REVIEW OF PROGRAM BUDGETING REFORM IN SERBIA

Assessment of 2nd year experience

December 2007

ABREVIATIONS

BM	Budget Memorandum
FAPs	Final Policy Allocations (policy programming units) in the Budget Law
GA	General Affairs
GOP	Yearly Operational Plan
LSGs	Local Self Governments
MPALSG	Ministry of Public Administration and Local Self Governments
MoERG	Ministry of Economy and Regional Development
MoE	Ministry of Education
MoFT	Ministry of Finance/Treasury
MoTS	Ministry of Trade and Services
MoH	Ministry of Health
MoR	Ministry of Religion
MP	Main Programme
NIP	National Investment Plan
PEM	Public Expenditure Management
PB	Programme Budgeting

EXECUTIVE SUMMARY

In the 2008 Budget significant progress can be seen in implementing program budgeting reform in Serbia and is the overall conclusion of this report.

Improvements can be seen in the methodological approach as well as in the work done by all the pilot line ministries. Program budgeting methodology for 2008 Budget has been streamlined and improved compared to the 2007 Budget methodology. Also pilot ministries have demonstrated significant improvements regarding program budget comprehensiveness, structure and design quality. There has good progress achieved in making budgets more informative and linking them to the government's strategy and policies, e.g. making them more policy led.

This report is a follow up to the first program budgeting reform review carried out in 2006 after the first round of program budgeting in several pilot ministries. This second review focuses on the same areas to ensure continuity and to provide a systematic framework through which program budgeting implementation can be analyzed over time.

In respect to areas where further improvements are required, this report draws the following main conclusions. Firstly, one the one hand, program budgeting methodology to some extent has been implemented differently across the pilot ministries. On the other hand, all ministries exhibit the same "weak links" where program design is concerned. This suggests there might be a need for some further improvements in methodology and enhancing the role of central coordination and support to the program budgeting ministries, particularly to those who start with program budgeting for the first time. Secondly, although the program budget structure in the line ministries has been significantly improved, there is room for further progress. Currently there are some exceptionally large or dominant programs that need to be considered for division into smaller

ones. At the same time, in some ministries, the proportion of very small programs (minor programs below 1%) is very high, and there is scope for the creation of larger and more consistent programs. Thirdly, there continues to be significant budget comprehensiveness problem relating to the National Investment Plan (NIP), which essentially is a separate budget process, and to policy execution bodies. Fourthly, in the current system of public expenditure management, there is a strong emphasis on planning (program budgeting and yearly operational planning) but little on monitoring and evaluation although these are two important elements in the program budgeting formula, and which need to be developed in the overall system.

Based on these conclusions and a number of other observations, this report recommends areas where work needs to be undertaken in order to further strengthen program budgeting reform. Firstly, we recommend that a clear program budgeting roll-out strategy needs to be discussed, agreed and communicated as early as possible. In terms of further roll-out strategy our recommendation for the Ministry of Finance / Treasury is to allow for further consolidation of program budgeting through continuing pilot ministry approach and for the 2009 budget to try implementing the PB approach in most large ministries. This would provide the basis for a full roll-out to central ministries in the 2010 Budget Cycle. Secondly we propose further improvements to the budgeting methodology by more precisely defining what are programs and what are projects, and when the use of the latter is required. Thirdly, as part of the 2009 Budget exercise, we propose a re-assessment of the validity of both – so called dominant and minor programs in order to arrive at a more informative and more manageable program structure. Fourthly, we recommend integrating NIP more strongly into the mainstream budget process. Fifthly, in future the Budget Memorandum should become the key budget decision making document, and it should include comprehensive ministerial spending ceilings. Sixthly, we have proposed

strengthening central support and coordination as well as capacity building for program budgeting. As part of this, we have identified several areas where training and other support to the line ministries should take place. Finally we have outlined a number of proposals aimed at setting up a program monitoring and evaluation system.

1. INTRODUCTION

1. Serbia has been implementing program budgeting since 2005. By now there have been two budget cycles (2007 and 2008) for which budgets have been prepared in the program format in several pilot ministries. In preparing the 2007 Budget, pilots included the Ministries of Health, Economy, Religion, Public Administration and Local Government as well as Trade, Tourism and Services. However, due to 2006 being the electoral year, the final 2007 budget was adopted in the Parliament of the Republic very late in the year and did not include program format in the case of pilot ministries.

2. Nevertheless, the preparation of the 2007 budget proved to be a valuable experience and learning process for the pilot ministries and the Ministry of Finance / Treasury. In early 2007, this experience was re-considered through the review of program budgeting reform[1]. Several adjustments to the initial methodology were introduced in the Budget Instructions for the pilot ministries. For the 2008 Budget program budgeting was undertaken by the Ministries of Health, Education, Religion, Public Administration and Local Government as well as Trade and Services. The Ministry of Economy and Regional Development[2] was not chosen to be a pilot ministry, as it had acquired new functions and was in the process of restructuring. These were considered to be circumstances not conductive to program budgeting this year. However, this Ministry could return to program budgeting in the 2009 Budget.

3. This report is the follow up to program budgeting reform review carried out during 2007. It assesses the progress achieved since

last report in the key problem areas which were flagged in the first report. This approach was made in order to determine the remaining bottlenecks to reform. It then recommends strategies to address these bottlenecks in order to consolidate and progress the implementation of program budgeting further.

4. In this report we have followed a similar structure to the first report to ensure continuity and to provide a framework within which progress can be tracked at the ministries. As such, the report covers the following themes:

o Comprehensiveness of the budget;

o Program design and informative quality;

o Structure of the budget;

o Overall approach and methodology.

5. Compared to the first review, this report does not address in detail the issue of the budget planning process. Although some work has been accomplished in this area, and. there are notable improvements to the structure and contents ("user friendliness") of the Budget Memorandum, 2007 was an electoral year accompanied by severe delays in the approval of the 2007 budget process, which also impacted on the 2008 programming timetable. The issue of programming process credibility is once again emphasized in the recommendations part of this report. It will have to be reviewed by any follow up reviews focusing on the 2009 budgeting experience.

6. Findings are then followed up by conclusions and recommendations, which cover overall recommendations as to objectives and program budgeting roll out strategy; improvements to methodology; and ministry specific recommendations. It also identifies a set of capacity building needs for program budgeting.

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[1] Report: "Review of Program Budgeting Reform 2006: Assessment of the 1st year achievements of Programme Budgeting in Serbia and improvements ahead", DAI Europe, 2007.

[2] New name of the Ministry of Economy after 2007 Parliamentary elections.

2. ANALYSIS AND FINDINGS

7. This chapter provides a follow up analysis to the first review report. It starts with the analysis of comprehensiveness aspects of program budgeting and then proceeds to an assessment of program information quality followed by the analysis of the budget structure of the pilot ministry budgets. The chapter is concluded by the analysis of the overall approach and methodology used for the 2008 Budget. All these analysis angles were core in the first review. Each section includes a briefing on the overall concept (more details available in the first report); a short summary of the recommendations from the first review; and an analysis of performance against those recommendations. Where appropriate, we have also included a specific analysis for each pilot ministry. More detailed data for each ministry is available in Annexes 3 and 4.

2.1 Comprehensiveness

8. The comprehensiveness principle is one of requirements for achieving aggregate fiscal discipline and allocative efficiency. Both are objectives of a well functioning public expenditure management system, with the third being operational efficiency. Implementation of the comprehensiveness principle means that all public funds are subject to the same budget planning and management disciplines, i.e. overall resource constraints (ceilings) and policy choices including resource re-allocations made within these resource constraints. Comprehensiveness increases the capacity to reallocate resources and achieve the best mix of inputs. Therefore in the long term achieving such comprehensiveness should be one of the core objectives of budget reform. The practical implication of this is that all budgetary and extra budgetary funds, quasi fiscal activities, guarantees, separate budgets and expenditure lines have to be treated within comprehensive

ceilings and planned according to program budgeting principles.

2.1.1 Conclusions & recommendations from the first review

9. The first review concluded that there were three main revenue / expenditure items that to different extents remained outside the program budgeting process – expenditures and outflows within so called General Affairs Main Program, NIP funds, and the part of revenues and expenditures associated with so called subordinated institutions, such as agencies, for example. It also concluded that although ministerial ceilings did not include own revenues expenditures did.

10. The review recommended the following ways in addressing these shortcomings:

o   Where appropriate, subject the General Affairs Main Program to the program budgeting discipline, i.e. split this expenditure among programs based on staff allocated to those programs;

o   Integrate NIP into the program budgeting framework or at least start using the same methodological principles when programming NIP;

o   Promote the trend that all extra budgetary funds, quasi fiscal activities, guarantees, separate budgets and expenditure lines are revisited according to programme principles. This means also including all expenditures and outflows of subordinate bodies in the program format and annual budget law;

o   Build and develop ministerial capacity in forecasting own revenues so that such information can be taken into account when setting expenditure ceilings;

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○ Strengthen program, particularly capital investment expenditure, planning capacity beyond one year.

2.1.2 Progress in relation to the recommendations of the first review

11. Improving the comprehensiveness of budget is one of the most difficult tasks in any budget environment and Serbia is not an exception in this sense. However, in some areas considerable progress has been made. The main observations and conclusions are summarised below.

General Affairs Main Program

12. Most notably, expenditures and outflows under General Affairs Main Programmes are now organized and presented as service programs[3], which is an important achievement. In the 2007 draft Budget this was not the case – a substantial part of ministry expenditures and outflows (between 3 to 69% of the total) in reality were not part of the programming approach. In the 2008 Budget, this is not the case any more. Pilot ministries have allocated expenditures of the former General Affairs Main Program to such service programs as "policy development and supervision", "market control and supervision", "sanitary inspection", etc.

Comprehensiveness of ceilings

13. In relation to the comprehensiveness of ceilings there is some remarkable progress here too, although ceilings continue to include only budget resources[4]. The 2007 draft budget review revealed a significant difference between ceilings set as part of the Budget Instructions and the final allocation of budget resources.

This difference ranged from 0% in the case of the Ministry of Economy to 49% in the case of the MoH. The table below summarizes the data for the 2008 draft budget. It shows that there has been significant improvement in terms of final budget submissions corresponding to initially set ceilings. The highest difference between indicative initial ceilings and the final appropriation was 22.5% at the Ministry of Health, whilst the MoTS exceeded its initial indicative ceilings for budget resources only by 7%.

Table 1: Comparison between initial ceilings for the State Budget resources and final allocation in the 2008 draft Budget

Ministry	Proposed ceilings[5] (DIN)	Budget resources included in the final draft 2008 (DIN)	Difference +/- %
Education	94,899,894,000	104,516,193,000	+ 10.0
Health	5,793,274,000	7,098,751,000	+ 22.5
PALSG	236,426,000	252,092,000	+ 6.6
Religion	637,424,000	768,376,000	+ 20.5
MTS	2,574,534,000	2,754,274,000	+ 7.0

14. We have not been able to analyze the NIP issue in depth, as at the time of preparing this report NIP budget figures and details were not available. In the 2007 draft Budget, NIP was not subject to programme discipline, according to the first review report, although it accounted for up to 47% of total pilot ministry expenditure. In the 2008 Budget NIP continues essentially to be a separate budget process. By separate process we mean a budget preparation procedure where NIP funds are neither part of ministry ceilings nor subject to trade-off decisions during the program budgeting exercise. 2008 Budget Instructions state:

> "The proposed 2007 financial plans shall be developed on the basis of proposed ceilings. As opposed to previous years, the _2007 funding ceilings_ are expanded and they _include all expenditures and outflows, except_ expenditures and outflows for

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[3] Service programme is a budget programme that has such main characteristics: ..

[4] NIP has also not been taken into account which normally should be part of the ceilings figure

[5] NIP not taken into account.

repayment of public debt and expenditures for realization of National Investment Plan Projects".

15. We continue to see no reason why in future NIP should remain a separate budget process and not become part of the overall ceiling setting process. Having a separate Office dealing with NIP does not mean that NIP shall be almost separate budget process. We also do not see any reasonable substantiation why some capital expenditures are included in ceilings while others are not. Thus, for example, the MoH has budget program 180301 "Participation in financing of construction and equipping of health institutions" (27.97% of total ministry expenditure). This program contains capital investment for construction and refurbishment of health institutions and provision of equipment for them. However, it is not NIP. If the Government wants to have strategic national capital investment planning, it could be best done by ministries themselves having comprehensive capital investment strategies that are developed and discussed as part of the main budget and yearly operational planning (GOP) process.

Inclusion of executive agencies and other subordinate institutions in the Budget

16. Since the last report there has been quite limited progress in this area. Most of the findings and recommendations outlined continue to be valid also for 2008 and beyond. Currently only those public funds are included in the program budgets which have the State Budget as their source, and include such economic classification categories of expenditure as specialized services, subsidies to public non-financial enterprises and organizations, capital grants to other levels of government, and donations of non-government organizations.

17. As part of the 2007 review we prepared a working paper on all bodies working under supervision of ministries and their relationship

to the supervising ministries in terms of budget planning and control ("Overview of policy implementation bodies of ministries") . Conslusions of this working paper confirm the need for recommendations contained in the first program budgeting report. These recommendations suggested undertaking an indepth review of all state owned policy implementation and public interest bodies irrespective of funding source and including them in the budget process and program budgeting.

2.2 Program information quality

18. Programs, in essence, are policy interventions and therefore must reflect key policy areas and instruments. The latter would include such tools as regulatory and supervisory functions, service delivery, transfer of funds and grants, payment of subsidies, payment of mandatory social benefits as well as purchase and maintenance of capital assets and investments. Well designed programs should be coherent and clear about what is being done with the instruments and funds used, for what specific purpose, and how it will be measured.

19. The basic principles of program design were already outlined in the first review report. To assess programme information quality in more depth for the second review, we have elaborated our approach by including an additional dimension to the analysis. We have developed a program information quality assessment framework that consists of seven programme evaluation criteria starting with the basic program description quality and moving to more advanced programming that links program objectives with outputs through attributable and measurable outcomes or impacts. In detail, these criteria are outlined in Annex 1.

2.2.1 Conclusions & recommendations from the first review

20. The first review concluded that most programs suffered from the lack of quality of information. It also conceded that programs had too many detailed information requirements. These included some 30 data fields for programs with one project and one activity, and on top of that – planning of expenditures and outflows according to a six digit economic classification in financial plans. The 2007 Budget Instructions also did not provide a clear distinction between programs and projects. Together with a very high number of so called very small (fragmented) final policy appropriations (FAPs) [6]these were the main reasons accounting for the rather low quality of program information in the draft 2007 Budget. The same review also observed that besides poor quality of information, many parts of ministerial activity (outputs) were not covered by program information at all, due to the nature of the so called Main Program of General Government Affairs. There were also input programs that lacked essential program attributes such as policy implementation instruments, and objective etc. In some cases capacity building initiatives within programs were presented as programs themselves.

21. The first review recommended:

o Planning expenditures and outflows under the Main Program for General Affairs according to budget program logic. In practice this would require "turning" of the Main Program for General Affairs into one or more service programs depending on the variety of functions or policy interventions

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[6] In this report Final Policy Allocations (FAPs) are considered to be the final programming (management) units in the Budget Law, i.e. *programs* or *projects*.

If programs do not have projects, then the program level represents the final policy allocation. If programs includes projects, then final policy allocations are at the project level. Theoretically a program could contain one or several projects which together financially are smaller than the whole programme. In this case the final policy allocations would be determined at both program and project levels.

covered by each General Affairs Main Program;

o Re-considering the information requirements of programs / projects;

o Focussing programs on policy implementation instruments, particularly outputs, where relevant;

2.2.2 Progress in relation to recommendations of the first review

22. Overall, there has been substantial progress in achieving these benchmarks. The problem of the General Affairs Main Program has been addressed; and information requirements for programs have been simplified. However, as concerns information quality of programs in individual pilot ministries, the record is varied. Generally ministries that have been implementing program budgeting for the second time have better quality programs than those who have introduced it for the first time. Also the same methodology has been applied rather diversely by different pilot ministries.

General Affairs Main Program

23. As concerns the former General Affairs Main Program, all pilot ministries have "turned" it into one or several service programs. This is a step forward in making the budget more informative and performance oriented. Examples of such service programs include:

Education:
- o Education sector regulation and monitoring;
- o Definition of legal framework and monitoring development of education in all segments of education;
- o Improvement of education;
- o Education quality evaluation

Health:
- o Organizing health care;

- Inspection and monitoring of service quality in health care institutions;
- Sanitary inspection;
- Medicines and drug control;

PALSG:
- Policy development and supervision;

Religion:
- Organizing of cooperation between the State, churches and religious communities;

Trade and Services
- System organization in the field of trade and services;
- Market control and supervision;
- Establishment of contemporary organized market of goods and services;

24. Closer analysis of these new service programs reveals that the quality of information included in them is very different. Although there is no case that would be an outstanding example, some programs provide a good start for further improvement in terms of output and impact definition. Sanitary Inspection and Medicines and Drug Control in the Ministry of Health, Policy development and Supervision in the Ministry of Public Administration and Local Government are examples of such programs.

Information requirements for programs

25. In relation to simplification of information requirements for programs and projects, the necessary improvements have been made. Now each program should contain only three basic parts – program description, expected impacts, and planned outputs (where applicable). Indicators are required for outputs only given the current capacity. This is a good approach which over time if needed can be developed to better reflect the various needs of program monitoring and evaluation.

Quality of program information

26. In order to evaluate the quality of program design and content, as well to have an instrument that can be used for consistent comparison over time, we developed a specific program quality assessment tool or framework. It consists of seven assessment criteria that program managers and evaluators should ask themselves when defining or reformulating budget programmes. The list starts with the most basic features of program design and ends with those that should be attributes of well designed programs. The seven points include such aspects as clarity of contents and objectives; consistency and coherence, definition of outputs, coverage of all relevant expenditures and outflows, and attribution between outputs and objectives. These criteria are describes in detail in Annex 1.

27. In order to assess ministerial performance, each program was assessed against the above criteria. Zero points were given if a program did not meet the criteria at all. Half point was awarded if it was met at least partially, whilst for full compliance one point was awarded, with a maximum of seven points. A detailed analysis of all programs of the 5 PB ministries gave the following results:

Table 2: Program quality assessment

Education	4.75
Health	4.79
PALSG	4.10
Religion	4.87
Trade and Services	3.95

28. As concerns ministerial performance in relation to every program, the results of our evaluation are included in Annex 4 to this report.

29. As one can see from the table above, results are different across the ministries. The Ministry of Religion scored the highest number of points despite the fact that most of its planning was done at the project level. The Ministry of Health follows closely although it has several programs that just score 3 points. The Ministries of Education and Public

Administration and Local Self-Government have good overall results although their scores are undermined by some specific weaknesses. In the case of the MoE it is the lack of information regarding program outputs and policy implementation instruments. This is understandable, as realization of the programming concept takes time and during the first year of implementing program budgeting the emphasis was on creating a program structure. In the MPALSG , the weakest link is the information included in some of its programs (former special budget) although the overall budget structure is very good. The MoTS had the lowest scores, with half of its programs rather well designed with the other half quite weak.

30. It must also be noted that in order to obtain a fuller picture about program design quality, the above-mentioned analysis should be seen in the context of the analysis of program structure (see the following section of the Review). If both aspects are taken into account, then the MPALSG and MoH score the best.

31. The following overall conclusions have been reached from the analysis of program information quality:

o There is better understanding of the program budgeting concept, which is characterized by the presence of several well designed programs. At the same time, there are a number of programs that are poorly designed[7]. It seems that there is a need for greater involvement of ministry policy staff in developing program content. The sole involvement of people responsible for ministry financial planning will not provide the best results;

o Although there is one methodology for program budgeting, it is perceived rather

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[7] It might also show that there is a varied capacity at different departments within a certain ministry therefore more central cocordination and aasistanace might be required.

differently by the ministries. This is most obvious from an analysis of program structure. Some ministries, like MoE, have no project level – only programs, while other ministries, such as MoH or MoR, have a number of projects most of which could be programs. This suggests a need for greater methodological guidance and central coordination from the Ministry of Finance in the future;

o Definition of cases when project level information should be used continues to be unclear. This, as discussed in one the last section of this chapter (methodology), is one of the reasons why some ministries use projects while others do not;

o Some programs do not involve outputs and therefore requiring such information is not useful. For example – the program providing funding to health insurance for uninsured persons has no outputs. It involves just a transfer of funds which is then administered by a different organization. Therefore there is a need for defining different types of programs and having different information requirements for them. We have made proposals regarding this in the recommendations section of this report;

o To a large extent program quality depends on how program structure is designed. If programs are logical and coherent, program information tends to be better. On the other hand, most programs which we have questioned "in principle" tend to have low scores on program information quality. Therefore improving program structure will lead to better program information and vice versa;

o Another area which underpins program information quality is the nature of relationships between the central Ministry and bodies implementing programs and / or projects. A good example of this is the MoH which has delegated a number of policy design and implementation functions

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to its Public Health Institutes. When it comes to policy design, it is the core responsibility of the central Ministry, and therefore outputs related to it shall be those of the central Ministry. Even if some Public Health Institutes design specific health protection programs they do so on the behalf of the policy ministry. In this case the MoH is the policy ministry, as in a way it is a "purchaser" of policy development services from a Public Health Institute. Therefore outputs of this activity (specific health protection programs or health monitoring reports) should be placed under the responsibility of the ministry rather than the Public Health Institute. It is different in the case of implementing immunization or health education programs.

o There are several areas regarding all pilot ministries where program information is weak and to which any future training should pay specific attention:

> o Provision of concise and informative program descriptions. Many programs fail to provide an easy to read, short and understandable summary information of what the program does, who does it and why. It must be remembered that most of the program readers will be not experts in the particular policy area. They can be not only civil servants from the Ministry of Finance and Treasury, but also members of Parliament or representatives of other societies (NGOs, etc.). Therefore program descriptions must use a language that is understandable to all;

> o Definition of program objective which is not a re-wording or repetition of the program description and / or outputs

but which demonstrates the purpose of the program (its expected impact) in a measurable way. This also includes choosing the right level of measuring input, i.e. small and problem specific programs need much more specific impact definitions;

o Output definition and relationship to program objective. Most programs have at least one outputs identified. However, it is often not defined in a measurable way, i.e. there are no indicators of quantity or other parameters. Very few programs have comprehensive definitions of all major outputs. At the moment outputs information will not provide a sufficient basis for program monitoring.

2.2.3 Ministry specific observations

32. Below is a summary quality assessment of programs of pilot ministries. Comments for each program are included in Annex 4 of this report.

Education

33. Overall informative quality of Ministry programs is good taking into account the scale of this Ministry (numerous functions and areas) and that it is a program budgeting pilot for the first year. However, there are two obvious problem areas in this Ministry.

34. The first relates to a lack of performance information (outputs and objectives) in programs. Information on program outputs or policy implemnetation instruments can be found in only a few programs. Most programs have just one indicator. In several cases they

are input rather than output indicators. The second relates to program structure with a large number of programs which are quite small and cover a narrow area of responsibility. Such fragmented structure can be dfifficult for creating meaningflul program information.

Health

35. MoH has achieved significant progress in improving the informative quality of its programs, and most programs score higher than 4 points. However, the overall score is undermined by several programs with a low score and these include programs: 180201, 180301, and 180304. All these three programs could be further scrutinized in order to determine their relevance. Potentially they could be split into more programs to reflect the specific purpose of different activities included in them.

PALSG

36. MPALSG programs that deal with the central Ministry are well designed and include good information that can be monitored and reported on. A very good achievement is the splitting of the special local self government budget fund into four programs. However, these programs, although well designed, have little useful information in terms of program description, objectives etc. These programs are: 060201, 060202, 060204, and 060205. This might reflect the lack of policy clarity in areas covered by these programs. If these four programs that, in fact, follow the Government's legislation, and output information are reconsidered this might significantly improve the overall evaluation of the Ministry.

Religion

37. MoR programs are well designed and have good information that could be further elaborated so that next year they can become a good basis for monitoring and reporting on non-financial performance information. The Ministry has 4 programs and 7 projects. However, our analysis suggests that all projects could be programs, as they have well defined scope, clear objectives and other information needed to monitor and evaluate implementation of those programs.

Trade and Services

38. Overall, the MoTS have a program quality that is a good basis for achieving improvements in the next planning cycle. Some of its programs demonstrate a good comprehension of program budgeting principles. An example of such is "Improvement of the consumer's protection in the Republic of Serbia and Building and marketing positioning of the National brand of the Serbia". Ministry's programs also range from those of sufficient initial quality, which serves as a basis for further improvements, and those, which lack good information. The latter include programs: 150103, 150203, 150901, 150902, and150903.

2.3 Program structure

39. Analysis of budget structure is about how logical, informative and manageable budget programmes and projects are from the financial point of view. This analysis looks at the total number and relative weight of the final policy allocations in the budget. In other words, it looks at how many exceptionally small and large FAPs ministries have and thus how manageable and informative the budget is. However, it is important that this analysis is not used as a stand alone assessment framework but rather complements an analysis of informative quality of budget programs (see the section above).

40. Ministry budget should be manageable. Too many "minor" (less than 1% of the total) FAPs and particularly programs may make it

more difficult to manage the budget efficiently. More fragmentation requires more administration (each program requires a program manager, regular monitoring, reporting and evaluation etc.) with higher transaction costs, which in many cases have little to do with cost effectiveness and effective control. Fragmentation coupled with rigid re-allocation rules can restrict financial and management flexibility.

41. A closer analysis of minor programs reveals that often they could be projects or even outputs / output groups within some other larger program. A large number of minor programs suggest that there is tendency to "invent" new initiatives as part of acquiring additional funding without seriously considering the current budgets. The high number of FAPs shows that there is a room for further consolidation of budget programs into more efficient and coherent units of managing the budget.

42. It is also important to assess whether there are exceptionally large or dominant (close to or more than 50%) FAPs and whether they provide sufficient information on what is specifically being achieved and how. Dominant FAPs keep a large part of a ministry budget locked into one programming unit with an often vague or very high level and general objective and insufficient performance information. Thus they reduce transparency of the budget. However, each specific case of dominant program should be assessed carefully without making generalizations, as in some cases dominant programs can be justified as in the case of large mandatory social benefits programs.

2.3.1 Conclusions & recommendations from the first review

43. The first review concluded that almost half of all programs in pilot ministries were less than 1 % of total ministry expenditure. At the same time the total number of final policy appropriations (programs and projects together) was exceptionally high. This allows

the conclusion that the budgets of pilot ministries were rather fragmented and there were serious management risks in the case that program budgeting was implemented. It was also concluded that a key reason for this was the NIP, which included many FAPs (projects). NIP for 2007 draft budget was not planned according to program budgeting principles.

44. The first review recommended:

o   Focusing primarily on one programming level – programs. This would require using the project level only in specific cases, which were proposed ;

o   Re-considering the utility of minor programs. Some of those could be integrated into larger programs depending on contribution to objective ;

o   Re-considering utility of dominant programs. Some of these could be split into several more specific programs;

o   Applying program budgeting logic to NIP.

2.3.2 Performance in relation to recommendations of the first review

45. Overall, there is an improvement in relation to recommendations of the first review. Pilot ministry budgets are less fragmented although there are areas where further improvements could be made. In particular, the proportion of minor programs remains high. The table below provides an analysis of program structure.

Table 3: Structure of the budget in pilot ministries

Ministry	Prog. (Nb.)	Proj. (Nb.)	FAPs (Nb.)	Below 1% Prog.	Below 1% FAPs
Education*	28	–	28	22**	22**
Health*	20	24	38	12	25
PALSG	9	2	10	–	1
Religion	4	7	8	–	–
MTS	11	–	11	7***	7***
Total	72	33	95	34	45

* Please note that both Ministries – Education and Health have also NIP funds. However, as the NIP for 2008 was planned in a separate budget process and its final allocations were not known at the time of drafting this report, NIP figures are not included in this analysis.

** This number would have been slightly less, if the most dominating program of the Ministry 200301 "Implementation of Primary Education Activity" was excluded from the analysis.

*** This number would have been only 3, if the most dominating program of the Ministry 150902 "Provision of functional cohesion between strategic and price stabilization commodity reserves" was excluded from the analysis.

46. The analysis of this data leads to the following main conclusions. Firstly, compared to the first year of program budgeting there has been considerable improvement in terms of overall number of FAPs. Their number in the draft 2008 Budget Law is substantially smaller than in the draft 2007 Budget. Thus, in 2007 draft Budget there were 59 final policy appropriations in the MoH excluding NIP. In 2008 draft Budget there are 38. In the MoTS the number has decreased from 29 to 11[8]. The MPALSG has reduced its final policy appropriations from 14 to 11 while the MoR from 17 to 8;

47. Secondly, compared to the previous year the record in relation to the proportion of minor programs in the overall budget is varied. In the MoH, for example, it has increased from 41% to 60%. This data suggests that there is scope for exploring the "joining up" of some minor programs. Some proposals t is included in the chapter of this report that deals with ministry specific recommendations. In the case of MPALSG there has been noticeable improvement. The proportion of minor programs has been reduced from 25% to zero. In the case of the MoTS there is an increase

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[8] This number also excludes final policy allocations for tourism activities, which are not part of the Ministry any more.

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from 52% to 63%. In the case of MoE, the number of minor programs is high at 78%.

48. Thirdly, there are two cases of dominating programs that would require further scrutiny and analysis for possibility of splitting these into smaller ones. The 150902 program of the MoTS "Provision of functional cohesion between strategic and price stabilization commodity reserves" makes up 63% of the total Budget. Program 200301 of the MoE "Implementation of Primary Education Activity" makes up 44 % of the total Budget. Currently these programs not only distort the overall financial balance of the budget, but also are not specific enough in terms of objective. Again specific ideas for splitting them up are identified in the section of this report dealing with ministry recommendations.

49. Fourthly, the MoH does not have dominating programs, but one of its programs could be split into several ones. For example 180301 "Participation in financing of construction and equipping of health institutions" (27.97% of total budget), includes six projects that be split into three more coherent and specific objective oriented programs. Details of the proposed structure are included in the section of this report dealing with ministry recommendations.

50. Fifthly, an analysis of program structure and content leads to the conclusion that ministries have rather different perceptions of the same program budgeting methodology. For example, the MoE has completely avoided using the project level although 22 of its 28 FAPs are under 1% of total budget. The MoR as well as the MoH has used the project level quite extensively even if some of the projects could be good programs.

51. These overall conclusions would have been different if the NIP was part of the budget process and thus covered by this analysis. The issue of NIP is dealt under the comprehensiveness section of this report.

2.3.3 Ministry specific observations

Education

52. MoE has an exceptionally high number of budget programs under 1 per cent of its total budget with 22 FAPs (programs) out of 28. This shows that some of programs could be at project or even output group level, and there is room for future integration of some programs. It also has one exceptionally large or dominating program of 44 % (200301 "Implementation of Primary Education Activity"), which requires further scrutiny to determine whether it could be split into several smaller and more specific programs with clear objectives.

Health

53. MoH has a program structure that is relatively well balanced although the proportion of minor programs is high. Some of these could be merged with others to obtaining a better balance of the budget. The program that deals with investment in health infrastructure and equipment (180301 "Participation in financing of construction and equipping of health institutions") could be changed from 6 projects into 3 more coherent programs.

Public Administration and Local Government

54. MPALSG budget structure is one of the best among the pilot ministries. It has 9 programmes and two projects with 10 final policy allocations in total. That is quite an optimal number for a ministry of this size. It has only one final policy appropriation under one per cent, and which covers funds of international technical assistance and as such can be justified as a separate appropriation. There are no programmes above 20%.

Religion

55. MoR has a good financial balance between programs. It has no program under three or even one per cent of the total budget. The largest of its programs is 28% of total budget, which is fully acceptable from the perspective of a balanced budget structure. A specific of this Ministry is that most of its budget planning is done at the project level. From 8 final policy appropriations 7 are projects which could easily be programs.

Trade and Services

56. MoTS budget balance is distorted by 150902 program "Provision of functional cohesion between strategic and price stabilization commodity reserves", which makes up 63% of the total budget. Splitting this program into several smaller ones might considerably improve both the financial balance and transparency of the Ministry's budget.

2.4 Methodology

57. 2007 Budget was prepared according to the program budgeting methodology developed during 2006. It was linked to GOP methodology, which required rather detailed planning of new activities and projects while leaving aside some of the core businesses of each ministry. In 2007, this methodology was re-considered and simplified based on some of the recommendations outlined in the report from the first review of program budgeting experience.

2.4.1 Conclusions & recommendations from the first review

58. The first review of the program budgeting experience concluded that program budgeting proved to be a very challenging task for

planners in the pilot ministries, and one reason was methodology, which excessively focused on detailed activity and project planning whilst overlooking basic aspects of programming such as focus on identifying logical programs of manageable size, outputs and linking them to objectives. A new simplified methodology was proposed including the following main features:

o   Ensuring that program budgeting covers all expenditures and outflows;

o   Putting the focus on outputs (for service type programs) and their objectives instead of activities;

o   Abolishing the activity level as well as restricting the usage of the project level to specific cases;

o   Reducing the amount of performance information required;

2.4.2   Performance in relation to recommendations of the first review

59. Overall, the Instructions for 2008 budget were clear and well written, and represent a step forward in consolidating understanding of the program concept. At the same time, as later sections of this report show, the perception of the same methodology differs from ministry to ministry.

60. In terms of methodology, there are some areas where further discussions / adjustments are required. These are:

o   Better definition and differentiation of programs and projects, and further specification of cases when programming should be carried out on a project basis (within programs);

o   Differentiation of program information requirements for different types of expenditure;

o   Elimination of inconsistencies between instructions to ministries and structure of financial plans (program formats) in terms of program information requirements;

o   Reconsideration of the utility of the main program concept;

o   Reconsideration of the utility of the priority concept of programs.

70. Below a more detailed substantiation of the above-mentioned points is presented.

Program and project definition

71. Program and project definitions[9] provided in the 2008 Budget Instructions (further in the text – Instructions) have a number of gaps.

72. Firstly, in the program definition, there is no obvious reference to the corner stone of service programs – outputs, although they are required in program descriptions that are outlined later in the Instructions. Instead, it is mentioned that programs entail activities, projects and services. Also, the introductory paragraph about the importance of programmatic classification excludes the output concept. Formally this is not the major problem,

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[9] Program is defined as "a part of the Main Program and is within the responsibility of only one direct budget beneficiary. Program is characterized by clearly defined goal and success and effectiveness indicators. Program is implemented through one or more related program activities and services, and/or projects which are all directed towards the accomplishment of the overall program goal". Project is defined as "a group of related activities, organized so that they contribute to the accomplishment of the goal and result of the Project, and/or Program. The Project is limited in its duration (it may last one year or longer), it has set goals or results it pertains to achieve and predefined resources (material and human) needed for the achievement thereof. Project duration can not exceed program duration A Project must constitute a part of a Program".

as program information requirements (see analysis later) include outputs. However, given its importance in the whole program concept and the current lack of understanding of this output idea in pilot ministries, the definitions should mention and explain the output concept.

73. At the moment, program definition includes such concepts as success and effectiveness indicators. Definition of these is not provided anywhere in the methodology. They are also not found under program information requirements spelled out in the Instructions.

74. Secondly, programs, according to the definition provided in the Instructions, are implemented through a) activities; b) services; and c) projects. Such a definition leaves out programs that are about provision of funds to certain groups of the population, such as, social benefits, compensations, subsidies etc. Clear examples of such programs are within the responsibility of the MoH, i.e. program 180401 "Health protection of persons that are considered insured by Article 22. Paragraph 1. Of the Law on Health Insurance".

75. Thirdly, if one reads program and project definitions carefully, there is almost no difference between them. The key aspect of a project, according to the Instructions, is that its activities are limited in duration. But programs can also be of limited duration. In fact, program (financial plan) format also requires specification of duration of programs and not only projects. The criteria for including projects in programs are defined[10], but they are rather broad. In fact, they provide very little guidance on when ministries need to use projects and when not. The analysis of some of the financial

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[10] The criteria are: 1) If the goals of the projects are in line with the goals of main programs and programs; 2) If it is possible to complete the *Project* within the specified, period (in case of investment projects, obtaining of appropriate consents and licenses) and that it is entirely covered by the planned sources of funding).

plans submitted to the MoF by the Ministries (MoH, for example) shows that there are cases when ministries use projects as a means of earmarking funding for specific organizations rather than for specific activities that are limited in duration and have a clear and very specific purpose, as Instructions require. In a way, this use of project concept turns it into a kind of sub-program rather than project. This later observation is even further confirmed by the example provided in the Instructions. Religious Education is mentioned as an example of a program that includes two projects – secondary theological education and university theological education. Both are ongoing functions and not one-off initiatives, which projects are, according to the Instructions.

Program information requirements for different kinds of expenditure and outflows

76. The Instructions do not distinguish between different types of expenditure, which generally should be included in different programs:

- o Expenditure for production or purchase of services;

- o Mandatory social benefits payments;

- o Capital expenditure;

- o Grants;

- o Transfers;

- o Re-payment of debt.

77. The above mentioned categories of expenditure need to be separated as their purposes are entirely different. This can be achieved either by different programs or sub-programs; or by using economic classification under programs; or using a mixed model (in cases of larger amounts of expenditure including it in a separate program whilst in the

case of smaller amounts of expenditure, using economic classification mechanism).

Irrespective of the model, it is obvious that program information should be different in each case. For example, service programs are the most typical programs that need to have well defined outputs, clear objectives as well as indicators that allow a) tracking the progress in delivery of outputs and achievement of objectives; and b) linking outputs to objectives. Capital expenditure may have similar requirements. On the other hand, mandatory social benefits are paid to citizens by law and very often without any measurable policy purpose. There are also no outputs apart from those related to the administration of payments, which often can be included in other programs. For grants the situation is even more complicated, as the information requirements depend on the treatment of the nature of those grants. If a grant is provided in order to receive a certain service (for example, there can be grants to NGOs to carry out vaccinations) then it is almost like a service program. However, if it is a general grant that supports funding of the NGO, for example, then it is more of a transfer type.

Inconsistencies in Instructions and financial plans

78. A closer analysis of the Instructions and format of financial plans reveals a set of inconsistencies. The table in Annex 2 compares program and project information requirements as stated in the Instructions and in the financial plan format. These inconsistencies need to be eliminated in the next Instructions.

Utility of the main program concept

79. From the instructions or other supporting documents the purpose of using the main program concept is not clear. The definitions used in the Instructions refer to the main program as a unit of planning that "is prepared and implemented through one or more

programs, and it may be the responsibility of one or more direct budget beneficiaries". However, this definition is very broad and serves little purpose.

80. The utility of the main programs could be made clearer such as better transparency of government expenditure and link to MTEF and ceilings setting process. In the future main programs could be developed even further by focusing them on specific strategic objectives or result areas. Possibly – not all ministries hall have the main programs, as in some ministries, like Education, there is a need for above the program level grouping (primary, secondary and higher education) while in other ministries, such as Religion, there is little sense of using the main program level.
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Utility of formal prioritization of programs

81. Program financial plans also contain items that require ministries to determine the priority of each program using a ranking system ranging from a very high to a low priority. Although useful in theory, in reality such a requirement might be of less relevance as ministries will always want to mark all of their programs as high priority. This can already be seen from most of the financial plans where the majority of programs are marked as very important. In reality, an effective ceiling setting process is the best means of encouraging ministries to prioritize their programs. We have provided a number of recommendations in regards to the ceiling setting process in the first review report.
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PART 2: CONCLUSIONS AND RECOMMENDATIONS

82. This part of the report provides overall conclusions and recommendations in relation to the further introduction of program budgeting in the public administration of Serbia. It starts with general conclusions and recommendations and then proceeds with ministry specific recommendations based on the analysis outlined above.

2.1 Overall conclusions

83. Firstly, program budgeting ministries have demonstrated significant improvement as concerns program budget comprehensiveness, structure and design. There has been progress in making the State Budget more "informative" and linking the government's strategy and policies with the budget. However, continuous efforts will be required to further develop this link. In particular, this will require systematic and sustained activities in the development and consolidation of understanding of program budgeting in ministries and further improving program quality and the link to government priorities. This will also require adjustments to the program budgeting methodology.

84. Secondly, the program budgeting methodology for the 2008 Budget was streamlined and improved compared to the 2007 one. There is also a better understanding in the line ministries, and this has already been reflected in substantially improved budget submissions by them in terms of quality of information included in programs. Most programs have become more objective and output rather than input and activity oriented. With some further improvements in methodology, such as different information requirements for different type of expenditures and outflows, and better project definition, the progress could be advanced even more during the 2009 Budget preparation cycle.

85. Thirdly, in terms of applying the methodology in the pilot ministries, there are some areas where central guidance and support to capacity building would provide increased value added. Our analysis reveiled the following items that qualify for the „weakest link":

o use of program and project levels in different ministries is diverse and inconsistent;

o preparation of better program descriptions;

o definition of program objectives at the right level of specificity; and

o identification and definition of program outputs and linking them to objectives.

86. Fourthly, promoting further improvements in program design will be impossible without strengthened and better coordinated central guidance and capacity support. Our analysis has revealed that in 2007 different ministries had in some respects a different understanding of the same methodology. One demonstration of this is in the use of the project level in programming while another is the very different quality of program descriptions.

87. Fifthly, although the overall program structure has improved substantially, there are areas where policy makers and finance specialists from the pilot ministries will have to pay greater attention and possibly re-consider their approach. These areas include the so called dominant (close to 50% of total budget) and minor (less than 1% of total budget) programs. On average, 47% of programs are below 1% of ministries' total expenditures, and there are several cases of dominating programs.

88. The first program budgeting reform review suggested "cutting back" on the usage of the project level[11]. However it also recommended using projects in specifically defined cases, e.g.

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[11] In overall terms the trend has been very much in line with these previous year recommendations

when some expenditures and outflows need to be earmarked in the budget. In fact, some currently minor programs could be projects. Therefore on a case by case basis there is a need to consider whether a dominant program could be split into several more specific programs and whether some minor programs could be joined up or added as projects to other programs. We have also questioned the validity of the Main Program concept in all cases. To us its value added is not obvious in all cases, for example, the Ministry of Religion.

89. Sixthly, the comprehensiveness of a budget remains an outstanding area where limited progress has been made. Although the so called General Affaisrs Main Program has been subjected to the program budgeting discipline, the National Investment Plan (NIP) has not. It esentially remains a separate budget process, and should not be.

90. Other key conclusions for improving comprehensiveness of the budget, such as including policy implementing agencies in the program budgeting process, has also not strongly advanced. Having said that, we clearly understand that this has little to do with the program budgeting methodology, And is a matter of wider institutional reform.

91. Seventhly, besides overall guidance and coordination of ministerial programming work by the Ministry of Finance and Treasury, there also seems to be a lack of capacity elsewhere in public administration in terms of evaluation and challenging of ministerial program budgeting submissions.

92. There is also no overall concept of monitoring and evaluation of programs. International experience has shown that creating clear rules for monitoring and evaluation and establishing the capacity to challenge ministerial programming and program implementation work through evaluation can be effective instruments in improving program quality and implementation.

2.2 Overall recommendations

93. Based on the overall conclusions outlined above, we recommend that the program budgeting reform in 2008 should address the following aspects, in particular.

Recommendation No 1: Agree and communicate a program budgeting roll – out strategy

94. A program budgeting roll-out strategy needs to be discussed, agreed and communicated clearly and as early as possible. In a way this would send a message to all stakeholders that program budgeting is a reform which is here to stay. In fact, our first review recommended the adoption of the public finance reform strategy whereby a program budgeting roll-out would be part. After taking into account the experience of the second program budgeting cycle we think that this recommendation continues to be very valid.

95. So far program budgeting reform has been implemented in a careful "step by step" manner starting with few pilots, testing methodology and improving it after the first experiences have been gained. This is very much in line with the international practice of introducing program budgeting.

96. In the 2008 Budget, in all there are five ministries whose budgets will be presented according to the program classification. In terms of a further roll-out strategy our recommendation for the Ministry of Finance / Treasury is to allow for further consolidation of program budgeting by continuing the pilot approach for the 2009 Budget whilst preparing for full roll-out in all ministries in the 2010 Budget. In our view, a faster and more complete roll-out would help to avoid unnecessary transaction costs that stem from having two parallel budget planning and management systems. In this way all ministries could be included in program budgeting by 2011.

97. Our recommended strategy for further program budgeting roll-out is presented in the scheme below.

Scheme 1: Proposed program budgeting roll-out strategy

2008 Budget	2009 Budget	2010 Budget
LINE MINISTRIES Education Health PALSG Religion	LINE MINISTRIES 2008 Ministries Economy	LINE MINISTRIES Full roll-out
	Agencies Three pilots	Agencies Additional pilots
		Local Government Three pilots
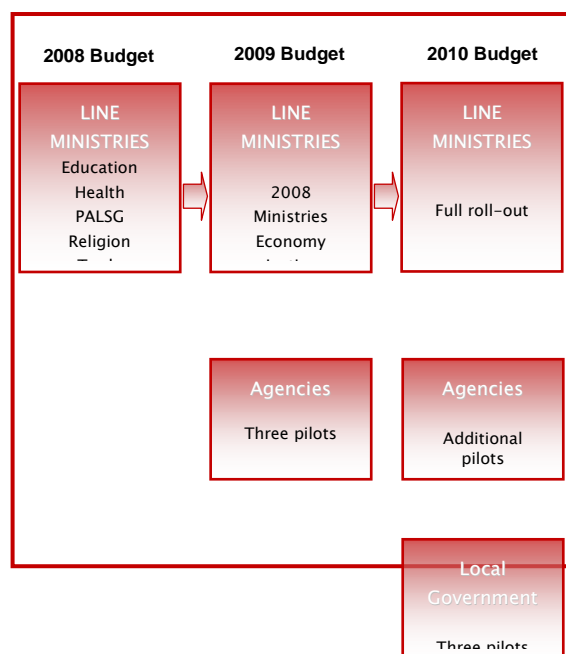
98. For the 2009 Budget we recommend adding at least three more pilot ministries to program budgeting. We agree very much to include 3 new ministries: Economy, Justice, and Agriculture. These are large ministries with significant policy and service delivery functions with a substantial impact on society. This approach would ensure that almost all "major" ministries would be included in the process thus making reform more credible with maximum positive impact.

99. For 2009 Budget we also recommend three pilot policy implementation agencies (public interest bodies) in the program budgeting system. This would first require undertaking a small pre-study in order to assess the status of each potential pilot. The rationale for this is that pure state own enterprises should not be in the budget while bodies with substantial public interest, such as executive agencies or similar, should be part of the budget even if the majority of their revenue comes from own sources. They still continue to be "policy implementation arms" of the Government. Further inclusion of policy implementation agencies into program budgeting could be continued in 2010 with the objective to achieve full roll-out in 2011.

100. A similar pilot approach could also be taken for selected local governments. If successful, such pilots could be expanded. For management reasons we recommend that this reform should be a distinct process although there is a need for close methodological and tactical coordination.

101. Finally, it is important to acknowledge that a full program budgeting roll-out would not mean the end of program budgeting reform. Further and, in fact, permanent improvement will be required until the approach fully matures in the culture of the Civil Service.

Recommendation No 2: Further improve program budgeting methodology

102. We recommend undertaking two further improvements to the current program budgeting methodology (Instructions to the PB Ministries). The first relates to differentiating information requirements for various types of expenditure and outflows or programs, whilst the second to a better definition of programs and projects including definition of cases where project level can or needs to be used.

103. As to the first proposal, we recommend using several types of budget program to support general program definition, and which should reflect the nature of the expenditure and outflows which are covered by programs. Each would have different information requirements.

Please note that in no way this proposal is about introduction of new or additional classification in the budget. Rather, it is just "thinking instrument" for ministries when designing programs, i.e. structuring programs in a better and more logical way and knowing what different information requirements are to be met depending in the nature of expenditures and outflows within programs.

104. The rationale for this proposal is twofold. On the one hand, the nature of all expenditure and outflows is not the same. Some are for production of concrete goods and services while others just involve a transfer of funds for some specific purpose. As such, the first type of expenditure has clearly identifiable outputs while the second does not. Therefore it would not be efficient to ask ministries to define outputs for all programs. On the other hand, different types of expenditure and outflows (programs) generally should not be included under one program unless there are specific circumstances that justify such action (separate project or small size).

105. We propose using the following type of programs[12]:

o General administration programs, i.e. programs that include funds for central policy functions only;

o Programs for production and purchase of goods and services;

o Programs for purchase and maintenance of capital assets;

o Programs for payment of mandatory social benefits;

o Programs for grants, subsidies, transfers and other payments to different users and

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[12] This should not be concieved as another level of classification of programmes in the budget law, but rather is an analytical tool at the budget planning stage. Different information requirements might be used for different types of programmes.

final beneficiaries in accordance with the law or Government policy;

106. Generally, program information requirements would have to differ for these various types of programs. Primarily this relates to use outputs, which would be required only for the first, second and third type of programs. If this principle is acceptable, more detailed guidance needs to be developed as part of the elaboration of program budgeting instructions for the 2009 Budget.

107. In terms of program and project definition we recommend several clarifications. First, we recommend amending program definition so that it explicitly captures policy implementation intervention type including outputs. We propose the following program definition:

"Program is a framework that links expenditure and outflows with specific policy intervention in order to attain a specific policy objective (expected impact). Each program is within the responsibility of one direct budget beneficiary"; and

"Policy intervention is an instrument that is used to attain a program objective (expected impact). Such instruments can be: production and / or purchase of goods and services; purchase and maintenance of capital assets; payment of mandatory social benefits; grants, subsidies, transfers and other payments to different users and final beneficiaries; re-payment of debt. Generally – different instruments should be included in different programs".

108. Secondly, we propose a project definition that allows a more clear distinction between projects and programs. We propose the following project definition:

"Project, is a separate group of related activities that should lead to the accomplishment of specific and measurable results that contribute to the achievement of program objective(s). The project is limited in its duration including predefined resources (material and human) needed for the implementation of the project, i.e.

achieving its milestones and outputs. Project duration can not exceed programme duration"

109. In terms of project usage in programming, we recommend defining specific cases when programming could be undertaken at the project level. Such cases would involve:

o When implementing general administration and service programs there can be a need for specific initiatives that enhance the achievement of program objectives. For example, there can be a need for training of program staff, renovating premises, introducing new IT systems and other "internal" needs. In such cases budget beneficiaries have to plan projects and include them in programs.

o Capital investment projects within any type of programs. However, if there are large projects, for example, the building of major road, this can be set up as a separate capital investment program rather than a project within the program. The same rule also applies to such projects that include more than one smaller sub-project. For example the improvement of energy efficiency of hospitals should be a program that consists of several specific energy efficiency projects. –It is very important that not all projects should be included in the budget law.

o Cross-cutting spending initiatives, i.e. expenditures in more than one ministry budget used for the same purpose, but attributable to one of the ministry programs, or where one Ministry is the lead, but the programme is funded by more than one Ministry.

o When donors require earmarking of national funds for co-financing donor funds within the budget

Recommendation No 3: Assess validity of the current dominant and minor programs

110. When preparing the 2009 draft Budget, the 2008 Budget pilot ministries should not only improve the information quality of their programs but also reconsider the utility of so called dominant and minor programs. Potentially some of the dominant programs could be broken into smaller ones whilst minor programs could be joined up or added to some other program. This would lead to a more coherent and policy led program structure and allows a reduction of transaction costs related to the management of program structures characterized by many small and fragmented programs. How this could be achieved is included in the final section of this report.

Recommendation No 4: Ensure that NIP is planned as part of program budgeting

111. This report did not consider the NIP in detail, as it has essentially been a separate budget process and final NIP data was not available at the time of working on this report. However, the first program budgeting reform review already made a set of recommendations in relation to the integration of NIP into the overall budget process. Most of these recommendations continue to be valid for the 2009 Budget.

112. Based on the program budgeting experience in 2006 and 2007, the following benchmarks, in our view, need to be met in the medium term:

o There should only be one integrated budget timetable covering all aspects of budget preparation including NIP. This could be achieved in the 2009 Budget process;

o NIP funds should be included in the Budget Memorandum and ministerial ceilings. This could equally be attempted in the 2009 Budget process;

o Programming of NIP should be undertaken with the same methodology as for program

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budgeting. This benchmark could also be implemented in the 2009 Budget process;

o   Ministries, as part of the GOP process, should develop sectoral investment strategies outlining their needs, priorities and funding timetable. This benchmark could be met over the medium term time framework;

Recommendation No 5: Continue with improvements to the Budget Memorandum and ensure that ministerial ceilings are included

113.   Program budgeting requires an environment which is conducive to program design and analysis, evaluation, prioritization and re-allocation of resources to priorities. Such an environment could be created with two essential prerequisites. Firstly, the budget process should operate with a degree of certainty, to allow for rational planning. In practical terms this means setting credible and comprehensive budget beneficiary expenditure ceilings. Credibility means that defined budget ceilings are adhered to throughout the budget process while comprehensiveness entails that all revenues and expenditures and outflows should be included. Credibility is also fundamental in terms of constraining budget bids and focusing on programme quality rather than on programme quantity. Secondly, as good program budgeting can be time-consuming, there should be sufficient time between establishing expenditure ceilings and submitting draft budget requests to the Ministry of Finance.

114.   In this regard, the work started on improvements to the Budget Memorandum should be continued. Most importantly, the 2008 Budget Memorandum should include overall and ministerial expenditure ceilings including NIP. Such ceilings should be set no later than currently provided for in the Budget System Law. It is also important that clear rules regarding baseline expenditures and acquisition of new funding are agreed and adopted.

115.   On both recommendations the first review provides with more details. We believe that implementation of these would already be possible for the 2009 Budget.

Recommendation No 6: Strengthen central support and capacity building for 2008 and 2009 Budget pilot ministries

116.   As 2007 and 2008 Budget experience shows, improvements in program budgeting can be ensured if there is strong central management of this reform and capacity building support to the pilot ministries. The data included in this report shows that pilot ministries who received substantial central support and guidance have managed to prepare programs of reasonable quality. Therefore strong central support to all ministries involved in program budgeting needs to continue and even accelerate. This also means strengthening coordination among pilot ministries to ensure the uniform application of program budgeting methodology.

117.   In particular, we recommend the following actions as part of preparing the 2009 Budget:

o   When introducing new pilots, still continue active engagement with and support to 2008 Budget pilot ministries. These ministries have now acquired valuable experience which can be built upon in order to improve their budget submissions but also to provide case studies for ministries which are just starting program budgeting;

o   In particular, the Ministry of Finance / Treasury and their consultants shall work with the 2008 Budget pilot ministries to address the weaknesses identified in this report. This could be done in the form of on the job training and participatory planning;

o Any training, on the job or general should pay particular attention to the "weakest links" in the current program budgeting experience. This includes preparation of better program descriptions; defining program objectives at the right level of specificity; and identifying and defining program outputs and linking them to objectives;

o New pilots should be exposed to a program budgeting induction training covering basic methodological aspecs and using practical examples from the 2008 Budget pilots;

o The new pilots should also receive equally strong central support and capacity building during the whole programming exercise.

Recommendation No 7: start developing effective program monitoring and evaluation systems and capacity

118. The introduction of program budgeting will eventually leads to more informative and priority based budgets but not necessarily to more effective and efficient implementation of these priorities and to other objectives of government. For the latter to be implemented, a good monitoring and evaluation system is needed, which will require systematic and ongoing monitoring and evaluation systems and practice at both line ministry and central levels.

119. With five programme budget ministries in the 2008 Budget and several new ministries in the 2009 Budget, evaluation and monitoring systems could be gradually set up alongside a full roll-out of programme budgeting in all ministries.

120. Good monitoring and evaluation systems first of all imply systematic monitoring and evaluation of programs at the line ministry level. Therefore line ministries should have the prime responsibility for managing implementation and, monitoring of their

programs and evaluation of implementation in order to adjust, change or abolish programs and introduce new ones. It is line ministries that should install internal monitoring, reporting and evaluation procedures, both overall and for each program.

121. However, monitoring and evaluation systems will not be sufficiently effective if there is no central capacity to enable ministries to undertake good monitoring and evaluation practices, and to challenge them as well.

122. According to the experience in OECD countries, there are several options for locating this central function. The options range from ministries of finance to the prime minister offices or, in many cases, to the national audit offices. There could be also a mixed model where different aspects of the central function are placed in different institutions.

123. In Serbia, the Ministry of Finance and Treasury has already been undergoing instiutional change for some time. With introductuion of program budgeting and related reforms there is also a need for putting in place a central monitoring and evaluation function within this structure. We propose the following recommendations:

o In future, once a full program budgeting roll out takes place (according to recommendations of this report – 2010/11), all budget planning related functions have to be located in the Ministry of Finance;

o However, the Treasury has prime responsibility for execution of public funds. As such, it could also acquire and develop functions in relation to central level monitoring and evaluation of programs in line ministries. The central monitoring function would involve such aspects as regular collection of ministry program execution reports and preparation of analytical assesment reports for the Ministry of Finance. The central evaluation

function could involve the audit of ministry monitoring and evaluation systems as well as undertaking so called „challenging" of evaluations of selected programs from time to time;

o Given the very valuable experience of program budgeting in the former Budget Preparation Sector of the Treasury, it could become the institutional basis for a Program Monitoring and Evaluation Team within Treasury. Such a team would also have to include the functions and resources of the current Budget Inspectorate located in the Ministry of Finance. An Evaluation Team could already be established during 2008;

o Untill the full roll-out of program budgeting is complete, there is a need for strong management of this reform. As the current program budgeting capacity is within the former Budget Preparation Sector of the Treasury (which is the recomended Program Monitoring and Evaluation Team), the program budgeting reform management function should remain within the Prohgram Monitoring and Evaluatioin Team, if it is set up.

Ministry specific recommendations

124. This section summarizes the main recommendations for specific pilot ministries. These could be used as a starting point for discussing potential adjustments to the program structure and contents of the 2009 draft Budget.

125. It must be noted that all ministries need to improve the informative quality of all their programs and so this issue is not covered by the recommendations presented below.

Education

126. The major recommendation for the Ministry of Education is to consider options for

reducing the number of so called minor programs, e.g. those below 1% of total budget. Currently 22 out of 28 programs can be considered as minor. However, this shall be done on case by case basis after careful consideration of contents of each program. It should not be a mechanical process of merging the small programs. Thus in some cases programs with similar objectives could be merged. For example, several programs providing advisory services to the Ministry of Education. For example, Programme for improvement of education and Programme for education quality evaluation

Health

127. Overall, the Ministry has had good progress, and its programs include examples that could be used by other ministries. In order to further improve program design, e.g. program structure and informative quality, we recommend that the Ministry undertakes more detailed analysis of the future status of several programs, which at the moment are not expressions of coherent policy intervention. These programs are:

o "Public health programs in the function of institutes and offices of public health". This program, in essence, is just funding to PHI and lacks essential program attributes. Potentially it could be split into several specific objective oriented programs. For example, monitoring and response to infectious diseases and health problems related to disasters and catastrophes; monitoring of health situations (health statistics) and provision of reports for MoH; Health education. Possibly some parts need to be attributed to other programs;

o "Participation in financing of construction and equipping of healthcare institutions". This program contains six projects. In our view, this program would provide better information if it was reorganized into three separate programs dealing with: energy efficiency of health institutions; building

and equipping state owned health care institutions; and funds for building and equipping health care institutions at the local level; or alternatively – there could be one health infrastructure "Master Plan" program covering all health institutions at the local level and State funded.

o "Support to NGOs". This program seems to both lack a clear objective and coherent structure. It seems to be a "collection of items" that has one thing in common – NGO involvement. Therefore decision makers could consider whether some projects of this program could be allocated to other programs where they belong more naturally. For example, the project 0001 seems to be about supporting NGOs so that they can assist the Ministry of Health in policy development. Thus, this funding could be under the General Administration (policy). The third project could be organized into the same program as other HIV / AIDS related activities, for example, program 1802010 and its project 0002. Funding to Red Cross could stand out as a separate grants program.

Public Administration & Local Government

128. Overall, this Ministry has shown quite a good comprehension of the program budgeting reform objectives and principles. It has managed to prepare a program budget of good quality compared to other ministries, in terms of both program structure and informative quality.

129. One of the achievements of the program budgeting exercise this year was splitting the previous special budget fund for support of local self governments into 4 budget programs. However, the quality of information contained in those new programs is low. Although these programs have been defined by Law, they are not precisely defined and sometimes overlap. Our assessment suggests that 3 out of 4 of these budget programs overlap to some extent.

The only program that fully complies with program definition is the one dealing with assistance to local self governments in cases of natural disasters.

130. Therefore we recommend reconsidering the four programs. In the medium term, changes to legislation might be required to achieve this. If this is not feasible for the 2009 Budget, program titles and contents could still be adjusted, as legislation only defines general priority areas, not budget programs. We recommend that the current 4 programs are restructured into 3 programs:

o "Modernisation and investment support to LSG infrastructure development";

o "Development of LSG administrative capacity";

o "Contingency reserve for LSG support" (includes support for natural disasters".

131. It is equally important that there is strong coordination between these LSG support ministry budget programs and LSG support under NIP.

Religion

132. Ministry of Religion programs generally demonstrate good performance information quality. Ministry programs have some of the best output information among the pilot ministries. However, for the next planning cycle the focus has to be on improving the usage of program or project level. In contrast to other ministries most of the planning was done at the project level and all programmes except General Administration programme have several projects assigned to them. Closer analysis shows that these projects could in fact be programs.

Trade and Services

133. Key recommendations in the case of the Ministry of Trade and Services refer to the program "Provision of functional cohesion between strategic and price stabilization commodity reserves" that accounts for 63% of the total budget. Splitting this into smaller programs might considerably improve both the financial balance and transparency of the Ministry's budget. Currently this program covers a wide range of commodity reserves, which could be separated into different categories. For example, there could be a special oil reserve program whose main objective would be to move to EU standards. A separate program might be for agricultural goods (e.g. cereals) with an objective not to just have a reserve but also to have market intervention policies (price stabilisation). This would substantially increase transparency of the current commodity reserve system as well as improve the overall financial balance between the programs.

Annex 1: Program information quality assessment criteria

1. **Clarity of contents and objectives** – This is the basic and most fundamental requirement for program information. It requires program descriptions to demonstrate in a concise and clear manner what this program does and why it is important making also reference to the key strategic policy documents and normative acts that shape the program. Program objectives are clear and specific.

2. **Programme covers consistent set of outputs funds** – Program is homogenous. It includes outputs, expenditures and outflows that contribute to one specific program objective.

3. **Program has at least one well defined output with volume indicator** – If it is service program, i.e. program involving production of tangible outputs, at least one of such outputs is identified along with its volume indicator describing the quantity of the output produced.

4. **All major outputs covered and have compete set of indicators (volume and/or quality, timeliness, efficiency)** – If it is service program, all major outputs are covered and where relevant – all outputs have complete performance indicators including volume or quantity, quality, timeliness, as well as efficiency.

5. **All related expenditure covered / no overlap with other programmes & expenditure (including other ministries /agencies)** – Program contains all expenditures and outflows that are used to produce outputs or complete program activities. This includes salaries of staff and related expenditures. There is no overlap with other programs and no double counting.

6. **Right attribution between outputs and objectives** – The linkage between program impacts and outputs is obvious, i.e. services provided and outputs produced and/or funds spend have direct impact on the described impact, which is specific, i.e. not too high level.

| 7. | Objectives (outcomes) are measurable | – | Program outcomes (impact) can be / are defined so that they can be measures in order to determine whether progress has been made in achieving desired impacts. |

Annex 2: Analysis of inconsistencies between Program Budgeting Methodology (Instructions) and financial plans

The table below compares program and project information requirements as in the Instructions and in the financial plan format.

No.	Instructions	Financial plans
	Programs	
1	Program code and Title	Program code and title
2	Name of the direct budget beneficiary	–
3	Program description and legal or other basis	Program description and legal basis
4	Links with the goals set in the strategic documents and main programs	Links with strategy
5	Funds needed for implementation of the program	o Overview of expenditures and costs o Overview of revenues and receipts
6	Estimation of main program outputs	Main outputs and indicators
7	Estimate of unforeseen expenditures, outflows and risks	–
8	A report on the achieved program results in the previous year; changes in Program relative to the previous year; the specificities of the Program implementation in the previous year and other justifications and documentation	–
9	–	Function
10	–	Priority
11	–	Starting and closing date
12	–	Program objectives
	Projects	
1	Project title and code	Project code and title
2	Main outputs and indicators	Main outputs and indicators
3	Project value	Expenditure for one year according to economic classification
4	Beginning of financing	Initial year
5	End of financing	Final year
6	Sources of financing for the total value of the project	Sources of financing for the current year

7	The dynamics of financing and allocation of planned funds needed for the implementation of the financing plan, by individual sources	–
8	–	Priority
9	–	Project description and legal grounds
10	–	Project objectives

Annex 3: Program budgeting pilot ministry budgets and program structure analysis

Ministry of Education

MAIN PROGRAM	PROGRAM	PROJECT	DESCRIPTION	TOTAL FUNDS	STRUCTURE (TOTAL FUNDS)
			1	4	6
2001			**EDUCATION SYSTEM REGULATION AND SUPERVISION**	1 103 006 000	0.85
	200101		**Education Sector Regulation and Monitoring**	696 290 000	0.54
	200102		**Definition of Legal Framework and Monitoring Development of Education in All Segments of Education**	208 970 000	0.16
	200103		**Improvement of Education**	145 284 000	0.11
	200104		**Education Quality Evaluation**	52 462 000	0.04
2002			**PREPARATORY PRE-SCHOOL PROGRAM**	1 970 234 000	1.51
	200201		**Four-Hour Preparatory Pre-School Program**	1 959 934 000	1.51
	200202		**Professional Teacher Training for Staff in Pre-School Institutions**	10 300 000	0.01
2003			**PRIMARY EDUCATION**	59 143 660 000	45.46
	200301		**Implementation of Primary Education Activity**	57 597 001 000	44.27
	200302		**Supplementary School in Foreign Countries**	108 000 000	0.08
	200303		**Student Competitions**	18 194 000	0.01
	200304		**Professional Teacher Training for Staff in Primary Schools**	19 630 000	0.02
	200305		**Improvement of Primary School Infrastructure**	1 400 835 000	1.08
2004			**SECONDARY EDUCATION**	28 421 234 000	21.85
	200401		**Implementation of Secondary Education Activity**	27 527 057 000	21.16
	200402		**Student Competitions**	23 230 000	0.02
	200403		**Work with Talented and Gifted Students**	20 000 000	0.02
	200404		**Improvement of Secondary School Infrastructure**	834 197 000	0.64
	200405		**Professional Teacher Training for Staff in Secondary Schools**	16 750 000	0.01
2005			**HIGHER EDUCATION**	29 152 070 000	22.41
	200501		**Implementation of Junior College and Higher Education Activity**	28 394 448 000	21.83
	200502		**International Cooperation, Student and Language Instructors Exchange**	100 000 000	0.08
	200503		**Improvement of Higher Education Institution Infrastructure**	657 622 000	0.51
2007			**SUPPORTING EDUCATION SERVICES**	10 299 236 000	7.92
	200701		**Support for Implementation of Education on Territory of Kosovo and Metohija (Elementary Education)**	80 000 000	0.06

MAIN PROGRAM	PROGRAM	PROJECT	DESCRIPTION	TOTAL FUNDS	STRUCTURE (TOTAL FUNDS)
	200702		Support for Implementation of Education on Territory of Kosovo and Metohija (Secondary Education)	101 092 000	0.08
	200703		Student Standard Institution System (Secondary Education)	2 508 708 000	1.93
	200704		Improvement of Student Standard Institution Infrastructure	402 876 000	0.31
			Individual Student Assistance		0.28
	200705		(Secondary Education)	369 000 000	0.00
	200706		Student Standard Institution System (Higher Education)	4 541 653 000	3.49
	200707		Improvement of Student Standard Infrastructure	884 068 000	0.68
	200708		Individual Student Assistance (Higher Education)	1 288 000 000	0.99
	200709		Improvement of Students Creativity	123 839 000	0.10
			TOTAL	130 089 440 000	100.00

Ministry of Health

MAIN PROGRAM	PROGRAM	PROJECT	DESCRIPTION	TOTAL FUNDS	STRUCTURE (TOTAL FUNDS)
			1	4	6
1801			ORGANIZATION AND SUPERVISION IN THE HEALTHCARE AREA	741 321 000	7.03
	180101		Organizing healthcare	184 565 000	1.75
	180102		Inspection and monitoring of service quality in the healthcare institutions	110 063 000	1.04
	180103		Sanitary inspection	408 441 000	3.87
	180104		Medicines and drug control	38 252 000	0.36
1802			PREVENTIVE HEALTH PROTECTION	2 414 948 000	22.89
	180201		PUBLIC HEALTH PROGRAMS IN THE FUNCTION OF INSTITUTES AND OFFICES OF PUBLIC HEALTH	737 763 000	6.99
	180202		ENCOURAGING ACTIVITIES TO PROMOTE VOLUNTARY BLOOD DONATION ON A MASS SCALE	65 240 000	0.62
	180203		HEALTH PROTECTION OF INDIVIDUALS SERVING PRISON SENTENCES AND ENFORCEMENT OF SAFETY MEASURES OF COMPULSORY PSYCHIATRIC CARE AND TREATMENT	81 000 000	0.77
	180204		IMPLEMENTATION OF PUBLIC HEALTH PROGRAM IN THE FUNCTION OF THE INSTITUTE FOR BIOCIDES	9 000 000	0.09
	180205		IMPLEMENTATION OF THE PUBLIC HEALTH PROGRAM IN THE FUNCTION OF THE INSTITUTE FOR ANTIRABIC PROTECTION "LUJ PASTER" NOVI SAD	3 333 000	0.03
	180206		IMPLEMENTATION OF PUBLIC HEALTH PROGRAMS IN THE FUNCTION OF INSTITUTE FOR VIRUSOLOGY, VACINATION AND SERUMS "TORLAK"	4 309 000	0.04
	180207		IMPLEMENTATION OF THE PUBLIC HEALTH PROGRAMS IN THE AREA OF FORENSIC MEDICINE	12 000 000	0.11

	180208		IMPLEMENTATION OF THE PUBLIC HEALTH PROGRAMS IN THE FUNCTION OF THE INSTITUTE OF STUDENTS HEALTHCARE	3 136 000	0.03
	180209		IMPLEMENTATION OF PUBLIC HEALTH PROGRAM IN THE FUNCTION OF THE INSTITUTE FOR THE WORK MEDICINE IN SERBIA	18 000 000	0.17
	180210		PROGRAMS FOR IMPROVEMENT OF HEALTH OF SPECIFIC POPULATION GROUPS	270 967 000	2.57
		01	Controlling TBC through implementing strategy of Directly Observed Therapy	37 416 000	0.35
		02	Upgrading national response to HIV/AIDS through decentralization of the main healthcare services	177 734 000	1.68
		03	Implementing National program on prevention of narcotics and alcohol abuse	23 317 000	0.22
		04	Implementation of the Plan on Healthcare of the Roma	20 000 000	0.19
		05	Design of the program on healthcare protection	12 500 000	0.12
	180211		IMPROVING HEALTH OF THE POPULATION REGARDING DISEASES OF THE SOCIO-MEDICAL IMPORTANCE	10 200 000	0.10
		01	Design of the Program on oncological healthcare and screening of cancer	9 000 000	0.09
		02	Early detection and prevention of type 2 diabetes by Primary Healthcare in Serbia	1 200 000	0.01
	180212		PROGRAM FOR PREVENTION OF THE SMOKING RELATED DISEASES	1 200 000 000	11.37
		01	Activities of the Office for tobacco control on the prevention of smoking related diseases	75 000 000	0.71
		02	Improving the healthcare by providing medical equipment for tobacco related diseases	600 000 000	5.69
		03	Improving the healthcare by providing drugs and medical supplies	525 000 000	4.98
1803			IMPROVEMENT OF TREATING CONDITIONS	3 393 664 000	32.17
	180301		PARTICIPATION IN FINANCING OF CONSTRUCTION AND EQUIPPING OF HEALTHCARE INSTITUTIONS	2 950 964 000	27.97
		01	Building and equipping State owned Healthcare institutions Founded by the Republic of Serbia	821 000 000	7.78
		02	Building and equipping Healthcare institutions on the local level	88 000 000	0.83
		03	WB Project "Health Development in Serbia"	92 660 000	0.88
		04	WB Project "Energy Efficiency"	355 436 000	3.37
		05	EIB Project "Reconstruction of 4 clinical centres (Belgrade, Nis, Novi Sad and Kragujevac)	1 206 734 000	11.44
		06	EIB Project " Urgent reconstruction of health institutions in Serbia"	387 134 000	3.67
	180302		IMPROVEMENT OF SERVICES FOR TRANSFUSION AND TRANSPLANTATION	30 200 000	0.29
		01	Providing of conditions for haematopoietic stem cells transplantation for children in Serbia	11 100 000	0.11
		02	Providing of conditions for transfusion and transplantation for adults	19 100 000	0.18
	180303		IMPROVEMENT OF THE QUALITY OF WORK IN THE HEALTHCARE SYSTEM	47 500 000	0.45
		01	Establishment of Agency for accreditation of healthcare institutions	20 000 000	0.19
		02	Balcans Primary Healthcare Policy	27 500 000	0.26
	180304		SUPPORT TO NGOs	365 000 000	3.46
		01	Encouraging activities of professional organizations, councils and associations	5 000 000	0.05
		02	Activities of the Serbian Society for fight against cancer and activities of Vojvodina associations for fight against cancer	21 000 000	0.20

		03	Activities of Fund for clinical treatment and therapy of HIV infected patients and patients with AIDS	20 000 000	0.19
		04	Public authorizations given to Red Cross of Serbia	319 000 000	3.02
1804			**PROVIDING OF COMPULSORY HEALTH INSURANCE FOR PERSONS WITHOUT OWN REVENUES**	**4 000 000 000**	**37.91**
	0020		**Health protection of persons that are considered insured by Article 22. Paragraph 1. Of the Law on Health insurance**	**4 000 000 000**	**37.91**
			TOTAL	**10 549 933 000**	**100**

Ministry of Public Administration and Local Self Government

MAIN PROGRAM	PROGRAM	PROJECT	DESCRIPTION	TOTAL FUNDS	STRUCTURE (TOTAL FUNDS)
			1	**4**	**6**
00601			**POLICY DEVELOPMENT, SUPERVISION AND ORGANISATION IN THE AREA OF PUBLIC ADMINISTRATION AND LOCAL SELF-GOVERNMENTS**	**276 592 000**	**38.29**
	1001		**Policy development and supervision**	**137 092 000**	**18.98**
	1002		**Pension allowances for Civil Servants**	**115 000 000**	**15.92**
	1003		**State Professional Exams for Civil Servants**	**24 500 000**	**3.39**
00602			**DEVELOPMENT AND OTHER PROGRAMMES IN THE AREA OF LOCAL SELF GOVERNMENTS (LSG)**	**400 000 000**	**55.37**
	2021		**Support to projects that are financing from local self-government**	**140 000 000**	**19.38**
	2022		**Realization of programs of rationalization on local level**	**40 000 000**	**5.54**
	2023		**Providing of help to local self-governments in case of natural disasters**	**40 000 000**	**5.54**
	2024		**Providing help with aim to modernize work of local self-governments**	**80 000 000**	**11.07**
	2025		**Support to projects on local level that are financing from international funds**	**100 000 000**	**13.84**
00605			**IMPLEMENTATION OF PROGRAMMES IN THE AREA OF PUBLIC ADMINISTRATION (CENTRAL LEVEL)**	**45 760 000**	**6.33**
	5000		**Support to process of implementation of public administration reform**	**45 760 000**	**6.33**
		5001	Support to Public Administration Reform Strategy in Serbia – second phase	4 000 000	0.55
		5002	Support to Ministry for public administration and local self-government in implementation of Public Administration Reform Strategy	41 760 000	5.78
			TOTAL	**722 352 000**	**100.00**

Ministry of Religion

MAIN PROGRAM	PROGRAM	PROJECT	DESCRIPTION	TOTAL FUNDS	STRUCTURE (TOTAL FUNDS)
			1	**4**	**6**

MAIN PROGRAM	PROGRAM	PROJECT	DESCRIPTION	TOTAL FUNDS	STRUCTURE (TOTAL FUNDS)
1901			ORGANIZATION AND MONITORING OF SYSTEM OF CULTURE, NGO'S AND RELIGIOUS COMMUNITIES	43 811 000	5.70
	190101		Organization of cooperation between State and churches and religious communities	43 811 000	5.70
1902			MAINTENANCE OF CULTURAL HERITAGE		0.00
1904			SUPPORT TO RELIGIOUS AND OTHER SPECIAL COMMUNITIES	724 565 000	94.30
	190401		Accomplishment of cooperation between State and religious communities	214 565 000	27.92
		1011	Improvement of religious culture, religious liberties and tolerance	59 565 000	7.75
		1012	Protection of religious, cultural and national identity	155 000 000	20.17
	190402		Religious education	165 000 000	21.47
		1021	Secondary education	105 000 000	13.67
		1022	Higher theological education	60 000 000	7.81
	190403		Support to churches and religious communities	345 000 000	44.90
		1031	Assistance for construction, maintenance, emergency rehabilitation and reconstruction of churches in underdeveloped areas	180 000 000	23.43
		1032	Support to priesthood and monkshood in Kosovo and Metohia	50 000 000	6.51
		1033	Support to priests, monks and religious officials in conterminous and economically undeveloped areas and regarding regulation of compensations for pension – invalid and health insurance	115 000 000	14.97
1905			OTHER PROGRAMS IN THE AREA OF CULTURE, NGO'S AND RELIGIOUS COMMUNITIES		
2501			NATIONAL INVESTMENT PLAN		
2502			NATIONAL INVESTMENT PLAN ON THE THERITORY AP VOJVODINA		
			TOTAL	768 376 000	100.00

Ministry of Trade and Services

MAIN PROGRAM	PROGRAM	PROJECT	DESCRIPTION	TOTAL FUNDS	STRUCTURE (TOTAL FUNDS)
			1	4	6
1501			SYSTEM ORGANISATION AND SUPERVISION IN THE FIELD OF ECONOMY, TRADE, TOURISM AND SERVICES	801 579 000	9.73
	1		System organization in the field of trade and services	135 836 000	1.65
	2		Market control and supervision	654 243 000	7.94
	11		Establishment of the contemporary organized market of goods and services	11 500 000	0.14
1502			ENCOURAGEMENT AND SUPPORT IN THE FIELD OF TRADE AND SERVICES	65 262 000	0.79
	6		Improvement of the consumer's protection in the Republic of Serbia	24 762 000	0.30
	8		Encouragement and support of Serbian companies sale in international market	25 000 000	0.30
	10		Concurrency rising in the filed of services	10 000 000	0.12

	12		Ensuring of EU quality standards for products and services	5 500 000	0.07
1504			**PROMOTION OF TRADE**	**17 500 000**	**0.21**
	14		Building and marketing positioning of the National brand of the Serbia	17 500 000	0.21
1509			**ENSURING MARKET STABILITY**	**7 356 100 000**	**89.27**
	3		Organization of the commodity reserves system	598 394 000	7.26
	4		Ensuring of the functional unity between strategic commodity reserves and commodity reserves for price stabilization	6 520 306 000	63.35
	5		Republican commodity reserves reduction to optimal level	237 400 000	0.35
			TOTAL	**8 240 441 000**	**100.00**

Annex 4: Assessment of Ministry Programs

● - compliant (1 point score)
○ - partly compliant (0.5 score)
x - not compliant (0 score)

Ministry of Education

Code	Budget Programs	1	2	3	4	5	6	7	Total score
					CRITERIA*				
200101	Education Sector Regulation and Monitoring	●	●	x	x	○	x	○	3
200102	Definition of Legal Framework and Monitoring Development of Education in All Segments of Education	○	○	x	x	○	x	○	2
200103	Improvement of Education	○	○	x	x	○	x	○	2
200104	Education Quality Evaluation	○	○	○	x	○	x	○	2.5
200201	Four-Hour Preparatory Pre-School Program	●	●	●	○	●	●	●	6.5
200202	Professional Teacher Training for Staff in Pre-School Institutions	●	●	●	○	●	○	○	5.5
200301	Implementation of Primary Education Activity	●	●	●	○	●	○	○	5.5
200302	Supplementary School in Foreign Countries	●	●	●	○	●	○	○	5.5
200303	Student Competitions	●	●	●	●	●	○	○	6
200304	Professional Teacher Training for Staff in Primary Schools	●	●	○	x	●	○	○	4.5
200305	Improvement of Primary School Infrastructure	●	●	○	x	○	○	○	4
200401	Implementation of Secondary Education Activity	●	●	●	○	●	○	○	5.5
200402	Student Competitions	●	●	●	●	●	○	○	6
200403	Work with Talented and Gifted Students	○	●	●	○	●	○	○	5
200404	Improvement of Secondary School Infrastructure	●	●	○	x	○	○	○	4
200405	Professional Teacher Training for Staff in Secondary Schools	○	○	●	○	●	○	○	4.5
200501	Implementation of Junior College and Higher Education Activity	●	●	●	○	○	○	○	5
200502	International Cooperation, Student and Language Instructors Exchange	●	●	●	●	○	○	○	5.5
200503	Improvement of Higher Education Institution Infrastructure	●	●	○	x	○	○	○	4
200701	Support for Implementation of Education on Territory of Kosovo and Metohija (Elementary Education)	●	●	●	○	○	○	○	5
200702	Support for Implementation of Education on Territory of Kosovo and Metohija (Secondary Education)	●	●	●	○	○	○	○	5
200703	Student Standard Institution System (Secondary Education)	●	○	●	○	●	○	●	5.5
200704	Improvement of Student Standard Institution Infrastructure	○	○	●	x	●	○	●	4.5
200705	Individual Student Assistance (Secondary Education)	●	○	●	○	●	●	●	6
200706	Student Standard Institution System (Higher Education)	○	○	●	○	●	●	●	5.5
200707	Improvement of Student Standard Infrastructure	○	○	●	x	●	○	○	4
200708	Individual Student Assistance (Higher Education)	●	○	●	○	●	○	○	5
200709	Improvement of Students Creativity	●	●	●	○	●	○	●	6
								AVERAGE:	4.75

Budget Programs	Comments
Education Sector Regulation and Monitoring	No outputs defined which is the basis for any good PB program
Definition of Legal Framework and Monitoring Development of Education in All Segments of Education	Program name should be better defined since these two commissions have more advising and coordinating function. Legislative drafting and policy is at the end of the day function of the Ministry. No outputs defined.
Improvement of Education	No outputs defined. Program in could have potential overlap with the next budget program since improvement is closely related (based on) quality assessment.
Education Quality Evaluation	One output defined, but output(s) have to be further elaborated. Potential overlap with the previous budget program; ideally they could be merged in one budget program.
Four-Hour Preparatory Pre-School Program	Good PB program example. In the future outputs could be more elaborated e.g. several outputs reflecting major groups of beneficiaries of the program.
Professional Teacher Training for Staff in Pre-School Institutions	More outputs could be elaborated, e.g. by types of major training courses or recipients.
Implementation of Primary Education Activity	Outputs could be more elaborated, objectives more related to the concrete targets of the primary education (more concrete).
Supplementary School in Foreign Countries	Outputs could be more elaborated, e.g. outputs related to different types of courses taught could be elaborated.
Student Competitions	Outputs well formulated.
Professional Teacher Training for Staff in Primary Schools	Outputs of the program unclear: 13 projects do not bring clarity of what are the services and targets of the program. There are 2 options whether elaborate key projects (or groups of them) as outputs or define outputs based on the clear and precise objectives (e.g. number of bilingual courses, number of trainings related to new education programs, number of trainings organized for development of methodological skills, etc.)
Improvement of Primary School Infrastructure	Outputs should be more elaborated based on the objectives. Coordination / potential overlap with NIP unclear (until NIP is not planned in program format this will remain the case in the budget law) Project should be defined (since there are no projects it seems that plans for individual project are not there).
Implementation of Secondary Education Activity	Outputs could be more elaborated, objectives more related to the concrete targets of the secondary education (more concrete).
Student Competitions	Outputs well formulated.
Work with Talented and Gifted	Program objectives should be made more clear and specific in relation to secondary education. If possible, outputs could also

Budget Programs	Comments
Students	cover number of courses for each priority sector in the program (IT, cultural, science, etc.) to see allocation of resources for different sectors.
Improvement of Secondary School Infrastructure	Outputs should be more elaborated based on the objectives. Coordination / potential overlap with NIP unclear (until NIP is not planned in program format this will remain the case in the budget law) Project should be defined (since there are no projects it seems that plans for individual project are not there).
Professional Teacher Training for Staff in Secondary Schools	
Implementation of Junior College and Higher Education Activity	Outputs could be more elaborated (e.g. by types of educational institutions, etc.)
International Cooperation, Student and Language Instructors Exchange	Good program, however it seems the program just covers international cooperation as far as language skills/teaching are concerned. Good program might cover all aspects of international cooperation
Improvement of Higher Education Institution Infrastructure	Potentially outputs could be more elaborated and separation from NIP made more clear
Support for Implementation of Education on Territory of Kosovo and Metohija (Elementary Education)	Objectives should be more specific. More specific and performance oriented outputs might be developed for the program in the future
Support for Implementation of Education on Territory of Kosovo and Metohija (Secondary Education)	More specific and performance oriented outputs might be developed for the program in the future
Student Standard Institution System (Secondary Education)	Clear objectives and outputs. However distinction from the next program should be made more clear, also coordination with NIP should be more outspoken
Improvement of Student Standard Institution Infrastructure	Coordination with the previous program should be made more clear, outputs more specific
Individual Student Assistance (Secondary Education)	Good outputs & objectives.
Student Standard Institution System (Higher Education)	Missing is estimation of haw many students are eligible for this social support and how many will get it.
Improvement of Student Standard Infrastructure	No overview of current situation and needs
Individual Student Assistance (Higher Education)	
Improvement of Students Creativity	Good PB program. Indicators (outputs) might be more elaborated according to the major areas of support (e.g. number of artistic groups supported and students involved, number of scientific groups supported and students involved, ..)

Ministry of Health		QUALITY CRITERIA*							Total score
Code	Budget Programs	1	2	3	4	5	6	7	
180101	Organization of Healthcare system	○	●	●	○	○	●	○	**5.0**
180102	Inspection and monitoring of service quality in the healthcare institutions	○	●	●	●	●	○	✗	**5.0**
180103	Sanitary inspection	○	●	●	●	●	●	○	**6.0**
180104	Medicines and drug control	○	●	●	●	●	●	○	**6.0**
180201	Public health programs in the function of institutes and offices of public health	○	✗	○	○	○	○	○	**3.0**
180202	Encouraging activities to promote voluntary blood donation on a mass scale	●	●	●	○	●	●	●	**6.5**
180203	Health protection of individuals serving prison sentences and enforcement of psychiatric care and treatment	○	●	●	●	●		✗	**5.0**
180204	Implementation of public health programs in the function of the Institute for Biocides	○	●	●	○	●	●	○	**5.5**
180205	Implementation of public health programs in the function of the Institute for Antirabic Protection "Luj Paster" in Novi Sad	○	●	●	○	●	✗	✗	**4.0**
180206	Implementation of public health programs in the function of the Institute for Virusology, Vaccination and Serums "TORLAK"	✗	●	●	○	●	○	✗	**4.0**
180207	Implementation of the Public Health programs in the area of forensic medicine	○	●	●	✗	●	○	○	**4.5**
180208	Implementation of the Public Health programs in the function of the Institute of Students Health Care	○	●	●	○	●	○	○	**5.0**
180209	Implementation of the Public Health programs in the function of the Institute for Work Medicine of Serbia	●	●	●	○	●	●	○	**6.0**
1802010	Programs for improvement of health of special population groups	-	-	-	-	-	-	-	**-**
0001	*Controlling TB through implementing strategy of Directly Observed Therapy*	○	●	●	✗	●	●	○	**5.0**
0002	*Upgrading national response to HIV/AIDS through decentralization of the main healthcare services*	○	●	✗	✗	●	○	○	**3.5**
0003	*Implementing National program on prevention of narcotics and alcohol abuse*	○	○	●	✗	●	○	○	**4.0**
0004	*Implementation of the Plan on Healthcare of the Roma*	○	●	●	●	●	●	○	**6.0**
0005	*Design of the programs on health protection*	●	●	●	○	○	○	○	**5.0**
180201	Improving health pf the population regarding diseases of the socio-medical importance	-	-	-	-	-	-	-	**-**
0001	*Design of the Program on oncological healthcare and screening of cancer*	○	●	●	●	○	○	○	**5.0**
0002	*Early detection and prevention of type 2 diabetes by Primary Healthcare in Serbia*	○	●	○	○	●	○	✗	**4.0**
1802012	Programs for prevention of smoking and related diseases	○	○	●	○	●	○	○	**4.5**
0001	*Activities of the Office for tobacco control on the prevention of smoking related diseases*	-	-	-	-	-	-	-	**-**
0002	*Improving the healthcare by providing medical equipment for tobacco related diseases*	-	-	-	-	-	-	-	**-**
0003	*Improving the healthcare by providing drugs and medical supplies*	-	-	-	-	-	-	-	**-**
180301	Participation in financing of construction and equipping of healthcare institutions	○	○	○	○	○	○	✗	**3.0**
0001	*Building and equipping State owned Healthcare institutions founded by the Republic of Serbia*	-	-	-	-	-	-	-	**-**
0002	*Building and equipping Healthcare institutions on the local level*	-	-	-	-	-	-	-	**-**
0003	*Project "Health Development in Serbia"*	-	-	-	-	-	-	-	**-**
0004	*Project "Energy Efficiency"*	-	-	-	-	-	-	-	**-**
0005	*Project "Reconstruction of 4 clinical centers (Belgrade, Nis, Novi Sad and Kragujevac)*	-	-	-	-	-	-	-	**-**
0006	*EIB Project "Urgent reconstruction of health institutions in Serbia"*	-	-	-	-	-	-	-	**-**
180302	Improvement of services for transfusion and transplantation	○	●	●	○	●	○	○	**5.0**
0001	*Providing of conditions for haematopoietic stem cells transplantation for children in Serbia*	-	-	-	-	-	-	-	**-**
0002	*Providing of conditions for transfusion and transplantation for adults*	-	-	-	-	-	-	-	**-**
180303	Improvement of the quality of work in the healthcare system	○	●	●	○	○	○	○	**4.5**
0001	*Establishment of Agency for accreditation of healthcare institutions*	-	-	-	-	-	-	-	**-**
0002	*Balcans Primary Healthcare Policy*	-	-	-	-	-	-	-	**-**
180304	Support to NGOs	○	✗	●	○	○	○	○	**3.5**
0001	*Encouraging activities of professional organizations, councils and associations*	-	-	-	-	-	-	-	**-**
0002	*Activities of the Serbian Society for fight against cancer and activities of Vojvodina associations for fight against cancer*	-	-	-	-	-	-	-	**-**
0003	*Activities of Fund for clinical treatment and therapy of HIV infected patients and*	-	-	-	-	-	-	-	**-**

		patients with AIDS								
0004	*Public authorizations given to Red Cross of Serbia*	-	-	-	-	-	-	-	-
180401	Health protection of persons that are considered insured by Article 22. Paragraph 1. Of the Law on Health Insurance	●	●	○	○	●	●	●	**6.0**
								AVERAGE:	**4.79**

Budget Programs	Comments
Organization of Healthcare system	Program description is misleading – MoH delivers policy, oversight and financing functions in regard to mentioned functions, but not mentioned functions in their entirity. Possibly other outputs could be mentioned, too in order to demonstrate the volume of work carried out by more than 100 staff. For example, program could mention the main laws and then one number for all remaining normatoive acts and other things. Or it could provide reference to policy/legislative drafting plan of the ministry, if it exists. No indicators for program objective.
Inspection and monitoring of service quality in the healthcare institutions	The objective seems to repeat output description and it is not clear what is objectives various inspections try to achieve – some of that can be understood from program descriptions. As objectives are vaguely defined, it is hard to measure attribution between outputs and objectives. Because of the same reason, objective is not defined in measurable way. Volume indicators for outputs might need little more explanation, for example, it is not very clear what 2.000 means in case of output "realization of the adopted governing measures for the inspection procedures".
Sanitary inspection	Overall contents is clear, however, objective is not well formulated. From the way objective is formulated it is not clear whether program is about monitoring of inspectors work or actual inspection work or both. Objective is measurable, but such measures would have to cover all main areas of inspection work.
Medicines and drug control	Objective could be elaborated in more detail, so that it becomes less of an overall statement but more measurable. Also – objective is not about access to safe medicine, but about safety of accessible medicine.
Public health programs in the function of institutes and offices of public health	This is the least coherent program. This program seems to cover wide range of outputs, although output section does not mention them. Instead, outputs are somehow described under program description. Program seems to lack coherence and is more based on the institution (network of 24 PHIs) and not on objectives. Possibly there could be several programs, for example, monitoring and response to infectious diseases and health problems related to disasters and catastrophes; monitoring of health situation (health statistics) and provision of reports for MoH; Health education (could be a very good program in itself); other. Possibly some parts need to be attributed to other programs. Unclear why under economic classification this program is classified under medical services.
Encouraging activities to promote voluntary blood donation on a mass scale	This is well defined program. Its main problem is in output definition. Outputs are outlined under program description. However, the two first outputs in the table of outputs are not outputs but objective (outcome indicators). The main output is education campaign.
Health protection of individuals serving prison sentences and enforcement of psychiatric care and treatment	Program description as well as objective could spell out in more detail specific target groups of this program, as they seem to be (from description) not only prison inmates. The objective could be expressed in more measurable terms, for example, what is the overall demand for such care services and how much of that demand is met.
Implementation of public health programs in the function of the Institute for Biocides	Title should reflect what the program does, e.g. DDD services. Objective could be expressed in more measurable way, for example, % health care institutions that fully met DDD standards; and/or cases of outbreaks of DDD related diseases kept to 0; or similar. Otherwise the objective just describes outputs. Educational as well as disinfection aspects are missing from outputs table.
Implementation of public health programs in the function of the Institute for Antirabic Protection "Luj Paster" in Novi Sad	Program title is misleading. I could be something like "implementation of Antirabic measures". Objective is defined somehow vaguely and again – describing what is done rather than what objective is to be achieved by those actions. Outputs could be better defined devoting all major services carried out within the area of Antirabic protection. The 2nd seems more like outcome.
Implementation of public health programs in the function of the Institute for Virusology, Vaccination and Serums "TORLAK"	The title should be changed to reflect what this program does. Program description does not really allow understanding whether what program does. The following items could be identified carefully reading the description: ○ Research of vaccines and serums; ○ Production of vaccines and serums; ○ Ensuring sufficient supplies of vaccines and serums; ○ Detection and diagnosis of cases; ○ Accreditation (ISO) of other laboratories. If these are correct, they also have to be reflected in outputs. Otherwise program description should be rethought.
Implementation of the Public Health programs in the area of forensic medicine	Program description is good, but objective describes outputs, which should not be the case. Instead, the objective in measurable way is captured under the 1st output in the table. Basically the objective is about improvement of clinical diagnosis. And the outcome measure of this objective is as in the output table (output 1st). Outputs are almost not defined at all, but they are easy to identify – such as the number of autopsy cases carried out .
Implementation of the Public Health programs in the function of the Institute of Students Health Care	Again – program title shall reflect what this program does – HIV/Aids counselling and testing for students – and how it could be measured. Objective could express more clearly – what is the purpose of counselling and testing. Outputs shall reflect the volume of students tested and counselled.
Implementation of the Public Health programs in the function of the Institute for Work Medicine of Serbia	Again – the title does not express what the program does – development of work safety policies. Overall, this program seems like a policy preparation service for the MoH. It is proposed to include funds for this program under the program 1 as funds to purchase policy development services. This program could remain separate only if it is intended to delegate to the IWMS also implementation functions once work safety policies and legislation are adopted. Program description is too long. Outputs described under the program description section and ones defined in the outputs table shall be synchronized. Objective could be measurable, but one has to think what the measure could be.
Programs for improvement	The program level seems to be of little relevance – and that is reflected by a very weak program description. In

of health of special population groups	fact, projects seem to be programs. Therefore only projects are assessed.
Controlling TB through implementing strategy of Directly Observed Therapy	Objective could be expressed in more measurable terms. Outputs could be split by population groups mentined in the outputs sections. Program description seems to mention that there are more outputs than just treatment of TB patients – for example, it mentions things like refurbishement of laboratories, inspection of offices etc.
Upgrading national response to HIV/AIDS through decentralization of the main healthcare services	This could be a good / crunchy program, but outputs are not defined at all. What is in the output table seems to be more of an immediate outcome rather than output. Objective, as in many opther programs, mostly just describes the outputs, but does not express what is being achieved through these outputs. The objectove could be something like "prevention of HIV spreding among high risk population"
Implementing National program on prevention of narcotics and alcohol abuse	Again – this could be nice and crunchy program, but its description and outputs table are weak. Description section is wide rangig, but it is not clear from it whether program invilves only developing manuals, data bases and setting up of centres or also actual work with addicts. The objective is well defined, measurable but not measured.
Implementation of the Plan on Healthcare of the Roma	Project (program) objectoive is good, but objective could be made more specific – more closely related to program outputs. Outputs section shall show the volume rather than just increase in volume (10%).
Design of the program on health protection	This project (program) is essentially about outsorcingh of some policy planning work from MoH to other bodies. As such – it could be just expenditure for services under the program 1.
Improving health pf the population regarding diseases of the socio-medical importance	Overall description of program as well as its objective is too broad while the program itself consists of two specific programs – a) development of policies in oncological care; and b) early detection of diabetes. Unless program level is significantly narrowed down and linked to two distinct programs – this level makes little sense.
Design of the Program on oncological healthcare and screening of cancer	This project (program) is esentially about outsorcingh of some policy planning work from MoH to other bodies. As such – it could be just expenditure for services under the program 1.
Early detection and prevention of type 2 diabetes by Primary Healthcare in Serbia	Description section could pay more attention to what the project does rather than talk about the importantce and scale of the problem. Outputs shall spell out what is practivally done in the program – education events, nb. of screeings carried out etc. The current output indicators also could be used but as suplementary. Objectove is rather vague and defined in a not very measurable way – it talks about establishment of system rather than detection and prevention, as does program title.
Programs for prevention of smoking and related diseases	It is very unclear what the rationale for having three separate projects is. With this observation in mind, review looks to the program as a whole, not individual projects. The title should be more precise covering also treatment aspect "Prevention and treatment of smoking related diseases". Program objective could be defined more narrowly, reflecting what could be realistically achieved with the outputs delivered. In terms of outputs – equipment or medical supplies for hospitals does not reflect outputs, which should be services, i.e. management of procurement for XX hospitals; or management of contracts with XX hospitals or similar. The data on how many health institutions are properly equipped with equipment and supplies shall be reflected in the program description.
Activities of the Office for tobacco control on the prevention of smoking related diseases	-
Improving the healthcare by providing medical equipment for tobacco related diseases	-
Improving the healthcare by providing drugs and medical supplies	-
Participation in financing of construction and equipping of healthcare institutions	This program encompass 6 projects – almost all of them capital investment. Given this fact, the use of projects can be justified although energy efficiency, for example, could be a separate program, as it has clear and easy to identify boundaries and measurable objectives. Program includes the project on "Health Development of Serbia", which, in turn encompass 2 aspects – development of master plan and capacity building of MoH, on the one hand, and restructuring of 4 hospitals, on the other hand. Unclear, why the first part is not with the program 1 (180101), which should be about MoH, policy development etc. There seem to be 2 programs and one project. The later should go the program 180191. The two programs are: energy efficiency and implementation of health master plan. Program's objective and its potential indicators for building and restructuring part shall be taken from the analysis underpinning master plan, which probably includes also some efficiency measures. For the energy efficiency program – measures included in the energy efficiency plan shall be used, as the current objective is too high level.
Building and equipping State owned Healthcare institutions founded by the Republic of Serbia	-
Building and equipping Healthcare institutions on the local level	-
Project "Health Development in Serbia"	-
Project "Energy Efficiency"	-
Project "Reconstruction of 4 clinical centers (Belgrade, Nis, Novi Sad and	-

Kragujevac)	
EIB Project "Urgent reconstruction of health institutions in Serbia"	-
Improvement of services for transfusion and transplantation	This program contains 2 projects. It seems that the only reason for having 2 projects is the institutional approach to funding. In reality both projects could be treated as outputs groups within the program, there is no obvious need for projects. Program description is too detailed and "medical", but does not give proper perception what will be delivered for the funds used.
Providing of conditions for haematopoietic stem cells transplantation for children in Serbia	-
Providing of conditions for transfusion and transplantation for adults	-
Improvement of the quality of work in the healthcare system	This program involves 2 projects which are of project nature, but that in the future could transform into program(s) managed by the new Agency. As such, the first project is clear – it is about establishment of the Agency. The second involves capacity building of the MoH and support to health institutions in implementing quality management schemes and preparing for accreditation process now carried out on pilot basis. These could be better reflected in the outputs section while objective of the program needs to be more concise and measurable – at the moment it is just a description of services. Need to make clear how functions of the new Agency will correlate to quality inspections covered by other programs.
Establishment of Agency for accreditation of healthcare institutions	-
Balcans Primary Healthcare Policy	-
Support to NGOs	This program seems to be a "collection of items" that has one thing ion common – NGO involvement. However, each f the projects serve different purpose. Therefore decision makers could consider whether projects of this program could be allocated to other programs where they belong more naturally. For example, the project 0001 seems to be about supporting NGOs so that they can assist MoH in policy development. Thus, this funding could be under the 1st program. The third project could be organized into the same program as other HIV / AIDS related activities, for example, program 1802010 and its project 0002. Funding to Red Cross could stand out as a separate grants program.
Encouraging activities of professional organizations, councils and associations	-
Activities of the Serbian Society for fight against cancer and activities of Vojvodina associations for fight against cancer	-
Activities of Fund for clinical treatment and therapy of HIV infected patients and patients with AIDS	-
Public authorizations given to Red Cross of Serbia	-
Health protection of persons that are considered insured by Article 22. Paragraph 1. Of the Law on Health Insurance	From the program it is not clear who administers the program. The number of persons covered is not output. Output could be the cases administered or something of this sort. If this program is administred by the NHF, then this program is a typical mandatory social benefits program and as such does not require outputs.
Non-financial property financing from NIP	Program not available
NIP for the territory of Vojvodina	Program not available

Ministry of Public Administration and Local Self Governments

Code	Programs and *projects*	1	2	3	4	5	6	7	*Total score*
		CRITERIA*							
060101	Policy development and control	●	●	●	●	○	●	○	6
060102	Pension allowances for Civil Servants	●	●	●	○	●	○	○	5.5
060103	State Professional Exams for Civil Servants	●	●	●	○	●	○	●	6
060201	Support to projects that are financed from local self-governments	○	○	○	x	○	x	○	2.5
060202	Realization of programmes of rationalization on local level	○	○	○	x	○	x	○	2.5
060203	Providing of help to local self-governments in case of natural disasters	●	●	○	x	●	x	○	4
060204	Providing help with aim to modernize work of local self-governments	●	○	○	x	○	x	○	3
060205	Support to projects on local level that are financing from international funds	○	○	○	x	○	x	○	2.5
060501	Support to process of implementation of public administration reform								
01	*Support to Public Administration Reform Strategy in Serbia – second phase*	●	○	x	x	○	○	○	3
02	*Support to Ministry for public administration and local self-government in implementation of Public Administration Reform Strategy*	●	○	●	●	○	●	●	6
								AVERAGE:	4.10

Budget Programs	Comments
Policy development and control	Good PB programme, well defined outputs
Pension allowances for Civil Servants	It is recommended to review whether the ministry could elaborate outputs in more detail e.g. distinguishing outputs by types of benefits or beneficiary groups
State Professional Exams for Civil Servants	Some objectives defined are in fact *activity level* and could be better redefined as outputs e.g. x number of training of trainers, x number of drafting of programmes
Support to projects that are financed from local self-governments	Decision of the ministry to split the previous special budget fund into 4 separate budget programmes has been already a good sign of progress in proper implementation of the PB. However in the future programme areas and programmes names should be reassessed. In the short term meaningful output indicators (e.g. drafting of xx number of instructions, guidelines, preparation of tender documents, number of controls etc.) should be defined – this could be done also within the current programme structure
Realization of programs of rationalization on local level	In the medium term programme areas and programmes names should be reassessed. In the short term meaningful output indicators (e.g. drafting of xx number of instructions, guidelines, preparation of tender documents, number of controls etc.) should be defined – this could be done also within the current programme structure
Providing of help to local self-governments in case of natural disasters	Out of the 4 budget programmes defined from the previous special budget fund to LSGs this programme is an example of good budget programme – it's coverage and objectives are clear and covers one consistent group of outputs. However outputs should be defined as mentioned before
Providing help with aim to modernize work of local self-governments	In the future the programme could be changed to more precise name e.g. *Support to LSG investments for Infrastructure development.* Outputs should be defined as mentioned before
Support to projects on local level that are financing from international funds	Output indicators (e.g. drafting of xx number of instructions, guidelines, preparation of tender documents, number of controls etc.) should be defined correctly – this could be done also within the current programme structure
Support to process of implementation of public administration reform	
Support to Public Administration Reform Strategy in Serbia – second phase	There is a mix of outputs and objectives in the objectives' section, outputs should be reformulated
Support to Ministry for public administration and local self-government in implementation of Public Administration Reform Strategy	Some of the outputs suggested might be grouped into larger groups of outputs e.g. number of trainings in one output category

Ministry of Religion

Code	Programs and projects	1	2	3	4	5	6	7	Total score
					CRITERIA*				
190101	**Organization of cooperation between State and churches and religious communities**	○	x	x	○	○	○	○	**2.5**
190401	**Accomplishment of cooperation between State and religious communities**								
01	Improvement of religious culture, religious liberties and tolerance	○	○	●	●	○	○	○	**4.5**
02	Protection of religious, cultural and national identity	○	●	●	○	○	○	○	**4.5**
190402	**Religious education**								
01	Secondary education	○	○	●	●	○	●	○	**5**
02	Higher theological education	●	○	●	●	○	●	●	**6**
190403	**Support to churches and religious communities**								
01	Assistance for construction, maintenance, emergency rehabilitation and reconstruction of churches in underdeveloped areas	●	●	●	●	○	○	●	**6**
02	Support to priesthood in Kosovo and Metohia	○	○	●	●	○	○	○	**4.5**
03	Support to priests, monks and religious officials in conterminous and economically undeveloped areas /../	●	●	●	●	○	○	●	**6**
							AVERAGE:		**4.87**

Budget Programs	Comments
Organization of cooperation between State and churches and religious communities	Programme covers one consistent group of outputs as it relates to general administration type of programme. Programme could be improved by defining outputs and more specific objective
Accomplishment of cooperation between State and religious communities	
Improvement of religious culture, religious liberties and tolerance	Objectives should be more specific and measurable
Protection of religious, cultural and national identity	Objectives should be more specific and measurable
Religious education	
Secondary education	Overall good programme, however merging of the 2 projects in one programme (without projects) could be assessed. Specific information could be presented in different objectives / outputs under one programme
Higher theological education	Overall good programme, however merging of the 2 projects in one programme (without projects) could be assessed. Specific information could be presented in different objectives / outputs under one programme
Support to churches and religious communities	
Assistance for construction, maintenance, emergency rehabilitation and reconstruction of churches in underdeveloped areas	Good PB programmes, clear outputs and objectives
Support to priesthood in Kosovo and Metohia	Potential merging of this project with the next project might be assessed for the next year budget planning
Support to priests, monks and religious officials in conterminous and economically undeveloped areas /../	

Ministry of Trade and Services

Code	Programs and projects	1	2	3	4	5	6	7	Total score
				CRITERIA*					
150101	System organization in the field of trade and services	●	●	●	○	●	○	x	**5**
150102	Market control and supervision	●	●	●	●	●	○	x	**5.5**
150103	Establishment of contemporary organized market of goods and services	x	○	●	○	○	○	○	**3.5**
150201	Improvement of the consumer's protection in the Republic of Serbia	●	●	●	●	○	●	○	**6**
150202	Encouragement and support of Serbian companies' sales in international market	○	●	●	○	○	x	○	**4**
150203	Promotion of competitiveness in the field of services	x	○	●	x	○	x	x	**2**
150204	Promotion of EU quality standards for products and services	●	●	●	○	○	●	○	**5.5**
150401	Building and marketing positioning of the National brand of the Serbia	○	●	●	○	○	●	○	**5**
150901	Organization of the commodity reserves system	○	x	x	x	○	x	x	**1**
150902	Provision of the functional cohesion between strategic and price stabilization commodity reserves	○	○	○	x	○	○	○	**3**
150903	Organization of the storage capacities of the Republican Directorate for Commodity Reserves at optimal level	○	○	○	x	○	○	○	**3**
							AVERAGE:		**3.95**

Budget Programs	Comments
System organization in the field of trade and services	Overall good programme, except objectives defined as activities and could be more clear (also should be made more clear distinction from the next budget programme *Market control and supervision*)
Market control and supervision	Good example for a PB programme, except objectives defined as activities and not measurable
Establishment of the contemporary organized market of goods and services	Programme not very clear, objectives defined are mix of wider outcomes (like reduction of grey economy) and activities (like establishment of institutions). Programme seems to cover wide range of important activities however just few of them are reflected as outputs which is the major part of good PB budget programme. Apparently also salaries are not included in the programme (but most likely in the 1st budget programme) therefore it could be discussed whether this in fact should be a separate budget programme
Improvement of the consumer's protection in the Republic of Serbia	Good quality programme, the only remark refers to implementation of the programme – (like in most MTS programmes) implementation method should be elaborated more, e.g. will the training be conducted by the private sector (contracting of services), what exactly will be done by civil servants etc. It would be also helpful to indicate how much MTS staff approximately will work on this programme (similar comment for most of the MTS programmes)
Encouragement and support of Serbian companies' sales in international market	Description and objectives resemble wider outcomes which in the short term are not directly influenced by the programme significantly (should be defined more specifically like introduction of WTO, EU standards, etc.). Outputs are defined better although the first output suggested is in fact outcome / objectives level
Promotion of competitiveness in the field of services	Relatively weak programme description and objectives should be more specific, reflecting what the programme will practically do and what concrete objectives will be attained. This could e.g. cover promotion to establishment of cluster groups of enterprises, training, etc.
Promotion of EU quality standards for products and services	The programme complies with most of the PB quality criteria. However it should be more specified how the budget programme differs from the budget programme *Encouragement and support of Serbian companies sales on international markets*
Building and marketing positioning of the National Brand of the Serbia	Good PB programme. More clear disctintion however should be between this and previous budget programme. Also method of implementation of the programme should be more clear
Organization of the commodity reserves system	No outputs, meaningful objectives defined
Provision of the functional cohesion between strategic and price stabilization commodity reserves	In the output part major food and non-food commodities groups and their needed levels could be elaborated, e.g. purchase of xx million liters of fuel etc.
Organization of the storage capacities of the Republican Directorate for Commodity Reserves at optimal level	The descriptive part specifies what activities will be carried under the programme, most of this could be reforumalted as outputs (like building of xx new reservoirs, adjustment / reconstruction of xx reservoirs, reconstruction of mills, etc.)