



REVIEW OF PROGRAM BUDGETING IN SERBIA – 3 years of reform

*Assessment of 3rd year of the PB initiative and
Recommendations for Continuation of the Reform*

ABBREVIATIONS

BM	Budget Memorandum
BSL	Budget Systems Law
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 Program
NIP	National Investment Plan
PEM	Public Expenditure Management
PB	Program Budgeting
POB	Performance Oriented Budgeting

INTRODUCTION

During 2001 Serbia has initiated a major budget reform covering wide range of Public expenditure management issues. With highest inflation in Europe and rather weak parliamentary budget control, the Government started to undertake the appropriate measures to rectify the situation. Due to Government's action, macroeconomic stability was regained, with stable economic growth from 4 to 9 per cent annually, decreasing inflation from more than 100 per cent in late nineties to 7-8 per cent in 2007,¹ resulting in rising standard of living of the citizens in general.

In 2002, more coherent legal budget framework has been put in force, namely the Budget Systems Law², the Law on Public Procurement, the Law on Tax Procedure and the Administration and Customs Law were adopted.

The Budget Systems Law (BSL) defines the main principles of public expenditure management and the key stages of the budget cycle. With the BSL, budget planning has become more systematic and efficient in terms of not only the process but also budgetary outcomes of fiscal discipline, allocative efficiency and operational

efficiency. The law establishes key milestones for the budget planning calendar, introduces new classification system fully in line with the Government Financial Statistics (GFS), as well as Budget Memorandum as the main budget planning tool at strategic level.

With amending the Budget Systems Law the Treasury Consolidated Account and Treasury General Ledger system was introduced. As the result of this, budget process for the main Extra-Budgetary Funds (EBS) has been brought more in line with the general budget process, applying similar mechanisms as for Direct Budget Beneficiaries (DBBs). Also the finance management discipline has been improved. Substantial work has been carried out to improve software systems (FMIS) in the Treasury and line ministries, as well as introduce the system of internal audit and better financial controls.

In 2005 Government of Serbia embarked also on another major budget reform initiative by starting implementation of program budgeting (PB). So far this reform has implemented in a step-by-step approach - starting with few pilots and with more ministries being included in the PB framework. Such cautious and staged PB reform has been justified by adjusting and improving the methodology to comply better with needs of public administration and budget planning in Serbia.

¹ According to the Budget Memorandum (2007-2010)

² Amended several times later on, e.g. in 2005 and 2006 mostly introducing PB dimension

By now there have been three budget cycles (2007, 2008 and 2009) for which budgets have been prepared according to 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. For 2008 and 2009 budgets program budgeting pilots included Ministries of Education; Health; Public Administration and Local Government Affairs; Religion; and Trade and Services.

The first part of the report provides with the assessment of program budgeting experience in Serbia since its introduction and 2009 Budget in particular. The first chapter of this report outlines the main findings regarding 2009 program budgeting experience focusing on the following aspects

- degree to which budget has been set on the basis of policy;
- comprehensiveness of the adopted budget;
- informational quality of programs included in the budget;
- organization of programs or program structure;

It also covers analysis of various methodology aspects.

The second part of the report outlines the main recommendations based on the analysis done in the first half of the report.

PART 1: ANALYSIS AND FINDINGS

This chapter provides a follow up analysis to previous two PB Reviews from 2007 and 2008. It reviews standing of the reform starting with the analysis of Serbian budget system as relates to policy led budgeting concept, then proceeds to budget comprehensiveness aspects, further reviewing program information quality. This is 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 angles were also covered in the earlier two PB reviews. Each section includes a briefing on the overall concept (more details available in the first report); a short summary of the recommendations from the previous reviews; 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.

Policy-led budgeting

Policy-led budgeting in this report implies that budget decisions should be first and foremost strategically led and top-down oriented both on the central Government and ministerial management level. At central level, the Government should communicate to the

ministries and agencies clear expenditure priorities for new policies as well as financial constraints including overall spending, limits for new policies and ceilings for ministry spending. Similar system should be applied at the level of line ministries. This does not, however, mean that Government's and ministerial decision should not be informed by a bottom-up feeding of information on what the priorities should be

Conclusions and recommendations from the two earlier PB Reviews

In previous program budgeting reviews a number of weaknesses in this area were identified:

- The Budget Memorandum did indicate Government's spending trends by functional classification (like defense, education). However this did not interlink with actual ministry ceilings;
- There was no information on the cost of continuing the current Government policies and programs. Having such baseline information would be essential for establishing credible ceilings in a transparent manner;
- Budget Memorandum also contained references to many aspects of various reforms and Government initiatives, but most were just statements that had not been quantified in terms of financial implications;

- There was no indication of how much new money would be available to accommodate new initiatives that respond to the Government priorities. Equally, there was no estimate on the cost implications of legislation adopted throughout the year;
- There was no information as to expenditure ceilings for individual budget beneficiaries;
- Revenue data included in the Budget Memorandum excluded own revenues of ministries.
- 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;
- Over time the Budget Memorandum should also contain information on own revenues of ministries and other public service organizations;

The previous Program budgeting Reviews have also proposed the following measures to improve the Budget Memorandum's standpoint as the core budget planning strategy document:

- It should become the central budget decision document. To achieve that the document should be shorter, more concise, include options for decisions by Government;
- Several drafts of the Budget Memorandum should be presented to the Government during budgetary process. Every next draft should contain more up to date information regarding macroeconomic and fiscal perspective and its implications on allocation of funds for ministries;
- The Budget Memorandum should clearly outline next budget planning cycle expenditure priorities for new policies along with financial 'envelope' available for them;

It was also recommended that at the level of line ministries a more strategic and policy led process is established not only to inform the Government about what the requests for additional funds are, but also to ensure that ministries do allocate funds for strategic priorities at the level of sectors once the ceilings are set. Initially in the case of program budgeting pilot ministries and now in the case of all ministries this was the function of the Yearly Operational Planning System (GOP)³.

³ In 2005 the Government of Serbia decided to launch a project to improve the efficiency and the effectiveness of the central public administration in the field of planning, budgeting, monitoring and reporting. In the first phase 2005-2006 it was a pilot project entitled: Joint Project - Towards the More Effective Implementation of Reforms: Improving Planning, Budgeting, Monitoring and Reporting, that was extended to the majority of line ministries and other central key agencies for the period 2007-2008. Starting with June 2007 the project was redesigned

Progress since last assessment

Among key stakeholders there is a widespread agreement and understanding that the Budget Memorandum should become the central budget document that provides strategic guidance to budget planning throughout the process – from macroeconomic forecasting to submission of the Budget Law to the Parliament.

Since 2002, when the Budget Memorandum was introduced, the quality and relevance of this document to the overall Serbian budget process has been slowly but constantly improving. 2009 Budget the Memorandum sets Government's policies as regards key fiscal policy targets and outlines tax policy. It also includes a Medium Term Expenditure Framework providing with a 3 year budget forecasting horizon. This feature was introduced only recently.

For the next planning period the Budget Memorandum forecasts stable economy and therefore revenue growth throughout the forthcoming 3 year fiscal cycle. At the same time the Budget Memorandum requires decrease in the overall Government spending⁴ and going from (current BM draft which might be reconsidered fiscal deficit to surplus⁵.

and renamed: GOP –Towards the more effective planning and implementation of reforms.

⁴ The most intense cutting of public spending as share of GDP is expected in 2009 (1.6 %) and 2010 (1.5 %)

⁵ It is expected to have 1 per cent surplus in 2009 and 1.1 percent – in 2011 (current BM draft which might

According to the Budget Memorandum it is expected that public spending as share of GDP will be cut by 1.6 % already in 2009 while in 2010 by further 1.5 %. It is also expected to have 1% surplus in 2009 and 1.1 % – in 2011. However, this outlook could be further amended due to global financial crisis.

The Budget Memorandum also sets out spending priorities. For instance, it pledges to invest 8–10 billion Euro in fixed capital to build a modern energy, transportation and information technology infrastructure. It is also planned to have public sector wage increase by 2% in real terms in 2009 and 2010. BM mentions also wide range of areas where reduction in public spending have to be carried out (reduction on goods and services by 6%, reduction of social welfare spending from 17.1% from GDP to 15.5 % of GDP). The main proposals to reduce spending are summarized and summarized in the table below.

Table 1: Changes in public spending defined by the Budget Memorandum

BM Expenditure Area	Increase of spending	Cuts / reduction in spending
1) Overall Government spending		By 1.6% from GDP (2009)
		By 1.5% from GDP (2010)
		By 0.3% from GDP (2011)
2) Capital spending	0.3% from GDP (2009)	
	-	

be reconsidered if global market volatility influence Serbian economy)

	0.3% from GDP (2010)	
3) Wages	2% (2009)	
	2% (2009)	
4) Goods and services		Reduction as a share of GDP from 6.7 % in 2008 to 6.1% in 2011
5) Social welfare		Reduction as a share of GDP from 17.1 % in 2008 to 15.5% in 2011
6) Subsidies		Reduction as a share of GDP from 2.4% in 2008 to 1.9% in 2011
7) Public Investment	Same level spending	
8) General Public Services (COFOG ⁶)		Reduction as a share of GDP from 3.8% in 2008 to 3.3% in 2011
9) Economic Affairs (COFOG)		Reduction as a share of GDP from 6.5% in 2008 to 5.7% in 2011
10) Fixed capital construction	8–10 billion Euro in the MTEF cycle	
11) Increase of investment into human capital	Not quantified	

The Budget Memorandum also outlines changes in the Government spending as to the three pillars of the Poverty Reduction Strategy Paper (PRSP). However those quantifications are too broad to guide the overall budget planning in a practical way. Above mentioned quantifications are represented as “projected” changes in spending, and there are no indications about

⁶ Classification of the functions of Government (IMF)

how this relates to budget planning in more specific terms to allow the government to set priorities based on this information.

Quantification of necessary cuts and increase in spending improves the overall quality of the BM substantially and has to be developed further. As it can be seen from the table above, the current BM has been a step forward in potential relevance of this document to the overall budget process. However most of the expenditure trends are quantified only as percentage change in comparison to the spending level from GDP. In the future there should be also a clear picture of how nominal spending is affected. Moreover this should be translated in the institutional expenditure ceilings, which has not been the case up to now.

As to the previous period recommendations BM still has to find its place in the expenditure planning and guide the overall budget process. BM should also indicate the “fiscal envelope” available for funding of new policies (see more in Part 2 of the Review “Recommendations for continuation of Program Budgeting reform”).

Budget comprehensiveness

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.

Within this section we look at status and progress (in comparison to the previous reviews) in ceilings setting. This includes essentially 2 dimensions – a) are all revenue sources included in ceilings (own revenues, special budgets, NIP) and b) do ministries

adhere to the ceilings set within the budget planning process.

[Conclusions and recommendations from the two earlier PB Reviews](#)

The previous PB Reviews concluded that there were three key revenue / expenditure items that to a varied extent remained outside the program budgeting process – a) expenditures and outflows within so called General Affairs Main Program, b) NIP funds, and c) own revenues that are associated with subordinated institutions, such as agencies and state enterprises (that in fact operate as agencies).

In 2008 budget process the issue of General Affairs Main Program has been addressed properly by its splitting expenditure among programs based on staff allocated to those programs. PB ministries allocated expenditure of the former General Affairs Main Program to such service programs as “policy development and supervision”, “market control and supervision”, “sanitary inspection” – which has been in line with our previous recommendations and PB program definition logic.

The preceding two PB Reviews also recommended to integrate NIP into the program budgeting framework – or at least start using the same methodological principles when

planning NIP projects in the state budget. However there has been limited progress in this matter up-to-date.

The previous reports have also suggested that all extra budgetary funds, quasi fiscal activities, guarantees, special budgets and expenditure lines have to be revisited according to program principles. This would mean that all expenditures and outflows of subordinate bodies including own-source revenues are planned in the program format and annual budget law. We understand that full compliance with recommendations (like bringing agencies and service state enterprises into budget) could be an issue of a wider budget reform and this usually takes longer time to implement.

Progress since last assessment

Comprehensiveness of ceilings

In relation to the comprehensiveness of ceilings situation has been different through three years of PB reform – although the basic principles and tendency remain the same.

For 2007 draft budget we have found a significant difference between ceilings set as part of the Budget Instructions and the final allocation of budget resources – ranging from 0% in the case of the Ministry of Economy to 49% in the case of the Ministry of Health. In

2008 budget, the highest difference between indicative initial ceilings and the final appropriation was 22.5% at the Ministry of Health, whilst the Ministry of Trade and Services exceeded its initial indicative ceilings for budget resources only by 7%.

However this year ceilings setting has become almost useless – in the case of the Ministry of Economy, ceilings have been exceeded by more than 260% and in the Ministry of Trade and Services and the Ministry of Health by 91% and 56% respectively. Only the Ministry of Religion has not exceeded its ceilings. The Ministry of Public Administration and Local Government Affairs did exceed its ceilings – but insignificantly.

This trend poses a major threat to a normal budgeting process and also PB principles and again suggests that Government urgently needs to establish a system for allocating of funds to new policies and more effective system for reviewing of ministry additional spending requests.

The table below summarizes the findings outlined above.

[Table 2: Comparison between initial ceilings for the State Budget resources and final allocation in the 2008 draft Budget](#)

Ministry	Proposed ceilings ⁷ (DIN)	Budget resources included in the final draft 2008 (DIN) ⁸	Difference +/- %
MoE	33065001519	120106524000	+ 263.2
MoH	7585752000	11852333000	+ 56.2
PALSG	282141000	294141000	+ 4.3
MoR	826631000	826631000	0
MoTS	284116700	54281700000	+ 91

National Investment Plan

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 program discipline, according to the first review report, although it accounted for up to 47% of total pilot ministry expenditure. In the 2008 and 2009 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.

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

⁷NIP not taken into account.

⁸ Own-source revenues not taken into consideration as they have not been also factored also in the ceilings issued to the ministries.

expenditures are included in ceilings while others are not.

Inclusion of executive agencies and other subordinate institutions in the Budget

In the period of the three PB Reviews there has been quite a limited progress in this area. Most of the findings and recommendations outlined earlier continue to be valid also for 2009 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.

Inclusion of own-source revenues in the Budget

As regards the issue of own revenues (and earmarked by legislation expenditure) they continue to be the major source of revenue for PB ministries. The table below shows that 4 of the 5 PB ministries have significant own source revenues which are not factored in the ceilings initially and potentially create problems of coordination and transparency.

Table 3: Comparison between initial expenditure ceilings and own source revenues in the 2008 draft Budget

Ministry	Proposed ceilings ⁹ (DIN)	Own source revenues in the final draft 2008 (DIN)	% of own source revenue if compared to ceilings
MoE	33065001519	27185625000	82.2
MoH	7585752000	5390690000	71
PALSG	282141000	744900000	264
MoR	-	-	-
MoTS	2841167000	6104980000	214.8

Table 3 above suggests that significant part of ministry budget, which often can exceed ceilings more than twice (as in the case of MOTS and PALSG), is left outside the budget process at its front end. This significantly reduces the scope for achieving one of the key budget objectives – allocative efficiency.

We acknowledge that all the own source revenues cannot be transferred into the general budget revenue in the short run – and it is already a considerable achievement that ministries develop programs for their own revenues. However in the medium term own source revenues should be factored in the ceilings – and potentially the PB framework should be extended to the agencies outside the budget.

Informational quality of programs

Programs, in essence, are policy interventions and therefore must reflect key policy areas and instruments. The latter would include such

⁹NIP not taken into account.

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.

The basic principles of program design were already outlined in the previous review reports. To assess program information quality in more depth for the second review, we have elaborated our approach by including an additional dimension to the analysis. Likewise for 2008 year budget we have performed program information quality assessment with the evaluation matrix that consists of seven program assessment 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.

Conclusions and recommendations from the two earlier PB Reviews

The first review for 2007 year budget concluded that most programs suffered from the lack of quality of information. It also conceded that

programs had too many detailed information requirements (including some 30 data fields for programs). 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)¹⁰ these were the main reasons accounting for the rather low quality of program information in the draft 2007 Budget.

In turn 2008 budget Review concluded information that quality of programs in individual pilot ministries has been quite diverse. Generally ministries that have been implementing program budgeting for the second time had better quality programs than those who have introduced it for the first time – these were MPALSG, MOH and MOR. Also the same methodology has been applied rather diversely by different pilot ministries.

For 2008 budget, information requirement simplification for programs and projects in line with our recommendations has been made. For 2008 budget each program had to contain only

¹⁰ 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 a program 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 program. In this case the final policy allocations would be determined at both program and project levels.

three basic parts – program description, expected impacts, and planned outputs. Indicators had been required for outputs only given the current capacity.

Progress since last assessment

Overall, there has been slight progress in program quality for 2009 budget especially in terms of defining more appropriate performance information for most of the ministries. Ministry of Education still remains the only PB ministry that almost does not have any meaningful output information. Similarly to the previous year the same PB methodology has been implemented slightly differently across the ministries – although in general the program quality level has become more similar.

Information requirements for programs

Ministry of Finance for 2009 year budget essentially has used the same methodological program principles as for 2008 year budget. Therefore as relates to methodology previous year recommendations still might be relevant for further adjustment of the PB reform.

Likewise for assessment of 2008 year budget, to evaluate the quality of program design and content we have used a specific program quality assessment matrix or framework (developed specifically for the purpose of assessing PB

reform quality and progress in Serbia). It consists of seven assessment criteria that program managers and evaluators should ask themselves when defining or reformulating budget programs. 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.

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 gives the following results:

Table 4: Program quality assessment¹¹

MINISTRY	Fiscal Year '08	Fiscal Year '09
MoR	4.87	5.31
MoTS	3.95	4.73
PALSG	4.10	4.56
MoH	4.87	5.94
MoE	4.79	4.52

¹¹ Assessment of detailed ministerial performance in relation to every program is included in Annex 4 to this report.

Two trends could be observed from the evaluation across the PB ministries. First – on average – ministries (except the case of MoE) keep improving their program budget quality which means there is more comprehension of the PB approach and the PB dimension is gradually introduced in the day-to-day management of the ministry. The second trend is the differences in quality between the ministries become smaller as most programs have been improved.

The Ministry of Religion and the Ministry of Health have scored the highest number of points similar to the previous year. It is surprising as well as encouraging that Ministry of Trade and Services – which had the lowest assessment score for the previous year – has the 3rd best evaluation of programs this year. Most of that has been due to reformulation of its programs and having better program structure as well as improving performance information (outputs) within programs.

Other ministries score close to each other – the only ministry that should significantly improve its performance information quality is Ministry of Education. This ministry as the large ministry is important both for the Government and public at large. Additionally this ministry could gain very much from introduction in its management practice performance dimension

as this could give the ministry opportunity to evaluate its budget more thorough and provide efficiency savings.

In order to obtain a full picture about program design quality, the information quality analysis should be seen also in the relation to the analysis of program structure (see the following section of the paper). If both aspects are taken into account and overall budget quality assessed from the performance budgeting point of view, then the MPALSG, MOR and MOT could be regarded as flagman of the PB reform.

The following overall conclusions could be drawn from the analysis of program information quality:

- There is a 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 designed¹². 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 possible results

¹² It might also show that there is a varied capacity at different departments within a certain ministry therefore more central coordination and assistance might be required.

- Although there is one methodology for program budgeting, it is still perceived rather differently by the ministries. 2009 year budget could be considered as improvement as compared to the current year, however still 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 / Treasury in the future;
- Definition of cases when project level information should be used continues to be unclear. This, as discussed in the last section of this chapter, is one of the reasons why some ministries use projects while others do not;
- Some programs do not have outputs by its nature 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;

- 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.
- In relation to the previous budget cycles pilot ministries in general have improved their programs as they have become more informative and user-friendly (with some exceptions).
- However an obvious problem still remains clear understanding and mixing of the basic concepts of the performance budgeting – for example mixing outcomes with outputs and very often objectives. This has been the case also in the previous cycles. Definition of program objective which should not be a re-wording or repetition of the program description and / or outputs but should demonstrate the purpose of the program (its expected impact) in a measurable way, continues to be a problem. This also includes choosing the right level of measuring input, i.e. small and problem specific programs need much more specific expected impact definitions;
- As the previous year output definition and relationship to program objective is a challenging area where improvements might be valid. 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. Not many – however more than

previous cycles – programs have comprehensive definitions of all major outputs. This still will remain an issue for will efficient program monitoring if it is going to be established within the Treasury / MOFT institutional framework.

Ministry specific observations

Below is the summary of quality assessment of programs of pilot ministries. More detailed comments for each program are included in Annex 4 of this report.

Education

2009 budget preparation cycle was Ministry of Education's second cycle in which it prepared its budget in program format. During 2007 large efforts were put into formation of MoE's program format together with initial description of the programs, goals and output indicators. At that time it was expected that next budget cycle, i.e. 2009 budget cycle, will show further improvement in articulating and defining ministries mission, description of programs, goals and output indicators.

In 2009 MoE's budget submission, there was no change in the program structure which leads to conclusion that ministry and government is content with the structure set in 2008 year budget. It also means that structure, as set, is

stable and it makes data comparison between the years possible.

Likewise the previous year the Ministry has almost no performance information (outputs and objectives) in programs. Only one program included performance information.

Health

MoH has achieved significant progress in improving the informative quality of its programs, and most programs score higher than 5 points and several score all 7. However, the overall assessment is complicated by the confusion between what is the project and what is the program. This seems to be unclear. Very often there are large projects, which could be coherent programs while there are small programs.

At the same time MoH has several very well designed programs, which could be used as an example for other ministries just starting to undertake program budgeting.

Public Administration and Local Self Government

MPALSG program structure and names essentially has been unchanged – the only minor difference from the 2008 year budget of MPLASG is that project “Support to Ministry for public administration and local self-government in implementation of Public Administration Reform Strategy” under the program 060501 has been discarded. Similarly to the previous year most of the programs that deal with the central Ministry are well designed and include good information that can be monitored and reported on.

Overall the quality of programs, outputs and descriptive part has improved slightly. As can be seen from the Annex 4 quality assessment ratio has improved from 4.10 to 4.56.

However it is also essential that MPALSG is also reporting and monitoring on achievement on the planned outputs (also the new MOFT evaluation and monitoring structure when established should review this).

It is highly important that MPALSG is content with its previous year decision to split their special budget fund into 5 programs which is very much in line with the PB logic. However, likewise to the 2008 year budget these programs, although well designed, have little useful information in terms of program description, objectives etc. These programs are:

060201, 060202, 060204, and 060205 (the only exemption here is program 060203). 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 and potentially merged into more concentrated and homogeneous programs (one output group per program, one sector of LSG support for each program) this might significantly improve the overall evaluation of the Ministry.

Religion

MoR programs for 2009 year budget are exactly same as previous year. Overall program quality has improved slightly from 4.87 to 5.3. Performance information quality is quite high except the ministry should also assign base volume information to all outputs – for example most programs (projects) have been indicated increase of outputs by x % but programs do not have the base % or volume (number of training / seminars, etc.) to assess the overall job volume. In particular this would be important when evaluating efficiency and comparing performance between different fiscal years.

Likewise the previous year it could be said that projects in fact should be program level – as they have well defined scope, clear objectives, consistent set of outputs and other information

needed to monitor and evaluate implementation of programs.

Trade and Services

Overall MOTS program quality has been improved in comparison to the previous year budget – improving its overall program evaluation score from 3.95 to 4.73 (please see Annex 4). The ministry has shown commitment to proper introduction of the PB reform and this can be seen also in the program quality. Ministry has established three new budget programs (150203, 150205 and 150206) which all have good information quality ranging from 4.5. to 6.5 evaluation score. Ministry has also reconsidered its previous programs related to Commodity Reserves and merged its previous 3 programs into 2 which have to be seen as positive development. However similar to the previous year program outputs – which are the basis for Program budgeting – have not yet been defined.

Program structure

Analysis of budget structure is about how logical, informative and manageable budget programs (and projects) are from the financial point of view. Ministry budget should be manageable and financially balanced – too many “minor” programs as well as too many

programs¹³ in general might complicate efficient and flexible management of the overall ministry budget portfolio. Also programs with financial allocation around or above 50% might suggest these are in fact several programs – and in case of one program typically information is limited and not transparent.

To assess program structure better and quantify findings in the previous PB Reviews we have invented the notion of Final Policy Allocations (FAPs). These are defined as 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 include 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 program. In this case the final policy allocations would be determined at both program and project levels.

FAP analysis is designed to quantify findings on program structure and sum up the total number and relative weight of the final policy allocations in the budget. In other words, it

¹³What could be considered as too many programs for a ministerial budget might differ depending on the size of the budget and diversity of ministry functions. However, these should not exceed around 20-25 FAPs for a larger ministry as with time ministries have tendency to design new programs and propose these to the Government as new policy initiatives

looks at how many exceptionally small and large programs/ projects ministries have and thus how manageable and informative the budget is. This analysis however should be seen in context with assessment of informative quality of budget programs (please see the sections above).

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.

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 scope for further consolidation of budget programs into more

efficient and coherent units of managing the budget.

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 separately as in some cases dominant programs can be justified – one example would be large mandatory social benefits programs.

Conclusions and recommendations from the two earlier PB Reviews

The 1st 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. Overall conclusion of the 1st Review was that budgets of the PB 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 planning, which generated far too many FAPs (projects). NIP for 2007 draft budget was not planned according to program budgeting principles.

The 1st Review recommended:

- Focusing primarily on one programming level – programs. This would require using the project level only in specific cases, which were proposed;
- Re-considering the utility of minor programs. Some of those could be integrated into larger programs depending on contribution to objective;
- Re-considering utility of dominant programs. Some of these could be split into several more specific programs;
- Applying program budgeting logic to NIP.

The 2nd Review concluded that budgets of the PB ministries had less fragmentation although there still was high proportion of minor programs below 1%. Programs and FAPs below 1% were at a lower – however still quite a high level of 47%.

Analysis of program structure and content leads to the conclusion that ministries had rather different perception of the same program budgeting methodology. For example, the MoE

had 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 had used the project level quite extensively although some of the projects could be typical programs.

The 2nd Review recommended further assessing validity and use of minor and dominant budget programs.

Progress since last assessment

Overall, there is a considerable improvement in relation to recommendations of the first review and slight improvement – as relates to the 2008 year budget.

If all budget cycles of program budgeting compared, a definite progress can be seen in relation to the overall quality improvement in planning budgets in the programmatic format. For example, the key achievement is that PB ministries structure their budgets mostly on one primary budgeting level – programs. Project as a planning unit has been used only in special cases and mostly justified (except in Ministry of Religion case which due to some misperception of the PB concept plans their programs as projects).

In 2009 year budget PB ministries will have the same number of programs like when first

starting the PB reform in 2006. This is already a good achievement as with ministries usually have tendency to multiply and create new programs without reconsideration of their other programs.

Number of projects have been decreased in comparison to 2007 year budget and is on the same level as in the current (2008) year. Most of the projects however account for 2 ministries MoH – which naturally has a lot of projects – and for MoR which in fact has planned their programs on a project level. Frequent use of the project level in MoH is justified as ministries of health usually have wide range of functions and earmarking of expenditure to more specific areas might be reasonable (e.g. for the wider public to see priority areas and Government policy in the sector). This should be similar to a certain extent in the MoE – however this ministry does not use project level at all (except in one case). This also evidence ministries apply the same PB methodology differently.

Overall FAPs – which show the overall fragmentation of the institution's budget – has stayed on the same level as the current year and is considerably lower than for 2007 year budget – 188 FAPs in 2007 year budget, 95 FAPs – in 2008 and 100 – in 2009 year budget. This level overall is satisfactory – however issue of investment (NIP) planning have to be dealt

with in a manner not to increase program and project levels substantially.

If analyzing the budget structure and fragmentation deeper, it is obvious that in fact programs and FAPs bellow 1% increase with the time. For example in 2007 year budget 30 programs were less than 1%, in 2008 - 34, however for 2009 y. budget - 39. FAPs from 45 in 2008 have gone to 60 in 2009 year budget. As all other budget structure positions get better this tendency should be addressed specifically in the future planning cycles. This is one area where recommendations from the previous cycles have not been met properly yet.

As relates to the previous recommendation to reconsider the validity and use of the dominant programs (programs above 50% of the total budget) - there has been some slight improvement. Large ministries like MOE and MOH do not have major dominant programs anymore - however 1 program in each ministry come close to that threshold (program with 46% funding of total budget allocation in MOH and 43% - in MOE case). Only the MOTS have not showed any progress in this area having a budget program with 86% of the total funding (please see our recommendations further in the report).

The table below provides an analysis of program structure in 5 pilot ministries and comparison between 2008 and 2009 year budgets.

Table 5: Structure of the budget in pilot ministries

MINISTRY	YEAR	Prog. (Nb.)	Proj. (Nb.)	FAPs (Nb.)	Below 1%	
					Prog.	FAPs
MoE*	2007	22		69	9	
	2008	28	-	29	22**	22**
	2009	28	1	29	20	20
MoH*	2007	14		59	7	
	2008	20	24	38	12	25
	2009	19	31	41	10	31
PALSG	2007	8		14	2	
	2008	9	2	10	-	1
	2009	9	1	9	0	0
MoR	2007	8		17	1	
	2008	4	7	8	-	-
	2009	4	7	8	0	0
MoTS***	2007	21		29	11	
	2008	11	-	11	7	7
	2009	13	-	13	9****	9****
Total	2007	73		188	30	
	2008	72	33	95	34	45
	2009	73	40	100	39	60

* Both Ministries - Education and Health had 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.

*** In 2007 MTS was responsible also for tourism area and was called Ministry of Trade, Tourism and Services

**** This number would have been lower - only 6 programs - if the most dominating program of the Ministry 150901 was excluded from the analysis or split to smaller programs

Another area which has not met our previous recommendations yet still remains applying the basic PB framework to the National Investment Plan - planning public investments in a

coordinated manner with the rest of the budget in program / project format.

Ministry specific observations

Below is the summary of the assessment of program structure in pilot ministries.

Education

Likewise previous year, MoE has a high number of budget programs under 1 per cent of its total budget with 20 programs and FAPs out of 28 programs. 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 43 % ("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

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 by creating several programs rather than having one

program, which is compilation of five big projects.

Public Administration and Local Self Government

MPALSG budget structure from financial balance point of view is one of the best among the pilot ministries. It has 9 programs and one project with 9 final policy allocations in total. This year MPALSG has no program or project bellow 1%. There are also no programs that maybe considered as dominant – largest (60201) being 23% of the total budget.

Religion

It has to be noted first of all that MoR main programming unit is a project – which in fact should be budgeted on the program level (see also our analyses on the program information quality). If project level is considered as program level MOR has no programs above 25%. However if we look at the current MOR budget proposal their largest program is at 40% level which still cannot be considered a dominant program. Like in the previous year MoR has no program or project bellow 1%.

Trade and Services

MOTS budget has very much improved from the point of view of information quality (please see

also our analyses on the Program information quality). However, the MOTS has 13 programs and 9 of them are below 1% of total budget allocation. In the 2008 budget the MOTS had 7 programs under 1%. High number of small programs are explained by the fact that ministry has one outstanding dominant program 150901 Commodity reserves that account for 86% of the total budget. If this program have been excluded from the analyses number of fragmented programs would be substantially smaller. However our previous year recommendation to split this program into several smaller ones (e.g. by sectors which have state intervention) might considerably improve both the financial balance and transparency of the Ministry's budget.

Methodology

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 for 2008 year budget, 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. 2009 year Program budget

essentially has been prepared with unchanged previous year methodology.

The only slight change in the process has been that there were not two separate sets of instructions – one for non PB, the other for PB ministries like previously. This year the same 2008 year budget PB planning methodology has been integrated into the overall MOFT instructions. Instructions even provided that Financial plans can be prepared “by all budget beneficiaries that believe are capable of drawing up their draft Financial plans in line with the PB methodology”. However without the further assistance and guidance the PB ministries remained the same as for 2008 year budget.

2009 year Budget instructions simply had a reference to the 2008 year Budget planning instructions for the PB ministries – “draft financial plan shall be presented in line with the programme budgeting concept introduced in 2008, and contained in the Budget Instructions for 2008”. Therefore in this 3 year concluding PB Review we also reiterate some of the key issues that had to be changed in the 2008 and now 2009 year PB budget planning methodology.

Conclusions and recommendations from the two earlier PB Reviews

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:

- Ensuring that program budgeting covers all expenditures and outflows;
- Putting the focus on outputs (for service type programs) and their objectives instead of activities;
- Abolishing the activity level as well as restricting the usage of the project level to specific cases;
- Reducing the amount of performance information required.

Progress since last assessment

Overall, the Instructions for 2008 (and now 2009) 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.

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

- 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);
- Differentiation of program information requirements for different types of expenditure;
- Elimination of inconsistencies between instructions to ministries and structure of financial plans (program formats) in terms of program information requirements;
- Reconsideration of the utility of the main program concept;
- Reconsideration of the utility of the priority concept of programs.

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

Program and project definition

Program and project definitions¹⁴ provided in the 2008 Budget Instructions (further in the text – Instructions) have a number of gaps.

¹⁴ 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.

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, as program information requirements 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.

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.

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”.

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”.

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 defined¹⁵, 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 plans submitted to the MoF by the Ministries (MoH, for example) shows that there are cases

¹⁵ 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).

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

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

- Expenditure for production or purchase of services;
- Mandatory social benefits payments;
- Capital expenditure;
- Grants;
- Transfers;
- Re-payment of debt.

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

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

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.

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.

Utility of formal prioritization of programs

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.

PART 2: CONCLUSIONS AND RECOMMENDATIONS

Part 2 of the Review provides overall conclusions and recommendations in relation to the further introduction of program budgeting in the Government of Serbia. It starts with general conclusions and recommendations and then proceeds with ministry specific recommendations based on the analysis outlined above. Recommendations for continuation of the further reform have been based on the 3 year experience and lessons from introduction of the Program budgeting in Serbia.

Overall conclusions

Firstly, in comparing to the 1st year of introduction of the PB there has significant and if compared to the 2008 year budget – slight progress – in all key aspects of quality of Program budgeting reform. This relates to program information quality and design, budget structure and to lesser extent – program methodology improvements.

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 especially

linking sector budgets and detailed institutional planning to the Budget Memorandum and Government priorities. This will also require adjustments to the program budgeting methodology.

Secondly, most of the PB ministries have developed already a solid program basis which could be refined further during the coming cycles. Improvements are advised on some areas however this does not entail major revisions and restructuring of the current budget structure. Ministries have accustomed to the program level as the key planning unit and most programs are well designed and have justification to be planned on a program level.

Thirdly as budget comprehensiveness is concerned two areas remain critical like in the previous budget cycles – these are NIP and own source revenue planning. If these 2 major sources of revenue / expenditure are not factored in ceilings and ministry budget planning from the early start in the budget planning process, overall quality and exclusion of overlap remain questionable.

Fourthly, due to some institutional developments within the MOF, Program Budgeting Methodology this year has remained unchanged. This could be regarded as a major drawback in the reform – as it is very essential

in the early emphasis of the reform to make constant tailored adjustments to the overall approach. In this manner, most of the recommendations from our previous budget cycle recommendations have remained in vain. As such dominant part of them still are relevant for the next budget cycles and introduction of the Program budgeting.

Fifthly, in the 3rd year of introduction of the PB approach, there appears a clear tendency that with each year budget structure of the ministries tend to become more fragmented. While overall number of budget programs remain practically same¹⁶, the proportion of so called minor programs¹⁷ under 1% of ministry budget increase. In some cases this could be justified taking into account specifics of the ministry functions¹⁸, however in lot of cases the smaller programs could be grouped into the larger programming units having projects if necessary. 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.

¹⁶73 programmes in 2007 year budget, 72 - in 2008 y. budget and 73 – in 2009

¹⁷ Programmes with funding bellow 1 % of the total allocation of the ministry budget

¹⁸ e.g. primary education naturally is a large programme

And lastly as concluded also in the previous year more central guidance would be necessary in order to ensure different ministries do not apply the same methodology differently – as has been the case to some extent now. Two ministries that would need that guidance most are Ministry of Education (almost no outputs) and Ministry of Religion – which makes their core planning on a project level.

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 revealed the following items that qualify for the „weakest link“:

- use of program and project levels in different ministries is diverse and inconsistent;
- preparation of better program descriptions;
- definition of program objectives at the right level of specificity; and
- identification and definition of program outputs and linking them to objectives.

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.

Recommendations for future

Recommendations are based on observations of the three year PB reform and attempt to provide the Ministry of Finance and the Government with what we consider to be the next period key milestones and priorities in successful implementation of the reform.

Overall recommendations

Recommendation No 1: Proceed with a fast roll-out of the program budgeting framework to the entire Government sector

We have previously emphasized staged but persistent roll-out of the Program budgeting with every next cycle including more ministries within the framework. However the number of the PB ministries in fact has remained unchanged – the same as in the 1st year of the reform (although some ministries due to institutional changes have changed). We have also pointed out that 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. This to some point has been evidenced this year with having quite an intense debate of how to integrate and interlink both planning systems (traditional line item budgeting and PB format).

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.

However to move further successfully we would propose a more intense agenda. It is proposed to have a two-fold approach for implementation of the PB initiative for 2010 year budget planning. First it is advised to increase the scope of the line ministries included in the PB framework for 2010 budget – embracing up to 10 line ministries in total. Simultaneously it is recommended to start programming of NIP / IPA funds in budget in a simple program format – this should cover all the line ministries. In the near future NIP programming will have to be revisited as IPA funds will be available to Serbia and this will require changes in the current NIP system (e.g. drafting of IPA Strategic Coherence Framework). This allows the system to be coordinated with the general budget planning and PB principles in particular more easily. Investments are naturally planned on a project basis that could be easily amalgamated into wider budget programs. In this way all the line ministries would gain highly valid initial experience under the PB framework – that would allow more smooth transfer of all the

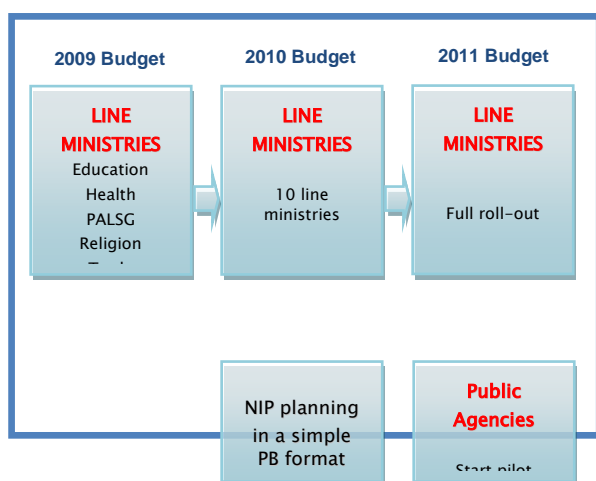
planning and management systems to the program budgeting format.

Our proposed strategy would imply full PB roll-out to all ministries in the 2011 budget. Recommended strategy for further program budgeting roll-out is presented in the scheme below.

For 2010 Budget we also recommend starting a pilot approach for some of the largest public agencies including them into the program budgeting format. The rationale for this is that pure state owned enterprises should not be in the budget while bodies with substantial public interest, such as executive agencies or similar, should be part of the general state budget even if the majority of their revenue comes from own sources.

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.

Scheme 1: Proposed program budgeting roll-out strategy



Recommendation No 2: Draft and adopt at the Government level a comprehensive Public Finance Management reform strategy for Serbia

We have suggested drafting and adoption of such a reform strategy already in our first review. However we acknowledge that due to quite intense institutional and political changes this was not easy. We still believe that Serbia and PB initiative in particular would benefit very much from having a wider PFM reform plan of which PB area would be one element. The overall objective of the further PFM reforms in Serbia would be to achieve Public expenditure management system with higher emphasis on

transparency, accountability and strategic orientation. This would include much higher prioritization both in budget planning and management stages, including shift from previously dominant input planning and quite rigid control to performance based planning and monitoring of implementation.

If such a strategy would be drafted it would aim *firstly* to agree on one consistent reform plan with clear areas for further improvement and *secondly* achieve higher political commitment for further areas of budgetary reforms both at the MOF and Government level. This would embrace clear milestones and action plan of the overall PFM reform including the PB initiative. Based on various developing country experiences we consider that a high-level political commitment would be essential for sustainability of the reform –this has been also testified with the 3 year PB experience which could have been faster if higher political support had been present. Also it is very important to achieve synergy and linkages between all the budget reform initiatives such as introduction of the MTEF, improvements in ceilings setting, streamline of financial management and accounting practices as well as introduction of the performance management.

Recommendation No 3: Make necessary improvements to Program Budgeting Methodology

Firstly, we still have not been fully convinced of the necessity and added value of the so called “Main program” level in the Program budget classification. This classification level has been used as the first step in some Asian countries when introducing Program budgeting (Korea, Hong-Kong) and has been quite justified there. Usually this classification level before program drafting has been started could be useful to give guidance to ministries in their initial stages of program development. However in the country like Serbia where there is already quite a good policy development tradition and basis (sector strategies, Government policy papers etc.) significance of main program level is lower. During the 3 PB cycles we have discovered that in fact not rarely Main program names have to be changed when the actual program drafting has been started and to some extent too numerous classification levels (also PB classification levels) might be misleading and useless. It is even truer in the country with already quite a developed policy drafting tradition like Serbia.

Secondly, we also 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.

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).

We propose using the following type of programs¹⁹:

- General administration programs, i.e. programs that include funds for central policy functions only;
- Programs for production and purchase of goods and services;
- Programs for purchase and maintenance of capital assets;
- Programs for payment of mandatory social benefits;
- Programs for grants, subsidies, transfers and other payments to different users and final beneficiaries in accordance with the law or Government policy;

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.

In terms of program and project definition we recommend several clarifications. First, we recommend amending program definition so that it explicitly captures policy implementation

¹⁹ This should not be conceived 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.

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”.

Thirdly, 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 program duration”

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:

- 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.
- 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.
- 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 program is funded by more than one Ministry.

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

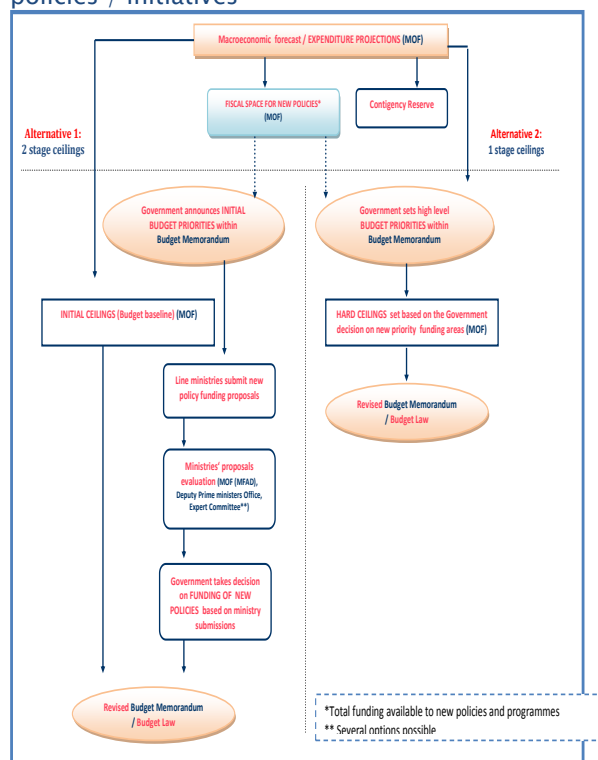
Recommendation No 4: Ensure expenditure ceilings setting become more strategic and policy led

Serbia as a fast developing country has quite an extensive list of priorities waiting for public funding, ranging from poverty reduction to various institutional development issues required by the EU integration processes. General conclusion that could be drawn from the international practice is that too many all-embracing Government strategies are not favorable both to the policy management as well as budget process as there are too many policy initiatives that are considered top-level priorities.

Currently expenditure ceilings setting in budget planning has been quite formal, very often not respected – this is very much due to the fact that system for allocation of new funds and reviewing of additional requests is unclear and not coherent. Also from international experience it is crucial that all the key decisions on budget are transparent to all the ministries and they are taken on the Government level.

To correct this much more transparent and clear ceilings setting and new initiative funding system has to be formulated and set up. From international practice and taking into account the current developments in Serbia, theoretically two key options would be feasible for developing a better system for allocating funds to new policies. The first option would include *two-stage ceilings* approach, while the second option – *one stage ceilings*. Both alternative options recommended for consideration currently is displayed in the scheme below (please see also comparison of benefits / disadvantages of both models in Annex 5).

Scheme 2: System for allocation of funds to new policies / initiatives



Alternative 1 proposed for consideration to Serbian Authorities would be 2 stage expenditure ceilings setting. This model includes initial ceilings set early in the budget process. Initial ceilings or budget baseline would reflect expenditure necessary for continuation of the current Government policies.

Technically the initial ceilings might be communicated with the first Budget Memorandum approved in the Government. In this model during the 1st reading of the Budget memorandum the Government would also approve the Medium Term Budget priority

framework. This could be high level priorities which would be then translated into more concrete ministry proposals into the next budget planning stage. Examples of high level budget priority would be “achieving of economy with more added value, more social welfare to citizens” etc.

Ministry proposals for new funding would be then reviewed in specially established committees involving most cross-cutting institutions in the country (General Secretariat of the Government, PRSP office, MFAD, NIP-ministry, etc.).

Another committee might be political level involving relevant Government representatives (e.g. Minister of Finance, Minister of Economy, Minister on NIP, etc.)²⁰. These structures would help to prepare the Government decisions on budget priority selection. However in this model one expert evaluation committee might be sufficient to deal with evaluation of ministry proposals.

After evaluation of the ministry proposals for funding of new policies at the expert level, the Government would take the decision on concrete budget priorities and set the hard

²⁰ According to the *Rules of procedure of the Government of Serbia* there is a Committee for Economy and Finance that might also be used on a political level for reviewing the budget priorities.

ceilings for ministries. Priorities set within this model would in fact be close to programs developed under the current PB model – very concrete, results oriented.

Alternative 2 would imply that Government sets the budget priorities and ceilings simultaneously in the budget planning process. In this model the Government would define high level Budget priorities as well as their funding amounts (based on macro fiscal projections). High-level budget priority could be Governments' commitment to increase spending on priority sectors e.g. investments in infrastructure, unemployment or higher education. The more concrete and results oriented are budget priorities defined the better. Ideally there should be similar (but more simple) expert groups that assist and prepare basis for the Government's decision on its budget priorities. The main difference between the two proposed models would be that in the second – hard ceilings are set based on the Government's decision without ministry proposals and their detailed review. However it is important that also in the Alternative 2 Government has an opportunity to check if the priority sector ministries have quality and cost-effective spending proposals. If in practice it turns out that in fact funding has been used not in line with the Government strategic direction, future funding sanctions might be used. Here

appropriate program assessment and monitoring function would be crucial.

In both ceilings setting alternatives proposed budget priorities might be set for annual as well as for the medium term. While medium term guidance might be necessary still in changing and developing economies like Serbia annual budget planning process will remain most crucial. In contest of often changing Governments also very detailed expenditure allocations for the outer years (2nd and 3rd year) might be too advanced and unnecessary. Most focus will still have to be targeted at annual budget planning.

All decisions on allocation of funding to new policies (budget priorities) ought to be taken at the Government level. To have a solid, transparent and respected system of ceilings it is highly significant that all ministries have similar rules to which there are no exceptions. This means that all the decisions on allocation of new funds within the budget process have to be taken on the Government level. MOF still will have most crucial role in the budget process setting the technical rules, providing Government with macro-fiscal framework, technical calculation of ceilings as well expert advice throughout the whole budget planning process. In both models the MOF will also have to play more active role in defining and

assessing strategic options for allocation of extra revenue generated from growth of economy.

Currently the Budget Memorandum is constructed in a way that it corresponds better to the Alternative 2 with one-stage ceilings. This model – given the latest improvements in the Budget Memorandum with quantification of expenditure cuts / increase – would be quite easy to implement. Crucial issue here would be to interlink BM planning with the ceilings setting process and drafting of instructions. Above all this would require improvements in coordination of different MOTF authorities (MFAD, Budget Department)

Recommendation No 5: Align NIP planning with basic Program budget approach

NIP planning principles should be methodologically aligned with basic requirements for program budgeting and planned according to program logic due to the following reasons:

- firstly, NIP essentially is a programmatic instrument and projects could be grouped into larger programs;
- secondly, NIP is a major budget item and for some ministries it have constituted almost to 50% of the total budgets – without aligning and integration of NIP budget planning is distorted and to a large

extent ineffective (in terms of coordination of capital investments across different funding sources as some ministries have quite a considerable *capital-investment* budgets apart from NIP);

- investment expenditure does not operate in isolation – it should be a core part of achieving ministry objectives and priorities.

The recent NIP planning experience in the Budget Law has been twofold. For example in 2007 year budget each NIP project was planned as a separate allocation – thus having hundreds of investment allocations in the budget. For 2008 year budget however each line ministry has had one NIP appropriation in their budget called National Investment Plan.

In our opinion both approaches are not effective and to some counterproductive to the budget reforms started. In case of numerous (hundreds) of investment project appropriations line ministries loose their budget flexibility, budgets are too fragmented, several rebalances are the usual practice during the fiscal year. This is also counterproductive to program budget logic which supports that ministries do not have very fragmented and numerous budget programs. We also think that one NIP allocation in the line ministry budgets is not an effective practice as this does not reveal any performance information and leave large part of

the line ministry budget outside the budget planning process.

We recommend that in future NIP has to be planned and presented according to program logic and structure meaning that in the budget NIP projects are grouped into larger programs or assigned to the respective homogenous programs. It should be subject to the same budget procedure and planning calendar as other expenditure items, including such key aspects:

- NIP project selection and priority setting should be integrated both with the key milestones of the budget planning cycle as well as the budget calendar;
- NIP funds have to be included in the Budget Memorandum and ministerial ceilings;
- Planning of NIP in the budget should be undertaken with the same methodological approach as for program budgeting;
- Ministries, as part of the budget sector planning e.g. GOP process, could develop sector investment strategies outlining their needs, priorities and funding timetable

Recommendation No 6: Revise budget calendar and budget process in line with the performance budgeting approach

During the recent years Serbia has done much in reforming its budget planning and execution.

Large improvements have been also transacted through and reflected in the organic budget law – Budget Systems Law – including also improvement in systematic budget planning process and budget planning calendar in particular. Overall changes to the Budget Systems Law show the tendency of improving the budget planning and management in order to improve budget's overall efficiency and strengthen program budgeting and multi-year planning.

It is recommended that key changes in the budget calendar in the medium term should take the following directions:

- budget planning process should be started earlier with 1st draft of Budget Memorandum possibly as early as January;
- there should be several drafts of Budget Memorandum in the process;
- budget calendar needs to envisage necessary time for budget priority setting and policy-oriented ceilings setting;
- budget calendar might also take into account medium term planning perspective

As recognized also in studies funded under the World bank (*Martin Johnson, John Short and Mathew Andrews*) first draft of Budget Memorandum should come much earlier in the budget process, possibly by January 31st.

Budget Memorandum has to become the central budget planning document therefore more drafts than currently used might be necessary. For example first draft of BM discussed on the Government level could include macroeconomic projections, fiscal policy and broad statement of Government's medium term budget priorities. Next draft of Budget Memorandum could come approximately the same date as set in the current calendar by the BSL – April 30th to May 15th. The second BM draft should also include the expenditure ceilings for DBBs set in the process of budget priority selection. Concrete dates depend on the budget priority setting model chosen. However whatever model selected the whole priority selection process if organized effectively and started early (e.g. January) should not take longer than the current date for budget instructions (June 1st).

Budget calendar in the longer term could also take into account medium term dimension e.g. having medium term expenditure ceilings for outer years already in October and starting then the policy review and design phase (suggestion from John Whiteman). However in our opinion these dates should not be reflected in the budget calendar and timing might be to some extent flexible. The most crucial in our opinion remains to start the whole budget process earlier with first draft of Budget memorandum and to undergo the budget priority setting process until June – this would enable to have

hard institutional ceilings ready in time and much more respected than in the current model.

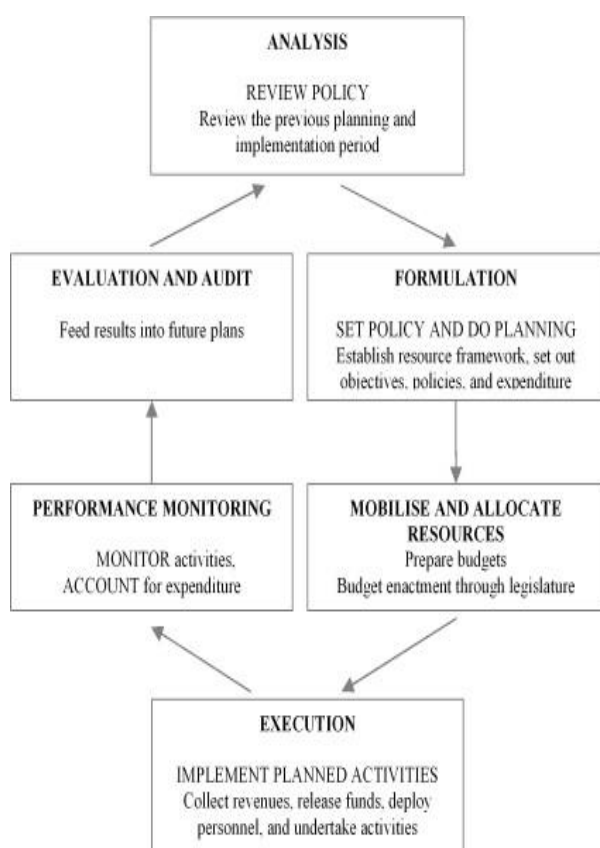
Recommendation No 7: Assess validity of the current dominant and minor programs

When planning the 2010 budget, the current PB 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.

Recommendation No 8: streamline institutional setup and planning functions within the Ministry of Finance and Treasury

While moving to the Program budgeting as the mainstream budget planning approach in Serbia, institutional adjustments will also be necessary within the current setup of the Ministry of Finance and Treasury. According to international classification budget planning cycle MOFT will have to improve its capacity in policy analyses, formulation, monitoring and evaluation stages (see the budget cycle below).

Scheme 3: The budget cycle



In this context three major functions of the budget planning and management will have to be reviewed and appropriate institutional adjustments carried out:

- *Budget strategy formulation:* This would include basically leading the process of drafting the Budget Memorandum and setting the budget priorities. Naturally these functions would fall under the functional realm of the MFAD (however selection and assessment of budget priorities might be a wider inter-institutional issue);
- *Budget planning (mobilize and allocate resources)* – this would include drafting of

budget instructions, setting of ceilings and review of Ministries’ and Agencies’ submissions within the budget process. As Serbia switches to the PB as the overall budget system, the budget function should be located in one institutional structure within the MOFT to exclude overlap and build capacity;

- *Evaluation and monitoring* – this would be the 3rd highly important function for appropriate and successful implementation of the PB reform. It is recommended (and currently the MOFT has such plans) to establish a special unit for this function and locate that into the Treasury framework. We consider this a positive development and also urge Serbian authorities to interlink this with already built capacity for inspection. Evaluation and external audit within the Treasury (on more detailed assessment of this function please refer further in the Review).

Recommendation No 9: Strengthen central support and capacity building for 2008 and 2009 Budget pilot ministries

As 3 year PB reform 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.

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

- 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;
- 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;
- 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;

- New pilots should be exposed to a program budgeting induction training covering basic methodological aspects and using practical examples from the 2008 Budget pilots;
- The new pilots should also receive equally strong central support and capacity building during the whole programming exercise.

Recommendation No 10: start developing effective program monitoring and evaluation systems and capacity

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.

With five program 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 program budgeting in all ministries.

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.

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.

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.

In Serbia, the Ministry of Finance and Treasury has already been undergoing institutional change for some time. With introduction 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:

- 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;
- 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 assessment 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;
- 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;

- Until 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 recommended Program Monitoring and Evaluation Team), the program budgeting reform management function should remain within the Program Monitoring and Evaluation Team, if it is set up.

Ministry specific recommendations

This section summarizes the sector specific recommendations for each of the 5 PB ministries – these could be used as a starting point for discussing potential adjustments to the program structure and contents of the 2010 draft Budget.

It must be noted that all ministries still need to improve the informative quality for most of their programs – hence that issue is not covered by the recommendations presented below.

Education

Ministry of Education is the PB ministry which needs largest improvements to be carried to be on a similar level as most of the PB ministries. Across the PB ministries this year the MOE scores the lowest on the quality of its budget assessment. Currently majority of the MOE programs do not have any output information at all – this should be the first and foremost task for the next planning cycle for the ministry.

Similarly to the previous year it could be recommended that Ministry of Education considers reducing the number of so called minor programs (below 1% of total budget). Currently 20 out of 28 programs are below 1% of the total allocation. 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 (*Program for improvement of education* and *Program for education quality evaluation*).

Health

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 focuses on implementation of program scrutiny and evaluating mechanism with a view to improve contents of programs in terms of objective, impact and output specification.

No major structural changes are recommended for the Ministry.

Public Administration and Local Self Government

As in the previous year overall MPALSG budget is well designed and have a good financial budget structure – with no programs or projects bellow 1% of the total budget. There have been slight improvements in description and output design.

It has to be noted that MPALSG has shown high commitment to the PB reform and in the previous budget cycle has redesigned its special budget into four PB budget programs.

However, likewise the previous year most of these programs score low on program information quality as there is only one output for each of the program (number of tenders organized). We have noted previously that these

programs should reflect all the actual outputs produced like manuals, tender documentation and audits organized. This has to be assessed and reflected in the next budgeting phase.

Additionally we have noted some of these previous special budget programs overlap and program names / areas could be re-assessed. Our assessment suggests that 3 out of 4 of these budget programs overlap to some extent. The only program that fully complies with program budget principles and definition is the one dealing with assistance to local self governments in cases of natural disasters (060203). As it has been noted programs have to be designed so that it includes one output group per program and potentially do not overlap e.g. there could be one sector of LSG support for each program.

We recommend that the current 4 programs – 060201, 060202, 060204, and 060205 – are restructured into 3 programs:

- “Modernization and investment support to LSG infrastructure development”;
- “Development of LSG administrative capacity”;
- “Contingency reserve for LSG support” (includes support for natural disasters”.

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

Religion

Ministry of Religion programs have been substantially improved this year and on program quality they score the highest. Also the financial balance between the programs is quite good - there are no dominant or minor programs.

Performance information quality is quite high except the ministry should also assign base volume information to all outputs - for example most programs (projects) have been indicated increase of outputs by x % but programs do not have the base % or volume (number of training / seminars, etc.) to assess the overall job volume. In particular this would be important when evaluating efficiency and comparing performance between different fiscal years.

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 MoR's main programming unit is a project not program. Closer analysis suggests that in fact

most of the projects currently could be regarded as a natural program level. Dominant part of the MOR projects all have well defined scope, clear objectives, consistent set of outputs and other information - that suggests they in fact are programs. Therefore brief training on the PB basic program design principles might be needed before the next budgeting cycle starts.

Trade and Services

MOTS budget has shown quite an impressive progress in terms of information quality scoring among the best ministries.

However financial balance between the programs is not ideal - out of 13 programs 9 are below 1% of total budget allocation. High number of small programs could be explained by the fact that ministry has one outstanding dominant program 150901 "Commodity reserves /../" that account for 86% of the total budget. If this program have been excluded from the analyses number of fragmented programs would be substantially smaller.

Therefore our previous year recommendation to split this program into several smaller ones is

still very valid. This could be done by splitting the general commodity reserve program by key sectors where state intervention / reserve have been undertaken. 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 stabilization). 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. Program 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 complete 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 programs & 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)	Program outcomes (impact) can be / are defined so

are measurable:

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.

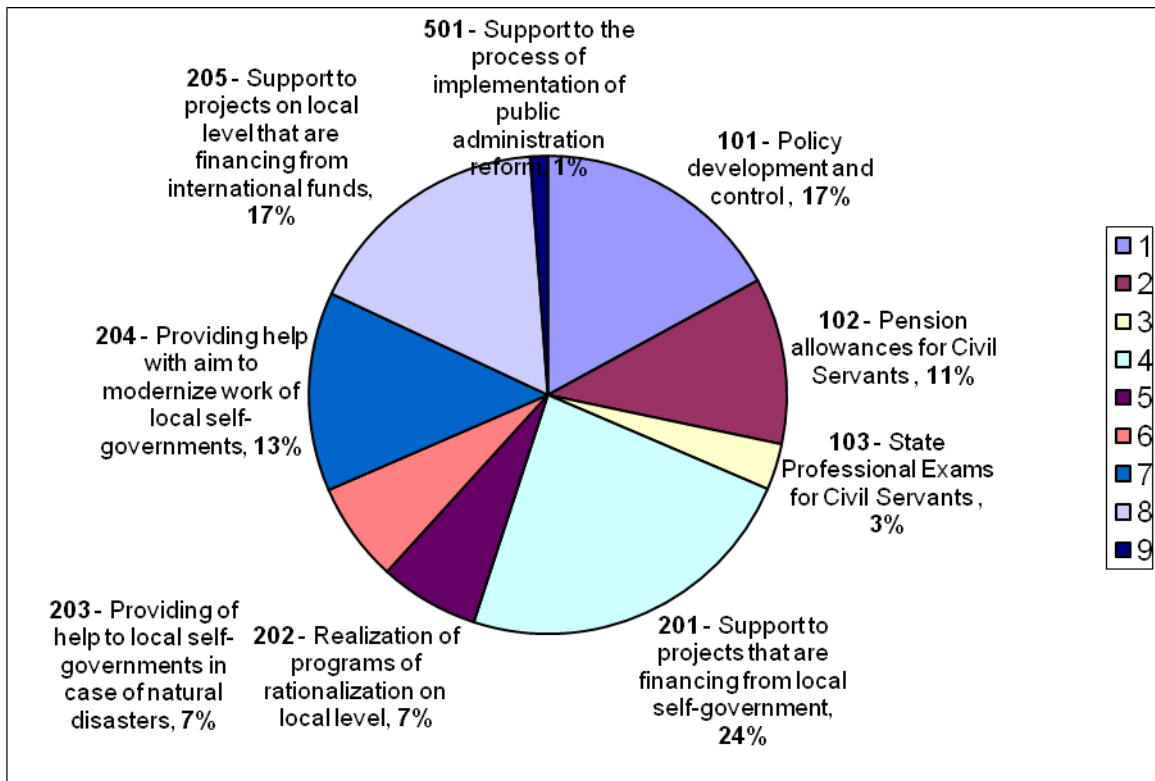
No.	Instructions	Financial plans
Programs		
1	Program code and Title	Program code and title
2	Name of the direct budget beneficiary	-
3	Program description and legal or other basis	Program description and legal basis
4	Links with the goals set in the strategic documents and main programs	Links with strategy
5	Funds needed for implementation of the program	<ul style="list-style-type: none"> ○ Overview of expenditures and costs ○ 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

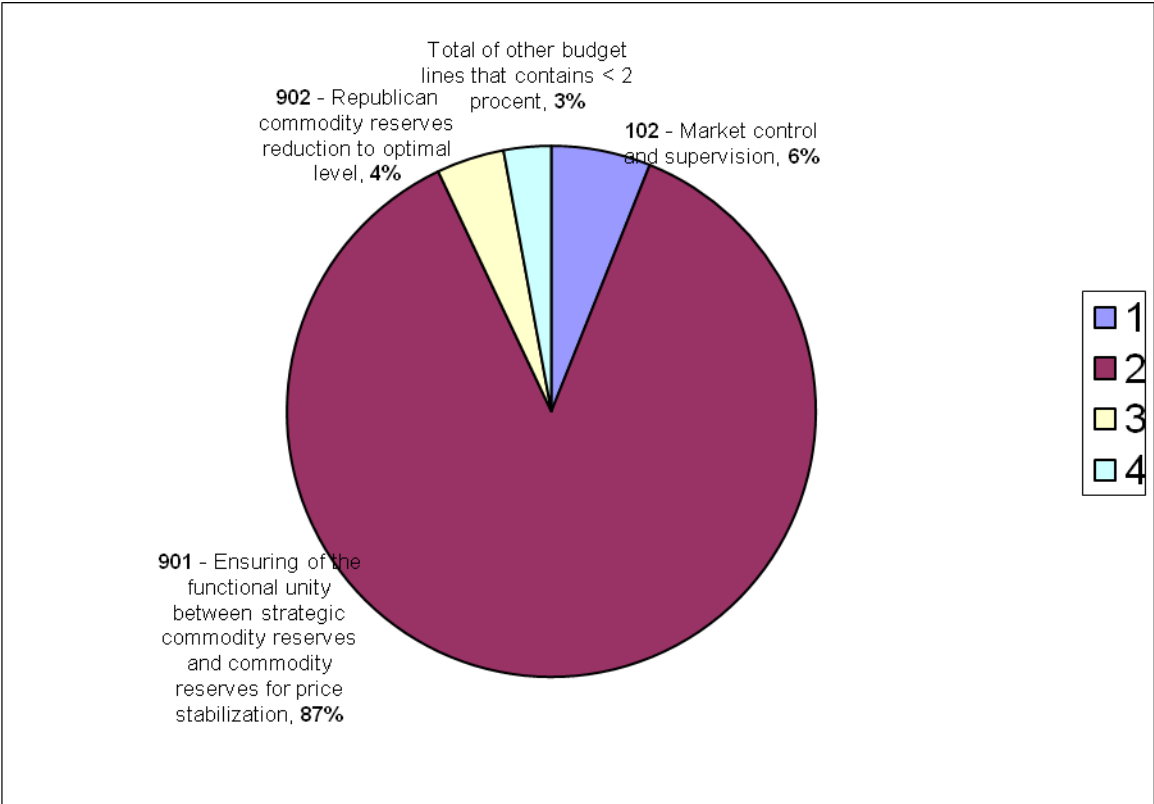
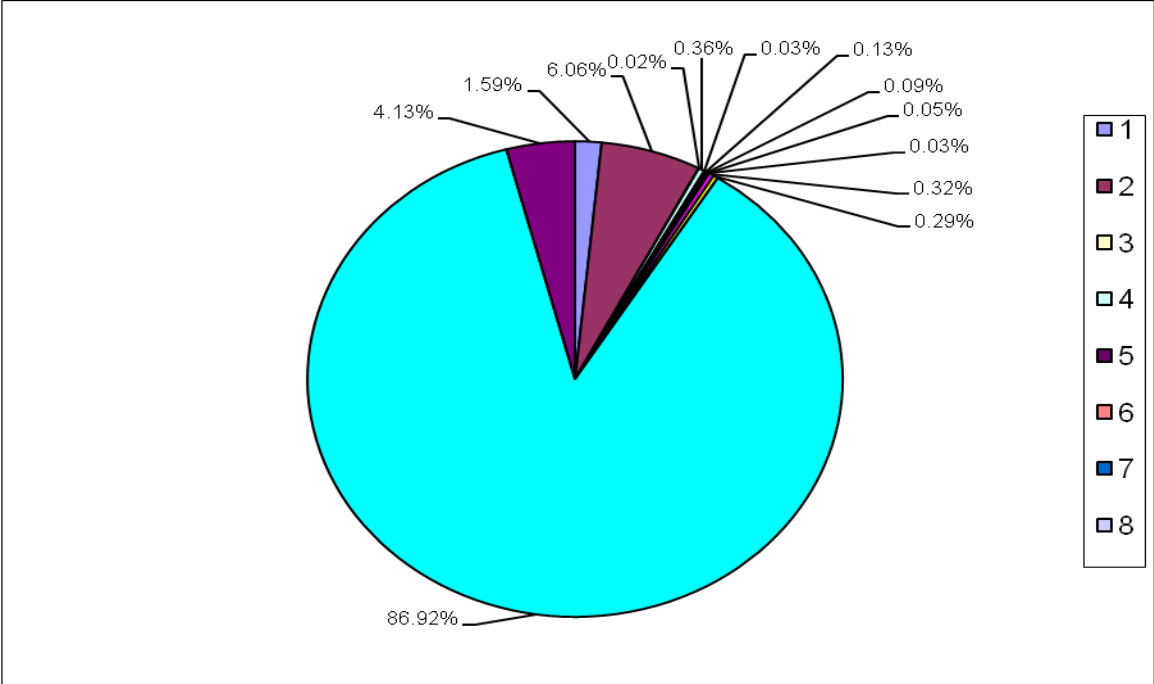
Ministry of Public Administration and Local Self-Governments

Main program	Program	Project	Description	Budget funds	Other sources	Total funds	%
601			Policy development, coordination and supervision in the area of public administration and local self-government	294.141.000	32.500.000	326 641 000.00	
	101		Policy development and control	177.141.000		177 141 000.00	17.05
	102		Pension allowances for Civil Servants	117.000.000		117 000 000.00	11.26
	103		State Professional Exams for Civil Servants		32.500.000	32 500 000.00	3.13
602			Development and other programmes in the area of local self government (lsg)		700.000.000	700 000 000.00	
	201		Support to projects that are financing from local self-government		245.000.000	245 000 000.00	23.58
	202		Realization of programs of rationalization on local level		70.000.000	70 000 000.00	6.74
	203		Providing of help to local self-governments in case of natural disasters		70.000.000	70 000 000.00	6.74
	204		Providing help with aim to modernize work of local self-governments		140.000.000	140 000 000.00	13.47
	205		Support to projects on local level that are financing from international funds		175.000.000	175 000 000.00	16.84
605			Implementation of programmes in the area of public administration (central level)		12.400.000	12 400 000.00	
	501		Support to the process of implementation of public administration reform		12.400.000	12 400 000.00	1.19
		1	Support to process of implementation of public administration reform – second phase		12.400.000	12 400 000.00	
TOTAL:				294.141.000	744.900.000	1 039 041 000.00	100.00
PROPOSED BUDGET CEILINGS:				282.141.000			
OTHER REVENUES:					744.900.000		



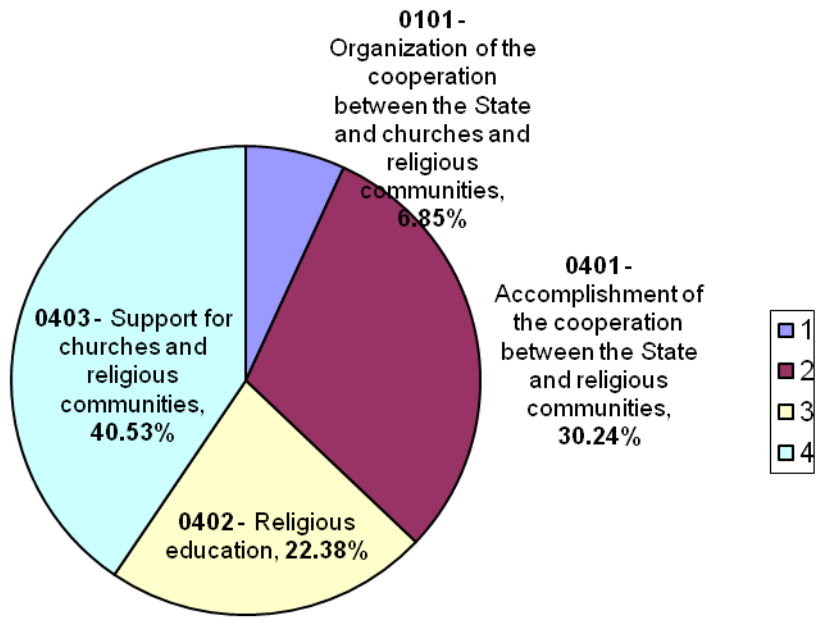
Ministry of Trade and Services

Main Program	Program	Project	Description	Budget resources	Other sources of financing	Total	%
1501			SYSTEM ORGANISATION AND SUPERVISION IN THE FIELD OF ECONOMY, TRADE AND SERVICES	924.737.000		924 737 000.00	
	101		System organization in the field of trade and services	183.212.000		183 212 000.00	1.59
	102		Market control and supervision	698.525.000		698 525 000.00	6.06
	103		Establishment of the contemporary organized market of services	2.000.000		2 000 000.00	0.02
	104		Improvement of the contemporary organized market of goods	41.000.000		41 000 000.00	0.36
1502			ENCOURAGEMENT AND SUPPORT IN THE FIELD OF TRADE AND SERVICES	74.806.000		74 806 000.00	
	201		Improvement of the consumer's protection in the Republic of Serbia	4.000.000		4 000 000.00	0.03
	202		Encouragement and support of Serbian companies sale in international market	14.500.000		14 500 000.00	0.13
	203		Connection of subjects from the field of services in clusters	10.000.000		10 000 000.00	0.09
	204		Ensuring of EU quality standards for products and services	5.500.000		5 500 000.00	0.05
	205		Implementation of the Stabilization and Association Agreement	3.500.000		3 500 000.00	0.03
	206		Improvement of the consumer's protection of goods in the Republic of Serbia	37.306.000		37 306 000.00	0.32
1504			PROMOTION OF TRADE	33.000.000		33 000 000.00	
	401		Building and marketing positioning of the National brand of the Serbia	33.000.000		33 000 000.00	0.29
1509			ORGANIZATION OF THE COMMODITY RESERVES SYSTEM	4.395.627.000	6.104.980.000	10 500 607 000.00	
	901		Ensuring of the functional unity between strategic commodity reserves and commodity reserves for price stabilization	4.179.627.000	5.844.480.000	10 024 107 000.00	86.92
	902		Republican commodity reserves reduction to optimal level	216.000.000	260.500.000	476 500 000.00	4.13
TOTAL:				5.428.170.000	6.104.980.000	11 533 150 000.00	100.00
PROPOSED BUDGET CEILINGS:				2.841.167.000			
OTHER REVENUE:					6.104.980.000		



Ministry of Religion

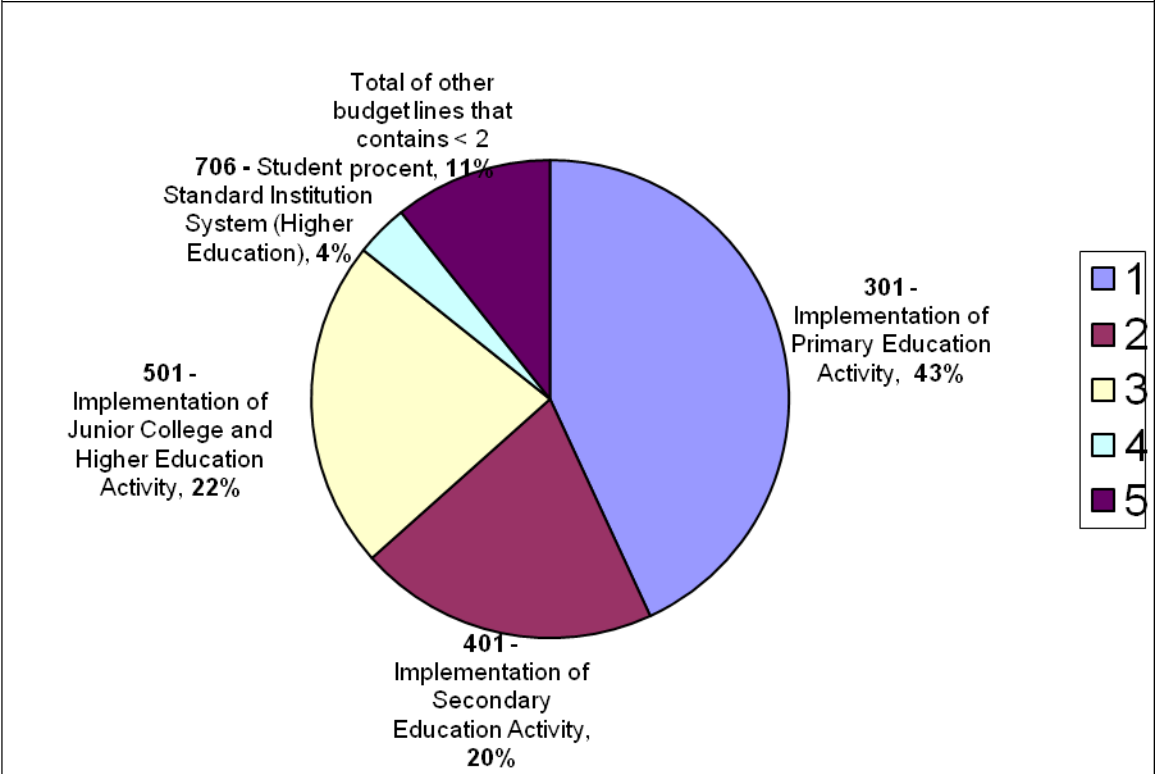
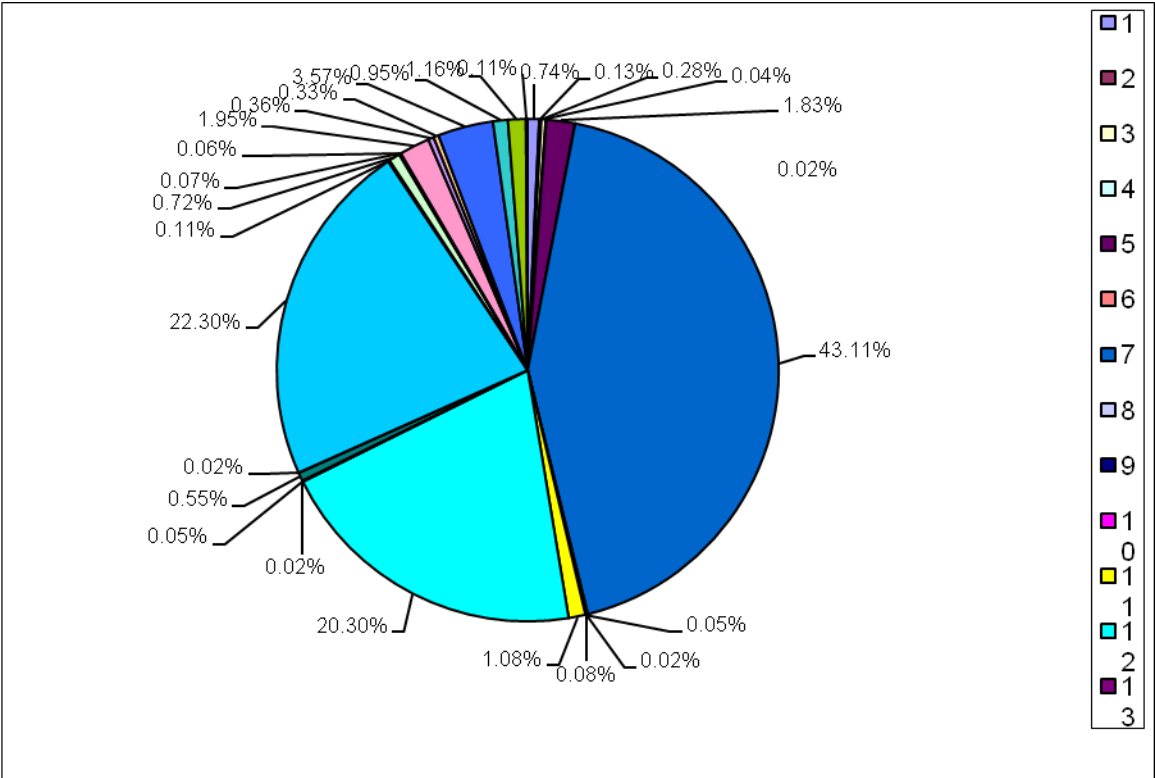
Main program	Program code	Project code	DESCRIPTION	Budget resources	Other sources of financing	Total	%
1901			Organization and monitoring of the system of culture, NGOs and religious communities	56.631.000		56 631 000.00	6.85
	0101		Organization of the cooperation between the State and churches and religious communities	56.631.000		56 631 000.00	6.85
1904			Support to religious and other special communities	770.000.000		770 000 000.00	93.15
	0401		Accomplishment of the cooperation between the State and religious communities	250.000.000		250 000 000.00	30.24
		0001	Promotion of religious culture, religious liberties and tolerance	60.000.000		60 000 000.00	7.26
		0002	Protection of religious, cultural and national identity	190.000.000		190 000 000.00	22.98
	0402		Religious education	185.000.000		185 000 000.00	22.38
		0001	Secondary education	110.000.000		110 000 000.00	13.31
		0002	Higher theological education	75.000.000		75 000 000.00	9.07
	0403		Support for churches and religious communities	335.000.000		335 000 000.00	40.53
		0001	Assistance for construction, maintenance, emergency rehabilitation and reconstruction of churches in underdeveloped areas	160.000.000		160 000 000.00	19.36
		0002	Support to priesthood and monkhood in Kosovo and Metohija	55.000.000		55 000 000.00	6.65
		0003	Support to priests, monks and religious officials in coterminous and economically undeveloped area and regarding contributions for pension – disability and health insurance	120.000.000		120 000 000.00	14.52
TOTAL:				826.631.000		826 631 000.00	100.00
PROPOSED BUDGET CEILINGS:				826.631.000			
OTHER EXPENDITURES:							



Ministry of Education

Main Programme	Programme	Project	DESCRIPTION	Budget	Other sources	Total	%
2001			Organization and supervision of the education system	1.725.772.000	31.940.000	1 757 712 000.00	
	101		Organization and supervision of the education system	1.080.867.000	10.000.000	1 090 867 000.00	0.74
		1	Educational political analysis	100.000.000		100 000 000.00	
	102		Establishment of the legislative framework and monitoring of the education development at all levels	178.970.000	16.940.000	195 910 000.00	0.13
	103		Promotion of education	413.060.000	1.000.000	414 060 000.00	0.28
	104		Education quality evaluation	52.875.000	4.000.000	56 875 000.00	0.04
2002			The care and education of preschool children	2.717.170.000		2 717 170 000.00	
	201		Four hours preparatory preschool programme	2.692.170.000		2 692 170 000.00	1.83
	202		Professional development of employees in pre-school institutions	25.000.000		25 000 000.00	0.02
2003			Primary Education	54.719.805.000	10.600.977.000	65 320 782 000.00	
	301		Implementation of Primary Education Activity	53.569.673.000	9.932.067.000	63 501 740 000.00	43.11
	302		Supplementary School in Foreign Countries	122.725.000		122 725 000.00	0.08
	303		Student Competitions	22.678.000		22 678 000.00	0.02
	304		Professional Teacher Training for Staff in Primary Schools	79.500.000		79 500 000.00	0.05
	305		Improvement of Primary School Infrastructure	925.229.000	668.910.000	1 594 139 000.00	1.08
2004			Secondary Education	25.712.585.000	5.117.513.000	30 830 098 000.00	
	401		Implementation of Secondary Education Activity	25.039.235.000	4.856.463.000	29 895 698 000.00	20.30
	402		Student Competitions	28.000.000		28 000 000.00	0.02
	403		Work with Talented and Gifted Students	75.000.000		75 000 000.00	0.05
	404		Improvement of Secondary School Infrastructure	545.000.000	261.050.000	806 050 000.00	0.55
	405		Professional Teacher Training for Staff in Secondary Schools	25.350.000		25 350 000.00	0.02
2005			Higher Education	24.990.059.000	9.074.951.000	34 065 010 000.00	
	501		Implementation of Junior College and Higher Education Activity	24.160.329.000	8.689.451.000	32 849 780 000.00	22.30
	502		International Cooperation, Student and Language Instructors Exchange	154.730.000		154 730 000.00	0.11
	503		Improvement of Higher Education Institution Infrastructure	675.000.000	385.500.000	1 060 500 000.00	0.72
2007			Supporting Education Services	10.241.133.000	2.360.244.000	12 601 377 000.00	

701	Support to the realization of the process of teaching at the territory of the AP KiM	85.600.000		85 600 000.00	0.06
702	Support to the realization of the process of teaching at the territory of the AP KiM (Secondary Education)	101.092.000		101 092 000.00	0.07
703	Student Standard Institution System (Secondary Education)	2.448.855.000	421.320.000	2 870 175 000.00	1.95
704	Improvement of Student Standard Infrastructure	470.000.000	63.915.000	533 915 000.00	0.36
705	Individual Student Assistance (Higher Education)	489.989.000		489 989 000.00	0.33
706	Student Standard Institution System (Higher Education)	4.294.961.000	961.012.000	5 255 973 000.00	3.57
707	Improvement of Student Standard Institution Infrastructure	670.000.000	732.000.000	1 402 000 000.00	0.95
708	Individual Student Assistance (Secondary Education)	1.552.400.000	150.000.000	1 702 400 000.00	1.16
709	Improvement of Students creative work	128.236.000	31.997.000	160 233 000.00	0.11
TOTAL:		120.106.524.000	27.185.625.000	147 292 149 000.00	100.00
THE PROPOSED BUDGET CEILINGS:		33.065.001.519			
OTHER REVENUE:			27.185.625.000		

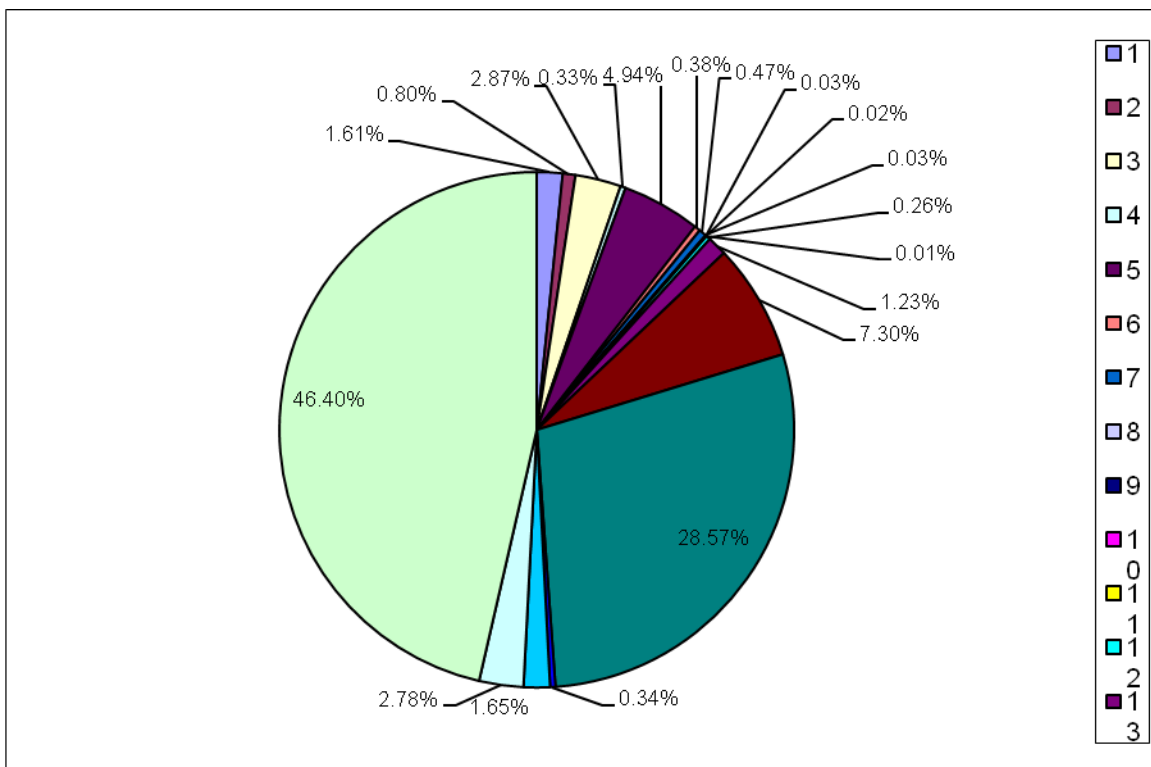
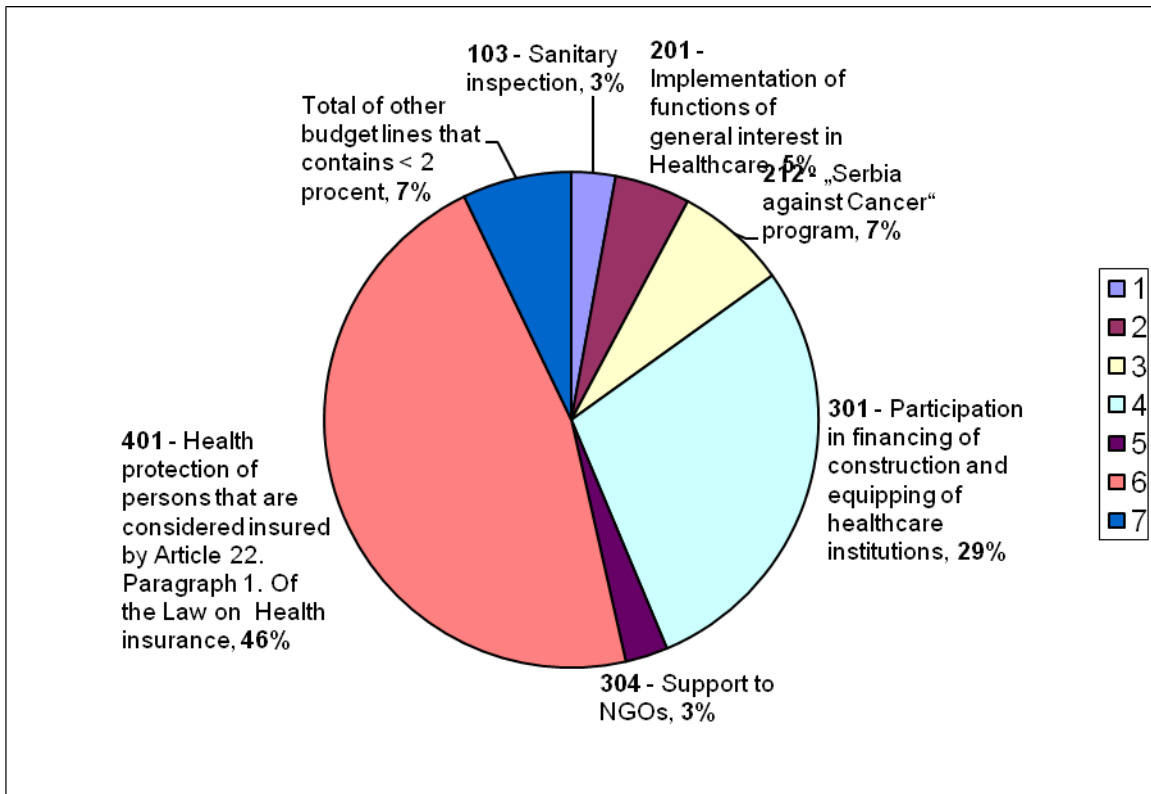


Ministry of Health

Main Program	Program	Project	Description	Budget Resources	Other sources of financing	Total	%
1801			ORGANIZATION AND SUPERVISION IN THE HEALTHCARE AREA	822.416.000	144.300.000	966 716 000.00	5.61
	101		Organization of Healthcare system	269.902.000	8.000.000	277 902 000.00	1.61
	102		Inspection and monitoring of healthcare institutions	102.189.000	35.000.000	137 189 000.00	0.80
	103		Sanitary inspection	395.218.000	100.000.000	495 218 000.00	2.87
	104		Medicines and drug control	55.107.000	1.300.000	56 407 000.00	0.33
1802			PREVENTIVE HEALTH PROTECTION	1.090.398.000	1.437.557.000	2 527 955 000.00	14.66
	201		Implementation of functions of general interest in Healthcare	850.998.000		850 998 000.00	4.94
	202		Encouraging activities to promote voluntary blood donation on a mass scale	65.000.000		65 000 000.00	0.38
	203		Health protection of individuals serving prison sentences and enforcement of safety measures of compulsory psychiatric care and treatment, and Health protection of individuals with unknown residence	81.000.000		81 000 000.00	0.47
	204		Implementation of public health program in the function of the Institute for Biocides	4.500.000		4 500 000.00	0.03
	205		Implementation of the public health program in the function of the Institute for Antirabic Protection (protection from rabidity) "Luj Paster" Novi Sad	3.300.000		3 300 000.00	0.02
	206		Implementation of public health programs in the function of The Institute of Virology, vaccines and serra "torlak"	4.500.000		4 500 000.00	0.03
	209		Implementation of public health program in the function of the Institute of Occupational Health of Serbia	2.000.000		2 000 000.00	0.01
	210		Programs for improvement of health of specific population groups	45.500.000		45 500 000.00	0.26
		4	Implementation of the Plan on Healthcare of the Roma	25.000.000		25 000 000.00	0.14
		5	Implementation and development of special healthcare programs	7.000.000		7 000 000.00	0.04
		23	Voluntary and confidential counseling and testing on HIV	1.700.000		1 700 000.00	0.01

	26	Conducting the Program for increasing the birth rate, improving reproductive health and family planning	4.300.000		4 300 000.00	0.02
	27	Youth suicide and violence prevention	4.000.000		4 000 000.00	0.02
	28	Improving the health and health protection of the women in menopause	1.500.000		1 500 000.00	0.01
	29	Prevention of Obesity in Children and Youth	2.000.000		2 000 000.00	0.01
	211	Improving health of the population regarding diseases of the socio-medical importance	25.100.000	187.557.000	212 657 000.00	1.23
	1	Controlling TB through implementing strategy of Directly Observed Therapy	500	16.566.000	17 066 000.00	0.10
	2	Upgrading national response to HIV/AIDS		170.991.000	170 991 000.00	0.99
	3	Implementing National program on prevention of narcotics and alcohol abuse	14.500.000		14 500 000.00	0.08
	22	Early detection and prevention of type 2 diabetes by Primary Healthcare in Serbia	2.000.000		2 000 000.00	0.01
	30	Preventing Blindness in premature infants in Serbia	6.100.000		6 100 000.00	0.04
	31	Developing National Program for prevention of trauma and improvement of treatment of traumatized and injured patients	2.000.000		2 000 000.00	0.01
	212	„Serbia against Cancer“ program	8.500.000	1.250.000.000	1 258 500 000.00	7.30
	9	Activities of the Office for tobacco control on the prevention of smoking related diseases		40.000.000	40 000 000.00	0.23
	11	Improving the healthcare by providing drugs and medical supplies		610.000.000	610 000 000.00	3.54
	12	Improving the healthcare by providing medical equipment for tobacco related diseases		600.000.000	600 000 000.00	3.48
	24	Support to implementation of the National Program of Oncological Healthcare – „Serbia against Cancer“	2.000.000		2 000 000.00	0.01
	25	Support to implementation of the Program for Prevention, early detection and treatment of the cervical, breast and colorectal cancer	6.500.000		6 500 000.00	0.04
	1803	IMPROVEMENT OF TREATING CONDITIONS	1.939.519.000	3.808.833.000	5 748 352 000.00	33.34
	301	Participation in financing of construction and equipping of healthcare institutions	1.831.519.000	3.095.467.000	4 926 986 000.00	28.57

	6	Building and equipping State owned Healthcare institutions founded by the Republic of Serbia	1.090.000.000		1 090 000 000.00	6.32
	7	Building and equipping Healthcare institutions on the local level	88.000.000		88 000 000.00	0.51
	8	Project "Health Development in Serbia"	33.198.000	263.320.000	296 518 000.00	1.72
	10	Project "Energy Efficiency"	79.760.000	432.147.000	511 907 000.00	2.97
	14	EIB Project "Reconstruction of 4 clinical centers (Belgrade, Nis, Novi Sad and Kragujevac)	540.561.000	2.400.000.000	2 940 561 000.00	17.05
302		Improvement of services for transfusion and transplantation	58.000.000		58 000 000.00	0.34
	13	Providing of conditions for haematopoietic stem cells transplantation for children in Serbia	40.000.000		40 000 000.00	0.23
	17	Providing of conditions for transfusion and transplantation for adults	18.000.000		18 000 000.00	0.10
303		Improvement of the quality of work in the healthcare system	34.000.000	250.366.000	284 366 000.00	1.65
	15	Starting Agency for Accreditation of Healthcare Institutions	34.000.000		34 000 000.00	0.20
	21	World Bank Project „Delivery of Improved Local Services (DILS)“ in Serbia		250.366.000	250 366 000.00	1.45
304		Support to NGOs	16.000.000	463.000.000	479 000 000.00	2.78
	16	Encouraging activities of professional organizations, councils and associations	6.000.000		6 000 000.00	0.03
	18	Activities of the Serbian Society for fight against cancer		20.500.000	20 500 000.00	0.12
	19	Activities of Fund for clinical treatment and therapy of HIV infected patients and patients with AIDS		20.000.000	20 000 000.00	0.12
	20	Activities of the Red Cross of Serbia	10.000.000	422.500.000	432 500 000.00	2.51
1804		PROVIDING OF COMPULSORY HEALTH INSURANCE FOR PERSONS WITHOUT OWN REVENUES	8.000.000.000		8 000 000 000.00	46.40
401		Health protection of persons that are considered insured by Article 22. Paragraph 1. Of the Law on Health insurance	8.000.000.000		8 000 000 000.00	46.40
		TOTAL:	11.852.333.000	5.390.690.000	17 243 023 000.00	100.00
		PROPOSED BUDGET CEILINGS:	7.585.752.000			
		OTHER REVENUES:		5.390.690.000		



Annex 4: Assessment of Ministry Programs

Ministry of Trade and Services

- - compliant (1 point score)
- - partly compliant (0.5 score)
- x - not compliant (0 score)
- ↓ - quality of the program has worsened
- = - quality of the program is the same
- ↑ - quality of the program has improved

Code	Budget Program	CRITERIA									Total score	Change
		Year	1	2	3	4	5	6	7			
150101	System organization in the field of trade and services	2008	●	●	●	○	●	○	x		5	↑
		2009	●	●	●	○	●	○	○		5.5	
150102	Market control and supervision	2008	●	●	●	●	●	○	x		5.5	↑
		2009	●	●	●	●	●	○	○		6	
150103	Establishment of contemporary organized market of services	2008	x	○	●	○	○	○	○		3.5	↑
		2009	○	●	●	○	○	○	○		4.5	
150104	Improvement of contemporary organized market of goods	2008	x	○	●	○	○	○	○		3.5	↑
		2009	○	●	●	○	○	○	○		4.5	
150201	Improvement of the consumer's protection in the Republic of Serbia	2008	●	●	●	●	○	●	○		6	↓
		2009	●	●	●	○	x	○	○		4.5	
150202	Encouragement and support of Serbian companies' sales in international market	2008	○	●	●	○	○	x	○		4	↓
		2009	x	○	○	x	○	x	○		2	
150203	Connection of subjects from the field of services in clusters	2008										NA
		2009	●	●	●	●	○	●	●		6.5	
150204	Ensuring of EU quality standards for products and services	2008	●	●	●	○	○	●	○		5.5	=
		2009	●	●	●	○	○	●	○		5.5	
150205	Implementation of the Stabilization and Association Agreement	2008										NA
		2009	●	●	●	○	○	○	○		5	
150206	Improvement of protection of consumers of goods in Republic of Serbia	2008										NA
		2009	●	●	●	○	x	○	○		4.5	
150401	Building and marketing positioning of the National brand of the Serbia	2008	○	●	●	○	○	●	○		5	↑
		2009	●	●	●	●	○	○	○		5.5	
150901	Ensuring of the functional unity between strategic and price stabilization commodity reserves	2008	○	○	○	x	○	○	○		3	↑
		2009	●	●	○	x	●	x	○		4	
150902	Organization of the storage capacities of the Republican Directorate for Commodity Reserves at optimal level	2008	○	○	○	x	○	○	○		3	↑
		2009	●	●	○	x	○	x	○		3.5	
AVERAGE										2008	3.95	
										2009	4.73	

Budget Programmes		Year	Comments
150101	System organization in the field of trade and services	2008	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 <i>Market control and supervision</i>)
		2009	The programme quality is similar to the previous year, except objectives have been formulated better. More attention have to be paid to assigning volume information to outputs which currently are not measured and resemble objectives
150102	Market control and supervision	2008	Good example for a PB programme, except objectives defined as activities and not measurable
		2009	Objectives of the programme have been improved; the programme also covers wide range of relevant outputs – however they are not measured. Measurement of outputs provides basis for assessing ministry budget needs in the budget process and is highly relevant in reporting and evaluation stage
150103	Establishment of contemporary organized market of services	2008	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
		2009	Programme has been slightly improved in terms of defining outputs – however they are not measured again (as the previous programme), they are too numerous (should list just the key 5-10 maximum) and concept of volume indicators are not understood fully. Ministry apparently needs training on PB methodology and definition of outputs. Some of the programme activities and outputs might better be included in some other budget programmes (legislation of EU standards (1st budget programme), fair exhibitions, etc.
150104	Improvement of contemporary organized market of goods	2008	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
		2009	It is clear that MOTS has tried to improve the programme quality – it is also evidenced by having 2 separate budget programmes instead of one in the current (2008) budget. However MOTs still have some confusion over the basic terms of PB methodology mixing outputs, outcomes, volume indicators and objectives. For example MOTS has 14 objectives which comprise also outputs and outcomes. Usually objectives should not be more than three otherwise it should be reconsidered for example to divide the programme into several. Volume information for outputs (specific indicator for each output) also need to be assigned.
		2008	Good quality programme, the only remark refers to implementation of the programme – implementation method

150201	Improvement of protection of consumers of goods in Republic of Serbia		should be elaborated more, e.g. is the training going to 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
		2009	Programme has to be better coordinated (to exclude overlap) with programme 150206 "Improvement of the consumers protection of goods in Republic of Serbia". Possibly both budget programmes have to be merged. Programme covers wide range of relevant outputs – however they are not measured. Measurement of outputs provides basis for assessing ministry budget needs in the budget process and is highly relevant in reporting and evaluation stage.
150202	Encouragement and support of Serbian companies' sales in international market	2008	From 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
		2009	Programme quality has decreased – programme description is quite vague, it is almost impossible to understand what activities the programme will fund (export support, fair exhibitions). Outputs are not defined (as "output indicators" are defined quite broad outcomes which are influenced by the programme just indirectly)
150203	Connection of subjects from the field of services in clusters	2008	-
		2009	High quality programme. Few remarks relate to assigning volume information to all outputs and formulation of objectives – objectives of the programme should not be more than 2-3 (maximum). In this case most of the specific objectives might be reformulated as outputs
150204	Ensuring of EU quality standards for products and services	2008	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 <i>Encouragement and support of Serbian companies sales on international markets</i>
		2009	Programme quality is similar to the current budget, outputs might be reconsidered (e.g. "Institution of National Brand established" has been an output already in 2008 y. Budget, "competitiveness increased" is rather outcome than output)
150205	Implementation of the Stabilization and Association Agreement	2008	-
		2009	Programme potentially covers consistent set of outputs and have good grounding. However outputs might be reconsidered by having just the key ones, not including outcomes and assigning output volume information ((e.g. number of trainings and workshops have to be quantified). Also objectives 2-5 should be reformulated as outputs or / and integrated into descriptive part.
150206	Improvement of the consumers protection of goods in Republic of Serbia	2008	-
		2009	Programme has to be better coordinated (to exclude overlap) with programme 150201 "Improvement of the consumer's protection in the Republic of Serbia". Possibly both budget programmes have to be merged. Some of the outputs and activities included under this programme are also indicated under the programme 150201 (training, institutional development, development of advisory institutions and arbitrage centres, etc.)
150401	Building and marketing positioning of the National brand of the Serbia	2008	Good PB programme. More clear distinction however should be between this and previous budget programme. Also method of implementation of the programme should be more clear
		2009	Programme description and outputs defined have been improved improving overall quality of the programme. To improve it further outputs might be reassessed and assigned with volume information
150901	Ensuring of the functional unity between strategic and price stabilization commodity reserves	2008	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.
		2009	Programme has been improved in its descriptive and objectives part – however outputs are not yet defined. MOTS has integrated its former programme "Organization of the commodity reserves system" into programmes 150901 and 150902 which has been a positive achievement
150902	Organization of the storage capacities of the Republican Directorate for Commodity Reserves at optimal level	2008	The descriptive part specifies what activities will be carried under the programme, most of this could be reformulated as outputs (like building of xx new reservoirs, adjustment / reconstruction of xx reservoirs, reconstruction of mills, etc.)
		2009	Programme has been improved in its descriptive and objectives part – however outputs are not yet defined

Ministry of Education

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

Code	Budget Program	CRITERIA							Total score	Change	
		Year	1	2	3	4	5	6			7
200101	Education Sector Regulation and Monitoring	2008	●	●	x	x	○	x	○	3	↓
		2009	●	●	x	x	○	x	○	3	
200102	Definition of Legal Framework and Monitoring Development of Education in All Segments of Education	2008	○	○	x	x	○	x	○	2	↓
		2009	x	○	x	x	○	x	○	1,5	
200103	Improvement of Education	2008	○	○	x	x	○	x	○	2	↓
		2009	x	○	x	x	○	x	○	1,5	
200104	Education Quality Evaluation	2008	○	○	○	x	○	x	○	2,5	↓
		2009	x	○	x	x	○	x	○	1,5	
200201	Four-Hour Preparatory Pre-School Program	2008	●	●	●	○	●	●	●	6,5	NA
		2009									
200202	Professional Teacher Training for Staff in Pre-School Institutions	2008	●	●	●	○	●	○	●	5,5	↑
		2009	●	●	●	○	●	○	●	6	
200301	Implementation of Primary Education Activity	2008	●	●	●	○	●	○	○	5,5	↓
		2009	○	●	●	○	●	○	○	5	
200302	Supplementary School in Foreign Countries	2008	●	●	●	○	●	○	○	5,5	↓
		2009	○	●	●	○	●	○	○	5	
200303	Pupil Competitions	2008	●	●	●	○	●	○	○	6	↓
		2009	○	●	●	○	●	○	○	5	
200304	Professional Teacher Training for Staff in Primary Schools	2008	●	○	○	x	●	○	○	4,5	↓
		2009	○	○	○	x	●	○	○	3,5	
200305	Improvement of Primary School Infrastructure	2008	●	●	○	x	○	○	○	4	↓
		2009	○	●	x	x	○	○	○	3	
200401	Implementation of Secondary Education Activity	2008	●	●	●	○	●	○	○	5,5	↓
		2009	●	●	○	○	●	○	○	5	
200402	Pupil Competitions	2008	●	●	●	○	●	○	○	6	↓
		2009	○	●	●	○	●	○	○	5	
200403	Work with Talented and Gifted Students	2008	○	●	●	○	●	○	○	5	↓
		2009	○	●	●	○	●	○	○	5	
200404	Improvement of Secondary School Infrastructure	2008	●	●	○	x	○	○	○	4	↑
		2009	●	●	○	x	●	○	○	4,5	
200405	Professional Teacher Training for Staff in Secondary Schools	2008	○	○	○	○	●	○	○	4,5	↓
		2009	○	○	○	○	●	○	○	4	
200501	Implementation of Junior College and Higher Education Activity	2008	●	●	●	○	○	○	○	5	↓
		2009	●	●	○	○	○	○	○	4,5	
200502	International Cooperation, Student and Language Instructors Exchange	2008	●	●	●	○	○	○	○	5,5	↓
		2009	x	x	x	x	○	x	x	0,5	
200503	Improvement of Higher Education Institution Infrastructure	2008	●	●	○	x	○	○	○	4	↓
		2009	x	x	x	x	x	x	x	0	
200701	Support for Implementation of Education on Territory of Kosovo and Metohija (Elementary Education)	2008	●	●	●	○	○	○	○	5	↓
		2009	○	●	○	○	○	○	○	4	
200702	Support for Implementation of Education on Territory of Kosovo and Metohija (Secondary Education)	2008	●	●	●	○	○	○	○	5	↓
		2009	●	●	○	○	○	○	○	4,5	
200703	Student Standard Institution System (Secondary Education)	2008	●	○	○	○	○	○	●	5,5	=
		2009	●	○	●	○	●	○	●	5,5	
200704	Improvement of Student Standard Institution Infrastructure	2008	○	○	●	x	●	○	●	4,5	=
		2009	○	○	●	x	●	○	●	4,5	
200705	Individual Student Assistance (Secondary Education)	2008	●	○	●	○	●	●	●	6	=
		2009	●	○	●	○	●	●	●	6	
200706	Student Standard Institution System (Higher Education)	2008	○	○	●	○	●	●	●	5,5	↑
		2009	●	○	●	○	●	●	●	6	
200707	Improvement of Student Standard Infrastructure	2008	○	○	●	x	●	○	○	4	↑
		2009	○	○	●	x	●	○	○	4	
200708	Individual Student Assistance (Higher Education)	2008	●	○	●	○	●	○	○	5	=
		2009	●	○	●	○	●	○	○	5	
200709	Improvement of Students Creativity	2008	●	●	●	○	●	○	●	6	=
		2009	●	●	●	○	●	○	●	6	
AVERAGE									4,75		

Budget Programs		Y	Comments
200101	Education Sector Regulation and Monitoring	2008	No outputs defined which is the basis for any good PB program
		2009	Same text except modification of Legal Basis which is now not consistent with the text within Program Description!!
200102	Definition of Legal Framework and Monitoring Development of Education in All Segments of Education	2008	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.
		2009	Clarity and description of the program is worse as in 2008 budget. Description gives very little information about the program. Text is describing the working process of the Education Council (...council prepares procedures about its own work...) but it does not tell us what this program does.
200103	Improvement of Education	2008	No outputs defined. Program in could have potential overlap with the next budget program since improvement is closely related (based on) quality assessment.
		2009	Clarity and description of the program is worse as in 2008 budget.
200104	Education Quality Evaluation	2008	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.
		2009	Similar as in previous programs, clarity and description of the program is worse as in 2008 budget. Additionally indicator was changed to worse.
200201	Four-Hour Preparatory Pre-School Program	2008	Good PB program example. In the future outputs could be more elaborated e.g. several outputs reflecting major groups of beneficiaries of the program.
		2009	Description of program is missing!!!
200202	Professional Teacher Training for Staff in Pre-School Institutions	2008	More outputs could be elaborated, e.g. by types of major training courses or recipients.
		2009	Improvement! Suggestion: Most of the text within <i>Program Objective</i> could go to <i>Program Description</i> .
200301	Implementation of Primary Education Activity	2008	Outputs could be more elaborated, objectives more related to the concrete targets of the primary education (more concrete).
		2009	Very sound description of the program was changed into description of economic item (Salaries).
200302	Supplementary School in Foreign Countries	2008	Outputs could be more elaborated, e.g. outputs related to different types of courses taught could be elaborated.
		2009	Very sound text of program objectives and program goals was awkwardly changed to worse.
200303	Pupil Competitions	2008	Outputs well formulated.
		2009	Very sound text of program objectives and program goals was awkwardly changed to worse (including outputs)
200304	Professional Teacher Training for Staff in Primary Schools	2008	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.)
		2009	Program description is exactly the same text as in program objectives of the 0202 program!!!
200305	Improvement of Primary School Infrastructure	2008	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).
		2009	Description of objectives, program description and description of outputs is worse than in 2008 budget.
200401	Implementation of Secondary Education Activity	2008	Outputs could be more elaborated, objectives more related to the concrete targets of the secondary education (more concrete).
		2009	Improved program objectives, unfortunately this is not the case for program outputs!
200402	Pupil Competitions	2008	Outputs well formulated.
		2009	Quality of the description and of outputs went down!
200403	Work with Talented and Gifted Students	2008	Program objectives should be made more clear and specific in relation to secondary education. If possible, outputs could also cover number of courses for each priority sector in the program (IT, cultural, science, etc.) to see allocation of resources for different sectors.
		2009	Quality of the description and of outputs went down! (but same score)

Ministry of Religion

- - compliant (1 point score)
- - partly compliant (0.5 score)
- x - not compliant (0 score)
- ↓ - quality of the programme has worsened
- = - quality of the programme is the same
- ↑ - quality of the programme has improved

Code	Budget Program	Year	CRITERIA							Total score	Change
			1	2	3	4	5	6	7		
190101	Organization of cooperation between State and churches and religious communities*	2008	○	x	○	x	○	○	○	2.5	=
		2009	○	x	○	x	○	○	○	2.5	
190401	Accomplishment of cooperation between State and religious communities***										
01	Promotion of religious culture, religious liberties and tolerance**	2008	○	○	●	●	○	○	○	4.5	↑
		2009	○	○	●	●	○	●	○	5	
02	Protection of religious, cultural and national identity	2008	○	●	●	○	○	○	○	4.5	↑
		2009	●	●	●	●	○	○	○	5.5	
190402	Religious education***										
01	Secondary education	2008	○	○	●	●	○	●	○	5	↑
		2009	●	○	●	●	○	●	○	5.5	
02	Higher theological education	2008	●	○	●	●	○	●	●	6	=
		2009	●	○	●	●	○	●	●	6	
190403	Support to churches and religious communities***										
01	Assistance for construction, maintenance, emergency rehabilitation and reconstruction of churches in underdeveloped areas	2008	●	●	●	●	○	○	●	6	=
		2009	●	●	●	●	○	○	●	6	
02	Support to priesthood in Kosovo and Metohija	2008	○	○	●	●	○	○	○	4.5	↑
		2009	●	○	●	●	○	○	○	6	
03	Support to priests, monks and religious officials in conterminous and economically undeveloped areas /.../	2008	●	●	●	●	○	○	●	6	=
		2009	●	●	●	●	○	○	●	6	
AVERAGE									2008	4.87	
									2009	5.31	

*Programme level

**Project level

***Programmes which equal projects' funding sum are not evaluated as planning and budget management in this case is done at project level. In MoR case the project level in fact should be planned one level higher: at programme level.

Budget Programmes	Year	Comments
190101 Organization of cooperation between State and churches and religious communities	2008	Programme covers consistent group of outputs as it relates to general administration type of programme. Programme could be improved by defining outputs and more specific objective
	2009	The programme quality is similar to the previous year
190401	Accomplishment of cooperation between State and religious communities	
01 Promotion of religious culture, religious liberties and tolerance	2008	Objectives should be more specific and measurable
	2009	Project description and outputs has been improved. In the future it could be recommended to assign also base volume information to outputs e.g. if it is planned that number of cultural programmes are going to be increased by 10% it should be also indicated what is the actual number (volume) of output in the current budget year (e.g. 50 programmes this year to be increased by 10% next year). MOR could reconsider and plan the project as programme level in the future.
02 Protection of religious, cultural and national identity	2008	Objectives should be more specific and measurable
	2009	Project description and outputs has been improved. In the future it could be recommended to assign also base volume information to all outputs. MOR could reconsider and plan the project as programme level in the future.
190402	Religious education	
01 Secondary education	2008	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
	2009	Project description has been improved from the 2008 year budget. In the future it could be recommended to assign also base volume information to all outputs. Merging of 01 and 02 projects in one programme or planning as 2 separate budget programmes might be considered
02 Higher theological education	2008	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
	2009	The programme quality is similar to the previous year. In the future it could be recommended to assign also base volume information to all outputs. MOR could reconsider and plan the project as programme level in the future.
190403	Support to churches and religious communities	
01 Assistance for construction, maintenance, emergency rehabilitation and reconstruction of churches in underdeveloped areas	2008	Good PB programmes, clear outputs and objectives
	2009	The programme quality is similar to the previous year. In the future it could be recommended to assign also base volume information to all outputs. MOR could reconsider and plan the project as programme level in the future.

02	Support to priesthood in Kosovo and Metohija	2008	Potential merging of this project with the next project might be assessed for the next year budget planning
		2009	Previous fiscal year comments remain valid for combining of projects and planning at programme level
03	Support to priests, monks and religious officials in conterminous and economically undeveloped areas ././	2008	
		2009	

Ministry of Health

Main Program	Program	Project	Description	1	2	3	4	5	6	7	Total
1801			ORGANIZATION AND SUPERVISION IN THE HEALTHCARE AREA								
	101		Organization of Healthcare system	0.5	1	1	1	1	1	1	6.5
	102		Inspection and monitoring of healthcare institutions	1	1	1	1	1	1	1	7
	103		Sanitary inspection	0.5	1	1	1	1	1	1	6.5
	104		Medicines and drug control	1	1	1	1	1	1	1	7
1802			PREVENTIVE HEALTH PROTECTION								
	201		Implementation of functions of general interest in Healthcare	0.5	1	1	1	0.5	1	0.5	5.5
	202		Encouraging activities to promote voluntary blood donation on a mass scale	1	1	1	1	1	1	1	7
	203		Health protection of individuals serving prison sentences and enforcement of safety measures of compulsory psychiatric care and treatment, and Health protection of individuals with unknown residence	0.5	1	1	0.5	1	1	0.5	5.5
	204		Implementation of public health program in the function of the Institute for Biocides	1	1	0.5	0	1	1	1	5.5
	205		Implementation of the public health program in the function of the Institute for Antirabic Protection (protection from rabidity) "Luj Paster" Novi Sad	0.5	1	1	1	0.5	1	1	6
	206		Implementation of public health programs in the function of The Institute of Virology, vaccines and serra "torlak"	0.5	1	1	1	1	1	1	6.5
	209		Implementation of public health program in the function of the Institute of Occupational Health of Serbia	1	0.5	0.5	0.5	0.5	0.5	0.5	4
	210		Programs for improvement of health of specific population groups								
		4	Implementation of the Plan on Healthcare of the Roma	1	1	1	0.5	1	0.5	1	6
		5	Implementation and development of special healthcare programs	0	1	1	0.5	0.5	0.5	0.5	4
		23	Voluntary and confidential counseling and testing on HIV	1	1	1	1	1	1	1	7
		26	Conducting the Program for increasing the birth rate, improving reproductive health and family planning	1	1	1	1	1	1	1	7
		27	Youth suicide and violence prevention	0	1	1	1	1	0	1	5
		28	Improving the health and health protection of the women in menopause	1	1	1	1	1	1	1	7
		29	Prevention of Obesity in Children and Youth	1	1	1	1	1	1	1	7
	211		Improving health of the population regarding diseases of the socio-medical importance								
		1	Controlling TB through implementing strategy of Directly Observed Therapy	1	0.5	1	0.5	0.5	0.5	0.5	4.5
		2	Upgrading national response to HIV/AIDS	0.5	0.5	0.5	0.5	0.5	0.5	0.5	3.5
		3	Implementing National program on prevention of narcotics and alcohol abuse	1	1	1	1	1	1	1	7
		22	Early detection and prevention of type 2 diabetes by Primary Healthcare in Serbia	1	1	1	1	1	1	1	7
		30	Preventing Blindness in premature infants in Serbia	0.5	1	1	1	1	1	1	6.5
		31	Developing National Program for prevention of trauma and improvement of treatment of traumatized and injured patients	0.5	0.5	0.5	0.5	0.5	0.5	1	4
	212		„Serbia against Cancer“ program								
		9	Activities of the Office for tobacco control on the prevention of smoking related diseases	0.5	1	1	1	0.5	0.5	1	5.5
		11	Improving the healthcare by providing drugs and medical supplies	0.5	1	1	1	1	1	1	6.5
		12	Improving the healthcare by providing medical equipment for tobacco related diseases	0.5	1	1	1	1	1	1	6.5
		24	Support to implementation of the National Program of Oncological Healthcare – „Serbia against Cancer“	0.5	1	1	1	0.5	0.5	0.5	5

		25	Support to implementation of the Program for Prevention, early detection and treatment of the cervical, breast and colorectal cancer	1	1	1	1	1	1	1	1	7
1803			IMPROVEMENT OF TREATING CONDITIONS									
	301		Participation in financing of construction and equipping of healthcare institutions									
		6	Building and equipping State owned Healthcare institutions founded by the Republic of Serbia	0.5	1	1	1	0.5	0.5	1		5.5
		7	Building and equipping Healthcare institutions on the local level	0.5	1	1	1	0.5	0.5	1		5.5
		8	Project "Health Development in Serbia"	1	1	1	1	1	1	1		7
		10	Project "Energy Efficiency"	1	1	1	1	1	1	1		7
		14	EIB Project "Reconstruction of 4 clinical centers (Belgrade, Nis, Novi Sad and Kragujevac)	1	1	1	1	1	1	1		7
	302		Improvement of services for transfusion and transplantation									
		13	Providing of conditions for haematopoietic stem cells transplantation for children in Serbia	0.5	1	1	1	1	1	0.5		6
		17	Providing of conditions for transfusion and transplantation for adults	1	1	1	1	1	1	1		7
	303		Improvement of the quality of work in the healthcare system									
		15	Starting Agency for Accreditation of Healthcare Institutions	0.5	1	1	1	1	0.5	1		6
		21	World Bank Project „Delivery of Improved Local Services (DILS)” in Serbia	0.5	1	1	1	1	1	0.5		6
	304		Support to NGOs									
		16	Encouraging activities of professional organizations, councils and associations	0.5	1	1	0.5	1	1	0.5		5.5
		18	Activities of the Serbian Society for fight against cancer	0.5	1	1	1	1	0.5	1		6
		19	Activities of Fund for clinical treatment and therapy of HIV infected patients and patients with AIDS	0.5	1	1	1	1	0.5	1		6
		20	Activities of the Red Cross of Serbia	1	1	1	1	1	1	1		7
1804			PROVIDING OF COMPULSORY HEALTH INSURANCE FOR PERSONS WITHOUT OWN REVENUES									
	401		Health protection of persons that are considered insured by Article 22. Paragraph 1. Of the Law on Health insurance	1	1	1	1	1	1	1		7

Program / project

Recommendations

Main Program	Program	Project	Description	Summary of program contents analysis
1801			ORGANIZATION AND SUPERVISION IN THE HEALTHCARE AREA	
	101		Organization of Healthcare system	Program description needs to be made more concise reflecting only the main types of actions carried out by the central Ministry. Presentation could be made more "user friendly"
	102		Inspection and monitoring of healthcare institutions	This program is well described and presents with the basic information about its content. No major changes required.
	103		Sanitary inspection	This program is well designed and describes the scope of activities carried out within this program. However, its objective could be less descriptive and more future oriented. For example - to reduce the number of recorded illnesses caused by detected anti-hygienic conditions
	104		Medicines and drug control	This is one of the best programs MoH has. It is well designed, concise and provides with basic financial and non-financial information. It could be monitored and evaluated already in 2009.
1802			PREVENTIVE HEALTH PROTECTION	
	201		Implementation of functions of general interest in Healthcare	The description of this program is extensive and self explanatory. It includes large number of precisely defined outputs. However, given the very wide range of outputs delivered within this program, it is hard to define specific objective. MoH should consider dividing this program into several ones with more specific objectives - or use the project level for each group of outputs. This could further improve project description. IT system development could be presented as project within the program.
	202		Encouraging activities to promote voluntary blood donation on a mass scale	This is one of the best designed programs the MoH has. Its objectives are specific and measurable, description is sufficient to gain full picture of what is being done, and outputs are very specific and measurable. However, some of the outputs described are rather outcomes than outputs. For example - number of returning blood donors and the number of new blood donors. Both of these could be covered under program description and not only numbers but percentages should be used - for example - what % of blood donors during 2007, are expected to return in 2008 and 2009. There are some inconsistencies in data - for example - the total number of blood nominations is less than half of new blood donors. This should be checked.
	203		Health protection of individuals serving prison sentences and enforcement of safety measures of compulsory psychiatric care and treatment, and Health protection of individuals with unknown residence	The objective of this program could be made more specific while description widened to present with better picture of what services are actually provided to this target group.
	204		Implementation of public health program in the function of the Institute for Biocides	Well designed program, however, its description could be made more extensive - demonstrating what sort of outputs it involves. Output description is weak, as it demonstrates the number of clients and not outputs.
	205		Implementation of the public health program in the function of the Institute for Antirabic Protection (protection from rabidity) "Luj Paster" Novi Sad	This is well designed program, however, its objective needs to be made more specific and measurable demonstrating the situation of anthracic protection in Serbia. It is also unclear how this program relates to 103 Program on sanitary inspection and part of Program 201 concerning epidemiological monitoring and control.
	206		Implementation of public health programs in the function of The Institute of Virology, vaccines and sera "torlak"	This is well designed program. Its objectives and outputs are clear as is relationship between them. Program description could contain more "user friendly" language on what the program does.
	209		Implementation of public health program in the function of the Institute of Occupational Health of Serbia	The program is relatively well designed, however, it tend to be more input than output focus, e.g. Both - program description and output description could contain more information on outputs related to "external" world rather than items relevant for program managers such as data base or criteria. From description it is also not clear whether it is policy program (developing criteria and databases, collecting information) or it is - inspection program.
	210		Programs for improvement of health of specific population groups	No specific analysis of program level was carried out given that it contains several projects that are analyzed as programs - using the same methodology.
		4	Implementation of the Plan on Healthcare of the Roma	This project could be a separate program, but given its small size it can be justified also as project within the program. This project has very clear description and objective, however, its outputs should be better described - a) less focus on inputs; b) reflection of all key work areas outlined in program descriptions.
		5	Implementation and development of special healthcare programs	This is well designed project - program in itself. It includes three distinct activity groups - but all related to the same group of population - children. However, project's objective is missing as are outputs in relation to the dental part of the project. With slightly improved information this project could easily score 7 out of 7 points.
		23	Voluntary and confidential counselling and testing on HIV	This is very well designed project that could be used as an example for program and project design by MoH and other ministries.
		26	Conducting the Program for increasing the birth rate, improving reproductive health and family planning	This project is also very well designed and could be used as example for others.
		27	Youth suicide and violence prevention	This could be well designed project, however, its objective is missing.

		28	Improving the health and health protection of the women in menopause	This also is well designed project, which could undergo monitoring and evaluation activities.
		29	Prevention of Obesity in Children and Youth	This project is well designed. No further substantive changes are needed.
	211		Improving health of the population regarding diseases of the socio-medical importance	This program is analyzed through assessment of quality of individual projects
		1	Controlling TB through implementing strategy of Directly Observed Therapy	This could be a well designed project, however, its description needs to be improved. In the description - more attention should be paid to what is actually being done. Also under the outputs section - more output examples could be provided thus linking program better to its objective.
		2	Upgrading national response to HIV/AIDS	This project is relatively well designed although suffers from several weaknesses. First - its objective consists of 4 specific objectives, of which only the first one could be seen as real objective of this project. The others describe activities or output groups within the program. From program's description it is not very clear what the program actually does. program's outputs are not so much outputs - but rather outcomes - particularly the 1st one.
		3	Implementing National program on prevention of narcotics and alcohol abuse	This is very well designed project. Its objectives and outputs are clear and relate to each other.
		22	Early detection and prevention of type 2 diabetes by Primary Healthcare in Serbia	As the project above, also this one is well designed and explanatory. It provides with the basic information on what this program does.
		30	Preventing Blindness in premature infants in Serbia	This program is also well designed. However, its description could provide with more information on what is the current rate of detection and what the gap is.
		31	Developing National Program for prevention of trauma and improvement of treatment of traumatized and injured patients	This could be a well designed project, however, the program does not really provide with the clear picture of what exactly is done by its resources except producing annual and registry - both of these outputs fall short of reaching quite widely defined program objectives.
	212		„Serbia against Cancer“ program	This program is analyzed through assessment of quality of individual projects
		9	Activities of the Office for tobacco control on the prevention of smoking related diseases	This could be a well designed program. However, its current description is too vague. Output description provides more light on what is being done with the resources used. Essentially it is about three public campaigns. If is so, possibly program title and description needs to be adjusted. The last output - decrease in number of smokers is not an output but could be developed into good outcome measure. However, such outcome will be hard to measure.
		11	Improving the healthcare by providing drugs and medical supplies	This is inputs oriented program and, as such, is of satisfactory quality. However, program description could be improved to demonstrate the need for medical supplies and the level this need is satisfied through this program.
		12	Improving the healthcare by providing medical equipment for tobacco related diseases	This is inputs oriented program and, as such, is of satisfactory quality. However, program description could be improved to demonstrate the need for medical supplies and the level this need is satisfied through this program.
		24	Support to implementation of the National Program of Ontological Healthcare – „Serbia against Cancer“	This project essentially is about education of healthcare workers and others - program description should reflect that - currently it does not.
		25	Support to implementation of the Program for Prevention, early detection and treatment of the cervical, breast and colorectal cancer	This is very well designed project and could be used as example for other project and programs.
1803			IMPROVEMENT OF TREATING CONDITIONS	
	301		Participation in financing of construction and equipping of healthcare institutions	This program is analyzed through assessment of quality of individual projects
		6	Building and equipping State owned Healthcare institutions founded by the Republic of Serbia	This project provides with description of specific "mini projects" contained within it. As such - it demonstrates where the funds go - and this meets one of the program budgeting objectives. However, program description is generally weak - it does not show what the problems are - where the needs are and how this program will help to meet those needs.
		7	Building and equipping Healthcare institutions on the local level	This project provides municipalities with equipment needed for detection and treatment of various diseases. As such - it represents what the funds are spent on. However, it does not demonstrate what the needs are and how this program addresses those needs and what gaps remain.
		8	Project "Health Development in Serbia"	This is well designed program. It provides with an outline of what is being done for the funds spent.
		10	Project "Energy Efficiency"	This is well designed program. It provides with an outline of what is being done for the funds spent.
		14	EIB Project "Reconstruction of 4 clinical centres (Belgrade, Nis, Novi Sad and Kragujevac)	This is well designed program. It provides with an outline of what is being done for the funds spent. More information could be provided on start and completion.
	302		Improvement of services for transfusion and transplantation	This program is analyzed through assessment of quality of individual projects
		13	Providing of conditions for haematopoietic stem cells transplantation for children in Serbia	This is well designed and distinct project, however, its description needs to be made more user friendly given that most of program readers will be non-specialists from this area. Also, project needs to demonstrate better - what the need is and how much this program allows to meet that need.
		17	Providing of conditions for transfusion and transplantation for adults	This is well designed program, which provides with basic information on what is being done.

	303		Improvement of the quality of work in the healthcare system	This program is analyzed through assessment of quality of individual projects
		15	Starting Agency for Accreditation of Healthcare Institutions	This is good, self standing program. However, its description needs to be made better to show the degree of functionality of this new agency. Also - link with other programs - particularly those dealing with various inspections and assessments should be made clearer.
		21	World Bank Project „Delivery of Improved Local Services (DILS)“ in Serbia	This is well designed program, however, its outputs need to be reconsidered - e.g. Whether all of them are outputs or some are more like outcomes - needs to be determined. For example, population registered with chosen physician is more like outcome.
	304		Support to NGOs	This program is analyzed through assessment of quality of individual projects
		16	Encouraging activities of professional organizations, councils and associations	This project is well designed, but essentially is about providing funding to NGOs and other bodies. More information would be needed under project description on what type of benefits does this program brings to taxpayer.
		18	Activities of the Serbian Society for fight against cancer	This is well designed project. However, it is unclear why it is under this program (support to NGOs) rather than under the program that deals with cancer issues.
		19	Activities of Fund for clinical treatment and therapy of HIV infected patients and patients with AIDS	This is also sufficiently designed program, however, it is unclear why this program is under support to NGOs rather than together with programs / projects dealing with AIDS
		20	Activities of the Red Cross of Serbia	This is well designed program, which provides with basic information on what is being done.
1804			PROVIDING OF COMPULSORY HEALTH INSURANCE FOR PERSONS WITHOUT OWN REVENUES	
	401		Health protection of persons that are considered insured by Article 22. Paragraph 1. Of the Law on Health insurance	This is well designed program, which provides with basic information on what is being done.

Ministry of Public Administration and Local Self Governments

- - compliant (1 point score)
- - partly compliant (0.5 score)
- x - not compliant (0 score)
- ↓ - quality of the programme has worsened
- = - quality of the programme is the same
- ↑ - quality of the programme has improved

Code	Budget Program	Year	CRITERIA							Total score	Change
			1	2	3	4	5	6	7		
060101	Policy development and control	2008	●	●	●	●	○	●	○	6	=
		2009	●	●	●	●	○	●	○	6	
060102	Pension allowances for Civil Servants	2008	●	●	●	○	●	○	○	5.5	=
		2009	●	●	●	○	●	○	○	5.5	
060103	State professional Exams for Civil Servants	2008	●	●	●	○	●	○	●	6	=
		2009	●	●	●	○	●	○	●	6	
060201	Support to projects that are financed from local self-governments	2008	○	○	○	x	○	x	○	2.5	=
		2009	○	○	○	x	○	x	○	2.5	
060202	Realization of programmes of rationalization on local level	2008	○	○	○	x	○	x	○	2.5	↑
		2009	○	○	○	x	○	○	○	3	
060203	Providing of help to local self-governments in case of natural disasters	2008	●	●	○	x	●	x	○	4	=
		2009	●	●	○	x	●	x	○	4	
060204	Providing help with aim to modernize work of local self-governments	2008	●	○	○	x	○	x	○	3	↑
		2009	●	○	○	x	○	○	○	3.5	
060205	Support to projects on local level that are financed from international funds	2008	○	○	○	x	○	x	○	2.5	↑
		2009	○	○	○	x	○	○	○	3	
060501	Support to process of implementation of public administration reform*	2008									
01	Support to process of implementation of public administration reform – second phase**	2008	●	○	●	●	○	●	●	6	↑
		2009	●	●	●	●	○	●	●	6.5	
AVERAGE									2008 2009	4.10 4.56	

* The only minor difference from the 2008 year budget of MPLASG is that project "Support to Ministry for public administration and local self-government in implementation of Public Administration Reform Strategy" under the programme 060501 has been discarded

**01- project level

Budget Programmes		Year	Comments
060101	Policy development and control	2008	Good PB programme, well defined outputs
		2009	Covers all major outputs, presentation and clarity quality improved slightly in comparison to the previous year. Objectives similar to the previous year should be more measurable
060102	Pension allowances for Civil Servants	2008	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
		2009	Programme quality is the same as previous year; information of realism of some outputs might be assessed (e.g. number of inspections per year 800)
060103	State professional Exams for Civil Servants	2008	Some objectives defined in fact is <i>activity level</i> and could be better redefined as outputs e.g. x number of training of trainers, x number of drafting of programmes
		2009	Programme quality is the same as previous year
060201	Support to projects that are financed from local self-governments	2008	Decision of the ministry to re-arrange the previous special budget fund into 4 separate budget programmes has been a good sign of commitment to the Programme budgeting reform. 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
		2009	Programme quality is the same as previous year; comments provided are still relevant
060202	Realization of programmes of rationalization on local level	2008	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
		2009	Programme quality is the same as previous year; comments provided are still relevant
060203	Providing of help to local self-governments in case of natural disasters	2008	From the 4 budget programmes defined from the previous special budget fund to LSGs this programme is an example of good budget programme – its coverage and objectives are clear and covers one consistent group of outputs. However outputs should be defined as mentioned before
		2009	Programme quality is the same as previous year; comments provided are still relevant
060204	Providing help with aim to modernize work of local self-governments	2008	In the future the programme could be changed to more precise name e.g. <i>Support to LSG investments for Infrastructure development</i> . Outputs should be defined as mentioned before
		2009	Programme quality is the same as previous year; comments provided are still relevant
060205	Support to projects on local level that are financed from international funds	2008	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
		2009	Programme quality is the same as previous year; comments provided are still relevant
060501	Support to process of implementation of public administration reform	2008	NA
		2009	NA
01	Support to process of implementation of public administration reform – second phase	2008	Some of the outputs suggested might be grouped into larger groups of outputs e.g. number of trainings in one output category
		2009	Overall good PB programme – as there is just one project in the 060501 programme this year there is no overlap between similar outputs of the projects

Annex 5. Comparison of the proposed expenditure ceilings setting alternatives

	Alternative 1: Two-stage ceilings	Alternative 2: One-stage ceilings
<i>Key Advantages</i>	<ul style="list-style-type: none"> • Model allows Government take deliberate decisions on Budget priorities • Competing ministry proposals can assure better quality and be more cost effective • Allow to track use of the funds • Allow to choose the best quality and most effective proposals for new policies 	<ul style="list-style-type: none"> • Relatively short procedure • Allow to focus on key issues • Require less resources • Allow to start implementation of more strategic budget policy
<i>Disadvantages</i>	<ul style="list-style-type: none"> • Lengthy procedure • Requires more administrative resources 	<ul style="list-style-type: none"> • In the system there is no guarantee that best policies are chosen • Without competing ministry proposals it is difficult to assess amount of funds necessary • There is a risk that budget priorities and implementation is not targeted enough and therefore effective (there might be lower quality spending proposals in the ministries with high priority profile for the Government) • More evaluation and monitoring resources required

