations** and participation at the SAA Implementation Committee in April;
- Participations at the meetings of IPA Committee of MoF, gathering all beneficiaries and potential beneficiaries of IPA and bilateral assistance in MoF (three meetings were held over the year);
- Collecting information on the requirements for donor projects for the purpose of concept of technical assistance in Sector Budget Support for Public Administration Reform;
- Organizing two workshops for defining activities of GIZ project of the Public Administration Reform, in March and in December;

- Consultation during the work on Sector Budget Support for the Public Administration Reform from IPA 2015, due to defining of indicators for withdrawal of variable tranches and preparation of documents from the sector MTEF;
- Action Plan preparation for implementation of recommendations related to the World Bank vertical functional analysis of MOF, and the preparation for consideration of it at the Council for Public Administration Reform meeting;

The Program is also being monitored from the aspect of obligations related to negotiations with EU, and represents an important instrument for programming IPA and bilateral donors` support.

V PROGRAM FINANCING

Funds for implementation of the activities foreseen in the Action Plan of the Program are provided mostly from the budget of the Republic of Serbia, and from the donors` sources and loans.

Having regard to the fact that the area of the public finances reform is the component of the Public Administration Reform, the Program plans and provides that the coordination of the donors` support is done within the frame of the existing mechanism for coordination of development aid, coordinated by the Serbian European Integration Office, that is, within the Sector Working Group for Public Administration Reform.

Besides, and having regard to the importance and the necessary resources for Program implementation, it has been planned that donors` meetings on providing Program financing are held separately, that is, by the Ministry of Finance, at least twice a year. The meetings are held following the prepared Reports on Program implementation. The invitation is sent to a donors` community, which is then informed about the progress in Program implementation and in specific areas supported by various donors. Also, the Ministry identifies priority areas for subsequent period and invites donors to support particular areas of the Program, in accordance with their policy.

Significant EU support has been planned from the IPA 2015, through the Sector Budget Support (hereinafter: SBS) for the Public Administration Reform. The area of Public Finance Reform is an integrated part of this Sector, so that important part of the funds is dedicated for the support in this area. The plan is that the SBS program provides for 80 million euros of budget support for the Public Administration Reform Sector (70 million euros of the direct budget support and 10 million euros for the technical support). Within the technical support funds, the funds have been planned to be provided in the amount of three million euros, for technical support in the process of project implementation. Financial Agreement with SBS for the Public Administration Reform Sector was signed on 5 December, 2016, and the SBS funds will be available in the period 2017 – 2019, in terms of fixed and variable tranches. One of the general preconditions for using the SBS instruments from the jurisdiction of MoF, along with the stable macroeconomic situation and the budget transparency, is the successful implementation of the Public Financial Management Reform Program 2016 – 2020, whereas this Report serves as the source of progress verification. For the purpose of approval of funds obtained from variable tranches, it is necessary to implement adequate indicators which have been agreed with the European Commission within the framework of the Sector Reform Contract, and deriving from the Program.

The preparation of Terms of reference, worth three million euros, for technical support for Program implementation is ongoing. Planned time period for the project implementation is 2018 – 2020, that is by the end of Program duration. The support in the areas defined by the Terms of reference will enable more efficient Program implementation, and of a higher quality as well.

German Agency for International Cooperation (GIZ) provides a continuous and significant support in various areas of the Program through the project „Public Finance Reform“, and main areas the future support will be focused on the Tax Administration, Department for Control of Public Funds, Budget Department, as well as the support for improvement of the capacity of the Department for Fiscal System, Department for Macroeconomic and Fiscal Analysis and Projections and Customs Administration. From this year on, State Audit Institution (hereinafter: SAI) will also be supported by the GIZ. The project is planned to last until the end of 2017, with the possibility to be extended.

Great support during the preparation and implementation of the Program, along with the European Commission (IPA, TAIEX), is provided by the World Bank, IMF, SIGMA and OECD. The Department for Fiscal Affairs of IMF prepared several reports dealing with this area during 2015/2016 on budget preparation and reporting, the Budget System Law and Public Investment Management. A regional adviser for Public Finance Reform (IMF/SECO) is at disposal to the Ministry of Finance, and during 2016 a residential adviser for Public Finance Reform was also available (IMF, SECO). Moreover, the ministry will have the support of TAIEX and UNDP. Also, a significant support will be obtained from USAID, the Government of Sweden, Switzerland, Great Britain etc. The most support will be needed for the specialized technical support in key areas and IT support, as well (equipment and software).

Overview of the funds obtained from all sources, allocated for Public Finance Reform are also presented in the form of a pilot project of a sector document for the medium-term expenditure framework (PAR sector MEFT) for the sector of Public Administration Reform, prepared within the package of documents for SBS from IPA 2015.

Despite the fact that current Program does not include local self-government, larger number of donors` projects refer to enhancement of public finance at the local self-government level.

VI IMPLEMENTATION OF THE PROGRAM ACTION PLAN

Report for the period December 2015 – June 2016

The first Report on Program Implementation was prepared after the end of the second quarter in 2016, and it provides an overview of the activities planned to be implemented in the period from 1 December 2015 to 30 June 2016. Within this period, in accordance with the Action Plan which is the integrated part of the Program, the implementation of **16 activities** was planned, grouped within **nine results**, that is, **seven measures**.

Out of 16 planned activities, six were implemented in due time, five were partially implemented, and yet five more were not implemented. (Chart 1.)

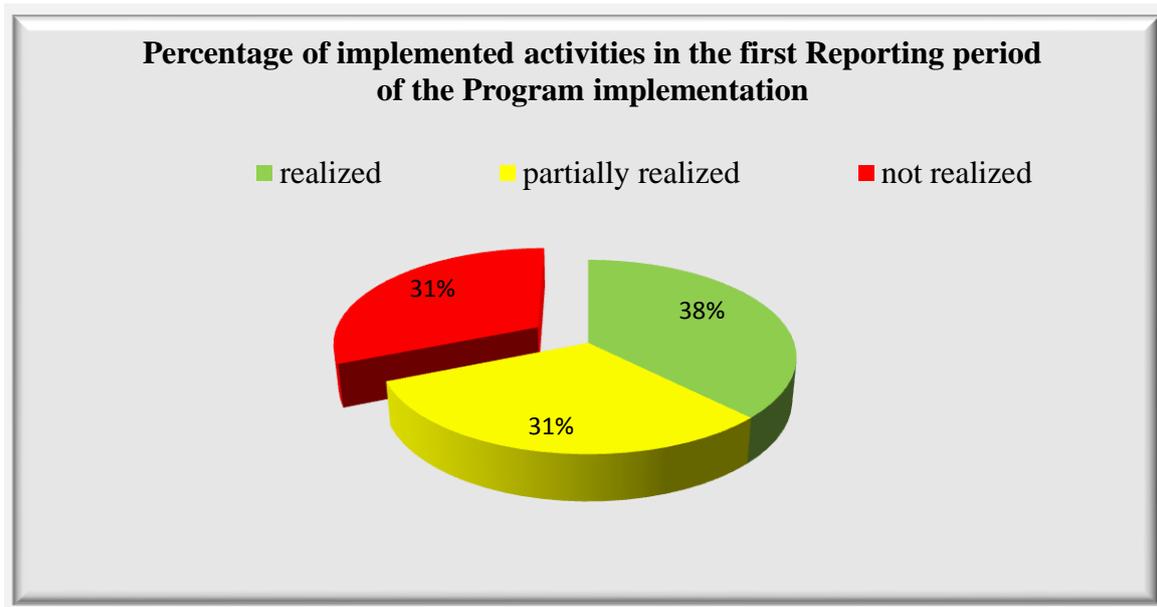


Chart 1. – Graphic overview of implemented activities from December 2015 to June 2016

Report for the period December 2015 – December 2016

The first Annual report (the second one altogether), includes the summary achieved in the first reporting period from 1 December 2015 to 30 June 2016, processed in the first semi-annual Report, and it provides a detailed presentation of things achieved in the period from 1 July to 31 December 2016, with emphases on the achieved results, as well as on the explanation related to the way those results contribute to the improvement of public finance.

Within this period, in accordance with the Action Plan of the Program, the implementation of **34 activities** was planned, grouped within **16 results**, that is, **10 measures**. Within the given reporting period, **13 activities were completely implemented**, **16 activities were partially implemented**, and **five activities were not implemented** within the given deadline. (Chart 2.).

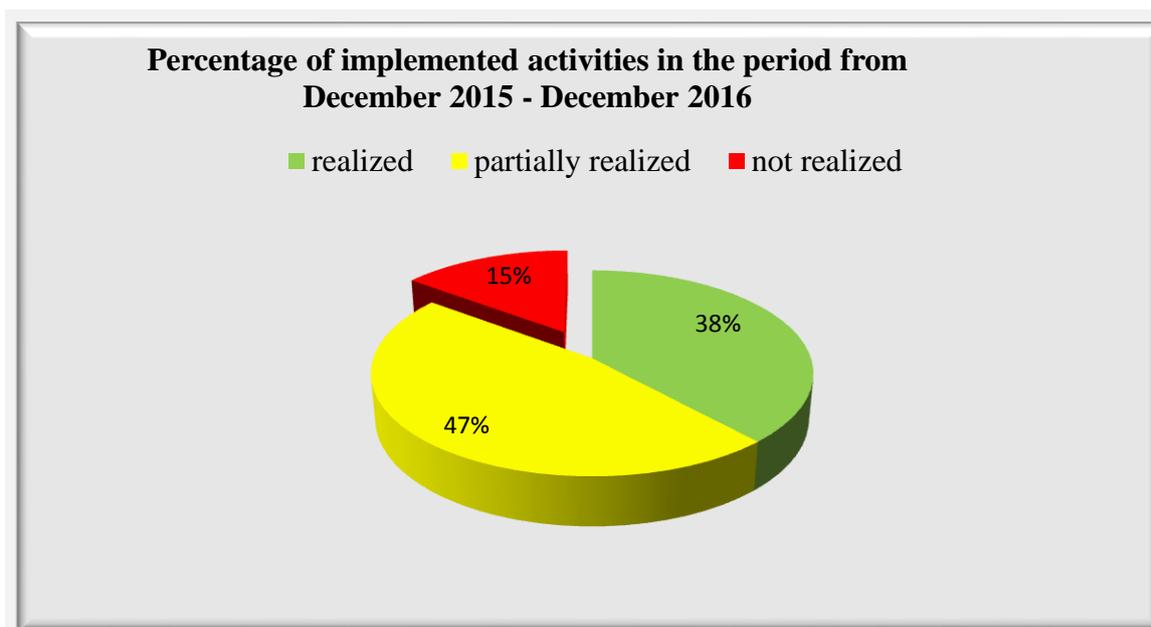


Chart 2. – Graphic overview of implemented activities from December 2015 to December 2016

The significant number of activities has been implemented before the deadline defined in the Program, or a significant progress has been made concerning their realization, although the deadline has not been reached yet.

PILLAR I – SUSTAINABLE MEDIUM-TERM MACRO-FISCAL AND BUDGETARY FRAMEWORK

Within this pillar, there is one measure – **To improve the credibility of macroeconomic forecasting** – containing two results. Deadlines for implementation of the activities leading to the achievement of results are the first and the second quarter of 2017, but significant number of activities were carried out during 2016.

Measure 1 – TO IMPROVE THE CREDIBILITY OF MACROECONOMIC FORECASTING

Within this measure, before the foreseen deadline, the activity was implemented within the **result 1.1 Strengthened capacities of the Ministry of Finance for improved macroeconomic forecasting and improved methodological approach**, in the part which refers to adaptation and implementation of the „bridge“ model for the purpose of improvement of GDP projections. The activity was implemented based on the internal capacities, in the early 2016, according to the request issued by the Minister and the Prime Minister Cabinet. The model was developed which enables quick assessment of GDP per month or quarter, based on high-frequency indicators. This model significantly improves the work of the Department for Macroeconomic and Fiscal Analysis and Projection of MoF, enabling quicker and better, that

is, more precise assessments. The results of this model are monthly published on the website of MoF.⁴ The results of the model are also published in the Fiscal Strategy 2017, with Projections for 2018 and 2019, which is the basic middle-term document on economic politics and can be found on the internet page of MF⁵, as well as in the document ERP 2017-2019.

Having regard to the complex jurisdiction of the Department for Macroeconomic and Fiscal Analysis and Projections and the limited capacities in terms of the number of employees, the need for offering additional support to the employees, as well as for the additional enhancement of the competence and skills of people employed in the Department was recognized. For this reason, within this result activities referring to enhancement of capacity for implementation of analysis of macro-fiscal sustainability, are planned and already partially implemented. Among other things, for the purpose of enhancement of capacities, the support of GIZ project „Public Finance Reform „was provided, as well as TAIEX workshop. The lectures were held (first one in May, the second in June 2016) on the fiscal sustainability. The following thematic units were elaborated in detail: medium-term objectives, fiscal framework, and population aging. Data about Serbia were gathered and Medium Term Objective and population aging expenditure were practically calculated according to the projection of demographic movements in Serbia. This investment in people's capacities significantly improves both the quality of work of the Department and the documents prepared by the Department, and is also significant in the light of preparations for fulfilment of obligations from the negotiating chapter 17 – Economic and Monetary Issues.

In the part which refers to the **result 1.2 – Ensured administrative and technical capacities of managing the EU own resources**, within the Department for Macroeconomic and Fiscal Analysis and Projection, being the lead body in this activity, there is a Division for Fiscal Analysis and Projections and Coordination and Management of EU own resources. Within this Division, there is a Section for Fiscal Projections and Coordination and Management of EU own resources. According to the existing systematization, the Section undertakes the activities related to technical and technological preparation for taking over the activities related to coordination and management of EU own resources in accordance with the obligations deriving from the Accessing Negotiation, as well as from the full EU membership, then, the activities of establishing administrative capacities, procedure preparation, defining and creating necessary data bases; preparation of simulations of preliminary calculations; activities related to calculation, collecting and control of EU own resources; preparation of projection payments of its own funds in the EU budget; coordination, cooperation and reporting activities towards European Union related to own funds; contacts with and reporting to the European Commission; activities of adaptation to the system in accordance with the changes of the European Union acquis. At the moment, there is one job position in the Section, provided for coordination and management of their own

⁴ <http://mfin.gov.rs/pages/issue.php?id=3> <http://mfin.gov.rs/pages/issue.php?id=3>

⁵ <http://mfin.gov.rs/UserFiles/File/dokumenti/2017/Fiskalna%20strategija%202017%20engleski.pdf>

EU funds (one employee – occupied) and one job position for projections of payments of own funds in the European Union budget (one employee – non-occupied).

In May 2016 a seminar was organized (in organization of *GIZ* project) where the representatives from the Ministry of Finance of the Republic of Croatia (coordinating body and a representative from the Customs Administration of the Republic of Croatia) presented the system of management of the system of own EU resources. The Department for Macroeconomic and Fiscal Analysis and Projections, within its jurisdiction, took part in a drafting of negotiating position of the Republic of Serbia for the negotiating chapter 33 – Fiscal and Budgetary Issues, significantly contributed by the acquired knowledge.

Customs Administration of the Ministry of Finance is one of the partner institutions involved in the process of implementation of the **results 1.2**. The deadline for implementation of set result is II quarter in 2017, but particular activities were undertaken for the purpose of enhancement of administrative and technical capacities of competent organizational units, in order to additionally improve the quality of work and planning, regarding the management of own EU resources.

Enhancement of Customs Administration capacity was conducted in the preparation of the negotiating position for Chapter 33 through organizing TAIEX workshops „Establishing the system of own traditional resources“ and through the participation in MOF workshops as well. The first phase of the preparation of the Analysis of deviations was done, for the purpose of support of the Customs Administration in the area of Traditional own European Union Resources. The draft of the analysis „GAP analysis – supporting the Serbian Custom Administration regarding TOR of EU“, was made, with the help of experts from Customs Administration of Croatia, and within the *GIZ* project „Public Finance Reform“. Within this phase a two-day workshop called „Traditional own EU resources – experiences from the Republic of Croatia“ was realized, along with all other partner institutions involved in the system of own EU resources.

The realization of the second phase of preparation of the Analysis of disparities was planned for 2017, for the purpose of support of the Customs Administration, along with the technical support within the *GIZ* project „Public Finance Reform“. Also, the initiation of technical support from the EU is planned (*Twining light* project) for creating the conditions and enhancement of the capacities of the Customs Administration for the purpose of applying the accounting system of Traditional own resources.

For the purpose of full implementation of this result and providing capacities for applying the system for Traditional own resources, until II quarter in 2017 it is necessary to engage available types of technical EU aid. Final deadline for implementation of the result of the Program has to be harmonized with the deadline for establishing the administrative capacities for undertaking obligations from the negotiating chapter 33.

Acquired knowledge and competence contributed to the better preparation of negotiating position of the Republic of Serbia for the negotiating chapter 33 – Financial and Budgetary Issues.

PILLAR II – PLANNING AND BUDGETING OF PUBLIC EXPENDITURES

The basis for public expenditures management, that is, the law which defines the entire budget process (planning, preparation and approval phases, as well as the process of execution and reporting) is the Budget System Law. The Law applies to the autonomous provinces, local self-governments, public enterprises and some independent agencies as well. The Law was changed, that is, amended over the previous years. The second pillar of the Program includes five measures and nine results, three of which are intended for implementation by the end of 2016.

One of the key elements which contributes to better planning of budgetary resources and increases the transparency of spending public resources is the implementation of program budgeting. Implementation of mandatory program budgeting in the Republic of Serbia started in 2015 (except for five pilot ministries which used this methodology earlier). The quality of program budget keeps increasing year after year, both due to the fact that public funds beneficiaries have more experience and knowledge regarding preparation of annual program plans, and due to the constant improvement of the process by the Budget Department of MoF, in terms of improvement of methodology of budget preparation, improvement of the software for public finance management and organizing the trainings for the beneficiaries. The budget transparency is constantly improving as well.

Measure 3 – TO FURTHER IMPLEMENT MULTI-ANNUAL PROGRAM BUDGETING ACROSS ALL LEVELS OF GOVERNMENT

The Budget Department of MoF is in charge of the implementation of this measure. Improvement of program budgeting is a continuous process, and steps are recognized and identified within the Program, that will lead to more transparent program budget of a higher quality, through six activities within one result. Successful establishment and permanent improvement of program budgeting represent a top priority of MoF, and that is why the significant attention was directed towards the fulfilment of all planned steps leading to the enforcement of program budgeting in the Republic of Serbia.

Out of six planned activities within the **result 3.1 – Improved process of program budgeting**, five are intended for implementation in 2016. Four activities are completely implemented, and one is partially implemented. Implementation of individual activities were not themselves the goal of the Program; the essence is that all of them together contribute to a significant improvement in quality of budget process, making it more clear, more responsible, more transparent and of a higher quality.

Budget process is improved through easier and more efficient way of entering financial plans of budget beneficiaries. The easier access to the financial plans of budget beneficiaries is provided, and the process of analysis and unification of the financial plans of budget beneficiaries is improved. The reasons for partial implementation of the activity Procurement and adaptation of software for public financial management, which connects planning, execution and control“ is the delay in transfer of ownership over the program code to MoF, which is expected by the end of the fourth quarter of 2017.

Based on the analysis of experience in application of program model of budget during 2015 and 2016, and for the purpose of full implementation of program budget as a mechanism for

increasing transparency, accountability and the effect of public spending, MoF improved the Manual for program budget preparation from February 2014. The changes are directed towards the improvement of program information and monitoring of the achievement of few key program objectives, as well as clearly defined roles and responsibilities in the annual cycle of program budget preparation. Improvements in methodology started to apply since the budget for 2017, and are supported through the new information system for budget preparation (*Budget Information System, BIS*). All of this greatly contributes to further improvement of program budget and to the more transparent and more responsible public spending as well.

Within the improvement of the program budgeting process, many trainings for civil servants were organized, in accordance with the improved methodology for budget preparation through the Human Resource Management Service. In 2016, two trainings were held for public funds beneficiaries in order to improve the process of program budget preparation. Certain number of employees in the Budget Department obtained a certificate that enables them to organize trainings for program budgeting for the public funds beneficiaries in future. There is a plan to continue with providing those trainings organized by Human Resource Management Service in the following period, as well as to increase the number of trainings and participants.

Measure 4 – TO IMPROVE CAPITAL PROJECTS PLANNING

Within measure 4, the implementation of results which refer to the establishment of unique platform for capital project planning was foreseen. This area is recognized as extremely important and its progress is monitored within the Strategy for PAR and ERP. When it comes to the accession process, a set of measures covering this area is contained in the framework of Negotiating Chapter 22 – Regional Policy and Coordination of Structural Instruments. Within the Budget Department of MoF there is a Unit for evaluation of capital projects, which conducts activities related to investment planning, giving instructions and monitoring the preparation of program part of the budget in part which refers to the capital projects, as well as other activities referred to preparation and implementation of capital projects.

The draft Decree on contents, preparation method and assessment, as well as on monitoring of implementation and reporting on capital projects implementation was prepared, and the harmonization with relevant ministries and institutions is in progress. Ministry of Finance, with the USAID support, conducted the analysis on public financial management and provided measures for improvements through the mentioned Decree. Also, within the project „Management of Public Investments“ the World Bank prepared a proposal of the scope and functionality of the planned information system, which is defined by the Draft Decree on Public Investment Management.

The Decree on contents, preparation method and assessment, as well as on monitoring of implementation and reporting on capital projects implementation, which represents basis for assessment and monitoring of implementation of capital projects, has not been adopted yet, since the harmonization of the final text of the Decree is still in progress. Precondition for the full implementation of the given result is the adoption of this Decree, the deadline of which was moved to 2017.

Measure 5 – TO IMPROVE BUDGET PLANNING

Within this measure, the implementation of three results which are due to the period from 2018 - 2020 was planned. The Budget Department of MoF is responsible for those results, except for the result 5.3, where the responsibility is divided with the Public Policies Secretariat of the Republic of Serbia (hereinafter: PPS). PPS is, together with the Budget Department of MoF, responsible within the **result 5.3 *Improved medium-term planning of the budget beneficiaries through increased alignment with the Methodology for medium-term institutional planning*** for the activity which refers to improvement of coordination and alignment of planning and budget execution by budget beneficiaries, which was planned to be implemented by the end of 2018.

During the reporting period, PPS prepared a proposal of the set of regulations consisting of: Draft Law on Planning System of the Republic of Serbia and two accompanying decrees in the form of methodologies – the Decree on Methodology of medium-term planning and the Decree on Methodology of Public Policies Management, the analysis of the effects of public policies and regulations and the content of individual public policies documents⁶. During the third quarter of 2016, the consultations on prepared regulations were held with numerous domestic and international interested parties (the European Commission, SIGMA etc.), and the working versions of the drafts were improved according to the obtained comments. Draft Law on planning system of the Republic of Serbia will establish an efficient planning system at the level of the Republic of Serbia, but also at the level of local self-governments, which will enable the following:

- coordinated planning of public policies by the competent proposers of public policy documents, which means planning with the respect of interests of other participants in the planning system, both with respect of national priorities at the local level, and with respect of the initiatives, needs and priorities of local self-government units;
- public policies planning with the obligation to implement effect analysis, as well as the obligation to submit the effect analysis in the procedure for adoption of public policies documents and regulations;
- standardization of planning documents, which should be mutually harmonized in terms of form, contents and terminology, but also include performance indicators that will enable evaluation of success of their implementation;
- harmonization of planning document at all levels with obligations undertaken in the process of accession of the Republic of Serbia to the EU;

⁶ Stated set of regulations is published on the internet site of PPS, on the following link: <http://vs3836.cloudhosting.rs/sprovedjene-javne-rasprave-o-nacrtu-zakona-o-planskom-sistemu-republike-srbije-i-pratecim-podzakonskim-aktima/t> , on the site of Ministry of State Administration and Local Self-government, on the link: <http://www.mduls.gov.rs/aktivnosti-obavestjenja.php#a45> , as well as on the portal of e-Administration, on the link: <http://javnerasprave.euprava.gov.rs/javna-rasprava/112>

- consistency of medium-term plans, that is, medium-term planning by the authorities competent for implementation of concrete measures or activities listed in public policies documents;
- establishing the mechanism for control of public policies implementation, primarily through the control of preparation and implementation of medium-term plans, but also through prescribing the obligation to report on implementation of medium-term plans by the authorities competent for implementation of concrete measures or activities listed in public policies documents, as well as the obligation to report on implementation of public policies documents by the proposers of those documents;
- determination of public policies, that is, working on the public policies documents and regulations in a transparent way and through conducting consultations, including citizens' association and other civil society organizations, representatives of academic, scientific and research community, and other interested parties which want to participate in the consultation process, but also providing for transparency in public policies implementation;
- establishing the information system for planning and reporting, where the subjects from public sector enter their public policies documents and medium-term plans, and through which budget beneficiaries conduct reporting, and first of all, due to the fast and efficient exchange of those documents, easy accessibility of data from those documents, more simple control of implementation of adopted public policies, standardized planning and reporting, as well as increasing transparency of entire planning system.

Public hearing on the Draft Law on Planning System of the Republic of Serbia was held from 30 December 2016 to 20 January 2017. The public hearing procedure on Draft Law on Planning System in the Republic of Serbia and the accompanying bylaws was coordinated by the Public Policy Secretariat, Ministry of Finance, and was organized by the Ministry of Public Administration and Local Self-government. The first round table for the representatives of state administration, National Assembly and independent state authorities and organizations, civil society organizations, economic associations and other interested parties was held on 11 January 2017, in Belgrade, whereas the second one, for the representatives of local self-government was held on 16 January 2017. It was arranged that the proposer of the Law on Planning System, as well as of two accompanying Decrees should be Public Policy Secretariat.

It was planned that the Draft Law on Planning system of the Republic of Serbia enters the adoption procedure as soon as the comments and suggestions obtained during the public hearing are incorporated in the text of the Draft Law, and it was supposed to be on the agenda of National Assembly in the first quarter of 2017, in accordance with the provisions of the Government Work Plan for 2017. Planned dynamics of adoption of those regulations was disturbed by early parliamentary elections in 2016, as well as the period of technical Government, which, according to the regulations in force, was only entitled to perform

current affairs and was not entitled to propose laws to the National Assembly and other general acts, or to adopt regulations.⁷ .

With regard to the Decree on methodology of medium-term planning and the Decree on methodology of public policies management, analysis of the public policies effects and regulations and contents of particular public policies documents, their adoption by the Government was planned by the end of the second quarter of 2017. Having regard to the above mentioned, we can ascertain that, in accordance with the mentioned dynamics, the entire set of regulations for establishing planning system of the Republic of Serbia and the units of local government will be adopted during the first half of 2017. Article 56. of the Draft Law provides that the Law will become effective on the eighth day from the day of publishing in the Official Gazette of the Republic of Serbia, and the implementation will start six months after entry into force.

Measure 6 – TO IMPROVE OPERATIONAL CAPACITIES FOR PUBLIC INVESTMENT COORDINATION AND BUDGET PLANNING

The Budget Department of MoF and the Public Policy Secretariat (PPS) are responsible for two results within this measure. Out of two planned activities, one is supposed to be implemented within this reporting period, but for the justifiable reasons, it did not happen.

The reason for the deviation within the **result 6.1, *The operational capacity of the Budget Department improved***, that is, implementation of the process of institutional strengthening of the Budget Department and increasing the number of employees, is introduction of fiscal consolidation measures, limitation of earnings and prohibition of employment. Although in 2016 fiscal consolidation measures undertaken by the Government of the Republic of Serbia in the previous period achieved results better than the expected ones, extension of the temporary regime of employment prohibition for public funds beneficiaries by the end of 2017 was proposed. For the purpose of fulfilment of above mentioned result, it is necessary to announce competition for fulfilment of job positions which would strengthen the administrative capacities of the competent Department.

Activity within the **result 6.2, *Analytical and Planning units in Public Administration Bodies introduced to support budget planning linked to policy planning***, the activity – Implement an institutional strengthening process of public administration bodies (ministries and their departments/ administrations/ inspectorates, special organizations and governmental services) for conducting necessary analysis, planning and budgeting by introduction of analytical and planning units, is planned to be implemented by the end of 2017, but it will be implemented ahead of schedule, by the end of the first quarter of 2017. PPS is a partner

⁷ Article 17. paragraph 1. of the Law on Government, "The Official Gazette of RS ", No. 55/05, 71/05, 101/07, 65/08, 16/11, 68/12-CC, 72/12, 74/12 – CC and 44/14

institution responsible for implementation of the mentioned activity. In the previous period, PPS has been actively establishing its own and analytical capacities of other state administration bodies, with the aim of planning, preparation, implementation and monitoring of public policies implementation based on evidence and relevant data. For the needs of public administration bodies, several analytical documents and specific studies were prepared for the purpose of creating public policies based on analysis, facts and data. In 2016 PPS also conducted trainings on planning, analysis of the effects of public policies and regulations, as well as monitoring, reporting and evaluation, through the Human Resource Management Service. In particular, during the first three quarters of 2016, representatives of PPS held several trainings for civil servants related to the analysis of the effects of regulations, improvement of legislative process and managing that process, the role of managers in strategic and financial planning in state administration, as well as the improvement of strategic and financial management. 56 trainees (civil servants and managers) were trained. The latest in a series of trainings were held during the IV quarter of 2016 (October and November), within the special programme for professional training called „Public Policies system management“, consisting of three modules: 1. Public policies: creation, implementation and analysis of effects; 2. creation of public policy documents; and 3. Collection, analysis and usage of data in the process of monitoring and evaluation of public policies. 18 civil servants successfully completed this programme.

It is expected that in the following period appropriate steps will be taken in order to amend the regulation on internal status and systematization of job positions in the ministries, special organizations and Government bodies, for the purpose of creating preconditions for introducing units for analysis and planning of public administration bodies as the support for budget planning related to public policies planning, as well as organizing adequate trainings, which represents a precondition for full implementation of this measure.

It should be noted that introducing of units for analysis and planning of public administration bodies as the support to the budget planning related to public policies planning is stipulated in the Action Plan for implementation of the strategy for regulatory reform and improvement of public policies management system for the period from 2016 to 2017, within the measure 1.8. which refers to the Improvement of organizational structure of the public administration bodies, for performing research and analytical activities of public policies documents preparation and medium-term planning. The institution responsible for implementation of this measure is the Ministry of Public Administration and Local Self-Government, and the partners in implementation are: Ministry of Finance, PPS, General Secretariat of the Serbian Government and the Human Resource Management Service.

For the purpose of implementation of this measure, the following activities are defined: 1. Introducing the obligation of public administration bodies to organize research and analytical activities of public policy documents preparation and medium-term planning, 2. Changes of the internal organization of state administration bodies in accordance with the Regulation on principles for internal organisation and systematization of job positions in the ministries, special organizations and Government departments and 3. Analysis of the levels of competencies in the public administration bodies for performing research and analytical activities of public policies documents preparation and medium-term planning.

It should be noted that the mentioned activity for the result 6.2 is contained in a draft version of the Action Plan for Public Administration Optimization, prepared based on the horizontal functional analysis by the World bank, and it is currently in a phase of final consideration.

PILLAR III – EFFICIENT AND EFFECTIVE BUDGET EXECUTION

Increasing revenues is one of the key measures of fiscal consolidation of the Government of the Republic of Serbia, and at the same time an important element of the IMF Program. In accordance with that, continuous improvement of tax policy and administration is required, for the purpose of achievement of efficient and effective management of undertaken commitments and cash, enhancement of capacities for public debt management and public procurement system, which requires further development.

The third pillar of the Program includes four reform measures, 19 results and 29 activities. The implementation of two results, that is, four activities was planned for the fourth quarter of 2016. Also, the fulfilment of target values set for 2016 was planned, as the mechanism of continuous monitoring of implementation of results with a later deadline.

Measure 7 – TO IMPROVE REVENUE COLLECTION

The European Commission in the Progress Report for 2016, within the negotiating chapter 16 – Taxation, concluded that Serbia is moderately prepared in the area of taxation. Certain progress has been made in harmonization of legislation with EU acquis, as well as in the implementation of reforms within the Tax Administration. It is also stated that in the future period Serbia should continue the implementation of Tax Administration Transformation Program⁸, particularly by simplifying tax procedures and providing enough human and technological resources, so that the tax collection would improve, as well as the fight against informal economy. Tax Administration transformation is also recognized in the document Economic Reform Programme 2016-2018, as well as 2017-2019, in terms of priority structure reform in the area of Public Financial Management.

Program put in place a framework for supervision and monitoring of reforms conducted by the Tax Administration with the aim of improving compliance with the obligations and reducing the burden of administrative process of tax collection.

Action Plan of the Program states that within this measure eight results are being implemented, as well as 15 activities. The results are not due for implementation during the reporting period, but mechanisms for continuous monitoring of progress have been established, that is, target values of indicators for 2016 have been determined.

For the **result 7.1- Tax Administration Transformation Strategy implemented**, in the first year of program implementation, within the given deadlines, there is an ongoing continuous work on implementation of Tax Administration Transformation Program, which contains a

⁸ <http://www.purs.gov.rs/o-nama/program-transformacije.html> activities E2, E3, E4, E7, E8, E1, E14, E16, E18, F1, F2,F3, H2, H3, K6, K7, L1, L2, L3, L4, M2, L6, L7, M1 and L5 were started in 2015 or 2016, and according to the plan, they should end in the period 2017 – 2020.

time frame for execution of each measure for the period from 2015 to 2020. The majority of planned activities for 2016 has been successfully realized. So far 23 activities (27%) have been completed, and in accordance with the Time Plan of the Transformation Program 32 activities (38%) have been partially implemented. The given indicator, that is, a target value, set for the purpose of supervision of monitoring the Transformation Program is 52% of implemented activities from the Program in 2016.

There is a continuous work on strengthening of management and improvement of the organizational structure and tax processes which resulted in several organizational changes, in particular, a director of Tax Administration has been appointed for the period of five years, the Transformation Department has been formed and Head of the Department have been appointed, three Boards have been formed: for business, for organizational transformation and for risk management related to compliance with regulations. A special Group for risk Management has been formed and the training for project management has been organized for the employees in the Transformation Department.

The Plan for the compliance with tax regulations has also been produced for 2017, for the first time completely applying OECD risk management model related to compliance with the regulations. Trainings for inspectors have been organized, related to transfer prices.

The Law on Tax Procedure and Tax Administration, as well as the Criminal Code have been changed and amended. Also, with the aim of creating conditions for reducing grey economy and increasing inflow of funds into the state budget by returning the money into the legal flows, and particularly taking into consideration the development of technology, in 2016 revising of legal regulation started, referring to the turnover record through the fiscal cash registers.

A list of non-tax functions has been formed, and their relocation has been suggested. A diagnosis and analysis of the current organizational structure of Tax Administration have been conducted, and the proposal for new organizational structure for Tax Administration has been made. The strategy of human resources has been adopted, as well as the Strategy for provision of services to taxpayers.

Concrete actions in the implementation of the Transformation Program significantly contribute to the Tax Administration reform, as well as to the public financial management reform as a whole. However, the risks have been recognized related to the implementation of Tax Administration transformation. In particular, limited financial funds for implementation of the Program transformation and insufficient qualifications of employees for the reform implementation. A special challenge is preserving the number of employees in the Information Technologies Division, due to the competitive earnings in private sector.⁹

⁹ Economic Reform Program 2017-2019 http://www.mfin.gov.rs/UserFiles/File/strategije/ERP%202017-2019_Nacrt_Poglavlje%204.pdf

In order to increase the percentage of voluntary compliance with tax regulations in the overall tax income, the analysis of the rules on tax procedures and tax administration is conducted within the formed working groups, consisting of the representatives of the Ministry of Finance and Tax Administration, contained within the **Result 7.2 - Voluntary compliance with tax legislation, guidelines and procedures improved.**

So far, the changes to the Criminal Code have been adopted, in relation with the criminal offence Tax Evasion (from Article 229. paragraph 1 of the CCRS) which will be applied from 1 March 2018, (and will be laid down in the Article 225. of the CCRS), thus adopting the proposal for amendment to increase census for criminal offence of tax evasion. The Law on Amendments to the Law on Tax Procedures and Tax Administration has been adopted – LTPTA¹⁰ („The Official Gazette of RS“, No. 15/16). The amendments to the Law on Tax Procedures and Tax Administration (Article 73.) enable that taxpayers (companies and entrepreneurs) are financially disburdened, in order to be able to settle current liabilities within the prescribed time limit. Jurisdictions of the tax investigations have been extended and the activity has been implemented without necessary changes in Criminal Code.

Along with amendments and changes to the relevant rules and regulations, and in order to improve the tax collection, the analysis of the working procedures and standard operative procedures of tax inspectors is being conducted. Thus it can be checked whether their functions and prerogatives are clear, thus reducing discretionary decisions.¹¹ Reducing discretionary decisions has been also enabled by preparing the draft of methodological manual for recording of turnover by using fiscal cash registers.

Also, as yet another mechanism for increasing tax collection, in 2016 a marketing campaign was realized, called „Pay the tax, hope for the best“, which consisted of 40 five-minute educational episodes. It was emitted on two TV stations with national frequency in the Republic of Serbia.

The work on the improvement of clarity and usefulness of information on tax obligations, as well as establishing a special department/organizational part for providing services to taxpayers within the Tax Administration of the Republic of Serbia, has begun. A progress has been made in relation to the development of strategic framework for providing services to taxpayers, and organizational arrangements in terms of formation of special Department. Special function of providing services to taxpayers is the key feature of modern tax administration. This transfer from more traditional accent on control of compliance with regulations to more balanced approach of services oriented towards clients appreciates the fact that the community will react positively after realizing that Tax Administration

¹⁰ Law on Tax Procedure and Tax Administration

¹¹ Published control lists on :<http://www.purs.gov.rs/aktuelnosti/Ostalo/3525/inspekcijski-nadzor---kontrolne-liste.html> . Published control lists on :<http://www.purs.gov.rs/aktuelnosti/Ostalo/3525/inspekcijski-nadzor---kontrolne-liste.html> .

cooperates with the community, trying to find the way to make it easier for taxpayers and to lower the costs of fulfilment of their tax obligations. That „partner“ approach offers the platform to the Tax Administration for better understanding of the idea that more positive experience taxpayers have in cooperation with TA will eventually lead to the increased level of voluntary compliance with tax rules and regulations. The Strategy for providing services to taxpayers has been prepared. The concept of the Department for providing services to taxpayers was prepared too, and presented at the meeting of the Board for implementation of Transformation Program in December 2016. Both the Strategy and the Concept provide for increased functionality of existing contact center, as well as the preparation of support programme for newly-registered taxpayers. A final version of the organizational structure of the Department, as well as filling of staff personnel is being drafted

The target value of indicator in 2016 was realized in a higher percentage than initially projected, that is, the percentage of regular tax collection for 2016 is 96% of total (voluntary) tax collection out of total tax income assessed in the budget.

Within the **result 7.4 –*The appeals mechanisms are improved***, adopted changes and amendments to the Law on Tax Procedure and Tax Administration („The Official Gazette of RS“ No. 108/16) provide that the second-instance tax procedure is conducted by a separate organizational unit established in the Ministry of Finance, starting from 1 July 2017. In accordance with these changes, the jurisdictions of the Tax Administration in terms of jurisdiction in the process of deciding in the second-instance tax procedure, are terminated starting from the given date.

Target value of indicators defined in the Program „Percentage of adopted appeals in relation to the total number of solved appeals“ for 2016 is determined in the amount of 35,5%, and the earned value of the indicators in 2016 is 33,47%, which is 2,03% higher indicator value.

For the result 7.5 – *The appropriate links between different databases within Tax Administration and between the Tax Registration System and other registration systems established*, it is important to emphasize that the implementation of the results represents a continuous work on mapping existing relations between different data bases from register systems of financial sector. For that reason, one-stop shop system of economic entity registration has been fully implemented in cooperation with the Business Registers Agency (BRA). There is a possibility of submitting the registration form for VAT, as well as submitting the request for the flat rate taxation in case of newly established economic entity. Also, starting from 1 January 2017, a newly established entrepreneur, within the unique registration establishment form, can decide on the personal income calculation. Regular update of Unique Register of Taxpayers is done according to the data downloaded from BRA, within one-stop shop system. For those taxpayers who are not registered through BRA, the updating procedure is manual. In order to improve the quality of data on taxpayers entered into the Unique Register of Taxpayers, the project „Integrated information system 2014“ was initiated, financed from the budget of the Republic of Serbia.

In relation to the implementation of the activity aimed at establishing IT system (EIS), in order to fulfil the requirements from the negotiating chapter 16 – Taxation, a mission of Directorate- General for Taxation and Customs Union – *DG TAXUD*, was conducted on 8 December 2016 in the Tax Administration. In the initial report of *DG TAXUD* the recommendations are given on necessary long-term and more adequate programming of IT projects, keeping in mind deadlines for programming and implementation, as well as the key

importance of IT component in the EU accession negotiations in this area, which is why the EU Commission recognizes the importance of Tax Administration in programming of IPA funds.

Within the **result 7.6 – *More effective penalties system for non-compliant registration and declaration obligations developed***, in March 2016, Ministry of Finance formed a working group, consisting of the representatives of Ministry of Finance and Tax Administration, for the analysis of legal solutions in the area of tax procedures and tax administration, with the task to conduct the analysis and suggest amendments or new Law on Tax Procedure and Tax Administration.

The Law on Amendments to the Law on Tax Procedures and Tax Administration was adopted on 28 December 2016 („The Official Gazette of the Republic of Serbia“, number 108/16).

With the aim of implementation of the **result 7.7 – *Improved risk management practices***, the risk management system has been improved, implying the structured process of risk assessment and defining priority of risk voluntariness along with compliance with TADAT¹² recommendations. Risk analysis criteria for VAT have been developed, and they are being constantly improved, and the new ones defined. Also, the risk analysis for profit tax control is in progress. The target value of indicator for 2016 has been accomplished and the percentage of controls with irregularities is 35,66%, which actually speaks about the fact that constant improvements of conducted risk analyses, according to which control plans are prepared at monthly and annual level, contribute to more efficient controls, degree of plan implementation and more effective working time of inspectors.

For the purpose of implementation of the **result 7.8 – *Improved tax arrears and control information systems and oversight***, the implementation of Tax Collection System within the Integrated Information System of Tax Administration is in progress, applicable from 1 January 2017. This system will enable, among other things, faster and more efficient realization of regular and forced tax collection by the organizational units of Tax Administration, as well as other collection activities and tax accounting, which will definitely have effect on reduction of tax debt.

In order to obtain updated information on arrears, control mechanisms are improved with amendments to the LTPTA, that is, it is provided that the off-balance tax accounting keeps tracks on unpaid tax arrears: of taxpayers who have been erased from the relevant registers (unless the other party is responsible for fulfilment of those obligations); in case of absolute statute of limitations; for those that are the subject of settlement in accordance with the law

¹²TADAT -The Tax administration Diagnostic Assessment Tool

which regulates insolvency procedure through bankruptcy until the completion of insolvency procedure; and based on disputable and dubious debts.

Realized results under the jurisdiction of Tax Administration within the measure 7 already deliver results although the target deadlines are from the first quarter of 2017 onwards, and significantly improve the work of Tax Administration, as well as the quality of public services provided to citizens and business community.

Within the measure 7, Revenue Collection Improvement, and in accordance with the requests from chapter 29 - Customs Union, the Program follows the modernization of Customs Administration in the domain of risk management and anti-corruption measures, as well as in modernization of customs laboratory.

The progress of Serbia in this area was marked as good in the EC Report for 2016. Good progress was made in transit, which involved initiation of mutual transit procedure, with assistance of New Computerized Transit System (NKTS). In the following period, Serbia has to upgrade the customs declaration processing system and integrate risk management, as well as to improve and modernize Customs Administration management.

Within the **result 7.3 – Customs system improved and modernized**, there are three activities with the fourth quarter of 2018 as the implementation deadline. Implementation of ERIAN (Risk Analysis Management System), an expert system – module whose general goal is to ensure *on-line* evaluation of declarations processed within the declaration process system according to the specifications of a model (profile) of risk, drafted by risk analysts in ERIAN central archive of risk profile. The condition for measure implementation was also the process of integration of ISCS¹³ with the new ERIAN system for all allowed customs procedures and entrance/exit record of motor road vehicles. This condition has to be modified in two directions. Integration can be executed up to a certain limit which does not enable ERIAN system to treat risks through ISCS. That is why it is necessary to intensify the analysts' trainings in that area, within the priority control sections such as: fight against smuggling of excise goods – cigarettes, import of used motor vehicles, and import of goods of Asian and Euro-Asian origin.

The measure will be completed by introduction of automatized import and export systems (AIS & AES), whose preparatory phase was provided in the project of financing from IPA 2013, and which are fully compatible with ERIAN. The second direction related to the integration of ERIAN with entrance/exit record of motor road vehicles for the purpose of empty vehicles treatment will enable connection with ERIAN system via SEED¹⁴, which is connected to the record of entrance/exit of motor road vehicles from ISCS, which would enable electronic control of empty vehicles.

¹³Information System of the Customs service

¹⁴Systematic Electronic Exchange of Data

Improvement of anti-corruptive measures is the activity which is being monitored by the Public Financial Management Reform Program, as well as in the negotiating chapter 23, Judiciary and Fundamental Rights, opened in July 2016. Customs Administration has timely conducted the analysis on corruption risks of the legal framework of customs system (activity 2.2.10.30. from the Action Plan for negotiating chapter 23). Also, the first part of training for the members of the Internal Control Division CA was held – Methods of investigation of corruption in customs at the Academy of Criminalistics and Police Studies, in organization of GIZ project Public Finance Reform, and the second part of the training is planned for January 2017.

As one of the recommendations given in the EC Progress Report within the chapter 29, the need for Customs Laboratory modernization is emphasized. The first draft of the suggested project „Creating conditions for strengthening the capacities of Customs Administration Laboratory of the Republic of Serbia“ was prepared within the reporting period. The project is supposed to be funded from the unallocated resources from IPA 2013, and co-financed from the budget of the Republic of Serbia for 2017. Signing of the contract was planned for April 2017, and the beginning of the project for May 2017.

Measure 9 – TO IMPROVE CAPACITIES FOR PUBLIC DEBT MANAGEMENT

Trajectory of public debt of the Republic of Serbia is reversed and since 2016, public debt share in GDP has reduced. In the last two years, thanks to fiscal and structural measures, the growth of the debt was first slowed down and in 2016 for the first time there was a drop of the public debt share in GDP.

For the purpose of further improvement of efficiency and effectiveness of Public Debt Administration (PDA), the Program monitors the implementation of activities related to the necessary improvement of legal basis, capacities, as well as information basis of PDA. Completion of activities foreseen in the Program was not planned during this reporting period. Regardless of the set deadlines, PDA works on the implementation of all seven activities within the measure nine, along with the accompanying results.

It is estimated that for the **result 9.1 – *Designed and implemented public debt management software***, the entire implementation of activities related to procurements, projection, adaptation and implementation of the software for public debt management will be late in relation to the initially planned first quarter of 2017, so shifting to the first quarter of 2018 is expected, due to delay of providing adequate donation. The project is implemented thanks to the funding from Swedish International Development Agency (SIDA) and supervised by UNDP. Implementation of this project will help in overcoming the largest operational problem in the work of the PDA and analytical capacities of the PDA will be significantly improved.

Implementation date of the **result 9.2 – *Established methodology for long term public debt sustainability analyses***, and activities – Development and implementation of methodology for carrying out long term public debt sustainability analyses, were predicted for the first quarter of 2017. Although all necessary means for starting the PDA activities are expected in the shortest possible time, the activity will be implemented with a delay, within the second quarter of 2017.

For the purpose of fulfilment of the **result 9.4 – *By-law for financial derivatives transactions adopted*** and activities – Preparation of documentation and implementation of legal framework for transactions in financial derivatives, planned for the first quarter of 2017, in a given time limit a visit was made and the consultations were organized with the experts from the World Bank and Swedish Debt Agency (June 2016). In cooperation with these two institutions, a framework for creating necessary bylaws in this area was set.

PDA has undertaken all necessary activities for implementation of planned results within the measure 9 whose deadlines were set for 2017 and 2018, and predicts slight delays.

Measure 10 – TO IMPROVE PUBLIC PROCUREMENT LEGISLATION AND PROCEDURES

In the EC Progress Report for 2016, European Commission states that it is important to put more efforts in preventing corruption in public procurement procedures and gives assessment that the Republic of Serbia is moderately prepared in this area. Some progress was made during the previous year, first of all, in terms of adopting a secondary legislation and further increase in competition in the public procurement procedures; however, it is necessary to put significant effort in all segments in order to improve competitiveness, efficiency and transparency in public procurement procedures.

In compliance with the requests within the negotiating chapter 5 – Public Procurements, which was opened in December 2016, in the next period, Serbia should particularly: strengthen the capacities of Public Procurement Office, as well as the capacities of administrative courts, timely implement the Public Procurement Development Strategy, especially in order to provide further harmonization with the EU Directive on Concessions. In accordance with the given requests, the Program established a framework for monitoring the progress in the area of public procurements.

Within this reform measure 10, the implementation of four activities within two results is planned, that is the overall measure is planned to be implemented by the fourth quarter of 2016.

Within the **result 10.1 – *Procurement planning transparency improved***, the activity of mandatory publication of procurement plans on the Public Procurement Portal¹⁵, as well as the decision on awarding the contract and decision on termination of a procedure, has been implemented, and set target value, that is, over 85% of entities publishing the public procurement plan on the public procurement portal is achieved and comes up to 90%. In the semi-annual report issued by the Public Procurement Office it is stated that thus the number

¹⁵<http://portal.ujn.gov.rs/>

of documents published on the Portal increased, which not only improves the informing of tenderers and makes participation easier for them, but it also creates significant assumptions for more efficient monitoring and control in the public procurement procedures. Also, the number of visits to the Portal increased, compared to the same period last year, which clearly emphasizes the usefulness of the Portal for the widest circle of interested persons.¹⁶

Within the **result 10.2 *The Public Procurement system is functionally and operationally upgraded***, implementation of three activities was planned for 2016. The activity related to organizing training in the area of public procurement for designated persons and decision makers was implemented within the given deadline, 3 288 employees obtained certificates, that is, 142% when compared to the target value, set in the amount of 2 300 employees certified for public procurement. All planned trainings have been realized as well. This activity significantly contributed to the improvement of capacities of both contracting authority and tenderers, thus improving the conditions for more efficient, more effective and more transparent implementation of public procurement procedures.

It is planned that the trainings/specialization of prosecutors and judges should be conducted in the area of public procurements and more efficient investigation and sanctioning of irregularities in the public procurement procedures by the judiciary. This activity has been implemented; however, due to the limited capacities of the Administration and expressed training needs of the bodies over the year, one of the two planned trainings for representatives of the police, prosecution and courts was realized. It is also planned that the training in this area should continue in 2017, that is, two more trainings are planned.

Implementation of the process of institutional enhancement of the Public Procurement Office was not implemented within the reporting period, due to lack of additional funds for the purpose of enhancement of personnel and administrative capacities, so the objective is shifted to 2017.

Activities implemented so far have had an effect on improvement of transparency of the public procurement procedures, on sharing of technical knowledge in this area and improvement of the public procurement system in general, which resulted in opening negotiations in the chapter 5 – public Procurements.

PILLAR IV EFFECTIVE FINANCIAL CONTROL

Effective financial control represents a key reform step towards establishment of budget discipline and increasing of managing responsibility in public funds management. The progress of this reform pillar directly depends on the public funds beneficiaries, who have a

¹⁶ http://www.ujn.gov.rs/ci/izvestaji/izvestaji_ujn

legal obligation to apply standards of internal financial control and to provide capacities for the internal audit function.

In the process of reform measures implementation within this pillar, Central Harmonization Unit (CHU) has a leading role in promoting, advising and improvement of requests in the area of internal control, as well as the practice of internal audit, that is, providing assistance to relevant institutions within this pillar, in order to mutually build capacity within their jurisdiction.

The Program monitors the progress within the area of Public Internal Financial Control (PIFC) as its integral part, but the reform of this area must not be observed as an isolated technical reform. It is rather seen as a part of a wider area of public administration reform, changes in the budget system, as well as consolidation with, so far, parallel system for management and control, within the indirect management of IPA Funds.

The EC report on progress of Serbia, in a part of the Chapter 32 - Financial Control, states that significant efforts must be made for the purpose of implementation of management responsibility and internal control at all levels of administration and in public enterprises. In 2017, Serbia should particularly: adopt and start implementation of the delayed PIFC Strategy¹⁷ and to implement a formal mechanism for coordination, monitoring and reporting, as well as to redirect CHU activities so that it becomes more proactive in terms of giving methodological guidelines and consideration the quality of implementation of PIFC.

The fourth pillar of the Program includes five reform measures and within them, 17 set results, consisting of 27 activities. The implementation of nine activities was planned within the reporting period.

Measure 11 – TO IMPROVE STRATEGIC AND LEGISLATIVE FRAMEWORK FOR IMPLEMENTING OF PUBLIC INTERNAL FINANCIAL CONTROL

Formal condition for implementation of accompanying results is adoption of PIFC Strategy 2017-2020 and the accompanying Action Plan, done in 2016, but due to necessary additional improvements, the adoption of the Strategy and the implementation of related Program activities is being postponed. The second Draft of the PIFC Strategy was done, containing newly-set deadlines for implementation of activities, so, according to that, it is necessary to harmonize those deadlines with other related reforms, particularly with the Public Financial Management Reform Program 2016-2020 and the Action Plan for the Strategy on Public Administration Reform.

¹⁷Public Internal Financial Control Strategy 2017-2020

The Program monitors the implementation of results that will lead to the fact that the system of internal financial control in public sector develops according to the guidelines given in the Strategy, that the progress reporting mechanism is established within the Strategy, as well as the activities that will lead to the fact that CHU redirects its own activities to the providing support to public sector organizations, in relation to the PIFC implementation, and to provide more quality data and system analysis in its reports.

The objective of the set **result 11.1 – *Medium term PIFC Development Strategy and Framework prepared and adopted***, is to undertake further activities, based on the adopted Strategy, in order to develop a road map for Strategy Action Plan elaboration, to form working group for monitoring and implementation of financial management and control, and internal audit.

Within the first reporting period the draft Strategy on development of Public Internal Financial Control 2017 – 2020 was prepared which represents the basis for preparation of the accompanying documents and further activities. Deadline for implementation of these activities was within the reporting period. However, they were not implemented because the Strategy itself was not adopted timely. The Draft Strategy PIFC 2017 – 2020 was forwarded to the members of Working Group for consideration and discussion. They submitted objections and suggestions based on which the second Draft Strategy was done. The same was forwarded to the representatives of the European Commission – Directorate General for Budget, for the purpose of further harmonization and giving suggestions for improvement, particularly in the light of obligations from the negotiating chapter 32 – Financial Control. In accordance with the above mentioned, monitoring of implementation of these activities continues, until the adoption of Strategy, in the first half of 2017.

For **result 11.2 – *Improved legislative framework for financial management and control (FMC)***, within the reporting period Guidelines for Risk Management, Brochure – Internal Audit as well as Brochure – Financial Management and Control, were prepared and published.¹⁸ Mentioned documents are used for additional clarification of basic elements of public internal financial control, as well as for raising awareness about the need for implementing the internal control and the way it positively affects public funds management. These documents represent basis for improvement of the Rulebook on common standards and criteria for implementation, functioning and reporting on the system of public financial management and control, the deadline of which is moved from the fourth quarter of 2016 to the fourth quarter of 2017, due to changes of deadlines for adopting the Strategy and accompanying Action Plan.

For the purpose of achievement of the **result 11.3 – *Improved capacities of the CHU***, within the given deadline a functional CHU analysis has been conducted, for the purpose of

¹⁸ <http://ifkj.mfin.gov.rs/Dokumenta.aspx?tip=6>

improvement of its organizational, technical and administrative capacities. The analysis has been conducted by the World Bank, which has also noted the work and jurisdictions of organizational unit, but has not given any directions related to the improvement of its organizational, technical and administrative capacities.

The **result 11.4 - *Assessment of the Quality of Financial Management and Control improved***, will be enabled by development of the software for CHU, adapted to the operative requirements of the analysis, and preparation of Annual Report, which is currently in a test phase. Deadline for implementation is the fourth quarter of 2017.

For the **result 11.5 – *Improved coordination and implementation of training and professional development programs for officials and civil servants on FMC and IA***, the implementation was planned as a set of activities referring to relocation of administrative and logistic activities related to training on financial management and control, and internal audit in HRMS, establishment of coordination with experts from this area, in order to include those trainings in syllabus of academic institutions or expert organizations, as well as conducting the analysis related to the possibility of introduction of internationally acknowledged certification programmes into the existing certification schemes. Realization of the complete result was planned within the reporting period, but the deadline is being postponed due to shifted deadlines in the Draft Action Plan of the Strategy.

Preparatory actions for implementation of these activities are already done, that is, the activities are partially implemented in 2016. Coordination with the Human Resources Management Service of the Government has been established, and the *Curriculum* (a teaching plan, syllabus) is being prepared, which is necessary for training reallocation. The information from the relevant professional associations on the way and types of trainings, organized in the area of internal control, for the purpose of creating the basis for the future cooperation, have been collected. The implementation of activities is postponed from initially planned fourth quarter of 2016 to the fourth quarter of 2018. Contacts were also established with *Chartered Institute of Public Finance and Accountancy (CIPFA)* from Great Britain, and in relation to the upgrading of existing certification scheme of internal audits. The implementation of the activities is expected in the fourth quarter of 2017.

Measure 12 – TO ENHANCE THE IMPLEMENTATION OF FINANCIAL MANAGEMENT AND CONTROL

Measure 12 monitors the implementation of the results and accompanying activities that contribute to better understanding of PIFC system itself. Thereby, better understanding includes increasing of management responsibility, as well as the transfer of focus from the legality and regularity of financial transactions to their efficiency and effectiveness.

Realization of the **result 12.1 – *Genuine understanding of FMC as a management tool for achieving the strategic goals of the institution achieved***, is marked as unlimited in duration, that is, as continuous activity consisting of providing support to the managers of public funds beneficiaries, in order to reach better understanding of management and control system, that is, contribution of each of the managers to implementation of strategic objectives of their institutions. In 2016, several workshops, conferences and meetings were held at central, local and regional level, which continuously encourage further development and improve understanding of PIFC system.¹⁹ All these activities can be monitored on web site of the Ministry of Finance dedicated to this policy.

Result 12.2 – *Strengthened role of FMC Coordinators and units coordinating Internal Control issues*, was planned to be achieved through continuous providing of support and practical training related to this area. Within the previous reporting period, that is, during the first two quarters of 2016, basic trainings related to financial management and control, and risk management were conducted. The manual „Guidelines for risk management“ was published as well. Practical examples for establishment and development of financial management and control, as well as for the risk management procedures, were given through workshops and trainings, which will lead to the improvement of FMC quality for public funds beneficiaries. During the next two quarters of 2016, trainings for support to the FMC coordinators in the drafting of the documents were conducted, for following: draft charts of business processes, adapted road maps for further implementation of financial management and control in their institutions, and risk management manuals. Manager trainings on basic FMC principles and internal audit, methodology of business processes documentation, establishing the procedures, risk register and risk management strategies were organized on the spot, at public funds beneficiaries` premises, with the participation of managers of the highest and medium level. Conducted trainings are shown in the Consolidated Annual Report on the condition of public internal financial control in in the Republic of Serbia, for each calendar year, which is used for monitoring the progress in public funds beneficiaries (reports can be found on the web site of the Ministry of Finance).

All previously mentioned measures will be processed in further details within the PIFC Strategy 2017-2020, and the European Commission will also support development of this policy in the Republic of Serbia with Twinning project worth 2 million euros, the implementation of which is expected in 2017.

¹⁹ <http://ifkj.mfin.gov.rs/SveAktuelnosti.aspx?status=1>

**Measure 14 – TO FURTHER STRENGTH THE LEGISLATIVE FRAMEWORK,
INSTITUTIONAL AND OPERATIONAL CAPACITIES OF AUDIT AUTHORITY
OFFICE OF EU FUNDS**

Within the set measure, the competent institution for implementation is the Audit Authority Office of EU Funds, which continuously works on additional development of capacities, in order to be harmonized with requirements of Indirect Management of IPA Funds, and on set Program results.

Implementation of the **result 14.1 – *Operational capacities of the Audit Authority for EU funds improved***, consists of the activities that refer to the adoption of relevant legal framework, implementation of functional analysis for the purpose of improvement of organizational capacities of the Office, as well as providing an adequate number of employees.

Legal framework for (re)institutionalization of the Audit Authority Office of EU Funds was prepared within the previous reporting period, in January 2016. Due to the Technical Government the Act was not adopted and the adoption deadline was postponed. Authorized Act proponent to the Government of RS is the Ministry of Public Administration and Local Self-Government. The Law was not planned in this year's Ministry's working plan; however, in the future work on resolving issues of legal position of the Office, the possibility of amending the existing bylaw act under which the Office was established will be considered. In relation to that, the consultations between the Ministry of Public Administration and Local Self-Government and the Audit Authority Office of EU Funds are in progress.

Through the appointment of the Office Director according to the requirements and criteria laid down by the Directorate-General for Neighboring and Enlargement Negotiations (*DG NEAR*), and in accordance with the progress made within the Chapter 22, Regional Policy and Coordination of Structural Instruments, and with the recommendations given in the EC Progress Report for 2016, all the findings were closed, so that the Office has necessary organizational and technical, and particularly administrative capacity. Functional analysis for the purpose of improvement of capacities, and with the aim of increasing the functionality of the Office for implementation of all activities under its jurisdiction, in accordance with the Framework Agreement for IPA II, as well as the Load Analysis, was conducted before a specified deadline (the first quarter of 2017). Organizational, technical and administrative capacities of the Office were also improved, thus increasing the functionality for implementation of all activities. Up to 20 June 2016, the project on technical assistance „Capacity Building Support of the Audit Authority Office of EU Funds “was realized. Continuous work is being done on providing adequate number of competent employees for performing the jurisdiction of the AA, in accordance with the updated Workload Analysis. In 2016 the Office filled up around 85% of staff vacancies, out of which there are eight certified internal auditors in public sector. Full capacity, that is, all staff vacancies in the Office completely filled, is the target value that is supposed to be realized in the third quarter of 2017. Seven employees successfully completed the training for financial management and control, and for internal audit as well, according to the CHU plan, and they will be certified.

Measure 15 – TO IMPROVE IRREGULARITY MANAGEMENT, ANTIFRAUD COORDINATION AND COOPERATION AND PROTECTION OF FINANCIAL INTERESTS OF THE EUROPEAN UNION

Measure 15 covers the reform results that follow the improvement of the system for protection of EU's interests, as well as harmonization of relevant acts in relation to budget inspection and further arrangement of that function.

Organizational unit responsible for implementation of reform measure is the Department for Control of Public Funds of the Ministry of Finance. Within the Department, along with the Budget Inspection, there is the Unit for combating irregularities and fraud in dealing with EU funds (AFCOS) with its legal basis in the Budget System Law and in Rulebook on Systematization of the Ministry of Finance 08 Number: 112-01-2/41-2016 from 21 January 2016. The Unit for combating irregularities and fraud in dealing with EU funds (AFCOS) does not have investigative powers, but provides coordination and cooperation with subjects that have investigative powers through AFCOS Network.

Within the measure 15, the implementation of six activities was planned for 2016.

Within the **result 15.1 - *The appropriate legislative framework for a PIFC compliant Financial Inspection in place***, the activity for assessment of current legislative framework for Budget Inspection, in order to identify, fill gaps and provide full functionality, and in accordance with the EU requirements and recommendations given by SIGMA, was partially implemented within the given time limit. The analysis is conducted, and the submission of the final report is expected by the end of February 2017. Amendments and changes on the Budget System Law²⁰ were made within the reporting period in chapter VII, governing the work and jurisdiction of the Budget Inspection, in order to ensure the full mandate for the Budget Inspection to perform its jurisdictions. In addition to the above, it is important to emphasize that, by amending the Budget system Law, the jurisdiction for the implementation of administrative control was awarded to AFCOS, considering that this amendment contributes to realization of result 15.1. In the following period, further work on preparation and adopting of bylaws which define this activity is necessary.

Within the **result 15.3 – *Improved capacities of the Anti-Fraud Coordination Services (AFCOS) for performing administrative checks of Irregularity Signals*** and **15.4 – *Anti-Fraud Strategy adopted***, the implementation of accompanying activities is significantly conditioned by the adoption of the Strategy for irregularities and fraud prevention in treatment of EU Funds and the accompanying Action Plan. Final Draft Strategy is in the

²⁰ The Official Gazette of RS”, Nos. 54/2009, 73/2010, 101/2010, 101/2011, 93/2012, 62/2013, 63/2013 - correction, 108/2013, 142/2014, 68/2015 - second law, 103/2015 and 99/2016),
<http://www.mfin.gov.rs/UserFiles/File/zakoni/2016/Zakon%20o%20budzetskom%20sistemu%202016.pdf>
<http://www.mfin.gov.rs/UserFiles/File/zakoni/2016/Zakon%20o%20budzetskom%20sistemu%202016.pdf>

process of preparation, and the deadline for its adoption postpones from the second quarter of 2016 to the first quarter of 2017, and in accordance with that, operative procedures for administrative controls upon the reported irregularities is also in the process of preparation. The shifting of deadlines was the result of the harmonization process regarding the contents of the Strategy with OLAF, which lasted longer than it was planned and expected.

Increasing the number of employees in AFCOS was realized within the given deadline. Namely, in accordance with the Rulebook on internal organization and job position systematization in the Ministry of Finance, by which the Unit for combating irregularities and fraud in dealing with EU funds (AFCOS) was reorganized into the Group, there was an increase of hired employees, although the number of systematized job positions was reduced from five to four. However, due to personnel changes, the number of employees is reduced, since one of the employees is currently assigned to other duty.

Draft text of the Arrangement on Cooperation between Ministry of Finance and OLAF is prepared and harmonized. Signing of the Agreement is expected in the first quarter of 2017, and the reason for delay (initial deadline was the first quarter of 2016) is the continuation of harmonization of the final text of the Agreement with OLAF representatives.

Improvement of strategic and legal framework, as well as enhancement of administrative capacities of the Department for Control of Public Funds, will affect the improvement of irregularities management, and the protection of EU's financial interests, as a very important element and Negotiating Chapter 32 – Financial Control.

PILLAR V – ACCOUNTING, MONITORING AND FINANCIAL REPORTING

The Treasury Administration of the Ministry of Finance is responsible for implementation of reform goals contained within the fifth Program pillar, referring to the coverage and quality of reporting on budget execution and gradual and systematic transfer to accrual accounting. The Administration makes significant efforts in the process of implementation of those goals. The obligation results from the Negotiating Chapter 17 – Economic and Monetary Issues, whose set of measures is included within the adopted National Programme for Adoption of Acquis (NPAA)²¹.

The fifth pillar of the Program includes two measures within which four results and 24 activities are being monitored, out of which only one result has 2016 as a deadline for implementation, whereas for the other three, the progress is monitored in the following years. Out of stated 24 activities, seven were supposed to be implemented by the end of 2016, five

²¹ The second revised version of NPAA adopted at the Government session on 18 November 2016. Link to the document: http://www.seio.gov.rs/upload/documents/nacionalna_dokumenta/npaa/NPAA_2016_revizija_srp.pdfhttp://www.seio.gov.rs/upload/documents/nacionalna_dokumenta/npaa/NPAA_2016_revizija_srp.pdf

of them were implemented during the first reporting period (a deadline of implementation was II quarter of 2019), two activities were partially implemented, and one activity was not implemented at all, and they were planned to be implemented in III and IV quarter of 2016. One activity was partially implemented in this reporting period, although the deadline for the implementation is 2018.

Measure 16 – TO IMPROVE COVERAGE AND QUALITY OF BUDGET EXECUTION REPORTING

Within the measure 16 and the set **result 16.3- *Monitoring and reporting on arrears improved***, a progress has been made by sending the request of the Treasury Administration to all budget beneficiaries, on their obligation to register the contract after signing, into the *RINO*²² and *FMIS*²³. Mentioned legal obligation of budget beneficiaries results from the provisions of the Law on Deadlines for Fulfilment of Financial Obligations in Commercial Transactions²⁴. The Law also regulates the obligation to expand the RINO system to the transactions between the public sector subjects, in order to avoid significant expenditures for delayed payment on the basis of default interest. The stated obligation is applied from 1st January 2016.

For the purpose of full implementation of set results, it is necessary to conduct the Analysis and enhancement of the system of penalties for non-implementation of stipulated financial control, intended to be implemented till the end of 2016. The supervision over the implementation of the Law on Deadlines for Fulfilment of Financial Obligations in Commercial Transactions for economic entities is done by the Tax Administration, whereas the Division for Budget Inspection of the Ministry of Finance supervises the public funds beneficiaries. For that reason, the Rulebooks on the Manner and procedures of Supervision²⁵ is adopted. The penal provisions of the Law on deadlines for Fulfilment of Financial Obligations in Commercial Transactions are conducted by the Economic and Misdemeanor Courts, depending on the subject of supervision. During 2016, Tax Administration obtained 53 notifications for which competent tax inspectors initiated the request for the misdemeanor procedure. During 2016, the Division for Budget Inspection issued 252 decisions on temporary suspension of transferring the corresponding part of income tax and profit tax of the local self-government units.

Having regard to the **result 16.1 – *Improved coverage and quality of reporting on budget execution and fiscal reports***, and the target value stated for 2016, the number of budget

²² web application and instructions for *RINO* system: <https://www.trezor.gov.rs/rino-cir.html>

²³ web application and instructions for *FMIS*: <https://www.trezor.gov.rs/fmis-cir.html>

²⁴ The Official Gazette of RS, No. 68/2015

²⁵ Tax Administration Rulebook, The Official Gazette of RS, No. 54/16, link to the document

<file:///C:/Users/sanja.amanovic/Downloads/pravilnik%20o%20komercijalnim%20transakc..pdf> and the Rulebook of the Budget Inspection Department, the Official Gazette of RS, Nos. 119/12 and 68/15, link to the document:

[http://www.mfin.gov.rs/UserFiles/File/podzakonski%20akti/2015/Pravilnik%20RINO%20\(63206\).pdf](http://www.mfin.gov.rs/UserFiles/File/podzakonski%20akti/2015/Pravilnik%20RINO%20(63206).pdf)

[http://www.mfin.gov.rs/UserFiles/File/podzakonski%20akti/2015/Pravilnik%20RINO%20\(63206\).pdf](http://www.mfin.gov.rs/UserFiles/File/podzakonski%20akti/2015/Pravilnik%20RINO%20(63206).pdf)

beneficiaries involved in the FMIS system was increased for 247 beneficiaries, among which there are courts, prosecutions and legislative institutions. Professional trainings for the work in FMIS system were organized for the mentioned institutions, for the period from November 2015 to April 2016, for approximately 550 participants.

For the purpose of involvement of prisons, cultural institutions and social protection institutions, starting from January 2017 the Treasury Administration will undertake certain pre-activities with the aim of fulfilment of set goals, whose deadline of implementation is I quarter of 2018.

Considering that the mentioned results require modernization and upgrading of the existing IT equipment of the Treasury Administration, the support for implementation of adequate software solution was provided through pre-accession EU funds, through the procurement project of secondary/backup center for data storage.²⁶ The project for implementing the Central Invoice register is in the preparation phase, for the purpose of creating a unique IT system with the records of all claims towards the public sector, private sector and citizens, which would improve the quality of work not only of the Administration, but also of other organizational units of the Ministry of Finance.

The goals in question are also part of the project „Reconstruction and optimization of Public Administration in Serbia“²⁷, of vertical functional analysis of the Ministry of Finance, conducted by the World Bank, as well as the Memorandum on economic and financial policies, which provides a review of economic measures that the Government of the Republic of Serbia and National Bank of Serbia intend to implement within a *stand – by* arrangement of IMF. The progress in this area was presented within the First Reporting Period of the Program.

Measure 17 – MOVING GRADUALLY AND SYSTEMATICALLY TOWARDS ACCRUAL BASIS ACCOUNTING

Within the measure 17, a set **result 17.1** of the Program Action Plan –*Completeness and coverage of accounting information improved through implementation of accrual accounting based on IPSAS standards*, is realized in several steps within which the Work plan of Treasury Administration was given. In the first reporting period, three activities were completed, which contributed to the fact that, according to the Gap Analysis between current accounting practices and IPSAS standards for accrual accounting, conducted according to the technical assistance of IMF, a realistic road Map of transfer to the complete accrual accounting in the government sector is established. Although the previous report recommended the Road Map to be formally adopted at the Government session, the fact that

²⁶ IPA2013 project – Procurement of goods needed for implementation of secondary/back up centre for data storage of the Treasury Administration

²⁷ IPA2014 project – Optimization and Restructuring of Public Administration in the Republic of Serbia, financed by EU, and implemented by the World Bank

further steps of the Administration were elaborated within the subsequent activities of the result 17.1, and that the Action Plan had already been adopted at the Government session, there is no need for further formalization.

The Draft Decision on establishing of the Council was made in the first reporting period. It was suggested that the Council should consist of the representatives from the accounting profession in public sector, academic community and state authorities at both central and local level, and that the observer within the Council should be a representative of the SAI. Proposed composition is waiting for the approval of the Ministry of Finance and other relevant financial institutions. Deadline for the establishment was moved for the second half of 2017.

Activity which refers to the preparation of accounting policies in accordance with IPSAS 1, 2, 3, 5, 14, 24, was not implemented within the deadline, due to the fact that it was necessary to determine the translation of IPSAS standards, which would fulfill the overview of specific obligations, assessment of accompanying risks and expenditures, as well as expected benefits from implementation. A specific organizational structure of the Administration is needed, and in accordance to that, adequate trainings of employees should be organized, in order to implement the stated standards in phases. The need for changes is recognized within the results of vertical functional analysis of the Ministry of Finance, conducted by the World Bank. This is also supported by the fact that the Treasury Administration initiated the procedure of amending the Rulebook on internal organization and systematization of job positions in the Ministry of Finance. A new deadline for implementation was set, II quarter of 2017.

A „*pro forma*“ financial report for 2015 has also been prepared in accordance with IPSAS standards for the central level of government, although the deadline for implementation was initially set for the second quarter of 2019.

Changes in the accounting basis and implementation of international standards, which will take place within five phases, would contribute to providing necessary information the fiscal policy will be based on, the scope of fiscal reports and balance sheet, and additional improvement of public funds management, as well as more transparent budget policy.

PILLAR VI – EXTERNAL SCRUTINY OF PUBLIC FINANCES

The sixth pillar of the Program includes two measures, within which five results and six activities are being followed, and only one of the activities was predicted to be implemented in the III quarter of 2016, and the success of others will be measured in the following years.

In the Semi-annual and Annual report on the Program Action Plan implementation there is an improvement in this area, in terms of extension of coverage and quality of external audits along with enhancement of the parliamentary control over public finance. The obligation of establishing them is in accordance with one of the benchmarks for closing the Negotiating Chapter 32 – Financial Control, and with SIGMA recommendations on the principles of public financial management²⁸.

State Audit Institution and National Assembly Committee for Finance, State Budget and Control of Public Spending, are in charge of the realization of given objectives, whose representatives are at the same time pillar coordinators and members of the Program Steering Committee, except for the result 18.2

Measure 18 – TO STRENGTHEN COVERAGE AND QUALITY OF EXTERNAL AUDITS

The last European Commission’s Progress Report goes in favor of progress of pillar 6; that Report states that constitutional and legislative framework of SAI complies with the INTOSAI standards, and the expansion of the audit coverage was noticed as well.

Within the measure 18, **result 18.1 - *The State Audit Institution (SAI) carries out financial, compliance and performance audits as mandated by the Law and in line with the ISSAIs standards***, is partially implemented, considering that the deadline for implementation is the end of 2020. Having regard to the target value for 2016, SAI published 185 out of 188 planned audit products²⁹. The Audit Program, issued by the Institutional Committee, based on the determined criteria for audit subject selection, is adopted annually. Considering the confidentiality of audit reports, updated phases of their implementation will be published on the official site of SAI. Within the semi-annual Program report, a set of rules was presented, used by SAI for the purpose of providing further conducting of audits in accordance with the law, ISSAI standards and audit manuals. Internal and international trainings were also presented, as well as the memberships in various working groups and organizations.

Within GIZ project on Public Finance Reform, during 2016, a Draft of Strategy for human resource management in SAI was done, and in the following period further support in implementation of the goal 3 of Strategic Plan of SAI³⁰ for the period 2016 – 2020 was planned, referring to the human resources management.

In accordance with previously mentioned SAI Strategic Plan, SIGMA has conducted a functional analysis of SAI, which will be taken into consideration during the process of planning future SAI activities.

²⁸Principle number 15 and 16, link to document: <http://www.sigmaxweb.org/publications/Principles-Public-Administration-Overview-Serbian.pdf>

²⁹Link to Reports: <http://www.dri.rs/ревизије/последњи-извештај.135html>

³⁰http://www.dri.rs/upload/documents/Opsti_dokumenti/dri-strateski1-plan2016-2020.pdf

As for the **result 18.3 – Internal quality control and quality assurance function within the SAI fully developed and operational**, partially implemented, there was no progress compared to the previous reporting period, since the number of employees in the Department for Methodology of Audit and Quality Control, remained the same. There are still 38% of filled job positions in comparison to the set target value for 2016, which is 75% of employees. What the institution provided is that employees are trained in order to become operative. For the purpose of adoption of the Guidelines for quality assurance based on ISSAI standards, SAI offered a proposal for the project³¹ for quality control in audit. The project is supposed to be implemented with the assistance of pre-accession EU funds, and is therefore IPA unit in the SAI was accredited in December 2016.

Achievement of the result **18.4 – Systemic follow-up of implementation of audit recommendations improved**, whose improvement will be monitored in the following years as well, depends on establishment of public registry of audit recommendations. SAI established a data base which is continuously being updated with reports, but is also improved with the aim of establishing the recommendation register, which would considerably facilitate the recognition of system problems and improved data base for parliamentary control, thus contributing to the democratic control of public spending and public services.

The role of the National Assembly and the Committee on Finance, State Budget and Control of Public Spending was recognized in the final Annual Report of the European Commission as the important factor and tool available to the members of the parliament and to the public, in monitoring public spending. For those purposes, by the end of 2015, the Portal for monitoring public finance was established, which ensured connection of the National Assembly with existing system in the Ministry of Finance - Treasury Administration. The Portal was established with the support from the United Nations Development Programme (UNDP) and Swiss agency for development and cooperation (SDC), within the project „Strengthening of monitoring role and transparency in work of the National Assembly“³². Development of the Portal is conducted in several phases, with the aim of connecting with other monitoring systems for public spending of funds from the state budget, thus enabling immediate access to information and providing more simple and more efficient way of monitoring spending funds from the budget of the Republic of Serbia, as well as monitoring public finances.

³¹ IPA2013, unallocated assets, *Twinning Light* project „Quality control in SAI audit“

³² <http://www.parlament.gov.rs/%D0%BD%D0%B0%D1%80%D0%BE%D0%B4%D0%BD%D0%B0-%D1%81%D0%BA%D1%83%D0%BF%D1%88%D1%82%D0%B8%D0%BD%D0%B0/%D1%83%D0%BB%D0%BE%D0%B3%D0%B0-%D0%B8-%D0%BD%D0%B0%D1%87%D0%B8%D0%BD-%D1%80%D0%B0%D0%B4%D0%B0/%D0%BF%D0%BE%D1%80%D1%82%D0%B0%D0%BB-%D0%B7%D0%B0-%D0%BD%D0%B0%D0%B4%D0%B7%D0%BE%D1%80-%D0%BD%D0%B0%D0%B4-%D1%98%D0%B0%D0%B2%D0%BD%D0%B8%D0%BC-%D1%84%D0%B8%D0%BD%D0%B0%D0%BD%D1%81%D0%B8%D1%98%D0%B0%D0%BC%D0%B0.3387.html>

Measure 19 – TO STRENGTHEN PARLIAMENTARY SUPERVISION OVER PUBLIC FINANCES

Within the measure 19 and **result 19.1 - Proper parliamentary oversight function ensured**, the first activity – Making the necessary organizational arrangements to deliberate external audit work and establishing clear written procedures for deliberation of audit reports with deadlines for deliberation and taking action for Committee for Finance, Budget and Control Over Use of Public Resources of the National Assembly , intended to be implemented in the III quarter of 2016, is partially implemented by establishing a Subcommittee for consideration of reports on audits performed by the State Audit Institution, at the Board session, held on 21 July 2016. However, written procedures for consideration of audit reports within which deadlines for consideration of reports were supposed to be defined, were not made.

According to the Plan of their activities, by the end of 2016 Subcommittee was supposed to prepare a Draft decision as well, which will define clear procedures for report consideration of the State Audit Institution on conducted audits. Having regard to the fact that 2016 was the election year, that the National Assembly was constituted in June, and the Committee on Finance, State Budget and Control of Public Spending was not constituted until July, and that significant legislative and other activity of the Committee followed after that, during the autumn regular session of the National Assembly in 2016, the Committee was not able to implement a planned activity within the given deadline. Presidential elections announced at the beginning of March 2017 and the pause in the work of the National Assembly during the elections postpone full implementation of this activity to the following quarter in 2017. It is expected that the Subcommittee, in cooperation with State Audit Institution, as soon as possible, prepares the Draft of this Decision that the Committee will further on discuss and adopt at one of the following sessions, thus fully implementing the activity in question.

The second activity of the **result 19.1 – Organize meetings of the Committee for Finance, State Budget and Control of Public Spending in the form of hearing for discussion of audit reports** *Organization of Committee on Finance, State Budget and Control of Public Spending meetings in a form of a hearing for the discussions on audit reports*, is conditioned by adoption of clear written procedures for consideration of audit reports. According to the Action Plan for Program implementation, a deadline for realization of the activity in question is the third quarter of 2017. The Committee plans the organization of one number of sessions in the form of a hearing, based on submitted reports on performed audits, and in coordination with the representatives of the State Audit Institution.

VII CONCLUSION

Having regard to the fact that the reporting period of the first annual report includes the period of 13 months, and that a lot of activities were ambitiously planned in the very first year of Program implementation, a conclusion can be drawn that a significant improvement was made in terms of achieving the results covered by the Program, but also that there is room for more efficient Program implementation. During the preparation of the semi-annual Report, the quality of reports submitted by the members of the Working Group significantly increased, since they put the accent to the result, that is, to the explanation of the way the Program implementation contributes to the public financial reform, and not only to the reporting on the degree of the realization of activities, without presenting broader context and the essence of the reform steps.

During this period, 15 activities were fully implemented for the given reporting period, 18 activities were partially implemented, and five activities were not implemented in accordance with the Action Plan of the Program. It means that 87% of activities were fully or partially implemented, whereas 13% of activities were not implemented in a due time, and a new deadline for their implementation was defined, along with an adequate explanation regarding the reasons of delay. Also, significant steps were undertaken for 37 activities which has not yet reached implementation deadline, and a huge progress in implementation was noticed (Table 1).

In cases of a delay in implementation of activities, that is, results, most often the reasons are technical ones, and rarely is it the case of some essential problems that prevent implementation. Regardless of that, removing technical obstacles and full commitment to the Program implementation represents a high priority of the Ministry of Finance. Two out of five unimplemented activities refer to the impossibility of filling vacancies, planned by systematization, due to the Decision issued by the Government of the Republic of Serbia, which refers to the maximum number of employees in public sector. Two activities refer to the strategic documents that were not adopted on time, although a significant progress was achieved in those cases as well, and strategic documents are in the final adoption phases. One activity refers to certain organizational changes in the Treasury Administration.

The most significant progress has been made within the measures of: improvement of coverage and reporting on budget execution; further application of multiannual program budgeting at all levels of government; and the improvement of laws, rules and procedures related to public procurement.

Spreadsheet of the activities implementation per institutions/organizational units, in the period from December 2015 to December 2016 is presented below. All organizational units are dedicated to the Program implementation, and none of the competent organizational units or institutions has more than one unimplemented activity

In cooperation with the Ministry of Public Administration and Local Self-Government, which has the leading role in the process of public administration reform and is the leading institution for the technical assistance of the European Commission, with the aim of improvement the visibility of the process, the Ministry of Finance has prepared a plan of activities that will contribute to greater visibility of the public financial management reform process. Regular meetings with the representatives of a donor community will contribute to the same cause too.

Acknowledging the importance of the civil society, the Reports are sent to the Office for cooperation with civil society, which informs and invites them to submit their comments and suggestions to the Ministry of Finance, for the purpose of further improvement of documents.

Table 1: Overview of total number of activities and implementation level per responsible organization units/institution

Organization unit/Institution	Completed	Partially completed	Partially completed before the deadline	Not completed
Budget Department/MoF	4	3	2	1
Treasury Administration /MoF	5	2	1	1
Department for Control of Public Funds/MoF	1	4	1	1
Audit Authority Office of EU Funds	1	1	1	/
Department for Internal Control and Internal Audit/MoF	/	6	5	1
Department for Macroeconomic and Fiscal Analysis and Projections/MoF	1	/	2	/
Public Debt Administration/MoF	/	/	7	/
Public Procurement Office	3	/	/	1
Tax Administration/MoF	/	1 ³³	12	/
Customs Administration/MoF ³⁴	/	/	3	/
State Audit Institution	/	/	3	/
Committee of Finance, State Budget and Control of Public Spending of the National Assembly	/	1	/	/
Public Policy Secretariat of RS ³⁵	/	/	2	/
TOTAL:	15	18	37	5

³³ As a partner institution

³⁴ For the result 1.2 as a partner institution

³⁵ As a partner institution

The most important reform goals in the following period are provided within the framework of following Program pillars: planning and budgeting of public expenditure; efficient and effective budget execution; effective financial control.

More specifically, priority measures and results planned to be implemented in 2017 are: improvement of credibility of macroeconomic forecasts, better medium-term planning of budget beneficiaries; improvement of operational capacities for coordination and budget planning of public investments; continuous implementation of Tax Administration's transformation strategy; work on improvement of public debt management capacities; adoption of a Strategy for PIFC 2017 – 2020; further improvement of budget inspection capacity; improved coverage and quality of reports on budget execution and fiscal reports; improvement of coverage and quality of external audits; internal function of quality control and assurance of quality within SAI completely developed and operational.

VIII RECOMMENDATION FOR FURTHER WORK

Recommendation for further work on Program implementation are determined by the Program Steering Committee, headed by the Minister of Finance. The first Annual report on implementation of Public Financial Management Reform Program was considered at the Steering Committee meeting, held on 24 February 2017. The following conclusions were drawn:

- The Annual Report on Implementation of Public Financial Management Reform Program 2016 – 2020 for the period from December 2015 – December 2016 was approved, and the Technical secretariat of the Program is instructed to initiate the procedure for adoption of the Report at the RS Government session;
- It is necessary to improve the Program and accompanying Action Plan, first of all in the part referring to the performance indicators and assessment of financial funds required for implementation;
- It is necessary to do revision of members and deputy members of the Working Group for implementation of Public Financial Management Reform Program 2016 – 2020;
- It is necessary to additionally improve the communication between the members of the Working Group, through organization of regular, quarter meetings, where the process of implementation of set reform goals would be discussed;
- It is necessary to establish practice of holding regular donor meetings with the representatives of a donor community, twice a year, keeping in mind that the Program implementation requires significant funds;
- It is necessary to improve the visibility of the Program within the available communication mechanisms, as well as its importance for more efficient public financial management.

The next meeting of the Steering Committee is to be held after the preparation of a Semi-annual Report which will include the period of Program implementation from January to June 2017.

ANNEX 1: TABLE OF IMPLEMENTATION OF THE ACTION PLAN

TO IMPROVE THE CREDIBILITY OF MACROECONOMIC FORECASTING										
MEASURE 1										
RESULT	ACTIVITY	TIMEFRAME	INDICATORS	ACTIVITY STATUS	Achievement by the activity, along with a link to a document / attached document	IF THE ACTIVITY IS NOT COMPLETED IN PRESCRIBED TIMEFRAME, OR IT WAS STARTED			LEADING INSTITUTION	PARTNER INSTITUTION
				completed		The reasons of discrepancies from the plan	Key milestones to implement the activity, with the recommendation	Expected time of implementation of activities		
				partially completed						
				partially completed before the deadline						
not completed										
1.1 Strengthened capacities of the Ministry of Finance for improved macroeconomic forecasting and improved methodological approach	Procurement, customization and implementation of the Bridge Model to improve GDP forecasting	1 st quarter 2017		completed	At the beginning of 2016, employees of the Department for Macroeconomic and Fiscal Analyses and Projection have developed a model that allows rapid assessment of monthly and quarterly GDP based on high-frequency indicators. Link to a document, which is published on a monthly basis: http://mfin.gov.rs/pages/issue.php?id=3 The results are published in the Fiscal Strategy for 2017. Link to a document: http://mfin.gov.rs/pages/article.php?id=12826				MoF/ Department for Macroeconomic and Fiscal Analyses and Projections	

MEASURE 1	TO IMPROVE THE CREDIBILITY OF MACROECONOMIC FORECASTING									
RESULT	ACTIVITY	TIMEFRAME	INDICATORS	ACTIVITY STATUS	Achievement by the activity, along with a link to a document / attached document	IF THE ACTIVITY IS NOT COMPLETED IN PRESCRIBED TIMEFRAME, OR IT WAS STARTED			LEADING INSTITUTION	PARTNER INSTITUTION
				completed		The reasons of discrepancies from the plan	Key milestones to implement the activity, with the recommendation	Expected time of implementation of activities		
				partially completed						
				partially completed before the deadline						
not completed										
Continuation 1.1 Strengthened capacities of the Ministry of Finance for improved macroeconomic forecasting and improved methodological approach	Strengthened the capacity for carrying out long term fiscal sustainability analyses	4 th quarter 2017			Series of workshops was started (detailed in the narrative part)				MoF/ Department for Macroeconomic and Fiscal Analyses and Projections	

MEASURE 1	TO IMPROVE THE CREDIBILITY OF MACROECONOMIC FORECASTING									
RESULT	ACTIVITY	TIMEFRAME	INDICATORS	ACTIVITY STATUS	Achievement by the activity, along with a link to a document / attached document	IF THE ACTIVITY IS NOT COMPLETED IN PRESCRIBED TIMEFRAME, OR IT WAS STARTED			LEADING INSTITUTION	PARTNER INSTITUTION
				completed		The reasons of discrepancies from the plan	Key milestones to implement the activity, with the recommendation	Expected time of implementation of activities		
				partially completed						
				partially completed before the deadline						
not completed										
1.2 Ensured administrative and technical capacities of managing the EU own source scheme	Strengthen the capacity of the coordinating body and all other institutions involved in revenue collection for correct calculation, accounting, forecasting, collection, payment and control of own resources	2 nd quarter 2017	Dedicated staff in the partner institutions appointed. Methodology for calculation, accounting, forecasting, collection, payment and control of own resources adopted (2017)		Strengthening the capacity of the Macro Department/ Customs Administration is under way. MoF arranges workshops, support is also provided by GIZ project "Public finance reform", and TAIEX workshops. (detailed in the narrative part).		In order to meet the indicators related to the strengthening of the administrative and technical capacity of the Customs Administration in a timely manner, it is necessary to engage all available EU technical assistance for the establishment of TOR.		MoF/ Department for Macroeconomic and Fiscal Analyses and Projections e	Tax Administration Customs Administration Treasury Administration

MEASURE 2	TO IMPROVE THE COVERAGE OF THE NATIONAL BUDGET									
RESULT	ACTIVITY	TIMEFRAME	INDICATORS	ACTIVITY STATUS	Achievement by the activity, along with a link to a document / attached document	IF THE ACTIVITY IS NOT COMPLETED IN PRESCRIBED TIMEFRAME, OR IT WAS STARTED			LEADING INSTITUTION	PARTNER INSTITUTION
				completed		The reasons of discrepancies from the plan	Key milestones to implement the activity, with the recommendation	Expected time of implementation of activities		
				partially completed						
				partially completed before the deadline						
				not completed						
2.1 Institutional coverage of the national budget expanded	Gradual and systematic inclusion of own sources and budget beneficiaries into the national budget	4 th quarter 2020	Reliable financial plans of Indirect Budget Beneficiaries included in the national budget (2018) <i>IV: Courts, public prosecutors and judiciary institutions included (beg.2016)</i> <i>TV: Prisons, cultural institutions included (2017)</i> <i>TV: Social protection institutions included (2018)</i>						MoF/Budget Department	Indirect Budget Beneficiaries

MEASURE 2										
TO IMPROVE THE COVERAGE OF THE NATIONAL BUDGET										
RESULT	ACTIVITY	TIMEFRAME	INDICATORS	ACTIVITY STATUS	Achievement by the activity, along with a link to a document / attached document	IF THE ACTIVITY IS NOT COMPLETED IN PRESCRIBED TIMEFRAME, OR IT WAS STARTED			LEADING INSTITUTION	PARTNER INSTITUTION
				completed		The reasons of discrepancies from the plan	Key milestones to implement the activity, with the recommendation	Expected time of implementation of activities		
				partially completed						
				partially completed before the deadline						
				not completed						
2.2 Expanded coverage of external sources of funding in the national budget	Gradual and systematic inclusion of donor assistance in the national budget and budget execution documentation	4th quarter 2020	Percentage of external funds included in the national budget and budget execution documentation 2018 compared to the baseline value in 2016						MoF/Budget Department	European Commission Bilateral Donors European Integration Office

MEASURE 3 TO FURTHER IMPLEMENT MULTI-ANNUAL PROGRAM BUDGETING ACROSS ALL LEVELS OF GOVERNMENT										
RESULT	ACTIVITY	TIMEFRAME	INDICATORS	ACTIVITY STATUS	Achievement by the activity, along with a link to a document / attached document	IF THE ACTIVITY IS NOT COMPLETED IN PRESCRIBED TIMEFRAME, OR IT WAS STARTED			LEADING INSTITUTION	PARTNER INSTITUTION
				completed		The reasons of discrepancies from the plan	Key milestones to implement the activity, with the recommendation	Expected time of implementation of activities		
				partially completed						
				partially completed before the deadline						
not completed										
3.1 Improved process of program budgeting	Procurement and customization of software for the management of public finances, which connects the planning, execution and control	4th quarter 2016	Percentage of compliance of program structures of budget users with Guidelines for the preparation of the Program Budget <i>IV: % to be determined after adoption of Guidelines</i> <i>TV: To be determined</i>		The software for budget preparation BIS (Budget Information System) was developed. The improvement in the budget process is in the part related to the planning, through: easier and more efficient way of entering the financial plans of budget users; easier access to MoF financial plans of budget users; improved process analysis and integration of financial plans of budget users.	Unresolved legal issues related to the ownership of the program code.	Transfer of ownership of the code to MoF.	IV quarter 2017.	MoF/Budget Department	General Secretariat of the Government, Public Policy Secretariat of the Republic of Serbia, Human Resource Service of the Government

MEASURE 3										
TO FURTHER IMPLEMENT MULTI-ANNUAL PROGRAM BUDGETING ACROSS ALL LEVELS OF GOVERNMENT										
RESULT	ACTIVITY	TIMEFRAME	INDICATORS	ACTIVITY STATUS	Achievement by the activity, along with a link to a document / attached document	IF THE ACTIVITY IS NOT COMPLETED IN PRESCRIBED TIMEFRAME, OR IT WAS STARTED			LEADING INSTITUTION	PARTNER INSTITUTION
				completed		The reasons of discrepancies from the plan	Key milestones to implement the activity, with the recommendation	Expected time of implementation of activities		
				partially completed						
				partially completed before the deadline						
not completed										
Continuation 3.1 Improved process of program budgeting	Customization of the software for the management of public finances in order to ensure the appropriate interface with the module for Public Policy Planning	II quarter 2017.	Percentage of compliance of program structures of budget users with Guidelines for the preparation of the Program Budget <i>IV: % to be determined after adoption of Guidelines</i> <i>TV: To be determined</i>						MoF/Budget Department	General Secretariat of the Government, Public Policy Secretariat of the Republic of Serbia, Human Resource Service of the Government

MEASURE 3										
TO FURTHER IMPLEMENT MULTI-ANNUAL PROGRAM BUDGETING ACROSS ALL LEVELS OF GOVERNMENT										
RESULT	ACTIVITY	TIMEFRAME	INDICATORS	ACTIVITY STATUS	Achievement by the activity, along with a link to a document / attached document	IF THE ACTIVITY IS NOT COMPLETED IN PRESCRIBED TIMEFRAME, OR IT WAS STARTED			LEADING INSTITUTION	PARTNER INSTITUTION
				completed		The reasons of discrepancies from the plan	Key milestones to implement the activity, with the recommendation	Expected time of implementation of activities		
				partially completed						
				partially completed before the deadline						
				not completed						
Continuation 3.1 Improved process of program budgeting	Process analysis, monitoring and control of program budgeting and identify recommendations for improvement	1st quarter 2016	Percentage of compliance of program structures of budget users with Guidelines for the preparation of the Program Budget <i>IV: % to be determined after adoption of Guidelines</i>		Instruction for the preparation of the program budgeting was improved by the MoF (published in February 2014 g). The changes are aimed at improving the programming information and monitoring the performance of a small number of key program objectives, as well as clarification of roles and responsibilities in the annual cycle of the program budgeting. Methodological improvements have been applied to the national budget for 2017 and are supported by the new information system for budget preparation. Link to documents: http://www.mfin.gov.rs/pages/article.php?id=12650				MoF/ Budget Department	General Secretariat of the Government, Public Policy Secretariat of the Republic of Serbia, Human Resource Service of the Government
	Improving the methodology of the program budget and preparation of the new guidelines in accordance with the recommendations	1st quarter 2016	<i>TV: To be determined after adoption of Guidelines</i> <i>TV: To be determined</i>							

MEASURE 3										
TO FURTHER IMPLEMENT MULTI-ANNUAL PROGRAM BUDGETING ACROSS ALL LEVELS OF GOVERNMENT										
RESULT	ACTIVITY	TIMEFRAME	INDICATORS	ACTIVITY STATUS	Achievement by the activity, along with a link to a document / attached document	IF THE ACTIVITY IS NOT COMPLETED IN PRESCRIBED TIMEFRAME, OR IT WAS STARTED			LEADING INSTITUTION	PARTNER INSTITUTION
				completed		The reasons of discrepancies from the plan	Key milestones to implement the activity, with the recommendation	Expected time of implementation of activities		
				partially completed						
				partially completed before the deadline						
				not completed						
Continuation 3.1 Improved process of program budgeting	Conducting training for civil servants to improve the program budget	2nd quarter 2016.	Percentage of compliance of program structures of budget users with	completed	Trainings for budgetary users at national and local level were held.				MoF/Budget Department	General Secretariat of the Government, Public Policy Secretariat of the Republic of Serbia, Human Resource Service of the Government
	Implementation of the budget cycle for 2017 in line with the improved methodology	2nd quarter 2016.	Guidelines for the preparation of the Program Budget IV: % to be determined after adoption of Guidelines TV: To be determined	completed		Methodological improvements have been applied to the budget for 2017, and supported through a new information system for budget preparation.				

MEASURE 4		TO IMPROVE PUBLIC INVESTMENT PLANNING								
RESULT	ACTIVITY	TIMEFRAME	INDICATORS	ACTIVITY STATUS	Achievement by the activity, along with a link to a document / attached document	IF THE ACTIVITY IS NOT COMPLETED IN PRESCRIBED TIMEFRAME, OR IT WAS STARTED			LEADING INSTITUTION	PARTNER INSTITUTION
				completed		The reasons of discrepancies from the plan	Key milestones to implement the activity, with the recommendation	Expected time of implementation of activities		
				partially completed						
				partially completed before the deadline						
				not completed						
4.1 A single platform for Capital Projects Planning and methodology for public investment analysis and planning established	Evaluation of proposed public investment projects by budget beneficiaries and drafting an implementation plan	4th quarter 2016	Percentage of budget execution of capital projects approved according to the new methodology <i>IV: 0% (2016)</i> <i>TV: To be determined in 2017</i>	partially completed	The draft Decree on capital projects is prepared and it is in phase of finalizing the contents with steps and activities undertaken in the RS, in connection with the establishment of a systemic approach to the selection and prioritization of infrastructure projects and their further improvement. USAID and MoF have made an analysis of the public finance management and proposed measures to improve governance through decree. Implementation of these activities is supported by the WB (detailed in the narrative part).	The Decree, which provides a basis for evaluating and monitoring the implementation of capital projects was not adopted.	Precondition for the implementation of these activities is the adoption of the Decree on the content, method of preparation and evaluation, as well as monitoring the implementation and reporting on the implementation of capital projects.	IV quarter 2017.	MoF/Budget Department/ Unit for evaluation of capital projects	Budget users, European Integration Office, Public Policy Secretariat
	Monitoring the implementation of approved capital projects and proposing measures to improve the planning and implementation of public investment project	2nd quarter 2017		not completed						

MEASURE 4										
TO IMPROVE PUBLIC INVESTMENT PLANNING										
RESULT	ACTIVITY	TIMEFRAME	INDICATORS	ACTIVITY STATUS	Achievement by the activity, along with a link to a document / attached document	IF THE ACTIVITY IS NOT COMPLETED IN PRESCRIBED TIMEFRAME, OR IT WAS STARTED			LEADING INSTITUTION	PARTNER INSTITUTION
				completed		The reasons of discrepancies from the plan	Key milestones to implement the activity, with the recommendation	Expected time of implementation of activities		
				partially completed						
				partially completed before the deadline						
				not completed						
Continuation 4.1 A single platform for Capital Projects Planning and methodology for public investment analysis and planning established	Harmonization of procedures for planning, evaluation and selection of all capital projects regardless of the source of financing (national and local budgets, EU funds and other sources), and reporting	4th quarter 2016			The draft Decree on the content, method of preparation and evaluation, as well as monitoring the implementation and reporting on the implementation of capital projects is prepared and it is in phase of finalizing the content with relevant state authorities. USAID and the MoF has conducted an analysis of public finance management and recommending measures to improve governance through decree. Implementation of these activities is the supported by the World Bank (detailed in the narrative part).	The Decree, which is the basic for the harmonization of planning, assessment and selection of capital projects, regardless of the source of financing, was not adopted.	Precondition for the implementation of these activities is adoption of the Decree on the content, method of preparation and evaluation, as well as monitoring the implementation and reporting on the implementation of capital projects.	IV quarter 2017.	MoF/Budget Department, Unit for evaluation of capital projects	Budget users European Integration Office Public Policy Secretariat

MEASURE 5										
TO IMPROVE BUDGET PLANNING										
RESULT	ACTIVITY	TIMEFRAME	INDICATORS	ACTIVITY STATUS	I Achievement by the activity, along with a link to a document / attached document	IF THE ACTIVITY IS NOT COMPLETED IN PRESCRIBED TIMEFRAME, OR IT WAS STARTED			LEADING INSTITUTION	PARTNER INSTITUTION
				completed		The reasons of discrepancies from the plan	Key milestones to implement the activity, with the recommendation	Expected time of implementation of activities		
				partially completed						
				partially completed before the deadline						
not completed										
5.1 Improved data on the fiscal impact of legislative initiatives	Develop methodologies for medium-term baseline estimates and costing of new policies, set up the legislative framework and provide training	4th quarter 2018	<p>New methodology for baseline estimates and policy costing adopted <i>IV: 0 (2015)</i> <i>TV: 1 (2017)</i></p> <p>Percentage of estimates based on new methodology <i>IV:0% (2017)</i> <i>TV: TBD</i></p>		During 2016, regional PFM advisor from Department of Fiscal Affairs IMF, was provided in order to provide support in this area .				MoF/Budget Department	Budget users

MEASURE 5										
TO IMPROVE BUDGET PLANNING										
RESULT	ACTIVITY	TIMEFRAME	INDICATORS	ACTIVITY STATUS	Achievement by the activity, along with a link to a document / attached document	IF THE ACTIVITY IS NOT COMPLETED IN PRESCRIBED TIMEFRAME, OR IT WAS STARTED			LEADING INSTITUTION	PARTNER INSTITUTION
				completed		The reasons of discrepancies from the plan	Key milestones to implement the activity, with the recommendation	Expected time of implementation of activities		
				partially completed						
				partially completed before the deadline						
				not completed						
5.2 Improved planning of public funds through increased alignment with the Budget Calendar	Improved coordination and alignment of planning and programming of external assistance with the Budget Calendar	4 th quarter 2020							MoF/Budget Department	European Integration Office European Commission Bilateral donors

MEASURE 5		TO IMPROVE BUDGET PLANNING								
RESULT	ACTIVITY	TIMEFRAME	INDICATORS	ACTIVITY STATUS	Achievement by the activity, along with a link to a document / attached document	IF THE ACTIVITY IS NOT COMPLETED IN PRESCRIBED TIMEFRAME, OR IT WAS STARTED			LEADING INSTITUTION	PARTNER INSTITUTION
				completed		The reasons of discrepancies from the plan	Key milestones to implement the activity, with the recommendation	Expected time of implementation of activities		
				partially completed						
				partially completed before the deadline						
not completed										
5.3 Improved Mid-Term Planning of the budget beneficiaries through increased alignment with the Methodology for Mid-Term Institutional Planning	Improved coordination and alignment of budget planning and execution of budget beneficiaries through compliance and alignment with the Methodology for Mid-Term Institutional Planning	4 th quarter 2018	Methodology for Mid-Term Institutional Planning adopted (2016) Percentage of Mid-Term Plans of budget beneficiaries based on new methodology IV:0% (2016) TV: 100% (2018)		The Public debate on the Draft Law on planning system was completed, it is in phase of incorporation of suggestions and comments, followed by the adoption at the Government together with two accompanying Decree. Link to the Draft Law: http://vs3836.cloudhosting.rs/malodrvo/planski_sistem.pdf ; links to decrees: http://vs3836.cloudhosting.rs/malodrvo/Uredba_oupravljanju_JP_2912016.pdf and http://vs3836.cloudhosting.rs/malodrvo/Uredba_ousrednjorocnom_PLANIRANJU_05122016-1.pdf ; Link to program of public debates: http://vs3836.cloudhosting.rs/malodrvo/Program_novo.pdf	Planned schedule of adoption of legislation packages disrupted by parliamentary elections conducted in the second half of 2016, period of technical government that could propose NA laws and other bylaws (detailed in the narrative part).	After public hearings procedures and harmonization of the contents of the document, the draft law will be submitted to the Government and the National Assembly for adoption. In addition to the Law, it is planned that two accompanied decree also adopted by the Government.	In accordance with the provisions of the Government Work Plan for 2017, it is planned that draft Law on planning system RS should be adopted by the end of the I quarter 2017, and two accompanying Decree, by the end of the second quarter 2017. (detailed in the narrative part)	MoF/Budget Department/ Public Policy Secretariat	Budget users

MEASURE 6 TO IMPROVE THE OPERATIONAL CAPACITIES FOR PUBLIC INVESTMENT COORDINATION AND BUDGET PLANNING										
RESULT	ACTIVITY	TIMEFRAME	INDICATORS	ACTIVITY STATUS	Achievement by the activity, along with a link to a document / attached document	IF THE ACTIVITY IS NOT COMPLETED IN PRESCRIBED TIMEFRAME, OR IT WAS STARTED			LEADING INSTITUTION	PARTNER INSTITUTION
				completed		The reasons of discrepancies from the plan	Key milestones to implement the activity, with the recommendation	Expected time of implementation of activities		
				partially completed						
				partially completed before the deadline						
				not completed						
6.1 The operational capacity of the Budget Department improved	Implement an institutional strengthening process of the Budget Department, and increasing its staff to increase its operational capacity and performance on budget preparation and coordination, on monitoring budget execution and in compiling detailed budget execution reports	2nd quarter 2016	The Budget Department fully staffed <i>IV: 67% (2015)</i> <i>TV: 100% (2016)</i>			Increasing the number of employees wasn't completed regarding to fiscal consolidation measures, wage bill restrictions and prohibitions of employment	Job competitions announcement.	Depends on the moment of lifting the ban on employment and the creation of necessary conditions for increasing the number of employees.	MoF/Budget Department	

MEASURE 6										
TO IMPROVE THE OPERATIONAL CAPACITIES FOR PUBLIC INVESTMENT COORDINATION AND BUDGET PLANNING										
RESULT	ACTIVITY	TIMEFRAME	INDICATORS	ACTIVITY STATUS	Achievement by the activity, along with a link to a document / attached document	IF THE ACTIVITY IS NOT COMPLETED IN PRESCRIBED TIMEFRAME, OR IT WAS STARTED			LEADING INSTITUTION	PARTNER INSTITUTION
				completed		The reasons of discrepancies from the plan	Key milestones to implement the activity, with the recommendation	Expected time of implementation of activities		
				partially completed						
				partially completed before the deadline						
				not completed						
6.2. Analytical and Planning units in Public Administration Bodies introduced to support budget planning linked to policy planning	Implement an institutional strengthening process of public administration bodies (ministries and their departments/ administrations/ inspectorates, special organizations and governmental services) for conducting necessary analysis, planning and budgeting by introduction of analytical and planning units	4th quarter 2017	Analytical and Planning units introduced (2017) Percentage of public administration bodies that introduced analytical and planning units <i>IV:0% (2016)</i> <i>TV: to be determined</i>		In the previous period PPS worked on building their own and analytical capacities of other state administration bodies with aim of planning, preparation, implementation and monitoring of the implementation of public policies based on evidence and relevant data (detailed in the narrative part)	Required changes of the Decree on principles for internal organization and systematization of jobs in line ministries, special organizations and government services, in order to create conditions for the introduction of unit for analysis and planning of public administration to support budget planning associated with planning policies.	The formulation and adoption of amendments of Decree on Principles for internal organization and systematization of jobs in line ministries, special organizations and government services and other regulations governing the state administration tasks, and organization of trainings.	1st quarter 2017.	MoF	General Secretariat of the Government Public Policy Secretariat Budget Beneficiaries Ministry of Public Administration and Local Self-Government

MEASURE 7	TO IMPROVE REVENUE COLLECTION									
RESULT	ACTIVITY	TIMEFRAME	INDICATORS	ACTIVITY STATUS	Achievement by the activity, along with a link to a document / attached document	IF THE ACTIVITY IS NOT COMPLETED IN PRESCRIBED TIMEFRAME, OR IT WAS STARTED			LEADING INSTITUTION	PARTNER INSTITUTION
				completed		The reasons of discrepancies from the plan	Key milestones necessary to implement the activity, with recommendation	Expected time for implementation of activities		
				partially completed						
				partially completed before the deadline						
not completed										
7.1 Tax Administration Transformation Strategy implemented	Strengthening strategic management and the basic Tax Administration functions, improving organizational structure and business processes, improving services to tax payers	4th quarter 2020	Percentage of achieved activities of the Strategy IV: 15% (2015) TV: 52% (2016) TV: 61% (2017) TV: 63 % (2018) TV: 67% (2019) TV: 100% (2020)		Taking into account the target value for 2016, 23 activities (27%) of the TA Strategy Action Plan were implemented, , and partially implemented 32 activities (38%). Link to Strategy TA: http://www.purs.gov.rs/o-nama/program-transformacije.html . Link to the organizational structure of TA: : http://www.purs.gov.rs/o-nama/organizaciona-sema.html ; (detailed in the narrative part)	Reasons for the partially implemented activities are in narativ part of Report.	An integral part of the Program for Transformation of TA is timeframe plan for achivment of measures that have been monitored, and implemented.	IV quarter 2020	TA	MoF

MEASURE 7	TO IMPROVE REVENUE COLLECTION									
RESULT	ACTIVITY	TIMEFRAME	INDICATORS	ACTIVITY STATUS	Achievement by the activity, along with a link to a document / attached document	IF THE ACTIVITY IS NOT COMPLETED IN PRESCRIBED TIMEFRAME, OR IT WAS STARTED			LEADING INSTITUTION	PARTNER INSTITUTION
				completed		The reasons of discrepancies from the plan	Key milestones necessary to implement the activity, with recommendation	Expected time for implementation of activities		
				partially completed						
				partially completed before the deadline						
				not completed						
7.2 Voluntary compliance with tax legislation, guidelines, and procedures improved	Perform an analysis of (i) the legislation, including criminal legislation, guidelines, and administrative/operational procedures; (ii) information to assess tax liabilities; and (iii) impediments to contest administrative ruling on tax liability, which need to be clarified.	4th quarter 2017	Percentage share of total regular (voluntary) tax collection against total tax revenues estimated in budget <i>IV 2014: 85%</i> <i>TV 2016: 86%</i> <i>TV 2017:87%</i>		Percentage of the regular Tax collection for 2016 is 96%. In March 2016, two working groups was formed: Working groups for analysis of legal solutions in the process taxes, and the tax authorities; The working group for the analysis of legislation in the field of personal income tax. In October 2016 working group for drafting the Law on Amendments to the Law on Taxes on Use, Possession and Carrying of Goods was formed, in the part that regulates the taxation of the use of motor vehicles. Amendments to the procedure and tax administration Tax ("Officaila gazete", No. 108/2016.).				TA	MoF

MEASURE 7										
TO IMPROVE REVENUE COLLECTION										
RESULT	ACTIVITY	TIMEFRAME	INDICATORS	ACTIVITY STATUS	Achievement by the activity, along with a link to a document / attached document	IF THE ACTIVITY IS NOT COMPLETED IN PRESCRIBED TIMEFRAME, OR IT WAS STARTED			LEADING INSTITUTION	PARTNER INSTITUTION
				completed		The reasons of discrepancies from the plan	Key milestones necessary to implement the activity, with recommendation	Expected time for implementation of activities		
				partially completed						
				partially completed before the deadline						
				not completed						
Continuation 7.2 Voluntary compliance with tax legislation, guidelines, and procedures improved	Perform an analysis of (i) the legislation, including criminal legislation, guidelines, and administrative/operational procedures; (ii) information to assess tax liabilities; and (iii) impediments to contest administrative ruling on tax liability, which need to be clarified.	4th quarter 2017	Percentage share of total regular (voluntary) tax collection against total tax revenues estimated in budget <i>IV 2014: 85%</i> <i>TV 2016: 86%</i> <i>TV 2017: 87%</i>				The adopted amendments to the criminal offense of Tax Evasion under Article 229, paragraph 1 shall apply from the CCRS on 1st March 2018.	I quarter 2018.	TA	MoF

MEASURE 7	TO IMPROVE REVENUE COLLECTION									
RESULT	ACTIVITY	TIMEFRAME	INDICATORS	ACTIVITY STATUS	Achievement by the activity, along with a link to a document / attached document	IF THE ACTIVITY IS NOT COMPLETED IN PRESCRIBED TIMEFRAME, OR IT WAS STARTED			LEADING INSTITUTION	PARTNER INSTITUTION
				completed		The reasons of discrepancies from the plan	Key milestones necessary to implement the activity, with recommendation	Expected time for implementation of activities		
				partially completed						
				partially completed before the deadline						
				not completed						
Continuation 7.2 Voluntary compliance with tax legislation, guidelines, and procedures improved	Review the Tax Auditors' workflow and standard operating procedures to verify if their functions and prerogatives are clear in order to minimize discretionary decisions..	1st quarter 2017	Percentage share of total regular (voluntary) tax collection against total tax revenues estimated in budget <i>IV 2014: 85%</i> <i>TV 2016: 86%</i> <i>TV 2017:87%</i>		The revision of the Methodological guidelines for recording traffic through fiscal cash registers is underway.				TA	MoF
	Improve clarity and usefulness of tax liabilities information by establishing a dedicated taxpayer services Department/unit within the TA	4th quarter 2017			A working group within the TA were established whose task is the introduction of new and improvement of existing services to taxpayers (details in the narrative part of the Report)					

MEASURE 7										
TO IMPROVE REVENUE COLLECTION										
RESULT	ACTIVITY	TIMEFRAME	INDICATORS	ACTIVITY STATUS	Achievement by the activity, along with a link to a document / attached document	IF THE ACTIVITY IS NOT COMPLETED IN PRESCRIBED TIMEFRAME, OR IT WAS STARTED			LEADING INSTITUTION	PARTNER INSTITUTION
				completed		The reasons of discrepancies from the plan	Key milestones necessary to implement the activity, with recommendation	Expected time for implementation of activities		
				partially completed						
				partially completed before deadline						
				not completed						
7.3 The Customs system improved and modernized	Implementation of ERIAN (Risk Management System), an expert system-module whose goal is an on-line evaluation of declarations processed by the declaration processing systems according to specifications of risk models (Risk profiles) created by risk analysts in ERIAN repository of risk profiles	4 th quarter 2018	Percentage of discrepancy of actual collection against approved budget estimate <i>IV 2014: TBD</i> <i>TV 2017: TBD</i> <i>TV 2018:TBD</i> <i>Increase of Tax collection as a % of GDP</i> <i>IV 2014:TBD</i> <i>TV 2016:TBD</i> <i>TV 2017:TBD</i>		It is necessary to consider ways of financing the procurement of services (ICT systems) in the result output of which depends initiation of activity	In order to integrate the new system ISCS with ERIAN for all customs procedures and allowed entry / exit records road vehicles, additional time and additional ICT systems needed	Keeping automated import and export system AIS & AES; Expansion of repeaters for SEED to other border posts	4th quarter 2020	Customs Administration	MoF

MEASURE 7		TO IMPROVE REVENUE COLLECTION								
RESULT	ACTIVITY	TIMEFRAME	INDICATORS <i>(with Initial and Targeted Values)</i>	ACTIVITY STATUS	Achievement by the activity, along with a link to a document / attached document	IF THE ACTIVITY IS NOT COMPLETED IN PRESCRIBED TIMEFRAME, OR IT WAS STARTED			LEADING INSTITUTION	PARTNER INSTITUTION
				completed		The reasons of discrepancies from the plan	Key milestones necessary to implement the activity, with recommendation	Expected time for implementation of activities		
				partially completed						
				partially completed before deadline						
not completed										
Continuation 7.3 The Customs system improved and modernized	Upgrading anti-corruption measures	4th quarter 2018.			Risk analysis on the corruption of the legal framework of the customs system was done. First part of the training for members of the Department of Internal Control CA is held- Methods of investigation of corruption - at Criminal Police Academy, organized by GIZ project. Link to the news: http://www.kpa.edu.rs/cms/akademija/vesti/2290-obuka-za-pripadnike-uprave-carina-ministarstva-finansija.html The plan is to implement the second part of the training in January 2017.			Deadlines for the activity "Upgrading anti-corruption measures" are defined in the Action Plan for Chapter 23 and it will be implemented through Negotiation Chapter 23	Customs Administration	MoF

MEASURE 7										
TO IMPROVE REVENUE COLLECTION										
RESULT	ACTIVITY	TIMEFRAME	INDICATORS <i>(with Initial and Targeted Values)</i>	ACTIVITY STATUS	Achievement by the activity, along with a link to a document / attached document	IF THE ACTIVITY IS NOT COMPLETED IN PRESCRIBED TIMEFRAME, OR IT WAS STARTED			LEADING INSTITUTION	PARTNER INSTITUTION
				completed		The reasons of discrepancies from the plan	Key milestones necessary to implement the activity, with recommendation	Expected time for implementation of activities		
				partially completed						
				partially completed before deadline						
not completed										
Continuation 7.3 The Customs system improved and modernized	Modernizing the Customs Laboratory	4th quarter 2018			Draft of the project "Creating conditions for strengthening laboratory capacity of the Customs Administration of the Republic of Serbia" is done. The project was announced, twinning partner is elected. Drafting of the contract is ongoing. The signing of the contract is planned for April 2017, and the beginning of the project in May 2017. The project will last six months. Co-financing of the project is planned in the RS budget for 2017				Customs Administration	MoF

MEASURE 7										
TO IMPROVE REVENUE COLLECTION										
RESULT	ACTIVITY	TIMEFRAME	INDICATORS (with Initial and Targeted Values)	ACTIVITY STATUS	Achievement by the activity, along with a link to a document / attached document	IF THE ACTIVITY IS NOT COMPLETED IN PRESCRIBED TIMEFRAME, OR IT WAS STARTED			LEADING INSTITUTION	PARTNER INSTITUTION
				completed		The reasons of discrepancies from the plan	Key milestones necessary to implement the activity, with recommendation	Expected time for implementation of activities		
				partially completed						
				partially completed before deadline						
				not completed						
7.4 The appeals mechanisms are improved	Conducting a review of the independent appeals function. The main outcome of this activity should be: (i) establishing an M&E system for appeal cases and (ii) providing means for the dissemination of resolutions including the elapsed time, and the number and size of cases.	4th quarter 2018	% of the adopted appeals in comparison with total number of appeals completed IV: 37,71% TV: 2015. - 36,2%; TV: 2016. - 35,5%; TV: 2017. - 34,8%; TV: 2018. - 34,1%.		Progress has been made keeping in mind that in 2016, the percentage of adopted appeals in comparison with total number of appeals completed was 33.47%, which represents 2,03% of increasing in indicator value. Law on Tax Procedure and Tax Administration ("Official Gazette" No. 108/16) stipulates that the second instance tax procedure is to be conducted in a separate organizational unit formed in the MoF, from July 1, 2017, the jurisdictions of the Tax Administration in terms of authorization in the process of deciding in the second-instance tax procedure, are terminated starting from the given date				TA	MoF

MEASURE 7	TO IMPROVE REVENUE COLLECTION									
RESULT	ACTIVITY	TIMEFRAME	INDICATORS <i>(with Initial and Targeted Values)</i>	ACTIVITY STATUS	Achievement by the activity, along with a link to a document / attached document	IF THE ACTIVITY IS NOT COMPLETED IN PRESCRIBED TIMEFRAME, OR IT WAS STARTED			LEADING INSTITUTION	PARTNER INSTITUTION
				completed		The reasons of discrepancies from the plan	Key milestones necessary to implement the activity, with recommendation	Expected time for implementation of activities		
				partially completed						
				partially completed before deadline						
				not completed						
7.5 The appropriate links between different databases within Tax Administration and between the Tax Registration System and other registration systems established	Processes mapping of the existing links among the Tax Administration and other registration systems and financial sector regulations, assessment of the ICT capabilities to interconnect different registries online; and preparation of a roadmap and timeline to address issues.	4th quarter 2017	Number of interactive data bases in the Tax administration <i>IV: 2(2015)</i> <i>TV: 3(2017)</i>		A one-stop shop system of business registration has been fully established with the Business Registers Agency, and there is a possibility of filing a registration form for the VAT and applying for lump sum taxation in the case of a newly established business entity.				TA	MoF

MEASURE 7		TO IMPROVE REVENUE COLLECTION								
RESULT	ACTIVITY	TIMEFRAME	INDICATORS	ACTIVITY STATUS	Achievement by the activity, along with a link to a document / attached document	IF THE ACTIVITY IS NOT COMPLETED IN PRESCRIBED TIMEFRAME, OR IT WAS STARTED			LEADING INSTITUTION	PARTNER INSTITUTION
				completed		The reasons of discrepancies from the plan	Key milestones necessary to implement the activity, with recommendation	Expected time for implementation of activities		
				partially completed						
				partially completed before deadline						
				not completed						
Continuation 7.5 The appropriate links between different databases within Tax Administration and between the Tax Registration System and other registration systems established	Assessment of internal procedures at Tax Administration to control and ensure that the Tax Registry is regularly updated	4th quarter 2017	Number of interactive data bases in the Tax administration <i>IV: 2(2015)</i> <i>TV: 3(2017)</i>		The Single register of taxpayers is updated on the basis of data taken from the BRA, within the framework of the one-stop shop system, and initiated a project to improve the quantity and quality of data on tax payers in the Single register				TA	MoF
	Establishment of IT facilities (ESI) in connection to the process of EU integration (requests of Chapter 16))	4th quarter 2020			The mission of DG TAXUD conducted on 8 December 2016 and the preliminary recommendations are given, but the final report has not yet been adopted (in detail in the narrative part).					

MEASURE 7										
TO IMPROVE REVENUE COLLECTION										
RESULT	ACTIVITY	TIMEFRAME	INDICATORS	ACTIVITY STATUS	Achievement by the activity, along with a link to a document / attached document	IF THE ACTIVITY IS NOT COMPLETED IN PRESCRIBED TIMEFRAME, OR IT WAS STARTED			LEADING INSTITUTION	PARTNER INSTITUTION
				completed		The reasons of discrepancies from the plan	Key milestones necessary to implement the activity, with recommendation	Expected time for implementation of activities		
				partially completed						
				partially completed before deadline						
				not completed						
7.6 More effective penalties system for non-compliant registration and declaration obligations developed	Revision and updating of the legislation, including Criminal legislation, regarding penalties for non-complaint registration and declaration obligations	4 th quarter 2018	increase in % of revenue collection <i>IV: (2015)</i> <i>TV: % (2018)</i>		Law on Amendments to the Law on Tax Procedure and Tax Administration is adopted ("Official Gazette of RS" No.108 / 16).				TA	MoF

MEASURE 7										
TO IMPROVE REVENUE COLLECTION										
RESULT	ACTIVITY	TIMEFRAME	INDICATORS	ACTIVITY STATUS	Achievement by the activity, along with a link to a document / attached document	IF THE ACTIVITY IS NOT COMPLETED IN PRESCRIBED TIMEFRAME, OR IT WAS STARTED			LEADING INSTITUTION	PARTNER INSTITUTION
				completed		The reasons of discrepancies from the plan	Key milestones necessary to implement the activity, with recommendation	Expected time for implementation of activities		
				partially completed						
				partially completed before deadline						
				not completed						
7.7 Improved risk management practices	Implementation of the annual control plan based on identified risks and streamlining of headquarters control over the control plan focusing on large taxpayers improving the “strike rate” reviewing the allocation of auditors in order to ensure an optimal distribution of skills and implement an M&E system to enable managers to monitor performance.	4th quarter 2017	% of controls with irregularities IV: 33,06% 2014 TV 33,5% 2015 TV 35% 2016 TV 36% 2017		The target value of indicators for 2016 has been accomplished and the percentage of controls with irregularities is 35,66%. Based on the Annual control Plan of tax audits, payers are selected by sectors and branches of activity on the basis of risk analysis criteria. Risk analysis criteria for the VAT are developed. Risk analysis for control of income tax is in the preparation				TA	MoF

MEASURE 7										
TO IMPROVE REVENUE COLLECTION										
RESULT	ACTIVITY	TIMEFRAME	INDICATORS	ACTIVITY STATUS	Achievement by the activity, along with a link to a document / attached document	IF THE ACTIVITY IS NOT COMPLETED IN PRESCRIBED TIMEFRAME, OR IT WAS STARTED			LEADING INSTITUTION	PARTNER INSTITUTION
				completed		The reasons of discrepancies from the plan	Key milestones necessary to implement the activity, with recommendation	Expected time for implementation of activities		
				partially completed						
				partially completed before deadline						
				not completed						
Continuation 7.7 Improved risk management practices	Implementation of the annual audit plan based on the risk management criteria for the selection of cases for green, yellow, and red lanes, by improving risk profiling for authorized operators, implementing a quality control mechanism to ensure that the risk criteria have been properly applied at borders and an M&E system to enable managers to oversight performance.	4th quarter 2017	% of controls with irregularities <i>IV:</i> <i>33,06%2014</i> <i>TV 33,5% 2015</i> <i>TV 35% 2016</i> <i>TV 36% 2017</i>		Justification of chosen criteria is evaluated based on controls, through entered irregularities and observations during the controls. Annual inspection plan for 2017 is developed.				TA	MoF

MEASURE 7										
TO IMPROVE REVENUE COLLECTION										
RESULT	ACTIVITY	TIMEFRAME	INDICATORS	ACTIVITY STATUS	Achievement by the activity, along with a link to a document / attached document	IF THE ACTIVITY IS NOT COMPLETED IN PRESCRIBED TIMEFRAME, OR IT WAS STARTED			LEADING INSTITUTION	PARTNER INSTITUTION
				completed		The reasons of discrepancies from the plan	Key milestones necessary to implement the activity, with recommendation	Expected time for implementation of activities		
				partially completed						
				partially completed before deadline						
				not completed						
7.8 Improved tax arrears and control information systems and oversight	Improve the control mechanisms to get updated information about arrears. Implement more effective late payment penalties in order to encourage on time payments. Implement an ITC system to support the debt management function.	1 st quarter 2018	The percentage of arrears against assessed tax liabilities <i>IV: % (2014)</i> <i>TV: Decrease (to be determined) % of arrears against assessed tax liabilities (2018)</i>		Effective penalties for delayed / late payments of public revenues would contribute to increasing the level of voluntary payment of tax liabilities; during the implementation of the Integrated Tax Administration information system which should be completed by the end of 2016, and applicable as of January 2017;. (more details in narrative part of the Report).				TA	MoF

MEASURE 8										
TO IMPROVE COMMITMENT CONTROL AND CASH MANAGEMENT										
RESULT	ACTIVITY	TIMEFRAME	INDICATORS	ACTIVITY STATUS	Achievement by the activity, along with a link to a document / attached document	IF THE ACTIVITY IS NOT COMPLETED IN PRESCRIBED TIMEFRAME, OR IT WAS STARTED			LEADING INSTITUTION	PARTNER INSTITUTION
				completed		The reasons of discrepancies from the plan	Key milestones necessary to implement the activity, with recommendation	Expected time for implementation of activities		
				partially completed						
				partially completed before deadline						
				not completed						
8.1 Adequacy of approved budget quotas ensured and cash flow planning improved.	Instituting procedures which would enable Ministry of Finance to assess the reliability of reported cash needs by users of public funds with a view to ensuring adequacy of budget quotas and aggregate cash requirements and strengthening the daily, monthly and quarterly cash flow planning.	1 st quarter 2018	Expenditures on multi-year projects to not exceed approved budgets <i>IV: Variance between expenditures on multiyear projects and approved budgets (2017)</i> <i>TV: (to be determined) % of reduction in variance between expenditures on multiyear projects and approved budgets (2018)</i>						Budget users	MoF/Treasury Administration

MEASURE 8	TO IMPROVE COMMITMENT CONTROL AND CASH MANAGEMENT									
RESULT	ACTIVITY	TIMEFRAME	INDICATORS	ACTIVITY STATUS	Achievement by the activity, along with a link to a document / attached document	IF THE ACTIVITY IS NOT COMPLETED IN PRESCRIBED TIMEFRAME, OR IT WAS STARTED			LEADING INSTITUTION	PARTNER INSTITUTION
				completed		The reasons of discrepancies from the plan	Key milestones necessary to implement the activity, with recommendation	Expected time for implementation of activities		
				partially completed						
				partially completed before deadline						
				not completed						
8.2 Enhanced control over multi-annual contractual commitments	Analyses and implementing a systematic approach to approve records and monitor multi-annual contractual commitments.	4 th quarter 2018	<p>Commitments recorded in the Treasury System within (to be determined) days of contract signature</p> <p><i>IV: Percentage of commitments recorded in due time(2016)</i></p> <p><i>IV: Recorded commitments increased (2017)</i></p>						Treasury Administration	MoF

MEASURE 9										
TO IMPROVE THE CAPACITIES FOR PUBLIC DEBT MANAGEMENT										
RESULT	ACTIVITY	TIMEFRAME	INDICATORS	ACTIVITY STATUS	Achievement by the activity, along with a link to a document / attached document	IF THE ACTIVITY IS NOT COMPLETED IN PRESCRIBED TIMEFRAME, OR IT WAS STARTED			LEADING INSTITUTION	PARTNER INSTITUTION
				completed		The reasons of discrepancies from the plan	Key milestones necessary to implement the activity, with recommendation	Expected time for implementation of activities		
				partially completed						
				partially completed before deadline						
				not completed						
9.1 Designed and implemented public debt management software	Procurement, design, customization and implementation of software for the public debt management including an appropriate model to improve public debt risk management, scenario analyses, stress tests and other relevant analyses	1 st quarter 2017	Operational Debt Management System software in place (2017) <i>IV: 0</i> <i>TV: 1</i>		The plan is that in the first quarter of 2017 begin development of information system for public debt management	Delayed approval of a grant by the Swedish authorities		1st quarter 2017	PDA	MoF

MEASURE 9										
TO IMPROVE THE CAPACITIES FOR PUBLIC DEBT MANAGEMENT										
RESULT	ACTIVITY	TIMEFRAME	INDICATORS	ACTIVITY STATUS	Achievement by the activity, along with a link to a document / attached document	IF THE ACTIVITY IS NOT COMPLETED IN PRESCRIBED TIMEFRAME, OR IT WAS STARTED			LEADING INSTITUTION	PARTNER INSTITUTION
				completed		The reasons of discrepancies from the plan	Key milestones necessary to implement the activity, with recommendation	Expected time for implementation of activities		
				partially completed						
				partially completed before deadline						
				not completed						
9.2 Established methodology for long term public debt sustainability analyses	Development and implementation of a methodology for carrying out long term public debt sustainability analyses	1 st quarter 2017	Developed Standardized methodology defined in the Internal Act of the PDA <i>IV: 0 (2015)</i> <i>TV: 1</i>		Negotiations on obtaining donations are ongoing			2 nd quarter 2017		
9.3 Primary dealers system introduced	Creating and implementing the new organization of Government securities primary market by introducing the primary dealers system	1 st quarter 2018	Primary dealers system introduced <i>IV: 0</i> <i>TV: 1 (2018)</i>		Development of market and the creation of benchmark issues of government bonds as a precondition for the introduction of primary dealers				PDA	MoF

MEASURE 9										
TO IMPROVE THE CAPACITIES FOR PUBLIC DEBT MANAGEMENT										
RESULT	ACTIVITY	TIMEFRAME	INDICATORS	ACTIVITY STATUS	Achievement by the activity, along with a link to a document / attached document	IF THE ACTIVITY IS NOT COMPLETED IN PRESCRIBED TIMEFRAME, OR IT WAS STARTED			LEADING INSTITUTION	PARTNER INSTITUTION
				completed		The reasons of discrepancies from the plan	Key milestones necessary to implement the activity, with recommendation	Expected time for implementation of activities		
				partially completed						
				partially completed before deadline						
				not completed						
9.4 By-law for financial derivatives transactions adopted	Preparation of documentation and implementation of legal framework for financial derivatives transactions	1 st quarter 2017	By-law for financial derivatives transactions adopted (2017) <i>IV: 0</i> <i>TV: 1</i>		Established framework for creating bylaws, ie. Regulation					
9.5 Asset under management procedures adopted	Strengthening capacity and preparation of legislation related to the asset under management	1 st quarter 2017	Asset under management procedures adopted <i>IV: 0</i> <i>TV: 1(2017)</i>		On the basis of Art. 11, paragraph 4 of the Law on Public Debt, the Committee for the management of public debt and financial assets RS funds under management is appointed				PDA	MoF

MEASURE 9										
TO IMPROVE THE CAPACITIES FOR PUBLIC DEBT MANAGEMENT										
RESULT	ACTIVITY	TIMEFRAME	INDICATORS	ACTIVITY STATUS	Achievement by the activity, along with a link to a document / attached document	IF THE ACTIVITY IS NOT COMPLETED IN PRESCRIBED TIMEFRAME, OR IT WAS STARTED			LEADING INSTITUTION	PARTNER INSTITUTION
				completed		The reasons of discrepancies from the plan	Key milestones necessary to implement the activity, with recommendation	Expected time for implementation of activities		
				partially completed						
				partially completed before deadline						
not completed										
9.6 Adopted by-law for projects' loans monitoring	Monitoring of projects' loans – establishing of new system	1 st quarter 2017	Adopted by-law for projects' loans monitoring <i>IV: 0</i> <i>TV: 1(2017)</i>		Working on improvement of monitoring of the implementation of projects financed from project loans, but it is necessary to improve the coordination of activities in this field at the level of MoF					
9.7 More capable Public Debt Administration staff	Conducting training for civil servants to improve the human capacity of the Public Debt Administration	1 st quarter 2018	Increase in staff at the Public Debt Administration <i>IV: Number of filled job positions 31 (2016)</i> <i>TV: Increase in number of staff by 100 % in 2018</i>		Employees have been trained in cooperation with the Agency for the debt of the Kingdom of Sweden, in cooperation with the World Bank in the area of operations with financial derivatives.				PDA	MoF

MEASURE 10										
TO IMPROVE PUBLIC PROCUREMENT LEGISLATION AND PROCEDURES										
RESULT	ACTIVITY	TIMEFRAME	INDICATORS	ACTIVITY STATUS		IF THE ACTIVITY IS NOT COMPLETED IN PRESCRIBED TIMEFRAME, OR IT WAS STARTED			LEADING INSTITUTION	PARTNER INSTITUTION
				completed	Achievement by the activity, along with a link to a document / attached document	The reasons of discrepancies from the plan	Key milestones necessary to implement the activity, with recommendation	Expected time for implementation of activities		
				partially completed						
				partially completed before deadline						
				not completed						
10.1 Procurement planning transparency improved	Mandatory publication of procurement plans on the Public Procurement Portal	4 th quarter 2016	Share of procurement entities that publish PP plans at the PP Portal in the total number of procurement entities that publish PP at the PP Portal IV: 0 TV: To be determined in 2016		All stakeholders have an insight into plans for public procurement. The activity has contributed to improving the transparency of public procurement procedures. Link to the portal: http://portal.ujn.gov.rs/				PPA	
10.2 The Public Procurement system is functionally and operationally upgraded	Provide training for officials and decision makers on Public Procurement Procedures	4 th quarter 2016	Number of certified officials for public procurement IV: 1.810 (2015) TV: 2.300 Number of trainings for official and decision makers (20 participants) IV: 2 (2015) TV: 2 (2016) TV: 2 (2017) TV: 2 (2018)		Certified 3288 employees (142%). Implemented 100% of trainings. (Detailed in the narrative part)				PPA	

MEASURE 10										
TO IMPROVE PUBLIC PROCUREMENT LEGISLATION AND PROCEDURES										
RESULT	ACTIVITY	TIMEFRAME	INDICATORS	ACTIVITY STATUS	Achievement by the activity, along with a link to a document / attached document	IF THE ACTIVITY IS NOT COMPLETED IN PRESCRIBED TIMEFRAME, OR IT WAS STARTED			LEADING INSTITUTION	PARTNER INSTITUTION
				completed		The reasons of discrepancies from the plan	Key milestones necessary to implement the activity, with recommendation	Expected time for implementation of activities		
				partially completed						
				partially completed before deadline						
not completed										
Continuation 10.2 The Public Procurement system is functionally and operationally upgraded	Training/specialization of prosecutors and judges in public procurement area and more efficient investigation and sanctioning of irregularities in public procurement by judiciary.	4 th quarter 2016	Number of certified officials for public procurement <i>IV: 1.810 (2015)</i> <i>TV: 2.300</i> Number of trainings for official and decision makers (20 participants) <i>IV: 2 (2015)</i> <i>TV: 2 (2016)</i> <i>TV: 2 (2017)</i> <i>TV: 2 (2018)</i>	completed	Certified 3288 employees (142%). During the year one of two planned training for police, prosecutors and courts is realized	Due to the limited capacity and expressed needs for trainings	It is planned to continue with trainings in this area in 2017	During 2017	PPA	
	Implement an institutional strengthening process of the Public Procurement Office in order to increase its operational capacity	4 th quarter 2016	Number of employees increased <i>IV: 23 (2015)</i> <i>TV: 35 (2016)</i>	not completed			It is planned that during 2017 PPA reend the request to the relevant authorities			

MEASURE 11 TO IMPROVE THE STRATEGIC AND LEGISLATIVE FRAMEWORK FOR IMPLEMENTING PUBLIC INTERNAL FINANCIAL CONTROL										
RESULT	ACTIVITY	TIMEFRAME	INDICATORS	ACTIVITY STATUS	Achievement by the activity, along with a link to a document / attached document	IF THE ACTIVITY IS NOT COMPLETED IN PRESCRIBED TIMEFRAME, OR IT WAS STARTED			LEADING INSTITUTION	PARTNER INSTITUTION
				completed		The reasons of discrepancies from the plan	Key milestones necessary to implement the activity, with recommendation	Expected time for implementation of activities		
				partially completed						
				partially completed before deadline						
				not completed						
11.1 Medium term PIFC Development Strategy and Framework prepared and adopted	Implementing the Strategy for the Development of Public Internal Financial Control (PIFC) 2016-2019	4 th quarter 2019	Meeting the objectives of the Strategy <i>IV:0</i> <i>TV: 16</i>							State Audit Institution/Ministry of Public Administration and Local Self/Government /Public Fund Users
	Review of the SIGMA Assessment , establish a Working Group for the preparation of a Road Map for the consolidation and update of the PIFC Strategy AP	2 nd quarter 2016	Road Map prepared and adopted (2016) <i>IV:0</i> <i>TV: 1</i>		Second draft PIFC Strategy 2017 - 2020 was prepared and delivered to representatives of the DG Budget for further harmonization and suggestions for improvement			1 st quarter 2017	MoF/CHU	

MEASURE 11 TO IMPROVE THE STRATEGIC AND LEGISLATIVE FRAMEWORK FOR IMPLEMENTING PUBLIC INTERNAL FINANCIAL CONTROL										
RESULT	ACTIVITY	TIMEFRAME	INDICATORS	ACTIVITY STATUS	Achievement by the activity, along with a link to a document / attached document	IF THE ACTIVITY IS NOT COMPLETED IN PRESCRIBED TIMEFRAME, OR IT WAS STARTED			LEADING INSTITUTION	PARTNER INSTITUTION
				completed		The reasons of discrepancies from the plan	Key milestones necessary to implement the activity, with recommendation	Expected time for implementation of activities		
				partially completed						
				partially completed before deadline						
				not completed						
11.1 Medium term PIFC Development Strategy and Framework prepared and adopted	Establishing a Working Group for the Harmonization, Coordination, Implementation and Monitoring of the Implementation of FMC and IA across public fund beneficiary institutions	4th quarter 2016	Working group established (2016) <i>IV:0</i> <i>TV: 1</i>			The government has not adopted the PIFC Strategy 2017- 2020	Action Plan for the implementation of the Strategy envisages the activity of forming the Working Group	first quarter upon adoption of Strategy	MoF/CHU	

MEASURE 11 TO IMPROVE THE STRATEGIC AND LEGISLATIVE FRAMEWORK FOR IMPLEMENTING PUBLIC INTERNAL FINANCIAL CONTROL										
RESULT	ACTIVITY	TIMEFRAME	INDICATORS	ACTIVITY STATUS	Achievement by the activity, along with a link to a document / attached document	IF THE ACTIVITY IS NOT COMPLETED IN PRESCRIBED TIMEFRAME, OR IT WAS STARTED			LEADING INSTITUTION	PARTNER INSTITUTION
				completed		The reasons of discrepancies from the plan	Key milestones necessary to implement the activity, with recommendation	Expected time for implementation of activities		
				partially completed						
				partially completed before deadline						
not completed										
11.2 Improved legislative framework for Financial Management and Control (FMC)	Improving and updating the legislative framework to introduce Management Declarations, add more clarity, update information on Risk Management Procedures and define the system for Irregularity Management	4th quarter 2016	Adopted legal acts IV: 0 TV: 1		New guidelines for risk management, Internal audit Brochure and FMC Brochure are Published. Link to documents: http://ifkj.mfin.gov.rs/user_data/posts/SZUR.pdf http://ifkj.mfin.gov.rs/user_data/posts/Interni%20revizija.pdf http://ifkj.mfin.gov.rs/user_data/posts/Finansijsko%20upravljanje%20i%20kontrola.pdf				MoF/CHU	

MEASURE 11 TO IMPROVE THE STRATEGIC AND LEGISLATIVE FRAMEWORK FOR IMPLEMENTING PUBLIC INTERNAL FINANCIAL CONTROL										
RESULT	ACTIVITY	TIMEFRAME	INDICATORS	ACTIVITY STATUS	Achievement by the activity, along with a link to a document / attached document	IF THE ACTIVITY IS NOT COMPLETED IN PRESCRIBED TIMEFRAME, OR IT WAS STARTED			LEADING INSTITUTION	PARTNER INSTITUTION
				completed		The reasons of discrepancies from the plan	Key milestones necessary to implement the activity, with recommendation	Expected time for implementation of activities		
				partially completed						
				partially completed before deadline						
				not completed						
11.3 Improved capacities of the Central Harmonization Unit	Conducting a functional review of the Central Harmonization Unit in order to improve its organizational, technical and administrative capacities in order to raise its functionality for implementing all the defined activities which fall within its scope of competency.	4th quarter 2016	Functional review of the CHU completed IV: 0 TV: 1		Functional review of the MoF was conducted	The review did not provide guidance on improving organizational, technical and administrative capacities of the CHU			MoF/CHU	
11.4 Assessment of the Quality of Financial Management and Control improved	Further development of CHU software, customized and adjusted to the operational needs for analysis and preparation of Annual Report.	4th quarter 2017	CHU software operational (2017)		Special software for the purpose of collecting the annual reports of public funds was developed. Test phase of software is ongoing					

MEASURE 11	TO IMPROVE THE STRATEGIC AND LEGISLATIVE FRAMEWORK FOR IMPLEMENTING PUBLIC INTERNAL FINANCIAL CONTROL									
RESULT	ACTIVITY	TIMEFRAME	INDICATORS	ACTIVITY STATUS	Achievement by the activity, along with a link to a document / attached document	IF THE ACTIVITY IS NOT COMPLETED IN PRESCRIBED TIMEFRAME, OR IT WAS STARTED			LEADING INSTITUTION	PARTNER INSTITUTION
				completed		The reasons of discrepancies from the plan	Key milestones necessary to implement the activity, with recommendation	Expected time for implementation of activities		
				partially completed						
				partially completed before deadline						
				not completed						
11.5 Improved coordination and implementation of training and professional development programs for officials and civil servants on FMC and IA	Reallocation of administrative and logistical activities with regards to the organization of trainings on FMC and Internal audit to the HRM Services	4th quarter 2016	Curriculum for FMC and IA completed by the HRM Services (2016) IV: 0 TV: 1		Curriculum required for the reallocation of trainings from MoF to HRMS is under preparation	PIFC Strategy 2017 - 2020 not adopted	Adoption of the Strategy	The Action Plan includes the timeframe for implementation of activities	MoF/CHU	
	Establish coordination with internal control specialists, the academic community and professional organizations to upgrade training plans and certification schemes	4th quarter 2016	Number of academic institutions/professional organizations that have included the CHU curriculum in their education programs IV: 0 TV: > 1		Information was gathered from relevant professional associations on the manner and types of training conducted in the field of internal control	PIFC Strategy 2017 - 2020 not adopted	Adoption of the Strategy	The Action Plan includes the timeframe for implementation of activities		

MEASURE 11										
TO IMPROVE THE STRATEGIC AND LEGISLATIVE FRAMEWORK FOR IMPLEMENTING PUBLIC INTERNAL FINANCIAL CONTROL										
RESULT	ACTIVITY	TIMEFRAME	INDICATORS	ACTIVITY STATUS	Achievement by the activity, along with a link to a document / attached document	IF THE ACTIVITY IS NOT COMPLETED IN PRESCRIBED TIMEFRAME, OR IT WAS STARTED			LEADING INSTITUTION	PARTNER INSTITUTION
				completed		The reasons of discrepancies from the plan	Key milestones necessary to implement the activity, with recommendation	Expected time for implementation of activities		
				partially completed						
				partially completed before deadline						
				not completed						
Continuation 11.5 Improved coordination and implementation of training and professional development programs for officials and civil servants on FMC and IA	Conduct an assessment for introducing international programs for the certification of IA	4th quarter 2016	Completed assessment for introducing international programs for the certification of Internal Auditors IV: 0 TV: 1		Negotiations with the Chartered Institute of Public Finance and Accountancy (CIPFA) in the United Kingdom in respect of upgrading the existing certification scheme for internal auditors			4th quarter 2017	MoF/CHU	

MEASURE 12										
TO ENHANCE THE IMPLEMENTATION OF FINANCIAL MANAGEMENT AND CONTROL										
RESULT	ACTIVITY	TIMEFRAME	INDICATORS	ACTIVITY STATUS	Achievement by the activity, along with a link to a document / attached document	IF THE ACTIVITY IS NOT COMPLETED IN PRESCRIBED TIMEFRAME, OR IT WAS STARTED			LEADING INSTITUTION	PARTNER INSTITUTION
				completed		The reasons of discrepancies from the plan	Key milestones necessary to implement the activity, with recommendation	Expected time for implementation of activities		
				partially completed						
				partially completed before deadline						
not completed										
12.1 Genuine understanding of FMC as a management tool for achieving the strategic goals of the institution achieved	Support managers of public fund beneficiary institutions to achieve a better understanding of FMC and contributes to the implementation of the strategic goals of their institutions through advisory services, workshops and training	Continuous	Percentage of public fund beneficiaries at the central level in which managers of internal organizational units report on the incurred expenditure in the corresponding part of the budget of the institution IV: 0% TV: 20% (2016)						Ministry of Finance/CHU	Public Fund Beneficiary Institutions

MEASURE 12										
TO ENHANCE THE IMPLEMENTATION OF FINANCIAL MANAGEMENT AND CONTROL										
RESULT	ACTIVITY	TIMEFRAME	INDICATORS	ACTIVITY STATUS	Achievement by the activity, along with a link to a document / attached document	IF THE ACTIVITY IS NOT COMPLETED IN PRESCRIBED TIMEFRAME, OR IT WAS STARTED			LEADING INSTITUTION	PARTNER INSTITUTION
				completed		The reasons of discrepancies from the plan	Key milestones necessary to implement the activity, with recommendation	Expected time for implementation of activities		
				partially completed						
				partially completed before deadline						
				not completed						
12.2 Strengthened role of FMC Coordinators and units coordinating Internal Control issues	Provide hands on training and advisory support to FMC Coordinators in drafting Business Process flow charts, assisting them in drafting customized Road Maps for the further implementation of FMC in their institutions and risk management procedures.	Continuous	Establish trainings to support Coordinators in drafting Business Process flow charts, assisting them in drafting customized Road Maps for the further implementation of FMC in their institutions and risk management procedures. IV: TBD TV: TBD		Planned trainings are carried out according to plan (detailed description in the narrative part of the Report)				Ministry of Finance	Public Fund Beneficiary Institutions

MEASURE 13										
TO SUPPORT THE INTRODUCTION AND FURTHER DEVELOPMENT OF THE INTERNAL AUDIT FUNCTION										
RESULT	ACTIVITY	TIMEFRAME	INDICATORS	ACTIVITY STATUS	Achievement by the activity, along with a link to a document / attached document	IF THE ACTIVITY IS NOT COMPLETED IN PRESCRIBED TIMEFRAME, OR IT WAS STARTED			LEADING INSTITUTION	PARTNER INSTITUTION
				completed		The reasons of discrepancies from the plan	Key milestones necessary to implement the activity, with recommendation	Expected time for implementation of activities		
				partially completed						
				partially completed before deadline						
not completed										
13.1 Genuine understanding of the role and purpose of Internal Audit	Provision of training and advisory services to managers of public fund beneficiary institutions on Internal Audit	Continuous	<p>Increase in % of reports of state of play in Internal Audit</p> <p>IV: to be determined each year</p> <p>CV: increase in number of reports for 8% each year in comparison with previous year data</p>		Consolidated annual report on the state of internal financial controls in the public sector in the RS, for each calendar year specifies the number of submitted reports which is just one of the parameters to monitor the quality of internal audit				Ministry of Finance/CHU	Public Fund Beneficiary Institutions

MEASURE 13 TO SUPPORT THE INTRODUCTION AND FURTHER DEVELOPMENT OF THE INTERNAL AUDIT FUNCTION										
RESULT	ACTIVITY	TIMEFRAME	INDICATORS	ACTIVITY STATUS	Achievement by the activity, along with a link to a document / attached document	IF THE ACTIVITY IS NOT COMPLETED IN PRESCRIBED TIMEFRAME, OR IT WAS STARTED			LEADING INSTITUTION	PARTNER INSTITUTION
				completed		The reasons of discrepancies from the plan	Key milestones necessary to implement the activity, with recommendation	Expected time for implementation of activities		
				partially completed						
				partially completed before deadline						
				not completed						
13.2 Audit scope broadened to encompass audits of EU funded projects	Provide customized training to Internal Auditors in IPA beneficiary institutions for audits of EU funded projects completed through IPA	4th quarter 2017	Percentage of IPA beneficiary institutions submitting Internal Audit Reports from to the National Authorizing Officer (NAO) <i>IV: To be determined (2016)</i> <i>TV: 100% (2017)</i>		In October 2016, the CJH and Department for management of EU funds held a workshop for internal auditors on the topic of management system for Pre-accession Assistance (IPA), which enables better performance of internal audit. Link: http://ifkj.mfin.gov.rs/Pocetna.aspx				Ministry of Finance/C HU	Public Fund Beneficiary Institutions

MEASURE 13										
TO SUPPORT THE INTRODUCTION AND FURTHER DEVELOPMENT OF THE INTERNAL AUDIT FUNCTION										
RESULT	ACTIVITY	TIMEFRAME	INDICATORS	ACTIVITY STATUS	Achievement by the activity, along with a link to a document / attached document	IF THE ACTIVITY IS NOT COMPLETED IN PRESCRIBED TIMEFRAME, OR IT WAS STARTED			LEADING INSTITUTION	PARTNER INSTITUTION
				completed		The reasons of discrepancies from the plan	Key milestones necessary to implement the activity, with recommendation	Expected time for implementation of activities		
				partially completed						
				partially completed before deadline						
				not completed						
13.3 Cooperation between the Internal Audit Units in IPA Beneficiary Institutions and the Audit Authority for EU funds	Develop a systemic approach to cooperation between the IA Units in IPA beneficiary institutions and the Audit Authority for EU funds in order to ensure maximum and reliable audit coverage of EU funded assistance in Serbia	4th quarter 2017	IV: TBD TV:TBD						Audit Authority Office for EU Funds Ministry of Finance	

MEASURE 13 TO SUPPORT THE INTRODUCTION AND FURTHER DEVELOPMENT OF THE INTERNAL AUDIT FUNCTION										
RESULT	ACTIVITY	TIMEFRAME	INDICATORS	ACTIVITY STATUS	Achievement by the activity, along with a link to a document / attached document	IF THE ACTIVITY IS NOT COMPLETED IN PRESCRIBED TIMEFRAME, OR IT WAS STARTED			LEADING INSTITUTION	PARTNER INSTITUTION
				completed		The reasons of discrepancies from the plan	Key milestones necessary to implement the activity, with recommendation	Expected time for implementation of activities		
				partially completed						
				partially completed before deadline						
				not completed						
13.4. Coverage of Certification Program for Internal Auditors in the Public Sector expanded	Develop a systemic outreach approach in order to increase the number of IA auditors at the local level and implement IA Certification programs at the local level and for staff of the Audit Authority for EU funds	4th quarter 2017	IV: TBD TV: TBD							
13.5. Optimization of Audit resources achieved	Develop a systemic approach to horizontal audits based on analysis of complexity of audit scope and available resources (i.e. Introducing Groups of Auditors for auditing several public beneficiary institutions or groups of business processes/activities which are common to several/all public fund beneficiary institutions and produce the necessary tools.	4th quarter 2018	Development of guidelines for horizontal audits adopted by the Government IV: To be determined (2017) IV: To be determined (2018)						Ministry of Finance	Public Fund Beneficiary Institutions

MEASURE 14										
TO FURTHER STRENGTH THE LEGISLATIVE FRAMEWORK, INSTITUTIONAL AND OPERATIONAL CAPACITIES OF AUDIT AUTHORITY OFFICE OF EU FUNDS										
RESULT	ACTIVITY	TIMEFRAME	INDICATORS	ACTIVITY STATUS	Achievement by the activity, along with a link to a document / attached document	IF THE ACTIVITY IS NOT COMPLETED IN PRESCRIBED TIMEFRAME, OR IT WAS STARTED			LEADING INSTITUTION	PARTNER INSTITUTION
				completed		The reasons of discrepancies from the plan	Key milestones necessary to implement the activity, with recommendation	Expected time for implementation of activities		
				partially completed						
				partially completed before deadline						
not completed										
14.1 Operational capacities of the Audit Authority for EU funds improved	Prepare and adopt the optimal legislative acts for the (re)institutionalization of the Audit Authority for EU funds	2nd quarter 2016	New Legal framework adopted (2016) Required staffing levels achieved <i>IV: 44% Percentage of job positions filled in 2015</i>	partially completed	The new legal framework was prepared and delivered to the MPALSG as proponents(in detail in the narrative part)			3rd quarter 2017	Audit Authority for EU Funds	General Secretariat of the Government
	Conduct a functional review in order to improve its organizational, technical and administrative capacities in order to raise its functionality for implementing all the defined activities which fall within its scope of competency in line with the Framework Agreement for IPA II	1 st quarter 2017	<i>TV: 100% job positions filled in 2017</i>	completed	Functional and Work Load analysis are conducted and results of them applied in the Office.					

MEASURE 14	TO FURTHER STRENGTH THE LEGISLATIVE FRAMEWORK, INSTITUTIONAL AND OPERATIONAL CAPACITIES OF AUDIT AUTHORITY OFFICE OF EU FUNDS									
RESULT	ACTIVITY	TIMEFRAME	INDICATORS <i>(with Initial and Targeted Values)</i>	ACTIVITY STATUS	Achievement by the activity, along with a link to a document / attached document	IF THE ACTIVITY IS NOT COMPLETED IN PRESCRIBED TIMEFRAME, OR IT WAS STARTED			LEADING INSTITUTION	PARTNER INSTITUTION
				completed		The reasons of discrepancies from the plan	Key milestones necessary to implement the activity, with recommendations	Expected time for implementation of activities		
				partially completed						
				partially completed before deadline						
				not completed						
14.1 Operational capacities of the Audit Authority for EU funds improved	Ensure the appropriate number of competent staff for executing the scope of responsibility of the Audit Authority for EU fund in line with an updated Workload Analysis	3rd quarter 2017	<p>New Legal framework adopted (2016)</p> <p>Required staffing levels achieved</p> <p>IV: 44% Percentage of job positions filled in 2015</p> <p>TV: 100% job positions filled in 2017</p>		Filled about 85% of the jobs (in detail in the narrative part)				Audit Authority for EU Funds	General Secretariat of the Government

MEASURE 15										
TO IMPROVE IRREGULARITY MANAGEMENT, ANTIFRAUD COORDINATION AND COOPERATION AND PROTECTION OF FINANCIAL INTERESTS OF THE EUROPEAN UNION										
RESULT	ACTIVITY	TIMEFRAME	INDICATORS	ACTIVITY STATUS	Achievement by the activity, along with a link to a document / attached document	IF THE ACTIVITY IS NOT COMPLETED IN PRESCRIBED TIMEFRAME, OR IT WAS STARTED			LEADING INSTITUTION	PARTNER INSTITUTION
				completed		The reasons of discrepancies from the plan	Key milestones necessary to implement the activity, with recommendation	Expected time for implementation of activities		
				partially completed						
				partially completed before deadline						
				not completed						
15.1 The appropriate legislative framework for a PIFC compliant Financial Inspection in place	Conduct an assessment of the current legislative framework for the Budget Inspection in order to identify and plug the gaps to ensure full functionality of the Budget Inspection line with the EU requirements and SIGMA recommendations	2 nd quarter 2016	Number of legislative acts prepared and adopted <i>IV: 0</i> <i>TV: TBD (2016)</i>			Waiting for the final EK report and SIGMA recommendation	Obtaining the final report EK and recommendations from SIGMA	1 st quarter 2017	MoF / Division for controlling public funds / Budget Inspection/	
	Prepare and adopt changes to the applicable legislative acts in order to enable a full legal mandate for the Budget Inspection to carry out its scope of competency	4 th quarter 2016		In December 2016, amendments to the Law on Budget System in Chapter VII, that regulates the work and competence of the Budget Inspection was adopted. (Off. Gazette of RS ", no. 99/2016)						

MEASURE 15 TO IMPROVE IRREGULARITY MANAGEMENT, ANTIFRAUD COORDINATION AND COOPERATION AND PROTECTION OF FINANCIAL INTERESTS OF THE EUROPEAN UNION										
RESULT	ACTIVITY	TIMEFRAME	INDICATORS	ACTIVITY STATUS	Achievement by the activity, along with a link to a document / attached document	IF THE ACTIVITY IS NOT COMPLETED IN PRESCRIBED TIMEFRAME, OR IT WAS STARTED			LEADING INSTITUTION	PARTNER INSTITUTION
				completed		The reasons of discrepancies from the plan	Key milestones necessary to implement the activity, with recommendation	Expected time for implementation of activities		
				partially completed						
				partially completed before deadline						
				not completed						
Continuation 15.1 The appropriate legislative framework for a PIFC compliant Financial Inspection in place	Preparation and adoption of a Road Map for integrating the Budget Inspection for National Budget Funds and the AFCOS Group for EU funds	4 th quarter 2017	Road Map prepared and adopted <i>IV: 0</i> <i>TV: 1 (2017)</i>						MoF / Division for controlling public funds / Budget Inspection/ AFCOS	
15.2 Improved capacities of the Budget Inspection to carry out the activities within its legal mandate	Ensure the appropriate number of competent staff for executing Inspection Services	4 th quarter 2017	Increase in number of staff employee and trainings <i>IV: TBD in 2016</i> <i>TV: 100% (2017)</i>		Current number of employees is 9 inspectors	In accordance with the number of systematized positions in the second quarter of 2016, one inspector is employed. Trainings are conducted on a regular basis.			MoF / Division for controlling public funds / Budget Inspection/	

MEASURE 15	TO IMPROVE IRREGULARITY MANAGEMENT, ANTIFRAUD COORDINATION AND COOPERATION AND PROTECTION OF FINANCIAL INTERESTS OF THE EUROPEAN UNION										
	RESULT	ACTIVITY	TIMEFRAME	INDICATORS	ACTIVITY STATUS	Achievement by the activity, along with a link to a document / attached document	IF THE ACTIVITY IS NOT COMPLETED IN PRESCRIBED TIMEFRAME, OR IT WAS STARTED			LEADING INSTITUTION	PARTNER INSTITUTION
completed					The reasons of discrepancies from the plan		Key milestones necessary to implement the activity, with recommendation	Expected time for implementation of activities			
				partially completed							
				partially completed before deadline							
				not completed							
15.3 Improved capacities of the Anti-Fraud Coordination Services (AFCOS) for performing administrative checks of Irregularity Signals	Preparation of Operational Procedures for conducting administrative checks of Irregularity signals related to EU funds assistance	3 rd quarter 2016	New Operational Procedures developed <i>IV: 0</i> <i>TV: 1</i>		Deadline was postponed due to expected adoption of the Strategy for combating irregularities and fraud in handling EU funds and the associated AP.				1 st quarter 2017	MoF / Division for controlling public funds/ AFCOS	

MEASURE 15	TO IMPROVE IRREGULARITY MANAGEMENT, ANTIFRAUD COORDINATION AND COOPERATION AND PROTECTION OF FINANCIAL INTERESTS OF THE EUROPEAN UNION										
	RESULT	ACTIVITY	TIMEFRAME	INDICATORS	ACTIVITY STATUS	Achievement by the activity, along with a link to a document / attached document	IF THE ACTIVITY IS NOT COMPLETED IN PRESCRIBED TIMEFRAME, OR IT WAS STARTED			LEADING INSTITUTION	PARTNER INSTITUTION
completed					The reasons of discrepancies from the plan		Key milestones necessary to implement the activity, with recommendation	Expected time for implementation of activities			
					partially completed						
					partially completed before deadline						
					not completed						
Continuation 15.3 Improved capacities of the Anti-Fraud Coordination Services (AFCOS) for performing administrative checks of Irregularity Signals (continued)	Increase the number of staff at the AFCOS Group	2 nd quarter 2016	Increased number of staff IV: 2 TV: 5 ³⁶			Increased number of employees, in accordance with the number of systematized positions. ³⁷				MoF / Division for controlling public funds/ AFCOS	

³⁶In accordance with the Rulebook on internal organization and job classification of the MoF, AFCOS Unit is reorganized to Group for combating irregularities and fraud in the handling of EU funds and the number of systematized job positions reduced from five to four.

³⁷At the end of 2016 due to personnel changes within the Ministry of Finance, the total number of employees was reduced for one.

MEASURE 15										
TO IMPROVE IRREGULARITY MANAGEMENT, ANTIFRAUD COORDINATION AND COOPERATION AND PROTECTION OF FINANCIAL INTERESTS OF THE EUROPEAN UNION										
RESULT	ACTIVITY	TIMEFRAME	INDICATORS	ACTIVITY STATUS	Achievement by the activity, along with a link to a document / attached document	IF THE ACTIVITY IS NOT COMPLETED IN PRESCRIBED TIMEFRAME, OR IT WAS STARTED			LEADING INSTITUTION	PARTNER INSTITUTION
				completed		The reasons of discrepancies from the plan	Key milestones necessary to implement the activity, with recommendation	Expected time for implementation of activities		
				partially completed						
				partially completed before deadline						
				not completed						
Continuation 15.3 Improved capacities of the Anti-Fraud Coordination Services (AFCOS) for performing administrative checks of Irregularity Signals (continued)	Preparation and endorsement of an Administrative Cooperation Arrangement (ACA) between the Ministry of Finance and OLAF	1 st quarter 2016.	ACA endorsed <i>IV: 0</i> <i>TV: 1</i>		Text of the Agreement on Cooperation between the Ministry of Finance and OLAF is prepared	Deadline was moved due to the need of harmonizing the text of the agreement with OLAF.	The draft agreement is prepared and submitted for comments to OLAF.	1 st quarter 2017	MoF / Departement for control of public funds/ AFCOS	

MEASURE 15										
TO IMPROVE IRREGULARITY MANAGEMENT, ANTIFRAUD COORDINATION AND COOPERATION AND PROTECTION OF FINANCIAL INTERESTS OF THE EUROPEAN UNION										
RESULT	ACTIVITY	TIMEFRAME	INDICATORS	ACTIVITY STATUS	Achievement by the activity, along with a link to a document / attached document	IF THE ACTIVITY IS NOT COMPLETED IN PRESCRIBED TIMEFRAME, OR IT WAS STARTED			LEADING INSTITUTION	PARTNER INSTITUTION
				completed		The reasons of discrepancies from the plan	Key milestones necessary to implement the activity, with recommendation	Expected time for implementation of activities		
				partially completed						
				partially completed before deadline						
				not completed						
15.4 Anti-Fraud Strategy adopted	Preparation, consultation and adoption of a national Anti-Fraud Strategy in line with the accession requirements under Chapter 32	2 th quarter 2016	Anti-Fraud Strategy adopted <i>IV: 0</i> <i>TV: 1(2017)</i>		Draft Strategy is prepared and consulted with OLAF.		Preparation of the final draft of the Strategy is ongoing.	1 st quarter 2017	MoF / Departement for control of public funds / AFCOS	

MEASURE 16										
TO IMPROVE COVERAGE AND QUALITY OF BUDGET EXECUTION REPORTING										
RESULT	ACTIVITY	TIMEFRAME	INDICATORS	ACTIVITY STATUS	Achievement by the activity, along with a link to a document / attached document	IF THE ACTIVITY IS NOT COMPLETED IN PRESCRIBED TIMEFRAME, OR IT WAS STARTED			LEADING INSTITUTION	PARTNER INSTITUTION
				completed		The reasons of discrepancies from the plan	Key milestones necessary to implement the activity, with recommendation	Expected time for implementation of activities		
				partially completed						
				partially completed before deadline						
not completed										
16.1 The coverage and quality of budget execution and fiscal reports improved	Extend the coverage of the FMIS system on a step-by-step basis to IBBs, including them in the accounting and reporting framework	1 st quarter 2018	<p>Indirect Budget Beneficiaries included in the FMIS system</p> <p><i>TV: Courts, public prosecutors and judicial institutions included (beginning of 2016)</i></p> <p>Prisons, cultural institutions included (2017)</p> <p>Social protection institutions (2018)</p>		<p>Inclusion of the judicial authorities (courts and public prosecutors) in the FMIS system is made as of 01.01.2016. (Total: 247 users).</p> <p>Perform the necessary pre-activity for inclusion of planned indirect beneficiaries to the FMIS system from 01/01/2017.</p>				MoF/Tresory administration	Indirect budget users

MEASURE 16										
TO IMPROVE COVERAGE AND QUALITY OF BUDGET EXECUTION REPORTING										
RESULT	ACTIVITY	TIMEFRAME	INDICATORS	ACTIVITY STATUS	Achievement by the activity, along with a link to a document / attached document	IF THE ACTIVITY IS NOT COMPLETED IN PRESCRIBED TIMEFRAME, OR IT WAS STARTED			LEADING INSTITUTION	PARTNER INSTITUTION
				completed		The reasons of discrepancies from the plan	Key milestones necessary to implement the activity, with recommendation	Expected time for implementation of activities		
				partially completed						
				partially completed before deadline						
				not completed						
Continuation 16.1 The coverage and quality of budget execution and fiscal reports improved(continued)	Develop and fund a treasury developed roll out plan to ensure that IBBs have sufficient Information and Communications Technology (ICT) hardware, training and oversight arrangements to operate in the FMIS.	1 st quarter 2018	Indirect Budget Beneficiaries included in the FMIS system TV: Courts, public prosecutors and judicial institutions included (beginning of 2016) Prisons, cultural institutions included (2017) Social protection institutions (2018)						MoF/Tresory administration	Indirect budget users

MEASURE 16										
TO IMPROVE COVERAGE AND QUALITY OF BUDGET EXECUTION REPORTING										
RESULT	ACTIVITY	TIMEFRAME	INDICATORS	ACTIVITY STATUS	Achievement by the activity, along with a link to a document / attached document	IF THE ACTIVITY IS NOT COMPLETED IN PRESCRIBED TIMEFRAME, OR IT WAS STARTED			LEADING INSTITUTION	PARTNER INSTITUTION
				completed		The reasons of discrepancies from the plan	Key milestones necessary to implement the activity, with recommendation	Expected time for implementation of activities		
				partially completed						
				partially completed before deadline						
				not completed						
Continuation 16.1 The coverage and quality of budget execution and fiscal reports improved(continued)	Analyze and align in-year reporting requirements and practice with best practices for budget transparency.	4 th quarter 2017	Indirect Budget Beneficiaries included in the FMIS system TV: Courts, public prosecutors and judicial institutions included (beginning of 2016) Prisons, cultural institutions included (2017) Social protection institutions (2018)						MoF/Tresory administration	Indirect budget users

MEASURE 16										
TO IMPROVE COVERAGE AND QUALITY OF BUDGET EXECUTION REPORTING										
RESULT	ACTIVITY	TIMEFRAME	INDICATORS	ACTIVITY STATUS	Achievement by the activity, along with a link to a document / attached document	IF THE ACTIVITY IS NOT COMPLETED IN PRESCRIBED TIMEFRAME, OR IT WAS STARTED			LEADING INSTITUTION	PARTNER INSTITUTION
				completed		The reasons of discrepancies from the plan	Key milestones necessary to implement the activity, with recommendation	Expected time for implementation of activities		
				partially completed						
				partially completed before deadline						
				not completed						
Continuation 16.1 The coverage and quality of budget execution and fiscal reports improved(continued)	Review and modify the reporting details used for in-year and year-end budget execution reports (including reporting on program budget execution when applicable).	4 th quarter 2017	Indirect Budget Beneficiaries included in the FMIS system TV: Courts, public prosecutors and judicial institutions included (beginning of 2016) Prisons, cultural institutions included (2017) Social protection institutions (2018)						MoF/Tresory administration	Indirect budget users

MEASURE 16	TO IMPROVE COVERAGE AND QUALITY OF BUDGET EXECUTION REPORTING									
RESULT	ACTIVITY	TIMEFR AME	INDICATORS	ACTIVITY STATUS	Achievement by the activity, along with a link to a document / attached document	IF THE ACTIVITY IS NOT COMPLETED IN PRESCRIBED TIMEFRAME, OR IT WAS STARTED			LEADING INSTITUTION	PARTNER INSTITUTION
				completed		The reasons of discrepancies from the plan	Key milestones necessary to implement the activity, with recommendation	Expected time for implementati on of activities		
				partially completed						
				partially completed before deadline						
				not completed						
16.2. Financial monitoring and reporting of public enterprises improved	Prepare and publish a consolidated report on Public Enterprises	1 st quarter 2017	Percentage of PU included in consolidated report						MoF/MoE (indicator 6.2 SBS PAR)	
	Gradual systematic extension of financial monitoring and reporting of Public Enterprises to the maximum possible extent	4 th quarter 2018	<i>IV: TBD (2015)</i> <i>TV: TBD (2018)</i>						MoF/Budget Department	

MEASURE 16										
TO IMPROVE COVERAGE AND QUALITY OF BUDGET EXECUTION REPORTING										
RESULT	ACTIVITY	TIMEFRAME	INDICATORS	ACTIVITY STATUS	Achievement by the activity, along with a link to a document / attached document	IF THE ACTIVITY IS NOT COMPLETED IN PRESCRIBED TIMEFRAME, OR IT WAS STARTED			LEADING INSTITUTION	PARTNER INSTITUTION
				completed		The reasons of discrepancies from the plan	Key milestones necessary to implement the activity, with recommendation	Expected time for implementation of activities		
				partially completed						
				partially completed before deadline						
				not completed						
16.3 Monitoring and reporting on arrears improved	Issue a circular reminding to all budget users of their responsibility to record contracts as they are signed on the RINO and the FMIS systems.	2 nd quarter 2016	Number of contracts entered vs payment order		Circular reminder is sent to all budget users of their responsibility to record in the RINO system obligations in accordance with the Law				Tresory Administration	MoF
	Review and strengthen the penalty arrangements for failure to implement prescribed financial controls.	4 th quarter 2016	TV: All contracts entered (2016)		During 2016 the Tax Administration had 53 reports of outstanding liabilities of business entities, while the Department for Budget Inspection issued by the MoF, 252 decisions at the local level (in detail in the narrative part).				Department for Financial System / Tax Administration	

MEASURE 16										
TO IMPROVE COVERAGE AND QUALITY OF BUDGET EXECUTION REPORTING										
RESULT	ACTIVITY	TIMEFRAME	INDICATORS	ACTIVITY STATUS	Achievement by the activity, along with a link to a document / attached document	IF THE ACTIVITY IS NOT COMPLETED IN PRESCRIBED TIMEFRAME, OR IT WAS STARTED			LEADING INSTITUTION	PARTNER INSTITUTION
				completed		The reasons of discrepancies from the plan	Key milestones necessary to implement the activity, with recommendation	Expected time for implementation of activities		
				partially completed						
				partially completed before deadline						
				not completed						
16.3 Monitoring and reporting on arrears improved(continued)	Extend the RINO system to include public-to-public transactions, and harmonize the coverage and definitions	1st quarter 2016	Number of contracts entered vs payment order IV:No contracts entered (2015) TV: All contracts entered (2016)		In accordance with the Law of settlement of financial obligations in commercial transactions, RINO system has been extended so that it applies to transactions between public sector entities of 01.01.2016. Supervision over the implementation of the Law done by Section for Budget Inspection				Tresory Administration	MoF

MEASURE 17 MOVING GRADUALLY AND SYSTEMATICALLY TOWARDS ACCRUAL BASIS ACCOUNTING										
RESULT	ACTIVITY	TIMEFRAME	INDICATORS	ACTIVITY STATUS		IF THE ACTIVITY IS NOT COMPLETED IN PRESCRIBED TIMEFRAME, OR IT WAS STARTED			LEADING INSTITUTION	PARTNER INSTITUTION
				completed	Achievement by the activity, along with a link to a document / attached document	The reasons of discrepancies from the plan	Key milestones necessary to implement the activity, with recommendation	Expected time for implementation of activities		
				partially completed						
				partially completed before deadline						
not completed										
17.1 Completeness and coverage of accounting information improved through the implementation of Accrual Accounting based on IPSAS standards	Establish a government sector accounting standard setting council.	2 nd quarter 2016	Government sector accounting standard setting council established <i>IV - 0</i> <i>TV - 1</i> Gap Assessment Report prepared <i>IV - 0</i> <i>TV - 1</i>	partially completed	Draft decision on the establishment of the Commission for the introduction of international accounting standards in the state sector is prepared	It is necessary harmonization with MoF and other relevant financial institutions around the election of the members of the Commission / Council	Decisions about the composition and formation of the Commission / Council	2 nd quarter 2017	Treasury Administration	MoF
	Develop a gap analysis between current accounting practices and accrual IPSAS.	2 nd quarter 2016	Road Map Prepared <i>IV - 0</i> <i>TV - 1</i> Number of laws and bylaws adapted <i>IV - 0</i> <i>TV - 6</i>	completed	Analalysis prepared within the IMF technical assistance report.					

MEASURE 17										
MOVING GRADUALLY AND SYSTEMATICALLY TOWARDS ACCRUAL BASIS ACCOUNTING										
RESULT	ACTIVITY	TIMEFRAME	INDICATORS	ACTIVITY STATUS	Achievement by the activity, along with a link to a document / attached document	IF THE ACTIVITY IS NOT COMPLETED IN PRESCRIBED TIMEFRAME, OR IT WAS STARTED			LEADING INSTITUTION	PARTNER INSTITUTION
				completed		The reasons of discrepancies from the plan	Key milestones necessary to implement the activity, with recommendation	Expected time for implementation of activities		
				partially completed						
				partially completed before deadline						
not completed										
17.1 Completeness and coverage of accounting information improved through the implementation of Accrual Accounting based on IPSAS standards(continued)	Preparing a realistic road map towards full accrual accounting in the government sector	2 nd quarter 2016		completed	Roadmap prepared within the IMF technical assistance report.				Tresory Administration	MoF
	Revise regulatory framework for compliance with accrual accounting standards throughout government.	4 th quarter 2020								

MEASURE 17	MOVING GRADUALLY AND SYSTEMATICALLY TOWARDS ACCRUAL BASIS ACCOUNTING									
RESULT	ACTIVITY	TIMEFRAME	INDICATORS	ACTIVITY STATUS	Achievement by the activity, along with a link to a document / attached document	IF THE ACTIVITY IS NOT COMPLETED IN PRESCRIBED TIMEFRAME, OR IT WAS STARTED			LEADING INSTITUTION	PARTNER INSTITUTION
				completed		The reasons of discrepancies from the plan	Key milestones necessary to implement the activity, with recommendation	Expected time for implementation of activities		
				partially completed						
				partially completed before deadline						
				not completed						
Continued	Prepare pro forma financial statements for 2015 in compliance with IPSAS for Central Government	2 nd quarter 2016	Pro - forma financial statements prepared <i>IV - 0</i> <i>TV - 5</i>	completed	Prepared "pro forma" financial report for the RS budget in line with IPSAS cash basis standards				Treasury Administration	MoF
	Prepare accounting policies in compliance with IPSAS 1,2,3, 5, 14, 24	4 th quarter 2016	Accounting policies prepared <i>IV - 0</i> <i>TV - 6</i>	not completed	Determining the translation of the IPSAS text for the purpose of the phase introduction of standards	Necessary organizational change in the TA, strengthened capacities and implementation of trainings in this area (in detail in the narrative part).	proposal to amend the systematization in the Treasury was sent	2 nd quarter 2017		

MOVING GRADUALLY AND SYSTEMATICALLY TOWARDS ACCRUAL BASIS ACCOUNTING											
MEASURE 17	RESULT	ACTIVITY	TIMEFRAME	INDICATORS	ACTIVITY STATUS	Achievement by the activity, along with a link to a document / attached document	IF THE ACTIVITY IS NOT COMPLETED IN PRESCRIBED TIMEFRAME, OR IT WAS STARTED			LEADING INSTITUTION	PARTNER INSTITUTION
					completed		The reasons of discrepancies from the plan	Key milestones necessary to implement the activity, with recommendation	Expected time for implementation of activities		
					partially completed						
					partially completed before deadline						
					not completed						
Continued	<p>Prepare for the year 2016:</p> <ul style="list-style-type: none"> - financial statements for central government only in compliance with IPSAS 1, 2 - consolidated cash flow statement (i.e. including central government's controlled entities: DBBs, IBBs, EBFs, SOEs, social funds and health 	2 nd quarter 2017	<p>Financial statements and consolidated statements prepared</p> <p><i>IV – 0</i></p> <p><i>TV - 2</i></p>						Tresory Administration	MoF	

MEASURE 17										
MOVING GRADUALLY AND SYSTEMATICALLY TOWARDS ACCRUAL BASIS ACCOUNTING										
RESULT	ACTIVITY	TIMEFRAME	INDICATORS	ACTIVITY STATUS	Achievement by the activity, along with a link to a document / attached document	IF THE ACTIVITY IS NOT COMPLETED IN PRESCRIBED TIMEFRAME, OR IT WAS STARTED			LEADING INSTITUTION	PARTNER INSTITUTION
				completed		The reasons of discrepancies from the plan	Key milestones necessary to implement the activity, with recommendation	Expected time for implementation of activities		
				partially completed						
				partially completed before deadline						
				not completed						
Continued	Prepare for the year 2017: - financial statements for central government only in compliance with IPSAS 3, 5, 14, 24 incl. previous - consolidated cash flow statement	2 nd quarter 2018	Financial statements and consolidated statements prepared IV – 0 TV - 2						Tresory Administration	MoF
	Prepare accounting policies in compliance with IPSAS 9, 12, 20, 23, 25, 32	2 nd quarter 2018	Accounting policies prepared IV – 0 TV - 6							
	Prepare for the year 2018: - financial statements for central government only in compliance with IPSAS 4, 19, 28, 29, 30, 36, 37, 38 incl. previous - consolidated cash flow statement	2 nd quarter 2019	Financial statements and consolidated statements prepared IV – 0 TV - 2							

MEASURE 17	MOVING GRADUALLY AND SYSTEMATICALLY TOWARDS ACCRUAL BASIS ACCOUNTING									
RESULT	ACTIVITY	TIMEFRAME	INDICATORS	ACTIVITY STATUS	Achievement by the activity, along with a link to a document / attached document	IF THE ACTIVITY IS NOT COMPLETED IN PRESCRIBED TIMEFRAME, OR IT WAS STARTED			LEADING INSTITUTION	PARTNER INSTITUTION
				completed		The reasons of discrepancies from the plan	Key milestones necessary to implement the activity, with recommendation	Expected time for implementation of activities		
				partially completed						
				partially completed before deadline						
not completed										
Continued	Prepare accounting policies in compliance with IPSAS 13, 16, 17, 18, 21, 22, 26, 27, 31, 33, 34, 35	2 nd quarter 2019	Accounting policies prepared IV – 0 TV - 12						Treasury Administration	MoF
	Prepare for the year 2019: - financial statements for central government only in compliance with 9, 12, 20, 23, 25, 32 incl. previous - consolidated cash flow statement	2 nd quarter 2020	Financial statements and consolidated statements prepared IV – 0 TV - 2							
	Prepare for the year 2020 (first-time compliance with all IPSASs): - consolidated financial statements in compliance with IPSAS 13, 16, 17, 18, 21, 22, 26, 27, 31, 33, 34, 35 incl. previous - separate financial statements	end of 2020	Financial statements and consolidated statements prepared IV – 0 TV - 2							

MEASURE 17	MOVING GRADUALLY AND SYSTEMATICALLY TOWARDS ACCRUAL BASIS ACCOUNTING									
RESULT	ACTIVITY	TIMEFRAME	INDICATORS	ACTIVITY STATUS	Achievement by the activity, along with a link to a document / attached document	IF THE ACTIVITY IS NOT COMPLETED IN PRESCRIBED TIMEFRAME, OR IT WAS STARTED			LEADING INSTITUTION	PARTNER INSTITUTION
				completed		The reasons of discrepancies from the plan	Key milestones necessary to implement the activity, with recommendation	Expected time for implementation of activities		
				partially completed						
				partially completed before deadline						
not completed										
Continued	Improvement of accounting solution in FMIS and other IT systems to support accrual accounting	1 th quarter 2017	Accounting solution support accrual accounting IV – not supporting TV – supporting accrual accounting						Tresory Administration	MoF
	Provide capacity building for accounting staff for the transition to Accrual Accounting	4 th quarter 2020	Number of accounting staff trained IV: 0% TV: 100%							

MEASURE 18	TO STRENGTHEN COVERAGE AND QUALITY OF EXTERNAL AUDIT									
RESULT	ACTIVITY	TIMEFRAME	INDICATORS	ACTIVITY STATUS	Achievement by the activity, along with a link to a document / attached document	IF THE ACTIVITY IS NOT COMPLETED IN PRESCRIBED TIMEFRAME, OR IT WAS STARTED			LEADING INSTITUTION	PARTNER INSTITUTION
				completed		The reasons of discrepancies from the plan	Key milestones necessary to implement the activity, with recommendations	Expected time for implementation of activities		
				partially completed						
				partially completed before deadline						
				not completed						
18.1 The State Audit Institution (SAI) carries out financial, compliance and performance audits as mandated by the Law and in line with the ISSAIs standards	Strengthening the external audit function in terms of reviewing and implementing the right mix of number of staff, their professional training and adopted methodology applying the computer assisted audit tools (CAATs), in order to increase audit productivity and coverage.	4th quarter of 2020	<i>IV: number of Audit products 173 (2015)</i> <i>products to TV: (2016): 188</i> <i>TV: (2017): 231</i> <i>TV: (2018): 247</i> <i>TV: (2019): 250</i> <i>TV: (220): 253</i>		Expanded the list of entities subject to audit. Published 185 audit products. Link to reports: http://www.dri.rs/audit/latest-report.199.html (Detailed in the narrative part)				SAI	Technical assistance GIZ within the project "The reform of public finances'

MEASURE 18	TO STRENGTHEN COVERAGE AND QUALITY OF EXTERNAL AUDIT									
RESULT	ACTIVITY	TIMEFRAME	INDICATORS	ACTIVITY STATUS	Achievement by the activity, along with a link to a document / attached document	IF THE ACTIVITY IS NOT COMPLETED IN PRESCRIBED TIMEFRAME, OR IT WAS STARTED			LEADING INSTITUTION	PARTNER INSTITUTION
				completed		The reasons of discrepancies from the plan	Key milestones necessary to implement the activity, with recommendation	Expected time for implementation of activities		
				partially completed						
				partially completed before deadline						
not completed										
18.2 Links between the budget process and final accounts audits improved	Analyze moving the deadline for submission of the draft Law on Final Account of the Budget of Republic of Serbia forward in the year to provide audit input earlier in the budget process to increase the time available for the SAI to audit the draft Law on Final Account of the Budget of Republic of Serbia.	4 th quarter 2017	The Budget System Law amended (2017)		The activity is not a direct responsibility of DRI, but it is initiated to the technical mission of the IMF for the purposes of amendments to the Law on Budget System in part related to the deadlines for the submission of the Draft Law on the execution of the budget of RS (more detail in the narrative part of the Report)				MoF	SAI, The Committee on Finance, State Budget and Control of Public Spending of the National Assembly

MEASURE 18										
TO STRENGTHEN COVERAGE AND QUALITY OF EXTERNAL AUDIT										
RESULT	ACTIVITY	TIMEFRAME	INDICATORS	ACTIVITY STATUS	Achievement by the activity, along with a link to a document / attached document	IF THE ACTIVITY IS NOT COMPLETED IN PRESCRIBED TIMEFRAME, OR IT WAS STARTED			LEADING INSTITUTION	PARTNER INSTITUTION
				completed		The reasons of discrepancies from the plan	Key milestones necessary to implement the activity, with recommendation	Expected time for implementation of activities		
				partially completed						
				partially completed before deadline						
				not completed						
18.3 Internal quality control and quality assurance function within the SAI fully developed and operational	Sector for Audit Methodology and Quality Control which should be appropriately staffed and operational .	4th quarter 2017	Percentage of staff positions within sector for audit methodology and quality control IV (2015): 25% TV (2016): 75% TV (2017): 100% Number of who attended introductory training for quality control IV (2015): 0 TV (2016): 6 TV (2017): 8 Adopted internal Guidelines for quality insurance based on ISSAIs		The Department has three filed position out of eight systematized; In-house trainings are completed ; In April 2016. Supreme State Auditor was appointed. The plan is to develop guidelines for the assurance of quality (in detail in the narrative part	The reason for the discrepancy lies in insufficient workspace capacities as well as insufficient resources for the recruitment of staff to DRI.			SAI	

MEASURE 18										
TO STRENGTHEN COVERAGE AND QUALITY OF EXTERNAL AUDIT										
RESULT	ACTIVITY	TIMEFRAME	INDICATORS	ACTIVITY STATUS	Achievement by the activity, along with a link to a document / attached document	IF THE ACTIVITY IS NOT COMPLETED IN PRESCRIBED TIMEFRAME, OR IT WAS STARTED			LEADING INSTITUTION	PARTNER INSTITUTION
				completed		The reasons of discrepancies from the plan	Key milestones necessary to implement the activity, with recommendation	Expected time for implementation of activities		
				partially completed						
				partially completed before deadline						
not completed										
18.4 Systemic follow-up of implementation of audit recommendations improved	Establishing a database of audit recommendations, facilitating the identification of systemic issues and enhancing the information basis for parliamentary oversight over the executive	3rd quarter 2018	Public registry of audit recommendations introduced IV (2015): 0 TV (2016): 1		Continually update of the database of completed audits. Performing additional adaptation of system set up in order to ensure uniformity of data and improved functionality (in detail in the narrative part).				SAI	

MEASURE 19										
TO STRENGTHEN PARLIAMENTARY SUPERVISION OVER PUBLIC FINANCES										
RESULT	ACTIVITY	TIMEFRAME	INDICATORS	ACTIVITY STATUS	Achievement by the activity, along with a link to a document / attached document	IF THE ACTIVITY IS NOT COMPLETED IN PRESCRIBED TIMEFRAME, OR IT WAS STARTED			LEADING INSTITUTION	PARTNER INSTITUTION
				completed		The reasons of discrepancies from the plan	Key milestones necessary to implement the activity, with recommendation	Expected time for implementation of activities		
				partially completed						
				partially completed before deadline						
				not completed						
19.1 Proper parliamentary oversight function ensured	Making the necessary organizational arrangements to deliberate external audit work and establishing clear written procedures for deliberation and taking action for Committee for Finance, State Budget and Control of Public Spending	3th quarter 2016	Procedure for deliberation of audit reports developed and adopted IV: 0 (2015) TV:1 (2016)		Working body of the Committee is formed, which is responsible for the preparation of a draft decision that will define clear procedures for reviewing audit reports (detailed in the narrative part)				The Committee on Finance, State Budget and Control of Public Spending of the National Assembly	SAI

MEASURE 19										
TO STRENGTHEN PARLIAMENTARY SUPERVISION OVER PUBLIC FINANCES										
RESULT	ACTIVITY	TIMEFRAME	INDICATORS	ACTIVITY STATUS	Achievement by the activity, along with a link to a document / attached document	IF THE ACTIVITY IS NOT COMPLETED IN PRESCRIBED TIMEFRAME, OR IT WAS STARTED			LEADING INSTITUTION	PARTNER INSTITUTION
				completed		The reasons of discrepancies from the plan	Key milestones necessary to implement the activity, with recommendation	Expected time for implementation of activities		
				partially completed						
				partially completed before deadline						
				not completed						
19.1 Proper parliamentary oversight function ensured(continued)	Organize meetings of the Committee for Finance, State Budget and Control of Public Spending in the form of hearing for discussion of audit reports	3th quarter 2017	Number of hearings on the findings documented in the SAI audit report <i>IV 2016: 0</i> <i>TV 2017: 1</i> <i>TV 2018: 2</i> <i>TV 2019: 3</i> <i>TV 2020: 4</i>						The Committee on Finance, State Budget and Control of Public Spending of the National Assembly	SAI