



Centar za liberalno-demokratske studije

Center for Liberal-Democratic Studies

Marko Paunović

**POLICY COORDINATION IN SERBIA:
THE CASE OF TRADE POLICY**

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1. Introduction

After the democratic changes took place in the year 2000, although the reform of the state administration was proclaimed to be one of the key goals of the new Government, relatively little was done in terms of changing the attitude of the civil servants towards the citizens – tax payers. In a way, it is understandable, since the country was faced with numerous urgent political and economic problems (Kosovo issue, relations with Montenegro, cooperation with International Criminal Tribunal), so that comprehensive public administration reform was somehow put aside.

It has to be emphasized that during the past four years significant resources were invested, above all by international development partners, in various partial programs and projects, with different effects. Generally, it can be said that the situation in the public administration is much better than it was in the beginning of 2001, but the open question remains on whether those resources could have been used in a more effective way. Another open question is whether there was strong political will to push the implementation of comprehensive public administration reform. It is perceived as a very sensitive issue, but also it is not clear whether the politicians actually have incentives to deal with it seriously. It is a fact that voters don't really pay too much attention to the public administration reform. Generally, it is a process where political costs are high and certain, and political benefits are uncertain and relatively low.

Also, it has to be taken into account that both Governments, formed after the democratic changes, were coalition Governments and that the ministries were frequently perceived as party property, so that even the highest political leaders had serious problems in interfering in the internal issues of the ministries under authority of a coalition partner. All of those problems resulted in big differences in the progress of reforms in various ministries. Those Ministers who realized that, for political purposes, well managed and professional Ministry staff is of great help in promoting the party and its program, initiated and implemented much more reform initiatives.

Significant change that occurred when the new Government of Serbia took Office in 2004 was that it was created of much fewer number of parties than the previous one. The parties in

the new Government have very strictly and precisely allocated ministries among themselves. Taking into account that now whole ministries are run by the same party, it seems that coordination should work much better than before, although the issue of transparency is now much more important.

In practice, it is very difficult to see whether the coordination really works better than in the previous Government. The coordination is still done on more or less formal meetings between Ministers, Deputy Prime Minister and Prime Minister, while the sessions of the Government and Government Committees are usually used only for approving the decisions which are already made.

2. Legal Framework

The Law on Government stipulates that the Government monitors the work of and directs the public administration in implementation of the policy, and also coordinates its work. It is also stipulated that the Prime Minister leads and directs Government, takes care that political actions of the Government are unified and coordinates the work of Ministers. Also, the Prime Minister represents the Government and calls sessions and presides them. However, the Law on Government allows the Prime Minister to authorize one of the Deputy Prime Ministers to direct and coordinate the work of state administration in areas defined by the Prime Ministers. Ministers are primarily held responsible for the implementation of the Government program and policies.

2.1 Government Committees and Commissions

Rules of Procedure of the Government of Serbia stipulates that the Government creates Committees and commissions in order to implement policies and Laws more efficiently, to coordinate the work of ministries and to prepare documents for Government sessions.

Currently, The Government of Serbia has three Committees:

1. Committee for legal system and state administration
2. Committee for economy and finances

3. Committee for public services

Besides Committees, the Government also has five commissions:

1. Commission for administrative matters
2. Commission for personnel issues
3. Commission for housing
4. Commission for damage caused by natural disasters
5. Commission for allocation of state buildings

2.2 Jurisdictions of Committees and Commissions

Committee for Legal System and Public Administration is authorized to discuss draft Laws and other regulations that are being discussed by the Government, and which are primarily related to:

- 1) State security issues,
- 2) Protection of life; and personal security of citizens; protection of property;
- 3) Organization and functioning of the Government;
- 4) Organization, work and jurisdictions of ministries; public administration system;
- 5) Criminal legislation; prison system; international legal assistance;
- 6) Territorial organization of the Republic of Serbia and the system of local selfgovernance
- 7) Protection of legality and constitutionality; harmonization of draft Laws and other regulations with the legal system of the Republic of Serbia
- 8) Other tasks in the area of legal system and public administration

Committee for Economy and Finances discusses the draft Laws and other regulations related primarily to the:

1. Development strategy and policy of the Republic of Serbia
2. Regional development
3. Privatization; restructuring of enterprises; measures for subsidizing economy; development of small and medium companies; development of the private entrepreneurship;
4. Energy and mining;

5. Urban planning, spatial planning, construction;
6. Development of Agriculture;
7. Transportation, Infrastructure; Telecommunications; Postal services;
8. Advancement of international economic relations;
9. Development and functioning of the financial system;
10. System and policy of public revenues and public expenditures;
11. Republican budget;
12. Other tasks in this field;

Committee for Public Services discusses draft Laws and other regulations related primarily to the:

- 1) Development of research and development activities;
- 2) Education policy;
- 3) Development of culture and arts; Protection of cultural heritage;
- 4) Health protection; health insurance;
- 5) Social insurance system; social protection;
- 6) Other tasks in this area;

Committee for Administrative matters is authorized to decide in administrative procedures and to resolve the conflicts in jurisdiction between ministries. Also, it decides on salaries of appointed persons. Jurisdiction of the Committee for personnel issues is to propose appointments for the Government's decision. Committee for housing decides on issues related to the housing needs of civil servants and appointees. Committee for damage caused by natural disasters assesses the damage caused by natural disasters and submits reports and proposals to the Government. Committee for allocation of state buildings decides on the allocation and use of the Government buildings among different state institutions.

Committees and commissions of the Government are consisted of the President, Deputy President and certain number of members (not less than 3). President of the Committee or the commission and their deputies are appointed by the Government. They have to be members of the Government. Members of committees and commissions do not have to be Ministers. However, majority of members of Committees and commissions have to be consisted of the

Ministers. All members of Committee for administrative matters and Commission for housing have to be Ministers.

President of the Committee is assisted in the preparation of the session of the Committee by the secretary of the Committee, who monitors the implementation of the procedures of the Committees, coordinates work with the ministries and coordinates the work of the employees working for the Committee. Expert assistance and logistical support to the work of Committees is provided by the General Secretariat of the Government.

2.3 Temporary Committees

The Government can also create temporary Committees (advisory bodies, commissions, working groups, expert groups etc.) for discussion of the issues related to the implementation of the policy in certain areas and for implementing certain tasks. The President and the members of the temporary Committees can, but do not necessarily have to be members of the Government. They could also be experts and civil servants. Logistical support to these temporary Committees is provided by the line Ministry mostly interested in the work of the temporary Committee.

Permanent coordination group is created by the agreement of two Ministers, in order to facilitate coordinated implementation of certain policy. Project group can also be created. Its role is to perform specific tasks which demand joint effort of the people from the different sectors in the same Ministry. Project group is created by the Minister. The members of the working group can also come from other institutions. The members of the working group are accountable and responsible to the Minister. The Minister can also create a special working group, in which he appoints experts from the specific area for giving expert support. Special working group is managed by the Minister or Deputy Minister. Usually, these groups are created in order to draft Laws and other regulations

2.4 Session of the Government's Committee or Commission

The President of the Committee is authorized to set the date and agenda for the Committee meeting and also to preside on the session. The Committee needs majority of the members to

be present in order to make decisions. The invitation for the session of the Committee, with the agenda and related documents has to be sent to the members at least three days prior to the session, unless the urgency of the issue demands otherwise.

Committees can also jointly discuss issues related to the jurisdiction of more than one Committee. If the Committees discuss the same documents separately, they have to inform each other on the decision. If the different decisions are made, Presidents of the Committees or their deputies have to harmonize conflicting decisions. Representatives of the Ministry of Finance and Republican Secretariat for Legislation have to be present on all Committee sessions. The Committee can decide to return the documents to the author of the proposal.

The Committee has to submit a report to the Government on the discussed documents, with the draft conclusion. The report is consisted of assessment and indication of whether the author of the proposal has agreed with the decision of the Committee. If the author of the proposal does not agree with the Committee's decision, that is also recorded in the report.

2.5 The Government Session

Documents for the discussion and decision on the session of the Government could be submitted by the Ministry or other authorized institution. In the preparation of the draft Law or other regulations, the author of the proposal has to obtain an opinion from:

1. Republican Secretariat for Legislation – related to harmonization of the act with other regulations and legal system
2. The Ministry of Finance – when the implementation of the act demands budgetary resources or when the changes are required in the financial system
3. Republican Office for Protection of Public Interest – related to the protection of rights and interests of the Republic, or when contractual obligations are incurred
4. Ministry of Justice – when the acts prescribe criminal or civil responsibility
5. Serbian European Integrations Office – regarding the harmonization of legislation with the *acquis*

The author of the proposal also has to obtain the opinion of other ministries which have interest in that matter.

The ministries which have received request for giving opinion on draft Law or other regulation have to submit the opinion within 7 days. For the draft of system Laws, the time for submitting the opinion can not be shorter than 15 days nor longer than 30 days. The ministries are also obliged to submit the opinion in a shorter period of time when the regulations are prepared in accordance with the “urgent procedure”. The author of the proposal has to list all the institutions that were asked for the opinion, which of the suggestions were accepted and included in the text and to give reasons for not including some of the suggestions. If the opinions are contradictory, the opinions are alligned on the session of the Government Committee.

Also, the Rules of Procedure prescribe the obligation to the author of the proposal to initiate a public discussion on the draft Law, if the proposal significantly changes the legal system. The public discussion can also be initiated whenever the author deems it necessary.

Draft Law or other regulation is submitted to the Government with the justification which has to have the following elements:

1. Legal or constitutional basis;
2. Reasons for enacting such act, specifically: definition of the problem which the proposed act should solve; goals of the act; possible other alternatives which were discussed and analyzed; the reasons for selecting the specific alternative;
3. Explanation of the basic legal institutes and specific measures
4. Estimation of the financial costs needed for the implementaion of the act;
5. Impact assessment, specifically: who and how will be affected by the regulation, the costs of the implementation of the act to the citizens and companies, especially to the small and medium companies; whether the benefits of the regulation justify its costs; whether the act stimulates new entrants to the market and market competition; whether all interested sides had an opportunity to express their views about the act; which additional measures need to be implemented to fulfill the aims of the act. If the author thinks that the justification does not have to include the impact assessment, he has to give a special explanation
6. Public interest that justifies retroactive implementation, if the regulation prescribes it
7. Reasons for urgent procedyre, if the author of the proposal is asking for it

As an attachment to the draft Law, the author of the proposal has to also submit a Statement on the Harmonization of the Act to the European Union's legislation, or the statement that there are no relevant EU regulations to harmonize the Law with.

The ministries can also submit to Government sessions analyses, reports and information, with the proposed conclusions. Prior to submitting the proposed conclusions, the author of the proposal has to obtain the opinion from the Republican Secretariat for Legislation. If the conclusion proposes the use of budgetary resources, the author of the proposal also has to obtain the opinion from the Ministry of Finance.

The adequacy of the documents submitted to the Government session is judged by the General Secretariat of the Government. The documents which are found appropriate, are submitted to the General Secretariat of the Government at least 5 days prior to the Government session, unless the Government decides otherwise.

The Prime Minister calls the session of the Government on his own initiative or on the initiative of the majority of Ministers. The Prime Minister proposes the agenda and presides the session. The Deputy Prime Minister can also preside the session. The session is called at least 3 days before the scheduled time. The session can, in extraordinary circumstances, be called in a shorter time, if the Prime Minister decides that way. Together with the written information on the proposed time of the session, the members of the Government also receive the proposed agenda, report from the previous session, documents for discussion and reports from the Government Committees.

The agenda can only be consisted of the proposals that were discussed by the Government committees. Extraordinarily, some other issues can be put on the agenda during the session. Draft agenda is being prepared by Secretary General of the Government, which is then sent to the Prime Minister for his approval. All the members of the Government, including the Secretary General and Republican Secretary for Legislation attend the Government session.

When the Minister, Secretary General or Republican Secretary for Legislation can not attend the Government session, their deputies take their places. Also, when the deputies can not

attend the session, Assistant Ministers attend the session, but do not have the voting right. The session is also attended by the Deputy Secretary General, Chief of Staff of the Prime Minister and Secretaries of all Government Committees. The session can also be attended by other persons if the Prime Minister or Secretary General allows.

The Government can only decide on sessions when a majority of the Ministers are present. The Prime Minister opens the session and proposes the agenda. The Government accepts the agenda including possible amendments to it. The order of the issues to be discussed is defined by the agenda.

The Government decides with a simple majority of the present Ministers. The majority of all the Ministers is required for the decision to collectively resign, to pass a budget proposal or to propose the amendment to the Constitution. The voting is public.

The conclusion of the Government is sent to the relevant Ministry or other institution to be implemented immediately after the Government session. When the conclusion is related to passing a Law, the conclusion is sent to the Republican Secretariat for legislation.

2.6 Practice of Government sessions

The current Government of the Republic of Serbia is consisted of 17 Ministers, the Prime Minister and one Deputy Prime Minister. The former Government had between 4 and 6 Deputy Prime Ministers. This means that the number and competences of Deputy Prime Ministers have changed significantly.

The coalition currently in power is consisted of representatives of five political parties, or three coalitions. Representatives of two additional parties support the Government in the Parliament. It also represents a significant decrease in number of parties consisting the ruling coalition. The former Government was consisted of Ministers from ten different parties, and the Government was supported by 18 parties in the Parliament. The additional difference is that this Government is consisted only of politicians, meaning that there are no nonpartisan Ministers.

The session of the Government is held once a week, usually on Thursdays. In the period since the creation of the Government (March 1st 2004) until September 1st 2005, 89 Government sessions were held, on average about once a week. Also, the sessions of the Government Committees are held once a week, usually on Tuesdays or Wednesdays.

Government sessions usually last around two hours. Taking into account the number of issues which are usually discussed (tens of various issues), it is clear that sessions can not be used for substantive discussion and strategic decision - making. The most time is used to pass technical decisions, related for example to approving sale of assets of local municipalities or public companies, or accepting the reports prepared by various state institutions.

Crucial decisions are usually made on formal or informal meetings of the limited number of key relevant Ministers, including the Prime Minister and Deputy Prime Minister. After those discussions, Committees and the Government usually only formally approve the decision which was already made. Taking that into account, it is clear that the Committees and the Government in 99% of the cases unanimously accept the proposals. From time to time, but extremely rarely, a proposal which is not already agreed reaches the Committee. In those situations, the proposal is returned and the author of the proposal is instructed to harmonize the proposal with other institutions.

The role of the Republican Secretariat for Legislation and Ministry of Finance should be especially emphasized, since their opinions are needed for making decision on almost all proposals. In that sense, there were no crucial differences in the functioning of the current and the former Government. However, some of the civil servants feel that the current Secretary for legislation is significantly more constructive and flexible than the previous one.

It can be concluded that the Government, although formally authorized to coordinate and direct the work of the ministries, usually just formally approves the decisions which were already made. In that sense, it seems that Committees actually have a more important role because there are cases of real discussions on their sessions. But in fact, the real coordination and harmonization is done before the issue is being discussed by the Committees and the Government.

Regarding the documentation discussed by the Government, the Rules of Procedure has defined extremely large number of needed documents, including detailed impact assessments. However, the regulations are still being processed without all the required documents and impact assessments. Also, it seems that the procedure is too regulated and too formal. Although there is a possibility for the individual Minister to raise an issue on the Government session, it seems that the Government session is too inflexible for that to be efficient, because of large number of people sitting on the Government session (usually more than 30). It also seems that the process of harmonization and alignment of regulations, i.e. providing opinions is too formalized.

Deadlines defined for submitting documents (3 days prior to the session) are obviously not respected, taking into account the fact that Committee meetings take place only one or two days prior to the session. The Committee members frequently see the documents for the first time on the session, so it is clear that there is no possibility for informed discussion.

Majority of the Ministers would probably agree with the stated assessment. However, it seems that most of them still find the sessions useful, since it gives them the opportunity to informally discuss some important issues with other Ministers before and after the session.

Regarding the monitoring of the implementation of the Government decisions, the real statistics do not exist. There is an impression that most of the decisions are usually implemented, but the deadlines are frequently not respected. One of the first issue that needs to be addressed is precisely creating the capacity within the General Secretariat to monitor implementation of Government decisions. In that respect, the new Decree on General Secretariat gives this institution the authority to monitor the implementation of the decisions passed by the Government by which the ministries and other institutions are obliged to take certain actions and to inform the government when the ministries have failed to implement the decision within the deadline defined by the Government. It can be seen that the Government has realized that the serious problem exists regarding the monitoring of implementation of Government decisions. However, taking into account the fact that the new decree has been passed only recently, and that the General Secretariat is currently preparing the new job descriptions and internal organization acts, the effect of this decree are still not visible.

3. Center of Government

Center of Government in Serbia consists of Offices of the Prime Minister and Deputy Prime Minister, General Secretariat, Republican Secretariat for Legislation, Office for Relations with the Media and Serbian Office for European Integration.

3.1 General Secretariat

The General Secretariat is created by the new Law on Government, which represents an important difference, since before the new Law was passed, this institution was created by a decree. Taking into account the level of formalism of Serbian civil servants, the creation of an institution by a Law gives it more leverage.

The Decree on the General Secretariat is now used to more precisely define the role of this institution. It is created as an expert and nonpartisan institution, which is currently performing technical and logistical tasks for Offices of Prime and Deputy Prime Minister, and it is not performing, nor it has the capacity to perform policy coordination.

However, it can be noticed from the new decree that the General Secretariat has the ambition to become a more policy oriented institution. New decree authorizes Secretariat to perform new activities, related to:

1. Preparation of acts for the Government's decision whose purpose is monitoring, coordination and harmonization of the activities of the ministries
2. Monitoring the implementation of the acts that oblige ministries to perform certain actions
3. Informs the Government when the ministries have failed to act within defined timeframe

Comparing these activities to the past decrees on the general Secretariat, it can be noticed that now the tasks are defined more ambitiously. Only time will show whether the Secretariat can grow, from the current logistical support, to the competent Center of Government with a

mandate to coordinate and harmonize activities of the ministries and to monitor the implementation of the Government decisions. This change in the attitude is more than welcome.

Until the recent change in the Decree, General Secretariat was consisted of 5 sectors: Sector for preparation of Government sessions, Sector of common services; Republican Protocol, Office of Prime Minister and Office of Deputy Prime Minister.

3.2 Republican Secretariat for Legislation

Republican Secretariat for Legislation is created by the Law on Ministries. It is responsible to the Government which appoints the secretary. The mandate of the Secretariat is to “assure the harmonization of legal acts and regulations in the process of preparation and to assure their normative, technical and verbal quality”. It practically means that all regulations submitted for the Government’s approval have to be considered by this Secretariat. This consideration is only related to the legal basis of the act and to the harmonization of the act to the existing legislation. It does not include any policy assessment.

Looking at the mandate, it can be concluded that this Secretariat has an extremely important role in the activities of the Government and it is relatively highly appreciated by other state institutions, especially within the last two years. The lawyers working there are considered to be the best in the state administration and their opinion is usually accepted.

3.3 The Office of Prime Minister

The Office of Prime Minister was, until the recent changes, formally a part of the general Secretariat. In fact, it was a separate institution and the General Secretariat performed all the administrative activities. New Decree on the Office of Prime Minister has created a new institution, separated from the general Secretariat.

It is stipulated that the Office is performing expert and other activities for the needs of the Prime Minister. Besides Chief of staff, the Office is comprised of 5-7 advisers which are mainly involved in the process of defining and coordinating policies related to the issues of

the highest political importance, such as Kosovo, relations with Montenegro, cooperation with the International Criminal Tribunal, European integrations, preparation of the new Constitution of Serbia and international relations. Advisors to the Prime Minister are mostly respected lawyers and political scientists, with considerable international experience. Besides them, certain number of technical staff is also employed, and their job is mostly to perform daily, routine tasks. Regarding the influence of the advisors to the Prime Minister, they are as influential as line Ministers in developing policies in specific areas. Generally speaking, the advisors to the Prime Minister do not take part in the regular, daily work of the Government, nor do they take part in the preparation of the session of the Government.

Another possibility that the Law on Government gives to the Prime Minister is to create Council for economic development and Council for state administration and public services, with up to 5 members. Mandate of Council is to propose development policy in specific area, to provide opinions on proposals and to prepare proposals for the Government sessions. The members of the council are appointed by the Prime Minister. For the time being the Prime Minister has not created these councils.

Institution that is closely linked to the Prime Minister's Office is the Office for media relations. Its role is to inform the public on the activities of the Government and ministries and to assure internal communication. Also, the Office publishes public and internal publications. The Director of the Office is appointed by the government.

3.4 Office of the Deputy Prime Minister

Just like the Office of the Prime Minister, this Office was, until recently, the part of the general Secretariat. New Decree on the Office of Deputy Prime Minister has created a completely new institution, separated from the general Secretariat. This decree gives this Office a mandate to perform expert and other activities for the needs of the Deputy Prime Minister. Taking into account the current political situation in Serbia and the division of responsibilities between the Prime Minister and Deputy Prime Minister, and a fact that the Deputy Prime Minister is in charge for coordination of economic policies and EU integration process, it does not come as a surprise that most of the Office is comprised of economists. In

the Office, besides the Chief of Staff and her Deputy, 4 advisers are employed and several assistants.

It is difficult to assess exactly in which situations the Office was involved in the work of the Government and line ministries. Usually, the issues were cross-sectoral, when the Office was either arbitrating in the dispute, or was used as a catalyst of a certain change. Regarding the policy coordination, the Office usually played the role in directing a discussion and providing comments and suggestions, and in helping line ministries in analysis of a situation. Although the formal mandate of the advisor is relatively weak (advising the Deputy Prime Minister), it can be concluded that their influence is relatively high in certain line ministries, because it is based on relatively high expert and political authority of the Deputy Prime Minister.

Three other institutions are also directly subordinated to the Deputy Prime Minister, which are extremely important in the process of policy coordination: Serbian Office for European Integration, Serbian Investment and Export Promotion Agency and Poverty Reduction Strategy Implementation Focal Point.

Development goals of Serbia are mostly defined by two main documents: EU integration Strategy and Poverty Reduction Strategy, and the Deputy Prime Minister is in charge for coordination of implementation of both of these strategies. EU integration process is cutting into all ministries and demands competent and well educated state administration. Regarding the Poverty Reduction strategy, the main goal is to halve the poverty by 2010 through dynamic economic development, prevention of new poverty as a result of the restructuring of the economy and through introduction of modern social policy measures.

Although these strategies partly overlap, the responsibility for their implementation is slightly different. EU integration process demands that certain standards have been achieved and for those standards Serbia is mostly responsible to Brussels. Poverty Reduction Strategy is, on the other side, mostly related to local actors.

Efficient implementation of these strategies demands good coordination of line ministries. Institutions in charge for the implementation of these policies have taken care to create networks of people in line ministries in order to harmonize and coordinate the

implementation of those strategies. Also, strategic documents need to be in line with the budget process and with programming of international assistance and loans in order to use the existing resources in a way to ensure the fulfillment of defined goals. One of the major challenges that line ministries face is a lack of strong strategic centre of the Government, and the lack of needed skills and expertise. In that sense, coordinated planning and implementation of policies, aligned with budgetary process represents a significant challenge.

Currently, there are four more or less informal networks of people used for horizontal policy coordination on the level of civil servants, and which are related to following issues:

- Poverty Reduction Strategy implementation
- EU integration
- Programming of international assistance
- Budget preparation process

Institutions which use and maintain these networks are PRSP Implementation Focal Point, Serbian European Integrations Office, Donors Aid Coordination Unit in the Ministry for Foreign Economic Relations and Sector for Budget in the Ministry of Finance.

These four institutions, together with the General Secretariat and the Ministry for Public Administration and Local Self - Government have initiated “Joint Project: Towards the More Efficient Implementation of Reforms” with the main goal to strengthen central coordination institutions through consolidation of networks, and to strengthen policy capacities of line ministries through preparation of budgets based on action plans which should be based on both sectoral and national strategies.

4. Ministries

The existence of legal requirement for coordination and cooperation among the Government institutions does not mean that it will actually happen. The major challenge for the well organized cooperation and coordination activities is usually the fact that ministries believe that certain issues are only in the interest of a single Ministry and that they should not be discussed with others.

The ministries in Serbia are relatively small, with very weak mechanisms for planning, reporting, budgeting and coordination. If we exclude specific Administrations within the ministries (such as Custom Administration, or Tax Administration), the largest ministries are Ministry of Finance and Ministry of Trade, Tourism and Services, with around 800 employed civil servants, while the smallest is Ministry of Religion with only 10 employees. The average Ministry has around 300 employees, including various inspectorates. If we would count only people actively involved in the policy development process, the average Ministry would have less than 100 employees. Out of the existing 17 ministries, 7 do not have specific sectors dealing with some kind of planning, including ministries of Energy and Mining, Capital Investments and Justice. However, even in those 10 ministries that do have sectors for planning, policy development and analysis, the influence of those sectors is usually relatively low. The exception might be the Ministry of Agriculture where the sector for Analysis and Agricultural Policy is probably the most influential in the whole Ministry. This sector defines plans for the next period, performs detailed analyses and in fact determines the roles and policies of all other sectors.

Although they are relatively small, Serbian ministries have relatively complex organizational structures. Besides that, the lack of defined formal channels of communication within the Ministry to a large extent prevents employees to understand the processes that are occurring. Important issue is whether the employees even have the necessary incentives to inform on their own. Even in ministries which are integrated to a larger extent, as they did not suffer from drastic external shocks (such as taking over the people and responsibilities from the federal level), like Ministry of Health for example, it can be noticed that priorities of the Ministry are perceived differently in different sectors. General impression is that sectors are completely separated and that there is no formal channel of communication between different sectors and between sector and Office of the Minister.

Communication in the Ministry mostly done through the Assistant Minister, who sits on the Collegiums of the Ministry (usually attended by the Minister, Deputy Minister, Secretary of the Ministry, all assistants) and communicates with other assistants and the Minister. Taking into account the fact that the position of Assistant Minister is political and that they are mostly involved in decision - making at the level of Ministry, managing is mostly done by

chiefs of sections within sectors, whose possibility of communication with the Minister and people from other sectors is rather limited. However, certain ministries use common organizational units within the Ministry (such as those in charge of EU integration, or sections for international cooperation), to link with similar units in other ministries.

External information are usually sent to the Office of the Minister and then sent to other sectors. The trip of the document through the Ministry can last for days. The special problem that some ministries face is the fact that they are not even physically in one place. The good example is Ministry for International Economic Relations which was, until recently, placed in 4 separate locations around Belgrade, although it employs only 170 people.

There are certain positive examples of cooperation through the creation of working groups for dealing with a specific issue. One of the possible solutions for the creation of better cooperation and coordination would be a rotation and circulation of employees through different ministries.

5. Trade policy coordination

5.1 Why the coordination is necessary

Development and implementation of trade policy is today much more complex than 15 years ago, prior to the creation of World Trade Organization. Focus is much broader and it does not anymore include only traditional measures of protection, such as import duties, quotas, licenses, export subsidies etc. Creation of World Trade Organization has significantly complicated the rules of international trade and introduced additional limitations. Rules in the trade of agricultural products, services, rules on investments, protection of intellectual property rights, rules of origin, and technical standards that products have to meet are extremely complex and demand competent and well coordinated public administration in order to be efficiently implemented.

Process of development of optimal trade policy demands active involvement of many public and private institutions. Close cooperation and coordination and consensus building are necessary for implementation of economic and trade policy. On the one hand, trade policy affects all other economic policies, such as fiscal policy or exchange rate policy. On the other hand, all economic policies affect competitiveness of domestic economy and consequently the trade policy.

Off course, the primary interest for trade policy comes from the private sector, so it should somehow be involved in the process. It has to be admitted that the certain risk exists that the private sector could abuse the possibility to express their ideas in order to lobby for their special interest. However, since the private sector has much more specific information and knowledge it would be unwise not to listen to their suggestions. The real problem with involving the private sector is representation, since mostly only big companies have a say in a creation of a trade policy, while small and medium companies stay on the side, since they do not have the adequate human and other resources to analyze the information. Frequently they don't even have the access to the information.

Taking into consideration the history of high protection of domestic industry in Serbia, especially in certain sectors, the issue of trade policy was always considered as extremely important. Also, trade policy is often perceived by politicians and general public as a cure for almost all economic and social problems that Serbia is facing.

5.2 Institutions involved in the creation of the trade policy

Trade policy in Serbia is regulated by Laws passed by the National Assembly and by the decrees passed by the Government.

The Ministry for Foreign Economic Relations is in charge of implementing the Law on Foreign Trade, which regulates the movement of goods and services, and Law on Foreign Investments. This Ministry was created when the previous Ministry for Foreign Economic Relations of the Republic of Serbia took over the responsibilities and personnel from the federal level. So, although the Republic of Serbia has only recently taken over the trade policy development and implementation, the staff is relatively experienced.

The Ministry of Finance is in charge of implementing the Customs Law, which regulates procedures of import and export clearance of goods and for the implementation of the Customs Tariff Law, which determines the level of tariff protection for each tariff line. Just like the Ministry for Foreign Economic Relations, the Ministry of Finance has taken over the responsibilities and personnel from the federal level after the adoption of the Constitutional Charter.

Also, the Ministry for Trade, Tourism and Services and Ministry for Agriculture have certain authority in determining the level of special fee which is applied to food and agriculture products.

However, certain number of Laws and regulations which affect the trade policy are still being adopted at the federal level, especially those dealing with the protection of intellectual property rights and those dealing with standardization. Sanitary, phytosanitary and veterinary standards are passed by republican authorities. Additionally, other ministries also have interest in the creation of trade policy measures, such as Ministry of Economy, Ministry of Labor and social policy, Ministry of Energy and Mining, Ministry of Capital Investments and Privatization Agency and Serbian Investment and export promotion Agency.

Besides state institutions, Chamber of Commerce and other business associations, as well as individual companies have always took an active role, or at least were trying to take an active role.

5.3 Short history of the trade policy reform

The first step in the trade policy reform was made at the end of the year 2000 when the import licenses and quotas were abolished, so the instruments of the trade policy were reduced to ad valorem and seasonal duties and specific duties for agriculture and food products. Trade policy was developed and implemented mostly at the federal level, and the federal Minister for International Economic Relations was also the Deputy Prime Minister. Taking into consideration that the Prime Minister came from the Montenegro opposition party, the Deputy Prime Minister was de facto the Prime Minister. It gave special weight to

his proposal, so the abolishment of quotas and licenses passed the procedure smoothly. Also, it has to be kept in mind that the first steps in liberalization were done at the time when the consensus on all reform issues existed among all major political actors. Additionally, the process of granting licenses and quotas was ripe with corruption, so the arguments used for the abolishment were very strong.

The reforms continued 6 months later, in the middle of 2001, when the new Customs Tariff Law was passed, with the main result being the reduction of the average customs duty from 15% to less than 10%. However, regarding the organization of lobby groups, the situation has changed dramatically. During the preparation of the new Law, the Office of Deputy Prime Minister has received hundreds of suggestions and comments asking for higher protection. The Office was aware of the influence of those lobbies (who came close to the new Government and were mostly managers of loss - making socially - owned companies), so the work on the new tariff was kept far from the public and other institutions. The real coordination did not happen. When the proposal was made, the working group was created with the main goal to do fine tuning of the proposal. The effect was that less than 4% of all the proposed tariff rates were changed. A limited number of suggestions was accepted, mostly those asking for lower rates.

Taking into account the fact that Montenegro was applying its own tariffs, the proposal was going to be implemented only in Serbia. That required additional informal consultations with Serbian authorities. The Government of Serbia, which was already under strong pressures from domestic companies and unions, insisted to increase the proposed tariff rate for certain products (like cars). Most of those suggestions were included in the proposal. It was also accepted by the Federal Government, but new problems came when the proposal was to be adopted by the Federal Parliament. Parliamentarians from Serbia, but also from Montenegro, had 150 proposed amendments, and the Government accepted 20 of them.

Also, other similar processes were occurring at the same time. European union has granted trade preferential to Serbia, so Serbian products were exported to EU free of customs duties. One of conditions was that Serbia can not increase its tariff protection above the 2000 level. Also, under the auspices of the Stability Pact, the initiative for signing the free trade

agreements with the neighboring countries was launched. World Bank and IMF also insisted on trade liberalization.

It can be concluded that the first wave of liberalization was done with some coordination with other institutions, in a sense that the common goal of liberalization and deregulation was achieved. In parallel to the tariff reductions, the exchange rate depreciated, so the effect of liberalization was not too large.

Liberalization was continued in 2003 with the acceptance of the so - called Action Plan on Harmonization of Serbia and Montenegro Economic Systems. The main goal was full harmonization of the two economic system and ensuring the free flow of people, goods, capital and services. However, the full harmonization did not occur as a result of completely opposite interest regarding some agriculture products.

Besides liberalization which was done as a result of the Action plan, during the 2001-2004 period, the Ministry of Agriculture implemented several increases in protection level of special fee applied to food products. No discussions were held and it seems that these measures were taken as a result of pressures which came from certain lobbies.

At the end of 2004, EU was not insisting anymore on harmonization of Serbia and Montenegro economic systems, and accepted the so - called Twin Track approach. This approach allowed Serbia, and Montenegro, to pursue separate WTO accession negotiations. Regarding EU accession, this approach unblocked the accession process, so negotiations on signing Stabilization and Association agreement could start.

One of the important issues on which EU insisted was reduction of protection of food products to the level of 2000. The working group was created with representatives of Ministry of Agriculture, Ministry of International Economic Relations and the Office of Deputy Prime Minister. One thing was clear – the Government administration did not have the capacity to perform the necessary analyses and calculations because of extremely complicated situation in 2000, when many different protection measure were used. The positive aspect of that episode was that a team was created which gained some experience in negotiations, and which was able to use that experience for preparation for SAA negotiations.

Also, a working group received strong technical support from a foreign expert, hired by the Ministry of agriculture.

It is worth mentioning that donors were involved in supporting the trade reforms from the start. USAID was financing the work of the experts supporting the WTO process. European Union was financing the Policy and Legal Advisory Center which provided numerous analyses on trade liberalization issues. General assessment is that the state administration did not find a good mechanism to use that external assistance. Sometimes it was because the proposals were too technical. Sometimes, they were not good enough.

Regarding the SAA negotiations, the Government has created 6 working groups on six different issues. Two of those groups are related to trade – one for agriculture and one for industry. In parallel, the working group for WTO negotiations was created. Taking into account the linkages between these processes, it was agreed that these working groups should work very closely. Most of the member are the same.

In fact, the leading role in these groups was given to Ministry of Agriculture, Ministry of International Economic Relations, Ministry of Economy and Ministry of Finance. Taking into account that Deputy Prime Minister is the lead negotiator with EU, his Office was also active.

5.4 Assessment of the Trade Policy Coordination

Generally, it can be said that trade policy was relatively well coordinated in a sense that ministries directly in charge of trade were in close contact. However, if we include other institutions that are interested in trade policy and whose decisions affect trade policy, we can conclude that such coordination does not exist. This is especially true for the ministries and institutions in charge of defining technical standards.

All of the Governments in the past 5 years were generally liberal and resistant to various pressures that were coming from lobbies. However, it can still be concluded that, as a result of not having a clear and coordinated trade policy, certain interest groups managed to acquire significant protection on the lower levels of decision - making.

On the one hand, it shows that the strong political will did not exist to force the state administration to accept new values and goals, such as WTO rules and trade liberalization as a way toward more efficient economy. Liberalization was often explained by politicians as something that has to be done because of external pressures, not as something beneficial for consumers and in the long run for economy. Politicians were frequently changing their minds, sometimes asking for more protection, sometimes for less. It was extremely difficult for business people and for civil servants to know what exactly is the Government policy.

Additionally, considering the fact that Serbian economy is still dominated by large loss-making socially-owned companies which employ many people, the Governments have decided on an ad hoc basis to help some of these companies either through direct subsidies or through trade policy measures. Direct subsidies are more expensive for the Government, so these companies were sometimes helped by introduction of certain non-tariff barriers. Those precedents undermined the coherence and consistency of trade policy and gave additional arguments for all other who wanted the same favors.

The question remains whether it would be possible to achieve good coordination, even if the political will was present, taking into account the current condition of the state administration. Of course, the capacity varies from institution to institution, but it can be concluded that the situation is much worse in those institutions not directly linked to trade policy development such as Ministry of Health or Ministry of Science and Environment, which are important in regulating imports and exports of some specific sectors of the industry. Firstly, they are in daily contact with the industry, more susceptible to influences. Also, they often do not realize benefits of free trade. They see themselves as protectors of domestic industry and employment.

Regarding the role of central Government institutions, Office of the Deputy Prime Minister was actively involved in policy making process. Authority that the Deputy Prime Minister has comes mostly from his agreement with the Prime Minister to coordinate economic policies, but also from his experience from the federal level. His proposals were mostly accepted by other players and by the Government.

The Government itself and its Committees passed the necessary regulations and decisions that were agreed previously. Some ministries were not very enthusiastic about liberalization, but line Ministers usually realized the importance of such decisions and provided positive opinions to those proposals. In a sense it is a proof that coordination actually worked. On the other side, it might mean that some ministries did not really understand what was going on.