

Analysis of Arrears of Courts in Serbia

May, 2018

The World Bank, Governance Global Practice



Acknowledgements

This report was prepared by Milos Markovic (Public Financial Management Advisor). Valuable guidance was provided by Srdjan Svircev (Senior Public Sector Specialist), Marina Matic Boskovic (Justice Reform Advisor) and Georgia Harley (Senior Public Sector Specialist). Also, great support was received from Branka Tomasevic (Head of Financial Department of the High Judicial Council), Drago Vidovic and Nikola Colakovic from the financial department of the HJC, as well as chief accountants and judges from the courts that were included in the sample covered by this report. List of interviewed persons is provided Annex 2.

DRAFT

Abbreviations

HJC	High Judicial Council
BC	Basic Court
HC	Higher Court
AC	Appellate Court
IBB	Indirect Budget Beneficiary
DBB	Direct Budget Beneficiary
BEX	Budget Execution System
FMIS	Financial Management Information System
MoF	Ministry of Finance
MoJ	Ministry of Justice
ZUP	Accounting system of the prosecutor's offices
BSL	Budget System Law
LDPCT	Law on Deadlines for Payments in Commercial Transactions
RINO	Registering Settlements of Pecuniary Commitments

Table of Contents

1. Introduction.....	5
1.1. Overall context.....	5
1.2. Objectives and approach.....	6
2. Budgetary status of Courts.....	8
3. Commitment assumption practice.....	10
4. Expenditure of sample courts.....	14
5. Arrears in the court system – level, trend and structure.....	19
6. Main findings.....	25
Recommendations.....	28
ANNEX 1	29
ANNEX 2	31

1. Introduction

1.1. Overall context

1. The beginning of the global financial crisis marked a beginning of a period of significant underperformance of Serbian economy. The output contraction in 2009 was 3.1 percent which was followed by years of stagnation and accumulation of large fiscal deficits structured to boost the economy. As effects of these measures were unsuccessful, public debt figures increased dramatically which put the overall sustainability of public finance in danger.

2. To buffer potential escalation of the adverse effects, Serbia entered a three-year precautionary SBA with the IMF in 2015. The program was structured to support the overall recovery efforts but primarily to help GoS achieve better fiscal result by controlling the largest current expenditure items (i.e. wages and pensions) in the medium term while eliminating other ineffective budget outlays (e.g. subsidies). The final review of the arrangement issued by the IMF recently marked the completion of the SBA and outlined a stable and sustainable recovery path with increasing growth, secure fiscal position and declining public debt levels.

3. However, fiscal challenges remain in the focus of political decision-makers. In this sense, arrears¹ will attract special attention. The only performance criteria that was missed (although by a very small margin) was the target on the ceiling on accumulation of domestic arrears. The target was missed due to arrears that occurred to the MoJ. Overall, the judicial system, comprised of courts and prosecutorial system is one of the leading arrears-generating sectors in the country.

4. The main arrears items in the judicial system are court proceeding related expenses and postal services. These two items belong to the category ‘services’ and ‘current expenditure’, respectively. The court proceeding related expenses within the ‘services’ item include: i) lawyers’ fees for mandatory representation, ii) expert witness services, iii) jury members’ services, iv) arrest services², and finally v) ‘acquittals’³ category which basically includes compensation for lawyers and expert witnesses providing their services during the process of a trial which ended with such verdict. Lawyers and expert witness services represent the largest source of arrears in the prosecutorial system as well.

5. Arrears of the Serbian court system were RSD 716 million at the end Q3 of 2017. Although they are mostly settled at year-end by sizeable interventions from budget reserve, judicial system arrears are constantly being accumulated thus hurting court performance and deteriorating service delivery. Out of the above figure almost 93 percent comes from the services (i.e. court proceedings). When we compare the services budget in 2017 and appropriations for this purpose (i.e. RSD 1.6 billion for Basic Courts and RSD 943 million in Higher Courts) we can see that more than 30 perc. Assuming budget will stay steady or slightly increase in the

¹ Arrears are defined as overdue payments for which associated financial commitments are assumed by a budget user

² Paid to the Police Department

³ A verdict that a criminal defendant is not guilty that the evidence is insufficient to support a conviction.

coming years, this implies that this share of the budget for services (i.e. 30 percent) is effectively spent in advance – used in order to settle arrears.

Table 1. Total arrears in basic and higher courts of Serbia, as of September 2017

Total Arrears 716,445,942		
expenditure item	level	share of total
services	663,372,025	92.59%
personal expenditure	44,675	0.01%
current expenditure	35,557,491	4.96%
materials	5,384,247	0.75%
finances and penalties	11,964,755	1.67%
travel	34,042	0.00%
current maintenance	88,706	0.01%

1.2. Objectives and approach

1. This report represents an effort to analyze the level and structure of arrears accumulated by Serbian courts and assess the reasons underlying their excessive generation in past several years. On one hand it is motivated by the growing issue of overdue payments across the system which are reflecting adversely on the financial health of the courts through the enforced collection of liabilities initiated by the debtors. On the other, as already mentioned, the arrears possess strong potential to hurt court performance in multiple ways. This is especially true in instances when debtors are the main external service providers in the court proceedings – lawyers and expert witnesses.

2. The main objective of the report is to formulate a set of technical recommendations that will be utilized by the HJC to prevent generation of arrears. It is an effort that is complementary to the overall endeavor of the GoS to reduce arrears and take further steps in consolidating their fiscal environment.

3. List of questions to be answered in the report include:

- What is the level of expenditure related to court proceedings and postal services as the primary source of arrears?
- How does the expenditure compare across sample courts?
- What is the process of assuming and recording financial commitments?
- What are the differences in assuming commitments, if any?
- What are the effects of commitment assumption practice on courts budget?
- How arrears are accumulated?
- Are proper internal financial control mechanisms in place?
- Are the arrears properly recorded and reported?
- What share of arrears end up in enforced collection?
- What is the damage born by the budget because of the arrears?

4. Sample of courts included in the study corresponds to the one in the related study on arrears in the prosecutorial system in Serbia. Analysis is performed on data for the period between 2014 and 2016 to ensure comparability with the study on PO arrears, but it also includes more recent data for the first three quarters of 2017 (i.e. the latest data available at the time of drafting the report).

5. The remaining part of the report is organized as follows. Section 2 provides insight into the budgetary status of courts and relevant arrangements related to budget preparation, budget execution and reporting. In Section 3 we analyze expenditure of the sample courts with specific focus on the main arrears-generating items. Section 4 looks into the process of assuming financial commitments in sample courts while Section 5 reviews the trends in arrears over the sample period and analyzes their structure. Throughout the report, we related relevant findings to those of the Prosecutor's Offices arrears study. Finally, Section 6 outlines the main findings, while the concluding section provides recommendations (i.e. key steps) to be taken to reduce the arrears level and improve financial management performance of Serbian courts.

2. Budgetary status of Courts

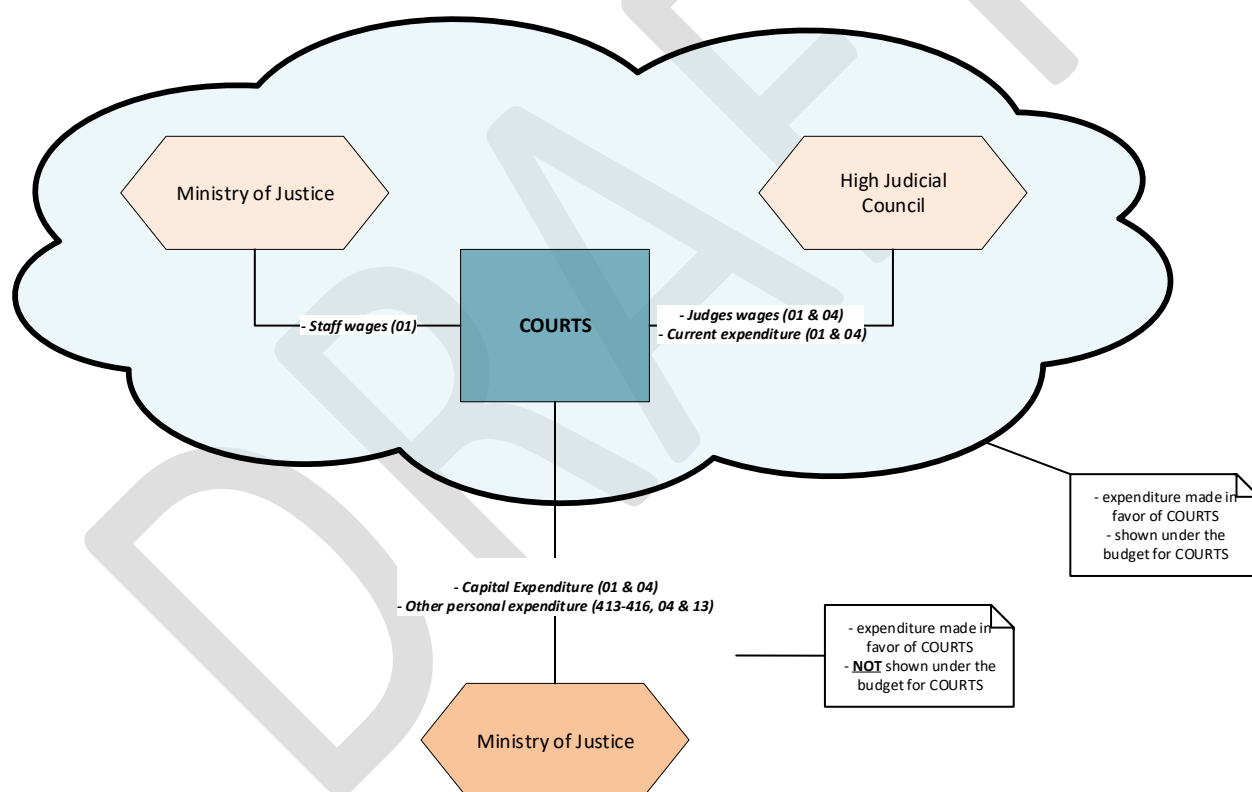
6. Similar to other judicial institutions, the budgetary status of courts in Serbia is vague as it contains elements of both a direct (DBB) and of an indirect budget beneficiary (IBB). Prior to the fiscal year of 2016, all judicial system institutions were IBBs, meaning that they were relying on transfers from their superior DBB - the High Judicial Council (HJC) and Ministry of Justice (MoJ), to finance their operations. These transfers were made to the sub-accounts of each institution held at the Treasury Administration which provided for a web-based application to facilitate execution of their payment orders of courts, at least to those which were technically ready to use it. The others were forced to make physical payment orders placed through nearest Treasury branch office. Budget preparation of the courts was made through HJC and MoJ which were collecting financial plans (i.e. draft budgets) from courts, aggregating them and performing necessary adjustments to fit the expenditure ceilings in direct communication with courts and MoF. Reporting, on the other hand, was done at the end of fiscal years directly to each of the superior DBB. The reports were made from the accounting records held by each individual court and it was only through an ex-post audit that reliability of their expenditure records could have been implemented.

7. Starting from 2016, courts and POs were the first IBBs to become a part of the FMIS which, until that point, was reserved for DBBs only. This change brought each individual court an opportunity to have their own budget and make their expenditure against their own appropriations directly through the FMIS. However, this change has not effectively added to budgetary independence of individual courts. Namely, budget appropriations of individual courts are still decided from the “central” level (i.e. HJC and MoJ) for different part of the budget and in-year appropriation changes have to be approved there. The appropriation distribution among courts is made based on their expressed and agreed needs during the budgetary process but due to complex and rigid appropriations change procedure, both HJC and MoJ distribute appropriations in such way that they keep certain share of it undistributed in order to adjust for potential financial planning mistakes in the system. As a true as it may be, such practice does not add to the strategic efforts of Serbia to secure budgetary independence of courts. Finally, the only obvious benefit of moving courts under the umbrella of FMIS was the ex-ante expenditure control mechanisms that could now be applied against the relatively loose situation with transfers and ex-post reporting they had before this change took place.

8. Current financing structure of Serbian courts seems to be unnecessarily complex creating much additional workload and confusion. HJC is administering the part of the courts’ budgets for judges’ wages and current (i.e. all non-capital) expenditure. At the same time, the part of courts budget with appropriations for court staff wages is administered by the MoJ. Both of these two sections are financed from both budget revenues (i.e. source 01) and the ‘own source’

revenues coming from court fees (i.e. sources 04 and 13) ⁴. Simultaneously, MoJ is financing capital expenditures and non-wage related personal expenses (i.e. in-kind compensation, employee social benefits, awards, bonuses and other special payments) while they also cover a certain portion of current maintenance. MoJ also takes certain portion of the court fees to finance the expenditure for court proceedings. Financing of capital expenditure is done from the general budget revenues but also from the own source revenues. Finally, apart from the organizational difficulties and natural lack of coordination between the two budgets, such system lacks clarity and transparency. All of the MoJ administered appropriations are not shown under courts' budgets but are, instead, placed within the budget of MoJ where no distinction is made between courts and POs in terms of how much each of the judicial sub-systems is benefiting for these purposes.

Figure 1. Serbian Courts' budget system



9. The process of developing estimates which serve as a base for creating draft budgets of courts is highly reliant upon previous year expenditure⁵. It contains little or no regard for performance and case-load related criteria. The previous year's expenditure is routinely transposed to the next fiscal year with minor adjustments. Even if realistic estimates are developed at the level of individual courts these amounts are usually brought down to include only slight increases once

⁴ Courts are collecting the fees but they are not effectively managing them, since they are immediately transferred to the central budget. However, the Treasury (i.e. central budget) keeps account of them and allows for this much expenditure to be made from the 'own source revenues' to the benefit of courts and POs. Details of court fees distribution are laid out in the Law on Court Fees.

⁵ Each of the DBBs (i.e. MoJ and HJC) is responsible for budget preparation of the expenses it administers.

the draft budget reaches the MoF. Recently, we witnessed an exception regarding ‘services’ appropriation of Basic Courts which went from RSD 1.62 billion to RSD 2.48 billion going from 2017 to 2018, which is an increase of more than 50 percent. However, as we have seen in the introductory section this has not been enough to overcome the issue of arrears generation.

10. One of the results of such practice is that some appropriations are constantly short of what is needed to achieve stable financing of these expenditures and avoid accumulation of arrears. Part of the problem, at the systemic level, is that on one hand there are strict expenditure limits aimed at achieving target deficit levels which are decreasing over the years, while on the other, the whole budget preparation system at the central level is rather linear which makes it very difficult to agree on any significant increases of expenditure without political interference.

3. Commitment assumption practice

11. “Arrears are financial obligations that have been incurred by any level of the public sector for which payments have not been made by the due date”.⁶ As broad as it is, this definition is the first step in understanding the issue of arrears in general. The question of when a liability becomes an arrear, or in other words what defines an overdue payable liability would be somewhat different across different legislations. However, some of the usual elements are: i) goods/services are delivered/rendered, ii) an invoice has been received, iii) verification process is through, iv) the payment due date on the invoice has passed.

12. In principle, arrears come about as a result of assuming financial commitments in excess of annual appropriations⁷. Within this framework it is, thus, important to understand the financial commitments creation process, analyze the structure of expenses for that purpose and the result of a discrepancy between the two – arrears.

13. Assuming commitments for services which result in creation of liabilities that go beyond current appropriation is explicitly prohibited by the Budget System Law (BSL) of Serbia. The relevant articles⁸ allow certain exceptions: i) for capital expenditure, and ii) for public debt related operations. This practically means that existence of arrears accumulated but not settled within one fiscal year represent a breach of these provisions. It however, seems that such practice is widespread and largely tolerated by relevant authorities (i.e. SAI).

⁶ Flynn, S. and Pesoa, M. “Prevention and Management of Government Expenditure Arrears”, 2014, Technical Note - IMF Fiscal Department, available at: <https://www.imf.org/external/pubs/ft/tnm/2014/tnm1403.pdf>

⁷ Given there are no particular restrains budget users are facing in using their appropriations (e.g. lack of liquidity, artificial deficit targeting, etc).

⁸ Article 5, paragraph 9 and Article 54, p of the BSL (Official Gazette of RS, 54/2009 – subsequently amended, last change 113/2017)

14. The pressing issue of arrears and the fact that it has central role in the arrangement with the IMF, made the GoS to take a series of efforts to bring them under control – mainly through control of commitment assumption. In 2012, the Law on Deadlines for Payments in Commercial Transactions (LDPCT) has been introduced. It enabled private entities to settle their invoices through enforced collection mechanism and prescribed penalties for responsible staff in the institutions failing to meet their financial obligations on time. As a consequence, a system for Registering Settlements of Pecuniary Commitments (i.e. RINO) was introduced. It applied to IBBs, while commitments of DBBs would be collected through the BEX.

15. So far, the issue has not been properly tackled as the financial management system itself has deficiencies which allow for excessive accumulation of commitments (i.e. arrears creation). First of all, the current legislative framework is such that no ex-ante control is performed in assuming commitments, meaning that, in theory, each institution can enter an agreement with financial repercussions that go far beyond their appropriations since the process of procuring goods or services does not require a pre-approval from the MoF. Second, if when the commitments are entered, BEX does not perform necessary encumbrance (i.e. ‘reservation’) to make that much of appropriation unavailable for expenditure. Finally, although some progress was made, in particular regarding capital expenditure, the BEX lacks multi-year commitment control mechanisms as it manages only the current year’s appropriations (i.e. budget).

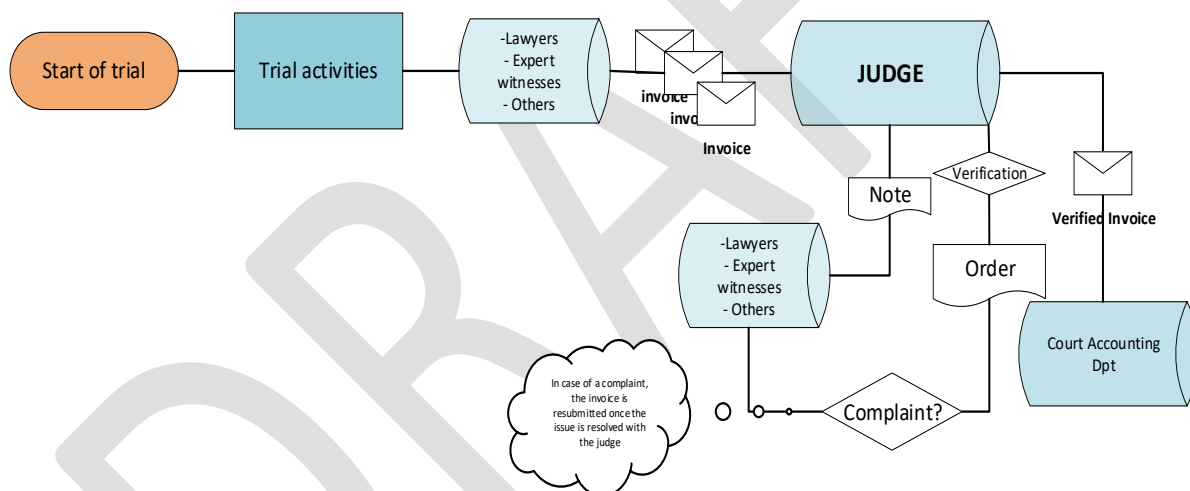
16. The newest among these efforts is creation of the Registry of Invoices. The issue with RINO was the completeness of information captured and the fact that it lacked interoperability with other financial management systems – in particular with BEX. Now the responsibility for completeness of information was transferred from budget beneficiaries to their partners in the sense that the Registry is designed in such way that it requires all providers of goods and services to public institutions to register their invoices. In return, they receive a code which is a mandatory element of the payment order generated in BEX by the public institution that received their goods/services. Only then the payment order can be processed by the Treasury. Lawyers and expert witnesses, which are the largest service providers to courts and to which courts owe the most, are however, excluded from the obligation to enter their invoices in the system.

17. HJC made its own effort to reduce arrears in synergy with the MoF, but with little effect. In 2015, HJC issued an Act binding all courts in the system to pay their invoices regarding services rendered in the criminal proceedings, which are as we have seen the largest source of arrears in the system, within 60 days. However, this Act seems only to raise awareness and urge courts to settle their liabilities on time without bringing any regulatory added value. Namely, the provision regarding the 60 days term was already a part of the mentioned LDPCT, specifically its article 4 which states that liabilities incurred by public institutions to commercial entities (i.e. firms and individuals) should be settled within maximum of 60 days. The instruction only cleared the question of when the 60 days period should be counted from.

18. The process of assuming commitments in courts is generally straightforward. Figure 2 below outlines the generic process of assuming them in the sample courts. Once the invoice

based on services rendered in the court proceedings is submitted to a judge, the judge verifies their invoice and issues an order allowing the service provider to be paid for their services. The service provider then has the opportunity to express their disagreement with the amount decided by the judge (if that amount changed from what was previously submitted by them). The period in which the service provider can express their complaint is three days. After that period the invoice is becomes payable and effectively represents a liability to the court. Only at that point the accounting department is notified of such liability (e.g. HC in Valjevo). In other cases (e.g. BC Prokuplje and BC Novi Sad), the accounting department is notified at the very beginning (i.e. there are two orders issued by the judge of which one goes to the accounting department). However, the exact amount of liability can be determined only when the service provider has agreed to it. It happened that some of the invoices were paid immediately after being received by the accounting department, while subsequently the lawyers or expert witnesses expressed complaints which were accepted by the judge. In those cases, the payments made had to be withdrawn while new orders were created to settle the liability.

Figure 2. Commitment assumption process in courts - generic



19. However, there are many practical issues in this process that have implications on financial health of the court system, and thus on creation of arrears. Some examples include:

- i) Once the order is issued by the judge, or after the service providers receive the order and approve it by not taking the opportunity to express their complaint, the document reaches the accounting department. However, there are cases that judges never notify the accounting department. In those cases, such bills are settled through enforced collection which carries large portions (i.e. up to 30 percent) of additional expenses paid on top of the original debt.
- ii) In most cases judges issue the corresponding order as the invoices from service providers reach them during the trial process. However, certain portion of judges wait until the end of the process to gather all invoices and then issue the order. During this process the accounting department is completely unaware that the invoices are coming

- in since they are mailed directly and only to the judge managing the case. Such practice results in a portion of what can be called “hidden” or unaccounted arrears as they are practically liabilities which are not properly recorded.
- iii) There are cases when judges never send an invoice to their accounting departments based on an agreement with a lawyer or expert witness that the bill would be settled using the enforced collection mechanism. Apart from the additional and unnecessary expenses incurred in the process, the accounting department is in this case unable to settle the liability after the enforced collection takes place because they had no record of such invoice. The liability is finally settled in the books by manually going through the records of invoices and backwards reconstruction of the ‘case’.
 - iv) There is no clear guidance for verification of invoices related to services of lawyers and expert witnesses in the court proceedings. They are prepared in accordance with the Lawyers’ Tariff and the Rulebook on Charges in Judicial Proceedings. The Rulebook is not sufficiently clear when it comes to instructions for establishing a price for expert witness service. There are too many varying coefficients linked to “complexity of work” or “conditions in which work is performed” which make a range of prices charged for one same service very large. We suspect that this results in a share of invoices being intentionally inflated by the service providers. Such practice has a bearing on arrears accumulation since this inflated expenditure is effectively taking up a share of budget that could be used to settle other obligations and reduce arrears.

20. Commitments are recorded either in the courts’ accounting software (ZUP) or in excel spreadsheets, or even manually (i.e. in a notebook). Since accounting, and thus reporting, in the entire budgeting system is cash rather than accrual-based, courts as DBBs are required only to submit their budget execution (i.e. cash outflow) data annually to their superior DBB – the HJC and MoJ. This is the reason arrears (i.e. overdue commitments) are reported quarterly to HJC in a completely separate procedure. This is the reasons courts are not officially bound to use ZUP as their source of liabilities (although most of them do) but can choose from one of the available options. The argument of the interviewed accountants from the sample courts is that their personal records which are mostly kept in parallel with those in ZUP, allow them more analytical flexibility. As was the case with POs, ZUP is considered very rigid as it does not allow for grouping accounts payable in any other way than by creditor. This means that, for instance, it would require much manual work to arrive at term structure of liabilities or aggregate them by type.

4. Expenditure of sample courts

21. Court proceedings and postal services expenditure, as the main sources of arrears, are declining over the years. This is a result of introduction of the new Criminal Procedure Code during 2013 whereas the responsibility for conducting criminal investigation was transferred from courts to POs. Some estimates are that there were around 100,000 investigation cases transferred from courts to POs as a result of that. Table 2 below shows the aggregate expenditure for court proceedings and postal services for the five courts included in our sample. We can spot that the highest levels of expenditure for court proceedings are observed in 2014 (RSD 916 million) while they were reduced sharply in 2015 by slightly less than 50 percent at RSD 485 million⁹. In 2016 the expenditure stabilized at this level being RSD 458 million which constitutes a 4.6 percent reduction. Postal services expenses are very much stable across the period and reflect the differences in size of courts and number of cases handled by them.

22. The reason for such strong decrease in 2015 is a delay in effects of the transfer of responsibility over conducting investigation to POs from 2013. Other than that, the distribution of aggregate expenditure among courts seems to broadly reflect the difference in population under their jurisdiction (e.g. BC Novi Sad versus BC Prokuplje) and the complexity of cases handled in courts of different levels (e.g. HC Belgrade versus BC Novi Sad).

23. When compared to the expenditures of their corresponding POs, the trend is expectedly inverse. In the sample covered by the analysis of arrears in the prosecutorial system, the POs from the same cities experienced increasing expenditure over the analyzed period. Although the years included in the assessment are different as the POs arrears assessment includes only 2014, 2015 and half of 2016 – there is clear evidence of such trend. The investigation costs of the sample POs were RSD 62 million in 2014, while they went up to RSD 102 million in 2015. At the same time, there was a reduction of expenditure for court proceedings of nearly RSD 430 million.

24. The magnitude of changes in criminal investigation/court proceeding expenditure is roughly the same percentage wise, but the changes in absolute figures are different. Although this deserves further investigation, we suspect that the transitional period resulted in some of the invoices not being processed due to regulatory uncertainties. In other words, judges were hesitating to issue paying orders until they knew which part of the investigation expenses, if any, they were supposed to pay. At the same time, it may have happened that service providers (i.e. lawyers and expert witnesses) were routinely sending their invoices to courts instead of prosecution offices. A figure that goes in favor of this hypothesis is that combined arrears of basic and higher courts of Serbia went up from RSD 197 million at the end of 2014 to RSD 1.15 billion at the end of 2015.

⁹ Estimate based on 2016 expenditure of BC Smederevo. 2014 and 2015 data excludes BC in Smederevo as the data was not submitted to the team.

Table 2. Total expenditure for court proceedings and postal service for sample courts

	2014		2015		2016		2017*	
Court	court proceeding costs	postal services	court proceeding costs	postal services	court proceeding costs	postal services	court proceeding costs	postal services
HC Belgrade	796,041,715	7,142,106	318,903,155	8,484,065	297,321,467	7,727,990	212,689,228	2,791,189
HC Valjevo	15,176,870	399,668	10,412,880	439,126	10,318,392	376,439	5,437,658	132,268
BC Novi Sad	91,702,105	11,276,310	111,632,031	11,774,164	106,529,546	11,701,180	74,998,308	5,768,248
BC Prokuplje	13,852,821	2,910,404	21,089,666	4,436,689	18,478,183	2,657,738	6,317,181	1,198,961
BC Smederevo	n/a	n/a	n/a	n/a	25,586,208	3,279,384	12,419,322	1,723,423

source: Budget execution Reports and WB calculation

*data for 2017 are as of the end of September

25. There are large variations in the court proceedings expenditure when scaling them by judge or by case. Table 3 below shows the per active case¹⁰ and per judge expenditure for our sample courts¹¹. Excluding 2014, which can be perceived as a ‘transitory’ year, there are persistent differences both within and across courts’ categories (i.e. higher versus basic).

26. On average, HC in Belgrade is paying 1.8 times more than HC in Valjevo for the court proceeding and postal services. This could be attributable to the fact that Belgrade’s HC is managing the most complex cases in the country which take longer to complete and require involvement of more specialized and thus more expensive expert witness services and higher involvement of lawyers thus increasing the court proceedings bills.

27. The variability, although less intensive, can be seen within the sample of basic courts. Although there is significantly less variation when expenses are scaled per judge (see Table 3). Again excluding 2014, the average court proceeding and postal service expenses were at RSD 789. At the same time BC Novi Sad has been constantly paying around 30 percent more than that, while BCs in Prokuplje and Smederevo were on average below this level for just as much. Regarding the per judge expenses, where there is almost no variations, the implications can be two-fold. On one hand, this can point to potential inefficiencies in this BC since judges are handling less cases per head while maintaining higher level of expenses¹². On the other, the reasons might have nothing to do with efficiency but with costing of their cases which we will turn to below.

¹⁰ This is the sum of cases resolved and cases not resolved during the year

¹¹ The case and number of judges data originate from the annual Court Performance Report published by the Supreme Court of Cassation.

¹² BC Novi Sad has significantly increased their number of judges (i.e. from 71 in 2015 to 88 in 2016 and 89 in 2017).

Table 3. Total expenditure for court proceedings and postal service for sample courts, per active case and per judge

	2014		2015		2016		2017*	
Court	costs per active case	cost per judge	costs per active case	cost per judge	costs per active case	cost per judge	costs per active case	cost per judge
HC Belgrade	17,659	10,297,228	6,151	4,092,340	5,721	4,067,326	4,198	2,951,787
HC Valjevo	4,347	1,557,654	3,276	1,205,778	3,746	1,188,315	1,770	696,241
BC Novi Sad	874	1,287,230	1,020	1,738,115	1,097	1,343,531	1,212	907,489
BC Prokuplje	582	728,836	743	1,418,131	604	1,320,995	423	442,126
BC Smederevo	n/a	n/a	n/a	n/a	625	1,202,733	590	673,464

source: Budget execution Reports and WB calculation

*financial data for 2017 are as of the end of September, total case number in 2017 is adjusted for this

28. The differences in costs per case correspond inversely to what was identified within the sample POs from the same jurisdiction. As was outlined in the report on POs arrears, costs per case were expectedly larger in higher versus basic POs. Table 4 below shows the expenditure per case and per prosecutor for our sample of POs. We can see that the trend in costs per case is exactly the opposite from that observed in the sample of courts. BC Novi Sad has by far the lowest expenditure figures while BC Smederevo stands roughly at the average level. The BC Prokuplje has the highest levels of expenditure per case of around RSD 950.

Table 4. Total investigation and postal services expenditure for corresponding POs, per active case and per prosecutor

	2014		2015		2016*	
PO	costs per active case	cost per prosecutor	costs per active case	cost per prosecutor	costs per active case	cost per prosecutor
HPO Belgrade	3,063	1,082,414	4,879	1,851,161	1,181	531,196
HPO Valjevo	1,723	1,048,281	1,638	1,396,931	592	497,972
BPO Novi Sad	409	374,518	366	368,316	205	178,257
BPO Prokuplje	953	1,267,773	940	1,448,813	498	757,654
BPO Smederevo	519	819,806	690	907,398	173	227,273

source: Budget execution Reports and WB calculation

*Budget execution data for 2016 are for period Jan-Jun, while data on caseload per PO are estimates based on earlier years

29. There is very little variability in costs per case when expenditures of BCs and POs are seen together. Since the sample years do not exactly match, it is possible only to compare 2014 and 2015. If we trim off 2014 because of the issues encountered during the transition of investigation from courts to POs, in 2015 the total per case cost in Novi Sad was RSD 1,386, in Prokuplje it was RSD 1,683 while in Smederevo it was RSD 1,315.

30. The distortions reflected through large variations in costs per case are a direct consequence of different interpretations of the article 261 of the Criminal Code. This article sets out provisions on type of costs incurred in the criminal procedure and the way they are settled.

The first paragraph contains a list of all expenses incurred including the main expenditure item which is the “award” assigned to the main service providers (i.e. lawyers and expert witnesses) along with other costs such as travel and material costs. Second paragraph outlines the expenses which are to be paid in advance by “the institution managing the process”.

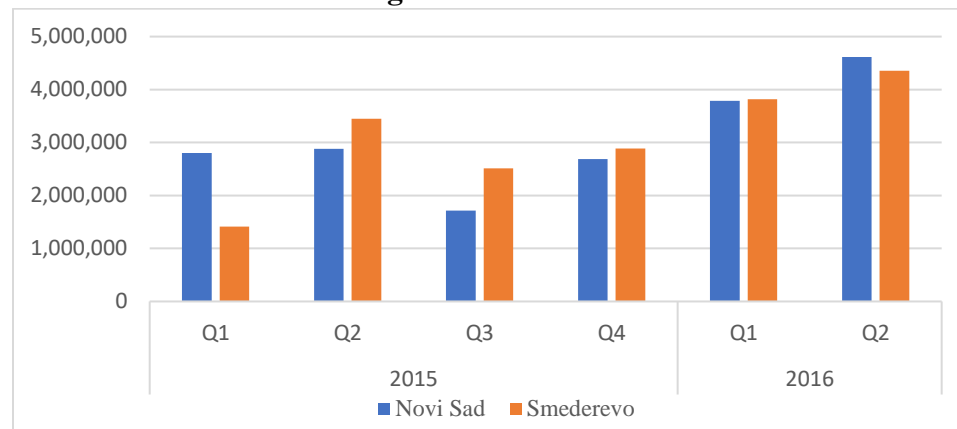
31. The article basically sets out the following: “What are the expenses paid during the criminal procedure?”, “When they should be paid?” as well as, “Which institution should be paying for it?” While the answer to the first question is clear enough, there are disagreements on both second and third. Some may argue that the article is straightforward and that the split of expenses should be made in such way that POs pay whatever the investigation expenses occur to them, regardless of whether indictment is issued or not, and that courts are responsible for expenses occurring to them in court proceedings. However, some courts and POs, and this practice is obviously most dominant in Novi Sad, consider that once indictment is issued the court becomes the “managing institution” with regard to this article of the Code, implying that they are the ones paying for the investigation expenditure as well. Further, it may seem clear that no “award” should be paid to expert witnesses and lawyers before the end of criminal procedure¹³. As a matter of fact, most invoices coming from lawyers and expert witness are processed as their services are rendered – much before the end of the process.

32. From the interviews held with accounting departments, we found that even in same courts there are judges that interpret the Code differently. Hence the numbers shown only reflect the predominant practice in a court. The view of those considering that the “managing institution” is the court when indictment is issued is supported by decisions of the Supreme Court of Cassation numbers 1030/2015 and 729/2014 from 8.12.2015 and 22.10.2014., respectively. Thus, it seems that each interpretation is grounded in some legislative piece and that much coordination should be undertaken to settle down the confusion.

33. The analysis of commitments assumed by POs in BPOs of Novi Sad and Smederevo showed that they assume almost the same amount of commitments although the latter handles much higher number of cases. As Figure 3 below shows, the level of commitments assumed in these POs are at very much similar levels throughout 2015 and first half of 2016. On the other hand, PO Novi Sad handled on average 21,300 cases and employed 24 prosecutors, while PO Smederevo managed on average 7,300 cases with 6 prosecutors - which is 3 times less cases and 6 times less prosecutors.

¹³ The item “award” under point 7 of the article listing all expenditure items is implicitly excluded from the list of expenditures which can be paid before the criminal proceeding is over.

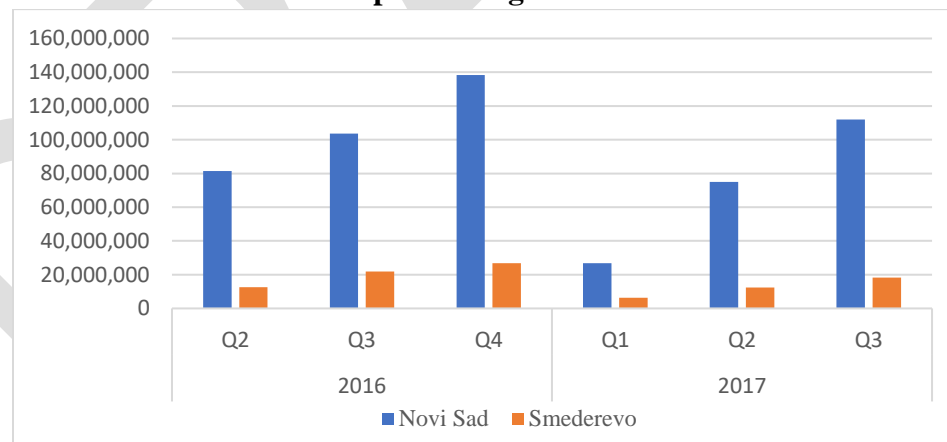
Figure 3. Commitments for investigation in BPOs of Novi Sad and Smederevo



Source: Data collected from sample BCs and WB calculations

34. However, thanks to differences in interpreting article 261 of the Criminal Code, it seems that this difference was made up by disproportionately high amounts of commitments assumed by the BC of Novi Sad. Although, due to data limitations, the periods are not directly comparable except for the second quarter of 2016, we can see from Figure 4 that Novi Sad had much higher levels of commitments for court proceedings. In fact, they were on average 5.5 times higher than that of BC Smederevo. At the same time, the average number of cases handled by BC Novi Sad was 115,000 cases while it was approximately 45,000 in BC Smederevo – which is 2.5 times more.

Figure 4. Commitments for court proceedings in BC of Novi Sad and Smederevo



Source: Data collected from sample BCs and WB calculations

5. Arrears in the court system – level, trend and structure

35. Total arrears of the courts (i.e. basic, higher and appellate) were RSD 1.01 billion as of September 2017, while our sample courts were responsible for RSD 514 million – or more than 50 percent. This is mostly thanks to the fact that the largest arrears generators in both basic and higher courts category are included in our sample. These are HC Belgrade which had RSD 148 million of arrears - more than all other higher courts combined, and BC Novi Sad with arrears level of RSD 71.5 million.

36. BC Novi Sad had even more arrears than BC Belgrade I¹⁴ which is the largest court in the country in terms of population under its jurisdiction and number of cases handled. In fact, in terms of the former criteria BC Novi Sad is almost 10 times smaller than BC Novi Sad. Over the observed period BC Novi Sad handled 105,843 cases while BC Belgrade I managed over one million cases or precisely 1,050,022. This is obviously the result of the cost-split arrangement with the BPO of Novi Sad which spills over the investigation expenses to the BC Novi Sad for cases when indictment is issued.

Table 5. Arrears per sample court, September 2017

Court	2014	2015	2016	2017*
Beograd	5,717,245	3,244,259	127,232,409	148,997,854
Novi SAD	5,473,797	57,025,527	31,113,440	71,469,676
Prokuplje	8,167,931	8,105,030	1,151,664	9,338,281
Smederevo	33,993,994	7,996,500	3,126,690	7,358,296
Valjevo	751,802	253,658,100	828,092	597,768
Total	54,104,769	330,029,416	163,452,295	237,761,875

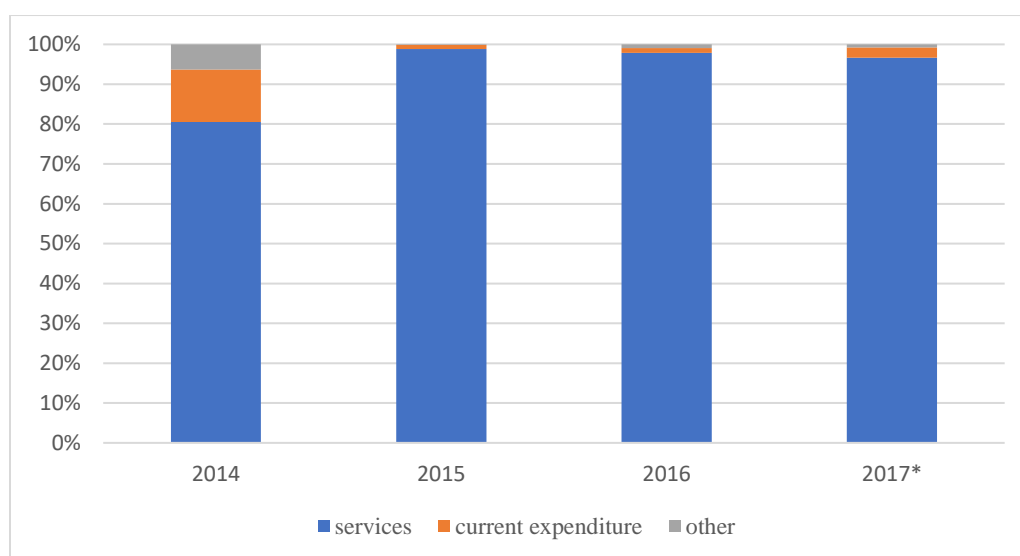
source: HJC arrears data

**data for 2017 are as of the end of September*

37. Similar to the aggregate level, the arrears structure of the sample courts is such that large majority of arrears are originating from court proceedings related expenditure (i.e. ‘services’ category) - see Figure 5 below). The share of this category of arrears varies between 96 and 99 percent of total arrears, with exception of 2014 when current expenditure category stood at 13 percent. The current expenditure arrears mostly come from either postal services or communal services (i.e. heating, electricity and water bills). Judging from the fact that their absolute level has not varied much going from 2014 to 2015, we suspect that the reason their share was so large in 2014 is that court proceedings related arrears were settled disproportionately more at the end of 2013.

¹⁴ There are three basic courts on the territory of the City of Belgrade – BC Belgrade I, BC Belgrade II and BC Belgrade III

Figure 5. Breakdown of arrears by type, sample courts, 2014-2017



Source: HJC arrears data and WB calculations

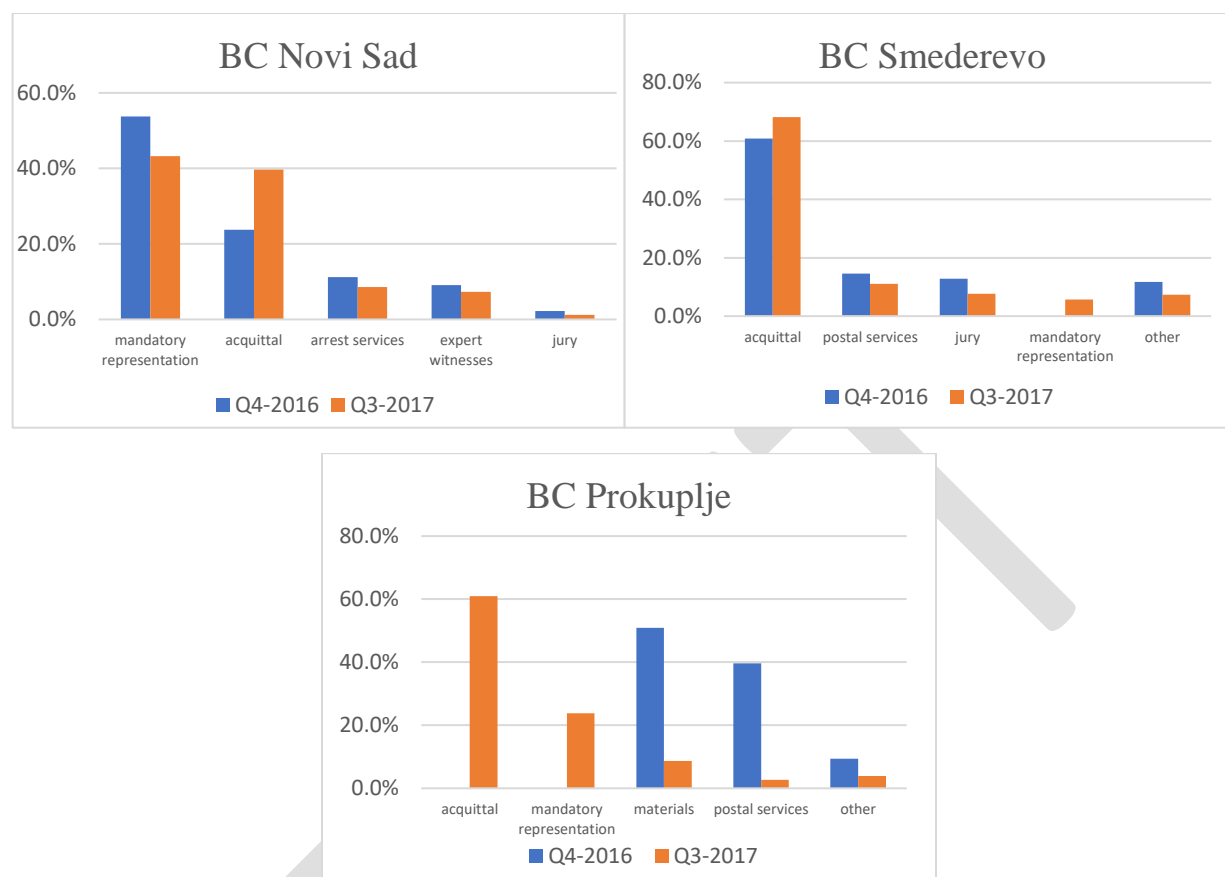
38. As Figure 6 below shows, there is a relatively steady share of the ‘usual suspects’ within BCs’ arrears. It is important to note here that the ‘acquittals’ item practically contains of invoices payable again to the service providers in court proceedings (i.e. lawyers and expert witnesses). Having this in mind we can see that the individual share of the five court proceeding items (i.e. mandatory representation, acquittal, arrest services, expert witnesses and jury members’ services) is more or less constant over 2016 and 2017¹⁵. The only exception to this is the BC Prokuplje which recorded no arrears from court proceedings at the end of 2016 since they settled all of them at the end of the year.

39. Large variations in the share of certain type of arrear item may be an indication of subjectivity in the order of settling arrears. There is no obvious evidence¹⁶ of that within individual courts. However, there are items such as postal services which are among the top four arrears items in BC Prokuplje and BC Smederevo, but are zero in BC Novi Sad – which may point to cross-court differences in prioritization of payments which may be a consequence of varying arrangements with their local post offices.

¹⁵ The arrears data at the 6th level of economic classification¹⁵ allowing for detailed insight in the ‘services’ item per court was made available only from 2016.

¹⁶ Our assessment of POs arrears, contained some indication of such behavior

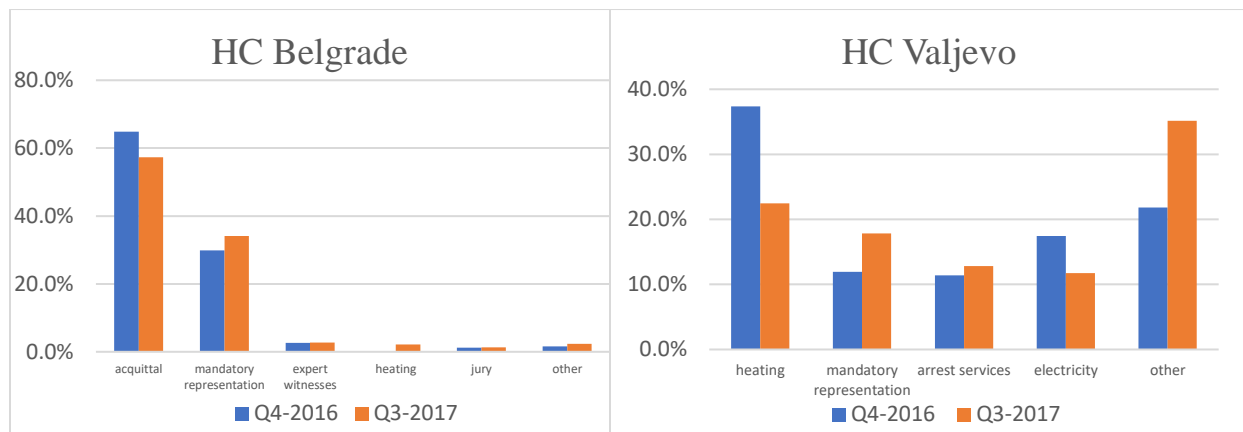
Figure 6. Detailed arrears breakdown, basic courts



Source: HJC arrears data and WB calculations

40. Although difference in size is rather large, HC Belgrade and HC Valjevo have different arrears structure. While court proceedings' take up over 95 percent of HC Belgrade's arrears and keep their individual shares stable, HC Valjevo has heating and electricity expenses as very dominant items in their arrears inventory. The reason for this is again the difference in prioritization of payments and the fact that BC Valjevo can afford to postpone their duties to the communal services providers. Overall, high courts generate more arrears for heating and electricity than BCs because they are usually 'hosts' of the buildings which are shared with basic courts and thus they bear the expenses for the entire building. Some courts have certain compensation agreements between them but it is unknown to what extent these are implemented.

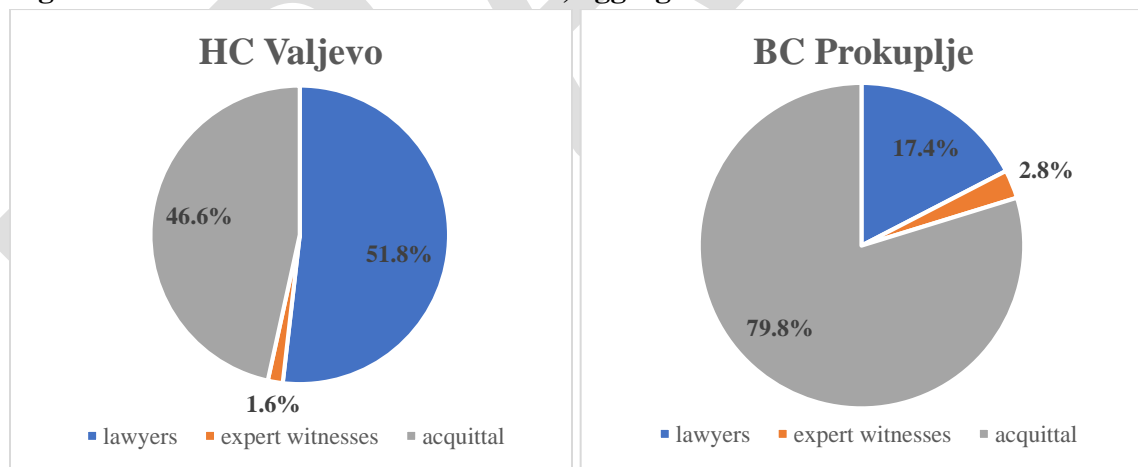
Figure 7. Detailed arrears breakdown, higher courts



Source: HJC arrears data and WB calculations

41. Increasing share of arrears gets settled through enforced collection. Over the sample period the total amount of bills paid through enforced collection by our sample courts is RSD 96 million¹⁷. This amount includes both the original debt and the additional cost incurred in the process (i.e. collection agent fee, lawyers fee, interest and central bank fee). Detailed data splitting these categories was not available, but some estimates from the accounting departments are that around 25 to 30 percent of the total amount is paid for the additional cost.

Figure 8. Enforced collection – structure, aggregate



Source: Data collected from sample courts and WB calculations

42. The structure of enforced collection settled bills is such that most if not all of them belong to lawyers and expert witnesses. As figure 8 above shows, there are no other items on the list of invoices that went through enforced collection. While lawyers keep a solid share in both HC Valjevo and BC Prokuplje (i.e. the only courts that submitted detailed data), expert witnesses' share is much smaller. However, their true share is not easy to tell since much of liabilities owed

¹⁷ BC Smederevo has not submitted their data

to them are ‘hidden’ within the ‘acquittals’ category from where both lawyers and expert witnesses are compensated in case when a defendant is found not guilty.

Table 6. Annual amounts of invoices settled through enforced collection

Court	2014	2015	2016	2017*
HC Belgrade	898,185	940,125	1,101,666	1,144,050
HC Valjevo	13,567,010	2,564,117	2,056,330	280,061
BC Novi Sad	8,854,795	5,918,824	22,978,299	17,618,017
BC Prokuplje	15,439,891	10,766,200	15,187,515	1,130,563

source: Data collected from sample courts and WB calculations

**data for 2017 are until June*

Note: BC Smederevo has not submitted the data

43. Using the enforced collection as a mechanism for settling outstanding invoices is not equally used in all courts. As we can see from Table 6 above, the amounts of bills settled this way are unrelated to the size of courts. As confirmed by chief accountants of our sample courts, it is rather a matter of individual decisions of a certain portion of lawyers and expert witnesses. While such behavior is not so pronounced in case of lawyers and expert witnesses from the territory of HC Belgrade, it seems that situation in other courts is far from being similar. While data for 2017 is incomplete, we can see that the trend of using enforced collection is increasing in BC Novi Sad which is also the largest arrears generator among courts. At the same time both the situation somewhat stabilized in HC Valjevo and BC Prokuplje, although at very different levels. We suspect that lawyers and expert witnesses are hesitating from using this right because they fear the reaction of courts which may cease engaging them¹⁸.

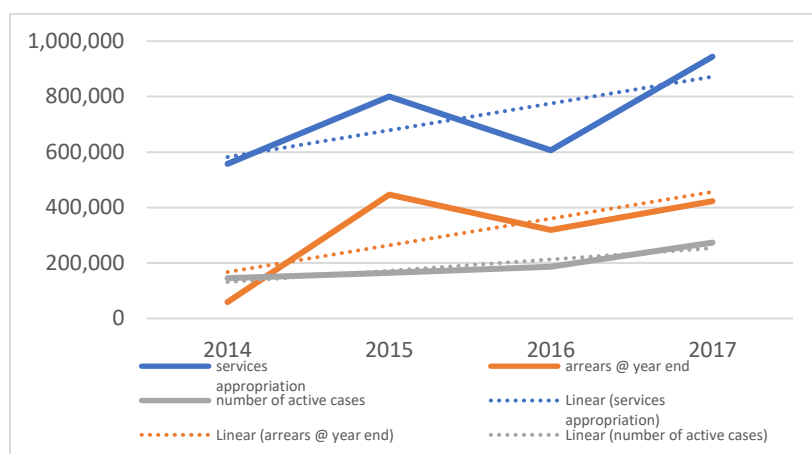
44. However, some courts are reaching alarming levels of enforced collection. Although it seemed to stabilize in 2017, the BC Prokuplje had RSD 15.2 million of bills settled out of the regular procedure in 2016. This constituted 82 percent of their total expenditure for court proceedings for that purpose in the same year. At the same time, in 2016, the share of enforced collection in HC Valjevo and BC Novi Sad was around 20 percent of court proceedings related expenditure.

45. Apart from the regular payments made out of annual budget appropriations, and enforced collection, arrears are settled by end-of-year increase in courts’ appropriations from the budget reserve. While the precise size of such interventions is unknown, it has become a routine over the years. There is then a natural question of why these appropriations are not made available at the beginning of year.

¹⁸ Although court claim that lawyers are called for mandatory representation according to alphabetical list, in practice there is nothing stopping the judges to call a lawyer of their preference. The same is true for expert witnesses.

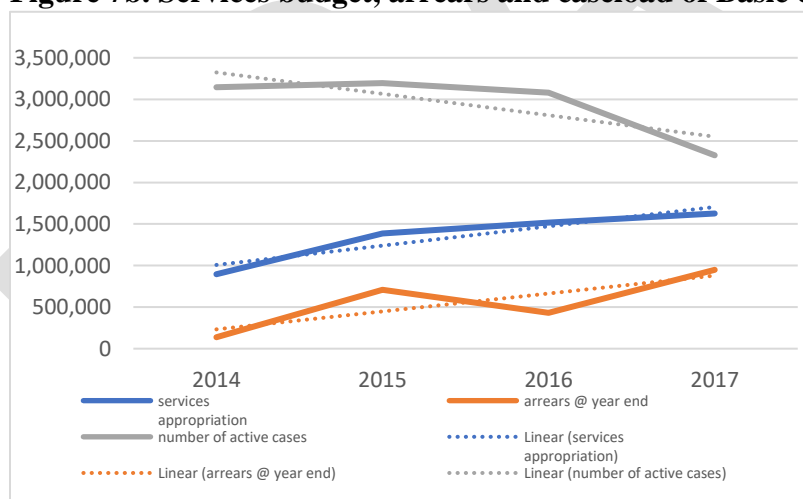
46. Arrears and approved budgets of basic courts move in different directions from their number of active cases. As figure 7b¹⁹ shows their case number is decreasing over the years (i.e. from 3.1 million in 2014 to 2.3 million in 2017). At the same time, the budget item for court proceedings (i.e. ‘services’) is increasing over the years along with arrears for the same purpose. This may be a roughly structured context, but such trends deserve a thorough assessment.

Figure 7a. Services budget, arrears and caseload of Higher courts



Source: Budget Laws, HJC arrears data and Annual Reports of SCC

Figure 7b. Services budget, arrears and caseload of Basic courts



Source: Budget Laws, HJC arrears data and Annual Reports of SCC

¹⁹ Total arrears for 2017 is obtained by extrapolating Q3 figure.

6. Main findings

47. Budgetary status of courts is complex as their budgets are administered by two different institutions and financed from three different sources. HJC is administering the part of the courts' budgets for judges' wages and current (i.e. all non-capital) expenditure. At the same time, the part of courts budget with appropriations for court staff wages is administered by the MoJ. Both of these two sections are financed from both budget revenues (i.e. source 01) and the 'own source' revenues coming from court fees (i.e. sources 04 and 13)²⁰. Simultaneously, MoJ is financing capital expenditures and non-wage related personal expenses (i.e. in-kind compensation, employee social benefits, awards, bonuses and other special payments) while they also cover a certain portion of current maintenance. MoJ also takes certain portion of the court fees to finance the expenditure for court proceedings. Financing of capital expenditure is done from the general budget revenues but also from the own source revenues.

48. Financial management systems are not geared toward prevention of arrears. There are two main sub-systems used by courts: a) BEX and b) ZUP. Arrears come as a consequence of assuming financial commitments in excess of annual appropriations. Individual weaknesses of the existing systems and the fact that there is no interoperability between them work in favor of arrears generation. Financial commitments (i.e. liabilities) are mostly not entered in BEX and even when they are, BEX does not perform necessary encumbrance (i.e. 'reservation') to make that much of appropriation unavailable for expenditure. ZUP on the other hand is an accounting software, which should contain a complete record of courts' liabilities. However, even these records are usually not perfectly sound as the incentives for keeping them up-to-date are not robust enough since courts are required to produce their financial reports on cash, rather than accrual, basis. It seems that most complete records of liabilities are kept manually in excel files and/or in notebooks.

49. The process of assuming commitments in courts is generally straightforward but contains variations and weaknesses that compromise financial management of courts. Some examples include: a) different practice regarding the timing of notification of the accounting department of a new liability, b) differences in timing of issuing a payment order for lawyers and expert witness services within a trial procedure, c) some invoices coming from service providers in court proceedings (i.e. lawyers and expert witnesses) never reach the accounting department since judges consider it unnecessary given that the service providers claimed they would settle the bill through enforced collection, d) invoice verification is done with a lack of clear guidance while the Rulebook regulating creation of prices for services in court proceedings contains provisions that create potential for rather large variations in prices for the same service, depending on interpretation.

²⁰ Courts are collecting the fees but they are not effectively managing them, since they are immediately transferred to the central budget. However, the Treasury (i.e. central budget) keeps account of them and allows for this much expenditure to be made from the 'own source revenues' to the benefit of courts and POs. Details of court fees distribution are laid out in the Law on Court Fees.

50. Court proceedings and postal services expenditure, as the main sources of arrears, are declining over the years. This is a result of introduction of the new Criminal Procedure Code during 2013 whereas the responsibility for conducting criminal investigation was transferred from courts to POs. Some estimates are that there were around 100,000 investigation cases transferred from courts to POs as a result of that. When compared to the expenditures of their corresponding POs, the trend is expectedly inverse.

51. There is much variation in costs per case among sample courts. HC in Belgrade is paying 1.8 times more than HC in Valjevo for the court proceeding and postal services. At the same time BC Novi Sad has been constantly paying around 60 to 70 percent more than BCs in Prokuplje and Smederevo. The picture is very much stable when comparing total costs per case – those incurred by POs and courts together within the same city. In 2015 the total per case cost in Novi Sad was RSD 1,386, in Prokuplje it was RSD 1,683 while in Smederevo it was RSD 1,315.

52. The variations in costs per case is a consequence of differences in interpretation of Article 261 of the Criminal Code. This article sets out provisions on type of costs incurred in the criminal procedure and the way they are settled. The disagreement comes from the interpretation of who represents the institution ‘managing the case’ or practically who settles the investigation expenses, when indictments are issued. Interpretation of the courts with highest per court expenditure (e.g. BC Novi Sad) is that the court is responsible to pay for investigation expenses in these cases. Comparison of financial and per case data for both courts and POs of Novi Sad and Smederevo (as an example of different cost-split arrangement), confirms that the PO Novi Sad spills-over their investigation related expenses to BC Novi Sad. Although the provisions of Article 261 of the Criminal Code may seem clear with regard to the split of costs, BC and PO of Novi Sad base their arrangement on decisions of the Supreme Court of Cassation numbers 1030/2015 and 729/2014 from 8.12.2015 and 22.10.2014.

53. “Services” in court proceedings, representing unsettled liabilities to lawyers and expert witnesses are by far the most dominant item within arrears structure. Court proceedings expenses are comprised of mandatory representation, arrest services, expert witnesses, jury members’ services and acquittals which are instances when court pays for all court proceeding expenditures – mainly to lawyers and expert witnesses. Depending on prioritization of payments, some courts may have certain expenses other than those related to court proceedings as a large item in their arrears structure. This is frequently happening to higher courts which are “hosts” in the buildings that they share with other judicial institutions and are thus responsible for settling different maintenance and communal service bills (i.e. electricity, heating, gas, water, etc).

54. Increasing share of arrears gets settled through enforced collection. While this mechanism is not equally used in all courts, the amount of arrears settled this way in our sample was RSD 98 million over the three years period. Turned into numbers this means that the insufficient funding and weaknesses in the financial commitment assumption process incurred

only by the 5 courts in our sample, imposed approximately additional RSD 30 million (i.e. cca USD 100,000) expense on Serbian court system, through excessive generation of arrears.

DRAFT

7. Recommendations

55. As in the case of POs, the most obvious way to settle arrears in Serbian courts is to simply increase budgets for court proceedings. Budgetary authorities are doing exactly this from year to year but it does not seem to settle the issue of arrears. Instead commitments are being constantly generated excessively and maintained above the level of annual appropriations.

56. However, to determine the level of necessary court proceeding budgets with sufficient reliability, it is necessary to take a range of steps to ensure that financial management processes are effective and most importantly standardized across the system. Activities written below represent some of the important pre-requisites to achieve these objectives:

- **Recommendation 1: Consolidate budget management of the court system in HJC.** This would eliminate unnecessary administrative difficulties in all segments of financial management. However, most importantly it will contribute to enhanced budgeting of the services expenditure which are financed from both HJC and MoJ managed portions of the budget from both general revenues and court fees which are unstable and decreasing.
- **Recommendation 2: Ensure common interpretation of the Article 261 of the Criminal Code.** This can be achieved either through issuing a binding decision of the HJC clarifying the issue of who bears which cost of criminal case or through modification of the relevant provisions.
- **Recommendation 3: Standardize the commitment assumption practices through development of corresponding procedures.** Within this framework, accounting department should play more central role in the process. They should be assigned the responsibility for monitoring and verification of incoming invoices. Simultaneously, internal audit function should be strengthened to ensure compliance. Linked to this advice is a suggestion to conduct a thorough court system expenditure review with specific focus on expenses for court proceedings (i.e. lawyers and expert witnesses) and the associated verification process.
- **Recommendation 4: Ensure completeness and accuracy of financial commitments records in ZUP.** Accounting departments should be incentivized to keep their records up-to-date, while higher interoperability between ZUP and BEX should be ensured in order to reduce manual interventions in the process. Finally, HJC should be given access to the aggregate records of commitments in order to monitor their in-year accumulation.
- **Recommendation 5: Make efforts to gradually introduce case-based budgeting for court proceedings.** This measure should be implemented once proper arrangements are introduced following the above recommendations. It represents a step toward achieving performance-based budgeting which is one of the medium-term priorities listed in the PFM Strategy of the country.

ANNEX 1

Arrears in Basic Courts, Q3 2017

Court	personal	current expenditure	travel	services	current maintenance	materials	fines & penalties	Total Arrears
Aleksinac	0	2,115,882	0	9,942,834	0	162,178	0	12,220,894
Arandjelovac	0	3,414,680	0	14,003,010	0	0	0	17,417,690
Backa Palanka	0	0	0	4,062,737	0	0	105,000	4,167,737
Belgrade I	0	11,519,489	0	50,521,399	0	0	0	62,040,888
Belgrade II	0	2,661,239	0	30,016,055	0	164,814	0	32,842,108
Belgrade III	0	0	0	12,682,384	0	0	705,002	13,387,386
Becej	0	764,260	0	7,694,013	0	123,255	0	8,581,527
Bor	0	0	0	2,035,320	0	0	0	2,035,320
Brus	0	0	0	5,574,153	0	140,329	0	5,714,482
Bujanovac	0	922,945	10,200	14,105,269	0	0	0	15,038,414
Valjevo	0	409,336	0	6,252,012	0	37,249	0	6,698,597
Velika Plana	44,675	0	0	3,217,797	0	694,419	0	3,956,891
Veliko Gradiste	0	0	0	0	0	0	0	0
Vranje	0	265,146	0	9,863,600	0	34,071	0	10,162,817
Vrbas	0	0	0	10,450,256	0	0	0	10,450,256
Vrsac	0	0	0	7,975,391	0	0	0	7,975,391
Gornji Milanovac	0	0	0	3,128,655	0	0	0	3,128,655
Despotovac	0	0	0	0	0	0	0	0
Dimitrovgrad	0	11,487	11,982	1,613,648	0	85,222	282,480	2,004,820
Zajecar	0	0	0	10,261,346	0	0	0	10,261,346
Zrenjanin	0	0	0	2,774,096	0	233,469	0	3,007,566
Ivanjica	0	0	0	2,194,386	0	0	0	2,194,386
Jagodina	0	62,723	0	11,429,800	26,253	72,982	4,076,717	15,668,475
Kikinda	0	0	0	1,365,043	0	139,494	0	1,504,537
Knjazevac	0	0	0	2,843,457	0	0	0	2,843,457
Kosovska Mitrovica	0	264,000	0	0	0	0	0	264,000
Kragujevac	0	3,377,190	0	51,870,643	0	0	0	55,247,833
Kraljevo	0	0	0	11,134,371	0	934,626	0	12,068,997
Krusevac	0	644,693	0	16,860,956	0	0	0	17,505,649
Kursumlija	0	130,385	0	1,566,518	0	63,291	0	1,760,194
Lazarevac	0	199,596	0	7,500,324	0	0	0	7,699,920
Lebane	0	0	0	3,892,000	0	0	0	3,892,000
Leskovac	0	0	0	17,999,400	0	0	1,648,500	19,647,900
Loznica	0	751,040	0	6,128,098	0	0	1,187,420	8,066,558
Majdanpek	0	678,257	0	2,298,919	0	146,628	0	3,123,804
Mionica	0	0	0	5,636,697	0	0	81,973	5,718,670
Mladenovac	0	0	0	10,854,773	0	0	0	10,854,773
Negotin	0	0	0	3,267,825	0	0	0	3,267,825
Nis	0	0	0	27,673,931	0	0	835,052	28,508,983
Novi Pazar	0	263,700	0	12,495,265	0	63,700	0	12,822,665
Novi Sad	0	0	0	71,469,676	0	0	0	71,469,676
Obrenovac	0	0	0	12,042,505	0	0	0	12,042,505
Pancevo	0	0	0	23,431,805	0	0	0	23,431,805
Paracin	0	299,400	0	4,261,240	0	0	0	4,560,640
Petrovac na Mlavi	0	30,000	0	517,800	0	41,720	0	589,520
Pirot	0	403,187	0	18,497,179	0	0	0	18,900,366
Pozarevac	0	1,414,967	0	4,808,869	0	36,430	0	6,260,267
Pozega	0	0	0	6,160,905	0	0	0	6,160,905
Priboj	0	0	0	0	0	0	182,340	182,340
Prijepolje	0	58,020	0	3,195,931	0	50,559	665,560	3,970,070
Prokuplje	0	363,163	11,860	8,152,359	0	810,899	0	9,338,281
Raska	0	210,295	0	922,791	0	30,273	60,750	1,224,109
Ruma	0	0	0	4,380,794	0	0	128,780	4,509,574
Senta	0	0	0	9,463,664	61,282	21,956	0	9,546,902
Sjenica	0	191,798	0	191,134	0	13,245	40,000	436,178
Smederevo	0	815,705	0	6,542,591	0	0	0	7,358,296
Sombor	0	0	0	17,826,073	1,171	0	0	17,827,244
Sremska Mitrovica	0	0	0	12,146,900	0	0	47,250	12,194,150
Stara Pazova	0	606,469	0	14,513,620	0	0	0	15,120,089
Subotica	0	0	0	6,647,573	0	0	0	6,647,573
Surdulica	0	656,103	0	4,335,733	0	41,427	1,324,560	6,357,822
Trstenik	0	222,393	0	8,229,131	0	351,025	0	8,802,549
Ub	0	1,829,943	0	1,476,335	0	179,154	0	3,485,432
Uzice	0	0	0	2,016,617	0	573,178	593,372	3,183,167
Cacak	0	0	0	5,681,575	0	0	0	5,681,575
Sabac	0	0	0	6,272,877	0	1,428	0	6,274,305
Sid	0	0	0	2,291,000	0	0	0	2,291,000
TOTAL	0	35,557,491	34,042	658,663,057	88,706	5,247,022	11,782,415	711,599,748

Arrears in Higher Courts, Q3 2017

Court	personal	current expenditure	travel	services	current maintenance	materials	finances & penalties	Total Arrears
Beograd	0	4,693,601	0	143,410,379	0	893,874	0	148,997,854
Valjevo	0	248,928	0	230,457	0	118,383	0	597,768
Vranje	0	20,000	0	20,520,008	0	79,825	0	20,619,833
Zajecar	0	0	0	0	0	0	0	0
Zrenjanin	0	0	0	20,790,677	0	0	0	20,790,677
Jagodina	0	211,407	9,600	4,802,111	0	136,308	0	5,159,426
Kosovska Mitrovica	0	0	0	0	0	0	0	0
Kragujevac	0	0	0	14,661,686	0	0	0	14,661,686
Kraljevo	0	0	0	4,122,963	0	0	0	4,122,963
Krusevac	0	785,800	0	650,000	0	120,000	0	1,555,800
Leskovac	0	0	0	11,094,171	0	0	0	11,094,171
Negotin	0	0	0	0	0	0	0	0
Nis	0	0	0	813,788	0	0	0	813,788
Novi Pazar	0	0	0	8,808,322	0	729,721	0	9,538,043
Novi Sad	0	0	0	16,557,912	0	0	0	16,557,912
Pancevo	0	526,316	0	5,914,200	0	0	0	6,440,516
Pirot	0	1,266,751	0	6,895,048	0	274,589	0	8,436,388
Pozarevac	0	0	0	0	0	0	0	0
Prokuplje	0	741,981	0	1,857,985	0	105,297	0	2,705,263
Smederevo	0	0	0	6,964,365	0	0	0	6,964,365
Sombor	0	0	0	0	0	0	0	0
Sremska Mitrovica	0	3,641,575	0	2,806,155	0	0	0	6,447,730
Subotica	0	0	0	0	0	0	0	0
Uzice	0	0	0	5,100,000	0	0	0	5,100,000
Cacak	0	0	0	3,251,125	0	0	0	3,251,125
Sabac	0	0	0	4,708,969	0	137,225	0	4,846,194
Total	0	12,136,359	9,600	283,960,320	0	2,595,223	0	298,701,501

ANNEX 2

List of persons met:

1. Branka Tomasevic, Head of Department for Budgeting, HJC
2. Nikola Colakovic, Senior Advisor, Department for Budgeting, HJC
3. Drago Vidovic, Advisor, Department for Budgeting, HJC
4. Borka Kolarevic, Head of Accounting Department, Higher Court Valjevo
5. Biljana Savic, President, Higher Court Valjevo
6. Violeta Milojevic, Head of Accounting Department, Basic Court Prokuplje
7. Zorica Stajic, General Secretary, Basic Court Novi Sad
8. Biljana Masnic, Head of Accounting Department, Basic Court Novi Sad