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# PUBLIC FINANCE MANAGEMENT — BUDGET *in the* **ENVIRONMENT AND CLIMATE ACTION SECTOR**

PAR Principles Mainstreaming in  
Sectoral Policies — Report for Serbia



## PUBLIC FINANCE MANAGEMENT – BUDGET IN THE ENVIRONMENT AND CLIMATE ACTION SECTOR

Publication:

Public finance management – budget in the environment and climate action sector

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European Policy Centre – CEP

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ISBN 978-86-89217-28-5

Belgrade, July 2022



Project Coordinator



This document has been produced with the financial support of the European Union and the Foundation for Open Society Serbia. The responsibility for content and information in this publication rests solely with the European Policy Centre - CEP, Civic Initiatives and the Think for Europe Network. Opinions expressed in this publication do not necessarily represent those of the European Union, Foundation for Open Society Serbia or its partners.

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# REPORT SUMMARY

The Ministry of Environmental Protection, the responsible institution assessed within the Environment and Climate Action Policy Sector, only partially presented information subject to the monitoring process of this Report. The Ministry provided information on its budget spendings for 2020 and 2021, including a quarterly budget spending report for 2022. These reports were not published within the Ministry's website page dedicated to the budget but within the page created for the obligatory information booklet, which contains basic information on the work of this institution. On the other hand, the economic classification of expenses within the budget spending reports has been provided only to a specific degree – up to the group types of expenses, while specific subgroups of expenses, such as analytical or sub-analytical accounts, are not visible. Classification of expenses according to specified subgroups determined by the Rulebook on the Standard Classification Framework and Chart of Accounts for the Budget System, would provide a better insight into each budget item and its spending. The reports included the programme classification, categorizing expenses within key programmes, programme activities and projects. On the other hand, and regarding to organizational classification of expenses, the reports do not contain information on spending of the Agency for Environmental Protection, which is an administrative body within the Ministry. An overview of planned capital expenditures of the Ministry of Environmental Protection for 2021 can only be found in the Law on the Budget for 2021, while information on the implementation status and spending on capital projects is not available. Moreover, the Ministry did not publish its programme budget for 2022 nor the programme budget implementation report for 2021. For this reason, a formal request for access to information of public importance has been sent to the Ministry asking it to provide information relevant for this Report. No answer has been provided in the moment of this Report's writing and a complaint procedure was initiated before the Commissioner for Information of Public Importance and Personal Data Protection.

# I. INTRODUCTION

## I.1 What does WeBER monitor and how?

The monitoring of budget management practices, within the Public Finance Management (PFM) area, is performed against SIGMA Principle 5.

**Principle 5:** Transparent budget reporting and scrutiny are ensured.

PFM checklist on budget management consists of 6 requirements that pertain to different aspects of transparency of budget implementation and reporting. Requirements focus on data transparency on sectoral spending (in-year, or annual reporting), and its comprehensiveness in terms of budgetary classifications used, on availability of reporting on capital (investment) projects, and on programme budget implementation. When it comes to programme budgeting practices, it is also monitored whether assessed institutions adequately define targets, as a prerequisite for meaningful and performance-oriented reporting.

For data collection, approach to this checklist relies on review of websites of assessed institution, and of ministry responsible for finance, but also on filing of requests for free access to information for all documents that are not available online. Depending on individual requirement, timeframe of analysis covers budget transparency and reporting practices for the ongoing year at the time of assessment, or previous two calendar years.

## I.2 In this Report

This Report provides findings from the monitoring process of the Ministry of Environmental Protection, through 6 requirements that deal with transparency of budgetary spending, reporting on capital projects and programme budget implementation and reporting. Section II of this Report presents findings on each of the defined requirements by assessing the website of the Ministry of Environmental Protection and the availability of information described in each of the requirements. This assessment provides information on good practices or it identifies gaps that are elaborated in detail. Section III of this Report presents a set of recommendations directed at the Ministry, derived from, and formulated according to gaps identified in each of the requirements in Section II.

# II.

## ANALYSIS

### Requirement 1: Sector-specific information on budget spending is available

The Ministry of Environmental Protection has two annual budget spending reports published on its website, for 2020 and 2021 and one report covering the first quarter of 2022. These reports were not published within the Ministry's website page dedicated to budgetary information, which was left completely blank<sup>1</sup>, but within the page dedicated to the legally required information booklet that contains basic information on the institutions' work<sup>2</sup>. On the booklet's page, budgetary information is published as "Annex 1 – Information on revenues and expenditures" to the booklet, and includes documents on budgets for 2020, 2021 and 2022 and budget spending reports for 2020, 2021 and first quarter of 2022. The spending report covering the first quarter of 2022 represents an example of good practice that needs to be continued – proactive transparency and a more frequent in-year reporting enables citizens to track current budget spending. There are no other documents that, in addition to the annual budget spending, provide information on in-year spending for any of the last two calendar years. Moreover, budgetary information on the Agency for Environmental Protection, which is an administrative body within the Ministry, has not been presented on the Ministry's website - the Agency presented its budget spending report on its website for 2021 only, as part of its information booklet, including an overview of its budget for 2022.<sup>3</sup> It is important to note that the Law on the Budget System<sup>4</sup>, in its article 8, paragraph 3, stipulates that "All public resource users are obligated to post their financial plans for the following year, an information booklet, as well as final accounts and financial reports on their internet pages". The information booklet is also a legally required document according to the Law on Free Access to Information of Public Importance<sup>5</sup> and it needs to contain, amongst other, financial information related to the work of the Ministry. Having in mind the set requirement and that the Ministry only published annual budget spending reports without any insight into in-year budget spending, this requirement was assessed as partially met.

### Requirement 2: Sector-specific information on budget spending is sufficiently detailed

The budget spending Report of the Ministry for 2021 is published in a form of an excel sheet in which the economic and programme classification is easily and clearly visible. Regarding the economic classification of expenses, the Report shows types of expenses but only to a specific degree, up to the group type of expenses - no specific subgroups, such as analytical or sub-analytical accounts, are visible. A more detailed explanation

1 Ministry of Environmental Protection, „Budget“, <https://www.ekologija.gov.rs/dokumenta/budzet/budzet>

2 Ministry of Environmental Protection, „Information Booklet“, <https://www.ekologija.gov.rs/informacije-od-javnog-znacaja/informator-o-radu>

3 Agency for Environmental Protection, „Information Booklet“, [http://www.sepa.gov.rs/download/Informator\\_o\\_radu\\_2022.pdf](http://www.sepa.gov.rs/download/Informator_o_radu_2022.pdf)

4 Law on the Budget System, (Official Gazette of RS, no. 54/2009-3, 73/2010-3, 101/2010-239, 101/2011-260, 93/2012-175, 62/2013-3, 63/2013-3 (correction), 108/2013-3, 142/2014-190, 68/2015-22, 103/2015-151, 99/2016-160, 113/2017-3, 95/2018-223, 31/2019-5, 72/2019-185, 149/2020-278, 118/2021-3, 118/2021-12), <https://www.pravno-informacioni-sistem.rs/SlGlasnikPortal/eli/rep/sgrs/skupstina/zakon/2009/54/1/reg>

5 Law on Free Access to Information of Public Importance ("Official Gazette of RS", no. 120/2004, 54/2007, 104/2009, 36/2010 and 105/2021), <https://www.pravno-informacioni-sistem.rs/SlGlasnikPortal/eli/rep/sgrs/skupstina/zakon/2004/120/7/reg>

of expenses using these subgroups defined by the Rulebook on Standard Classification Framework and Chart of Accounts for the Budget System is lacking.<sup>6</sup> By using these sub-categories, a better insight on the content of each budget line would have been provided for the viewer of the Report. For example, the Report includes 11 different budget items classified as “423 – Contract services” but it does not provide data on exact type of services that were paid, something that would have been visible if expenses were presented to the degree of sub-analytical accounts for example. Regarding the programme classification, the report classifies expenses on key programmes, programme activities and projects. On the other hand, and regarding the organizational classification, the report does not contain information on spending of the Agency for Environmental Protection, which is an administrative body within the Ministry. Instead, as a direct budget user the Agency reports separately on its spending. In its spending Report for 2021, which is provided within the Agency’s information booklet, the data presented is aggregated and is even less detailed compared to the state budget and the budget of the Ministry. Even though the Agency has one programme and three different programme activities/projects within its programme classification, data is presented only on the programme level, meaning that viewers cannot see spending data on each of the programme activities/projects separately. Having in mind the set requirement and the Ministry not presenting any information on the spending on bodies subordinate to it, this requirement has been assessed as partially met.

### **Requirement 3: Responsible sector institution reports on the implementation of capital (investment) projects**

The Law on the Budget System of Serbia defines capital projects as projects of construction and capital maintenance of buildings and infrastructure facilities of interest to the Republic of Serbia, or local government, including project planning services that are an integral part of the project, providing land for construction, as well as projects involving investments in equipment, machinery, and other non-financial assets, and that are in the function of public interest.<sup>7</sup> This Law also stipulates that the “general part of the budget” contains, amongst other information, a review of planned capital expenditures of budget users for the current and next two budget years.<sup>8</sup> Moreover, the Regulation on Capital Project Management regulates in more detail the content, method of preparation, evaluation, and selection, as well as monitoring the implementation and reporting on the implementation of capital projects.<sup>9</sup> Therefore, the Rulebook on Investment Documentation defines a set of reporting documentation and due dates for each one of them, those being: (1) the project implementation progress report – sent quarterly to the Ministry of Finance, (2) the final report on the implemented capital project – prepared and sent to the Ministry of Finance within 60 days from the day specified in the project implementation plan as the day of completion of the project and (3) report on effects of the capital project – in case of projects whose value is estimated above 25 million Euros, that are prepared and sent to the Ministry of Finance within 3 years from the day of completion of the project.<sup>10</sup>

The Law on the Budget of Republic of Serbia for 2021<sup>11</sup> provided an overview of planned capital expenditures of budget users for that and the following two years. In case of the Ministry of Environmental Protection, two of those capital projects have been planned – (1) “Construction of the main collector for the wastewater treatment plant in Leskovac”, and (2) “Procurement of equipment for collection and recycling”. On the other hand, the Law on the Budget for 2022 provides information on two capital projects (1) “Procurement of equipment for collection and recycling” and (2) “Construction of the main collector for the wastewater treatment plant in Zubin Potok”. An interview with a representative of the Ministry for the purpose of determining the final

6 Rulebook on Standard Classification Framework and Chart of Accounts for the Budget System (“Official Gazette of RS”, no. 6/2016, 49/2016, 107/2016, 46/2017, 114/2017, 20/2018, 36/2018, 93/2018, 104/2018, 14/2019, 33/2019, 68/2019, 84/2019, 151/2020, 19/2021, 66/2021 and 130/2021), <http://www.pravno-informacioni-sistem.rs/SlGlasnikPortal/eli/rep/sgrs/ministarstva/pravilnik/2016/16/1>

7 Law on the Budget System, Article 2, para. 21a, <https://www.pravno-informacioni-sistem.rs/SlGlasnikPortal/eli/rep/sgrs/skupstina/zakon/2009/54/1/reg>

8 Law on the Budget System, Article 28, para. 2.

9 Regulation on Capital Project Management, Article 1, <https://www.pravno-informacioni-sistem.rs/SlGlasnikPortal/eli/rep/sgrs/skupstina/zakon/2009/54/1/reg>

10 Rulebook on Investment Documentation, Article 10-12, <https://www.pravno-informacioni-sistem.rs/SlGlasnikPortal/eli/rep/sgrs/ministarstva/pravilnik/2019/87/2>

11 Law on the Budget of the Republic of Serbia for 2021 (“Official Gazette of RS”, no. 149/2020, 40/2021 and 100/2021), <http://www.pravno-informacioni-sistem.rs/SlGlasnikPortal/eli/rep/sgrs/skupstina/zakon/2020/149/1/reg/>

number of capital projects implemented by the Ministry could not be organized<sup>12</sup> – instead, via the formal procedure of access to information the Ministry was asked to provide a full list of capital projects that were being implemented in 2021, but no answer has been received from the Ministry at the moment of this Report's writing.<sup>13</sup>

Information on the implementation status and spending on capital projects is not publicly available. The budget spending Report for 2021 gives an overview on the spending on each of the capital projects but since it does not classify spendings in detail, as explained in requirement 2, it does not give viewers enough insight into details. In case of the two capital projects that were planned by the Law on the Budget for 2021, the budget spending Report for 2021 stated that the budget spending was almost completed for these projects. The Ministry was asked to provide information on the implementation status and spending on capital projects via the formal procedure of free access to information, but no answer has been received from the Ministry at the moment of this Report's writing.<sup>14</sup> Having this in mind, and the fact that the list of ongoing capital projects could not be confirmed nor that specific information on the implementation status and spending on capital projects is available, this requirement was not met.

## **Requirement 4: Sectoral budget contains performance targets as a precondition for performance-based budget reporting**

No programme (performance) budget for 2022 has been publicly presented by the Ministry. The Ministry has been asked with a formal request for access to information of public importance to provide its programme budget for the on-going year, but the formal response is still pending in the moment of writing of this Report.<sup>15</sup> Having this in mind, the requirement could not be assessed.

## **Requirement 5: Sectoral programme budget reports contain adequate performance information**

No programme (performance) budget report for 2021 has been publicly presented by the Ministry. The Ministry has been asked with a formal request for access to information of public importance to provide the programme budget report for 2021, but the formal response is still pending at the moment of writing this Report.<sup>16</sup> Having this in mind, the requirement could not be assessed.

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12 The Ministry's Budget Section redirected any question on access to information to the formal procedure of free access to information of public importance according to the Law.

13 Request sent to the Ministry on May 4, 2022. Due date for receiving an answer expired on May 19, 2022. A complaint procedure before the Commissioner for Information of Public Importance and Personal Data Protection is under way at the moment of this report's writing.

14 Ibidem.

15 Ibidem.

16 Ibidem.



## Requirement 6: Sectoral programme budget reports are publicly available online

No programme budget reports have been publicly presented on the Ministry's website. Some elements of programme budget reporting can be found in the Government Annual Work Report for 2020<sup>17</sup> (the 2021 report is still under preparation), where implementation results of programmes/programme activities/projects, that are part of the institution's budget, are presented but it lacks any details besides information on whether programme budget elements were implemented or not. Having in mind the set requirement and that the Ministry omit to make its programme budget report for 2021 publicly available online, this requirement has been assessed as not met.

### Final assessment of the requirements

Requirement	Final assessment
Sector-specific information on budget spending is available	Partially met
Sector-specific information on budget spending is sufficiently detailed	Partially met
Responsible sector institution reports on the implementation of capital (investment) projects	Not met
Sectoral budget contains performance targets as a precondition for performance-based budget reporting	Could not be assessed.
Sectoral programme budget reports contain adequate performance information	Could not be assessed.
Sectoral programme budget reports are publicly available online	Not met

17 Government Annual Work Report for 2020, [https://www.srbija.gov.rs/extfile/sr/583762/izvestaj-o-rad-u-vlade-2020\\_cyr.pdf](https://www.srbija.gov.rs/extfile/sr/583762/izvestaj-o-rad-u-vlade-2020_cyr.pdf)

# III.

## RECOMMENDATIONS FOR IMPROVEMENTS

1. As exemplified by recent publishing of a budget spending Report for the period of January-March 2022, the Ministry should continue to prepare and make public in-year reports on budget spending.
2. The Ministry should group and publish all budgetary information and documentation on the already existing Ministry's website page dedicated to the budget and to provide financial plans, final accounts and financial reports as stipulated by the Law on the Budget System, and the Law on Free Access to Information of Public Importance which proscribes the obligatory publishing of financial data, that is, budget information, a financial plan and sources of income.
3. The Ministry should provide a more detailed economic classification of expenses while presenting its budgets and budget spending reports, by using sub-analytic accounts provided by the Rulebook on Standard Classification Framework and Chart of Accounts for the Budget System.
4. The Ministry should publish information on the implementation status and spending of capital projects, especially reports proscribed by the Rulebook on Investment Documentation, meaning (1) project implementation progress reports, (2) final reports on the implemented capital projects and (3) reports on effects of the capital project, in case of large-scale projects.
5. The Ministry should publish budget information and budget spending reports of bodies that are subordinate to it on its website, either by including it in its budget reports or by attaching it separately on its website. This includes the Agency for Environmental Protection, a body that is administratively part of the Ministry.
6. The Ministry should make its programme budget and reports on programme budget implementation public.

# APPENDICES

## Free access to information requests

Institution	Date of sending	Date of receipt
Ministry of Environmental Protection	4 May 2022	Pending

## Other sources

Agency for Environmental Protection.

[http://www.sepa.gov.rs/download/Informator\\_o\\_radu\\_2022.pdf](http://www.sepa.gov.rs/download/Informator_o_radu_2022.pdf)

Government Work Report for 2020,

[https://www.srbija.gov.rs/extfile/sr/583762/izvestaj-o-radu-vlade-2020\\_cyr.pdf](https://www.srbija.gov.rs/extfile/sr/583762/izvestaj-o-radu-vlade-2020_cyr.pdf)

Law on Free Access to Information of Public Importance ("Official Gazette of RS", no. 120/2004, 54/2007, 104/2009, 36/2010 and 105/2021),

<https://www.pravno-informacioni-sistem.rs/SlGlasnikPortal/eli/rep/sgrs/skupstina/zakon/2004/120/7/reg>

Law on the Budget of the Republic of Serbia for 2021 ("Official Gazette of RS", no. 149/2020, 40/2021 and 100/2021),

<http://www.pravno-informacioni-sistem.rs/SlGlasnikPortal/eli/rep/sgrs/skupstina/zakon/2020/149/1/reg/>

Law on the Budget System ("Official Gazette of RS", no. 54/2009-3, 73/2010-3, 101/2010-239, 101/2011-260, 93/2012-175, 62/2013-3, 63/2013-3 (correction), 108/2013-3, 142/2014-190, 68/2015-22, 103/2015-151, 99/2016-160, 113/2017-3, 95/2018-223, 31/2019-5, 72/2019-185, 149/2020-278, 118/2021-3, 118/2021-12, <https://www.pravno-informacioni-sistem.rs/SlGlasnikPortal/eli/rep/sgrs/skupstina/zakon/2009/54/1/reg>

Ministry of Environmental Protection.

<https://www.ekologija.gov.rs/>

Regulation on Capital Project Management,

<https://www.pravno-informacioni-sistem.rs/SlGlasnikPortal/eli/rep/sgrs/skupstina/zakon/2009/54/1/reg>

Rulebook on Investment Documentation,

<https://www.pravno-informacioni-sistem.rs/SlGlasnikPortal/eli/rep/sgrs/skupstina/zakon/2009/54/1/reg>

Rulebook on Standard Classification Framework and Chart of Accounts for the Budget System ("Official Gazette of RS", no. 6/2016, 49/2016, 107/2016, 46/2017, 114/2017, 20/2018, 36/2018, 93/2018, 104/2018, 14/2019, 33/2019, 68/2019, 84/2019, 151/2020, 19/2021, 66/2021 and 130/2021),

<http://www.pravno-informacioni-sistem.rs/SlGlasnikPortal/eli/rep/sgrs/ministarstva/pravilnik/2016/16/1>

CIP - Каталогизација у публикацији

Народна библиотека Србије, Београд

336.14:502/504(497.11)(0.034.2)

ЈОВАНОВИЋ, Урош, 1995-

Public finance management - budget in the environment and climate action sector [Elektronski izvor] : PAR principles mainstreaming in sectoral policies : report for Serbia / [author Uroš Jovanović] ; [proofreading Marijana Bajin]. - Belgrade : European Policy Centre - CEP, 2022 (Belgrade : European Policy Centre - CEP). - 1 elektronski optički disk (CD-ROM) ; 12 cm

Sistemske zahteve: Nisu navedeni. - Prevod dela: Upravljanje javnim finansijama - budžet u sektoru životne sredine i klimatske akcije. - Nasl. sa naslovne strane dokumenta. - Podatak o autoru preuzet iz kolofona. - Tiraž 10.

ISBN 978-86-89217-28-5

а) Буџет -- Србија б) Животна средина -- Заштита -- Србија

