



Centar za liberalno-demokratske studije

Center for Liberal-Democratic Studies

Marko Paunović

STRATEGIC POLICY ADVICE IN SERBIA

Belgrade, October 2005

1. Introduction

Serbia, as a transition country, is undergoing the process of public administration reform. Many authors consider the progress in this process to be the main indicator of the progress of transition itself. Key aspects are related to shifting the policy development from political parties to the state administration, but also to the control of the policy implementation in order to ensure the legality of the process and equality of the citizens in front of state institutions.

The basic proclaimed goals of the Serbian Governments since the democratic changes included above all economic growth, rule of law and democratization of society. It is clear that these goals can not be fulfilled without the stable, competent and honest state administration. Public administration reform is mostly a long and complex process even in the most developed countries in the world. Situation is much more complicated in transition countries as a result of the many problems accumulated during the years of communism.

The Government of the Republic of Serbia has adopted, taking all this in consideration, the Strategy of the Public Administration Reform as a basic document which defines the strategic direction and future activities. The main goal of the Strategy is “to provide high quality of public services and to create such state administration which will significantly contribute to the economic stability and living standards, which is of utmost importance for the quality and efficiency of economic and social reforms.”

It has to be said that, although the situation in state administration is bad, it is probably not as bad as it was in other transition countries five years into the transition process. One of the reasons could be found in the long tradition of the state administration in Serbia, which is mostly based on strict and detailed regulation of all the procedures. This system was mostly in power until the early 90-ies. During the next ten years, the system was significantly compromised, but it can still be concluded that the situation in state administration in 2000 was, professionally, better than in other former communist states in 1990. Strict legalistic approach, with strict internal rules, if properly used for implementation of fair and just laws can lead to a good outcome. However, during the 90-ies, disciplined and professional state administration became powerful tool in the hands of the dictatorial regime. Adoption of many

new laws, which gave considerable degree of discretionary rights to the state administration, together with promotion policy led by political considerations, led to many abuses of the system and to wide spread corruption.

General conclusion is that in 2001 the new Government inherited a very difficult situation. Most of the competent people left administration during the 90-ies. Most of those who stayed were either incompetent or corrupt. Also, the public has completely lost confidence in the state administration.

Non existence of a single concept of public administration reform, with many partial initiatives has significantly complicated the situation. Number of donor projects, whose main goal was capacity building, were usually nothing more than buying expert services. The experts would usually leave the administration when the project was ended. Besides donor project, two other great changes could be identified. The first one is related to the transfer of responsibilities from the federal to the republican level. The republican administration has taken over the activities related to foreign economic relations, Customs, and numerous inspections. The data of the Ministry of Public Administration and Local Self Government shows that the increase in core Ministry's staff was from 8000 to 27000 people. It is clear that these dramatic changes would cause much turbulence even in more stable countries. The second change was a creation of many new institutions, mostly agencies, as a result of difficult reform of existing institutions. Although their creation was frequently justified and needed, the side effect were overlapping responsibilities and jurisdictions with the existing institutions.

Regarding the number and mandate of ministries, it was never a subject of analysis. That is the reason for the impression that the number of ministries is mostly determined by political appetites of Government members and not by consideration of the optimal state administration's organization, form the point of view of providing quality and efficient services to the tax payers.

Modern world is rapidly changing and so is changing the role of the Government. Globalization and integration in the world economy forces Governments to redefine their role.

From the protector and market player, whose goal is to “help” and “support” domestic businesses, the new role of the Government means prescribing rules for behavior and ensuring that the rules are respected by everyone. State administration and politicians, not used to this kind of behavior, have to drastically change their attitudes. Defining the rules of the game and ensuring that those rules are being respected, demands decisions to be made based on knowledge and political reality.

Besides the general public administration reform, in the sense of professionalization and depolitization, it seems that the major challenge will be to improve the intellectual capacities and expertise in order to ensure that the decisions are made based on the informed discussions of the people who know what the alternatives are, and what are the effects of those alternatives. This problem is even more emphasized when really strategic decisions are considered which usually affect more than one institution.

That capacity does not exist in the state administration of Serbia as of this moment, at least not as institutionalized support system for the decision makers in the Government. Decisions are frequently not based on proper discussion, and without taking all the relevant alternatives in consideration.

2. Ministries and strategic policy capacities

Mandates of ministries are determined by a Law on Ministries, while the internal organization is determined by internal Decisions on Job Organization, which has to be aligned with the Decree on Principles of Organization and Systematization of Workplaces.

Named decree prescribes the division of ministries in sectors. Besides sectors, it is possible to set up the Office of the Minister and a Secretariat. Sector is headed by the Assistant Minister, who is responsible to the Minister. Assistant Ministers are appointed by the Government, based on the proposal by the Minister.

Secretariat is created for execution of joining tasks of interest for the whole Ministry, and usually for legal and administrative jobs. Secretariat is headed by the Secretary of the Ministry, who is responsible to the Minister.

Office of the Minister is created as advisory support to the minister and for protocol issues, and also for other organizational and administrative work, including speechwriting. The people are employed in the office only until the Minister is in the power. The maximum number of people in the Ministers office is determined by the Government. The Chief of Staff is formally in charge of the office and is responsible to the Minister.

The Decision on the number of people employed in the offices of Ministers prescribes following maximum number of people:

1. Ministry of Finance up to 8
2. Ministry of Justice, Ministry of Agriculture, Ministry of Trade, Tourism and Services up to 7
3. Ministry of Capital Investments, Ministry of Labor, Employment and Social Policy, Ministry of Science and Environment, Ministry of Education and Sports, Ministry of Health up to 6
4. Ministry of Public Administration and Local Selfgovernance, Ministry of Economy, Ministry of Mining and Energy, Ministry of International Economic Relations, Ministry of Culture up to 5
5. Ministry of Religion, Ministry of Diaspora up to 3

Regarding offices of the Ministers, most of the daily work includes correspondence of the Minister with other institutions, communication with the media and similar activities. Taking into consideration that Assistant Ministers are political appointees, appointed by the Government on the proposal by the Minister, so the Minister is free to select closest associates. When the position of assistant Ministers is made professional, probably the influence of the Minister's offices and their adviser will grow.

Sectors and Secretariats can be consisted of departments, sections, and groups. Departments are created for the minimum of 8 employees. Section has to employ at least 5 employees, while groups are created for at least 3 employees. Department is managed by the head of the

department, section is headed by the chief of section and the group by the group manager. These positions are nonpolitical, and the Minister has a mandate to appoint them.

The Ministry can also have a project center, as an internal unit outside all sectors and secretariats. Project center is created for the specific task, especially if international donors or other organizations are involved. If the Minister has more than one Deputy, each of them is authorized to manage and coordinate work of several sectors, defined by the Minister. Number of Deputies is determined by the Decree on organization of the Ministry. Recent experience shows that most of the Deputies were changed after the new Government took the office.

It can be noted that the legal framework is very rigid and that ministries have a highly centralized and bureaucratized structure, with the emphasis on formal structures, not on the people. Decisions on organization of the ministries define in details all the work places and job descriptions. These documents are extremely important for civil servants, since they usually expect to perform only those tasks which are formally and explicitly demanded, and they frequently refuse to perform actions not explicitly mentioned in their job descriptions.

That does not have to be a negative characteristic. Positive aspect is that if strategic goals are accepted by the appropriate institution, those goals are accepted as obligation. In that sense, the legacy of legalism, respecting authority and formality can be a positive aspect in the public administration reform.

2.1 Strategic planning, monitoring and reporting

Strategic planning at the level of line Ministry is in its infancy phase. The initiation of this approach can be characterized as positive. However, certain problems could already be identified. Planning is usually done individually for each sector within the Ministry. Some sectors plan in advance, while others show no initiative. Sectors for planning, budget and analysis are not even present in all major ministries, and their role is usually consisted of simple merging plans and budgets of individual sectors.

Considering the strategic planning activities, some ministries are way ahead of others in those procedures. Strategy of the Ministry, as a basis for future activities often does not exist. Organigrams of ministries are usually not adjusted to strategic priorities in the ministries. One of the rare good examples is the Ministry of agriculture. Furthermore, large ministries usually have sectors or departments dealing with EU integration. These departments are usually the most important within ministries for strategy, development, planning, international cooperation, donor coordination etc.

One of the major problem in the functioning of the Ministry is a lack of intersectoral coordination, cooperation and exchange of information within the Ministry. Many sectors just do not have all the adequate information on Government plans or Ministry's plan. Additional specificity is the creation of ministries where certain units are merged without careful consideration of strategic directions. Taking into account that most of these changes were done overnight, merging was done mechanically, without a feasibility study of these solutions. The outcome are some large ministries, with large sectors, without the necessary links among them.

Sectors usually make their own working and operational plans, which are then mechanically merged afterwards, without any synchronization. It means that the general plan is not a synthesis of the priorities but list of wishes of different sectors. Frequently, there is no cooperation between the operational sectors and joint planning sectors (budget, human resources...) so that the plans and goals of operational sectors are usually unrealistic.

Although the processes of monitoring and reporting are defined in some sectors, the coordination at the level of Ministry is till nonexistent, or is only superficial, while the indicators are not very clear. Implementation of the goals is done at the level of the sector. Results are not fully measured, and criteria is frequently set after the job is done, not before. Most of the cases, the process itself is monitored, not the results. Evaluation is serious problem, as there are no mechanisms for evaluation of results and activities within the institution. Also, the monitoring and evaluation units usually do not exist.

Main problems are related to the monitoring of activities between sectors and management of the Ministry. This means that although assistant Ministers monitor their employees, there is

no control on the central level. Secretariat or the Minister office should take over that duty, which would add to the development of common monitoring and reporting criteria. Ministries are often complaining on the lack of strategic planning unit at the center of Government level, which would be in charge of long term strategic development and resource allocations. Although there are some initiatives (Medium term macroeconomic framework, and some initiative in the Ministry for foreign economic relations), further progress is needed in that direction and creation of developmental instruments based on the EU experiences with National Development Plans.

2.2 Assessment of the capacity

Final assessment can hardly be positive. Although some good examples exist, generally the situation is still bad, especially in terms of knowing the foreign experiences, impact assessments and policy development in general.

It can be said that average Minister in Serbia can not rely to his employees in order to develop and implement optimal policy. Although a lot of resources, domestic and foreign, were invested in capacity building in Serbia's public administration system, results are limited, especially in the area of policy development. If he needs strategic policy advice, the Minister usually has to look for it outside of the Ministry.

Knowing this, international development partners (above all World Bank, USAID, UNDP and EU) have initiated a number of projects in order to increase the capacity of the ministries and support external assistance to the ministries and the Government. Off course, when strategic decision were being made, donor provided assistance themselves, sometimes even imposing their advice.

3. Government and Government Committees

The current Government of Serbia has 17 ministries, one deputy Prime Minister and a Prime Minister. It represents a major change in number of deputy Prime Ministers compared to the previous Government which had 4 to 6 DPMs.

The coalition currently in the office is consisted of 5 parties, or 3 coalitions, and representatives of 2 additional parties support the Government in the parliament. It also represents a significant decrease compared to the previous Government which was comprised of 10 parties, supported by 18 parties in the parliament. The major change is also a fact that there are no nonpartisan Ministers.

Constitution and laws define role of the Government in implementing policy and enacting regulations. 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: Republican Secretariat for Legislation (related to harmonization of the act with other regulations and legal system), the Ministry of Finance (when the implementation of the act demands budgetary resources or when the changes are required in the financial system), Republican Office for Protection of Public Interest (related to the protection of rights and interests of the Republic, or when contractual obligations are incurred), Ministry of Justice (when the acts prescribe criminal or civil responsibility), Serbian European Integration 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.

Draft law or other regulation is submitted to the Government with the justification which has to have the next 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 this specific alternative;
3. Explanation of the basic legal institutes and specific measures

4. Estimation of the financial costs needed for the implementation 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 procedure, 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 regulation to harmonize the law with. These materials have to be submitted to the General Secretariat at least 5 days prior to the Government session.

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 too formalized.

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.

Rules of procedure define that Government committees are created for more efficient work of the Government in policy implementation and execution of laws, coordination of work of ministries and preparation of documents and other materials related to the Government sessions.

The committees are:

1. Committee for Legal System and Public Administration
2. Committee for economy and finances
3. Committee for public services

Committee for Legal System and Public Administration is authorized to discuss draft laws and other regulations that are being passed by the Government, and which are primarily related to: State security issues; Protection of life, and personal security of citizens; protection of property; Organization and working of the Government; Organization, work and jurisdiction of ministries; public administration system; Criminal legislation; prison system, international legal assistance; Territorial organization of the Republic of Serbia and the system of local selfgovernance; Protection of legality and constitutionality; harmonization of draft laws and other regulations with the legal system of the Republic of Serbia 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: Development strategy and policy of the Republic of Serbia; Regional development; Privatization; restructuring of enterprises; measures for subsidizing economy; development of small and medium companies; development of the private entrepreneurship; Energy and mining; Urbanism, spatial planning, construction; Development of Agriculture; Transportation, Infrastructure; telecommunications, postal services; Advancement of international economic relations; development and functioning of the financial system; system and policy of public revenues and public expenditures; Republican budget; Other tasks in this field.

Committee for public services discusses draft laws and other regulations related primarily to the: Development of research and development activities; Education policy; Development of culture and arts; protection of cultural heritage; Health protection, health insurance; Social insurance system; social protection; Other tasks in this area.

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 has 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 takes care of 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.

The Government can 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 performing 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.

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.

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 making strategic decisions. The most time is used to pass technical decision, relate for example to approving sale of assets of local municipalities or public companies, or accepting the reports prepared by various state institutions.

Crucial decision are usually made on formal or informal meeting 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 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 author of the proposal is instructed to harmonize the proposal with other institutions.

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 in, 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.

4. Center of Government

In the relevant literature, the Center of Government is usually is usually defined as all institutions that provide direct support to the Government, Government Committees, Prime Minister and deputy Prime Ministers. In the political systems where the Government is a legislative body, these institutions are of crucial importance. First of all, the Government and Committees discuss large amount of documentation, so the documents need to be processed and distributed to all the members. Besides this technical task, Center of Government

performs legal review and substantive review of the effects of the proposed regulations. Also, political analysis of the proposals is discussed.

Traditionally, activities of the center of Government can be grouped as follows:

- Legal review
- Strategic planning and advice
- Logistical support to the Government
- Harmonization and coordination of sector policies
- Monitoring of implementation of Government decisions
- Coordination of media relations

Key feature of the Center of Government is that it should include a delicate balance of civil servants (in order to ensure stability and expertise) and political appointees (to ensure the political sensitivity).

In Serbia, following institutions are within the center of Government: Office of the Prime Minister, office of the deputy Prime Minister, Republican Secretariat for legislation, Office for media relations, Serbian Office for European Integration. Regarding the strategic advice, by passing the new decrees on offices of Prime Minister and deputy Prime Minister, advisory capacity has been displaced from the General Secretariat to the newly created offices. Advisors to the deputy Prime Minister and Prime Minister are formally not either civil servants nor Government appointees. Although both offices are comprised from partisan and nonpartisan people, it can be said that all of the advisers are de facto political appointees and will leave their position when the new Government takes the office.

4.1 General Secretariat:

The General Secretariat is created by the new Law on Government, which represents 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 much 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, Deputy Prime Minister and the Government. It is not performing, nor it has the capacity to perform policy coordination and strategic advising.

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

Beside these activities, General Secretariat will continue to be engaged in activities as before, which can be grouped as follows:

- 1) servicing the obligations of the Government to the Parliament
- 2) preparing the document for Government session
- 3) preparing the session
- 4) controlling the use of Government's resources

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" or to "monitor the implementation of the Government decisions" This change in the attitude is more than welcome.

Until the recent change in Decree, General Secretariat was consisted of 5 sectors: Sector for preparation of Government sessions, Sector of common service; Republican Protocol, Office of Prime Minister and Office of Deputy Prime Minister. The new Decision on organization of the secretariat is in preparation.

4.2 Republican Secretariat for Legislations

Republican Secretariat for Legislations is created by the Law on Ministries. It is responsible to the Government which appoint 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 Governments approval have to be considered by this Secretariat. This consideration is only related to the legal grounds and harmonization with the existing legislation. It does not include any policy assessment.

Besides the legal harmonization of acts, the secretariat is also authorized to perform other tasks related to: improving and monitoring the legal system; monitoring the publishing of the Government regulations. Also, the secretariat has the authority to draft laws related to: republican elections, state symbols; official use of language; organization and functioning of government; public administration system; organization and tasks of ministries, labor relations in Government institutions.

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. The possibility of this secretariat to block some decision is only comparable to the Ministry of finance. Most of the civil servants are generally pleased with the cooperation with the secretariat as they feel that most of the secretariat’s comments and suggestion are justified. Also, the general impression that the secretariat has improved its work in the past 2 years.

4.3 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.

The Office is performing all the activities for the Prime Minister, and specifically:

- 1) prepares acts for the Prime Minister to coordinate the activities of the Ministers and lead the Government
- 2) prepares acts which are used by the Prime Minister to instruct Ministers, Secretary general and directors of the government services and monitors the implementation
- 3) prepares acts which are signed by the Prime Minister, or proposed to the Government for adoption
- 4) prepares documents for the activities of the Prime Minister related to the session of the government or government Committees, and for the session of the parliament
- 5) handles the cooperation of the prime minister with the parliament, president of the republic, other state institutions, foreign officials and international organizations
- 6) organizes the meetings 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 Ministers are mostly respected lawyers and political scientist, 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, it can be concluded that their influence in developing policies in specific areas they are as influential as line Ministers. Generally speaking, the advisors to the Prime Minister do not take part in the regular, daily work of the Government, nor they take part in the preparation of the session of the Government. Regarding their party affiliation, some of the advisors are nonpartisan, and some advisor are high ranking officials of the Prime Minister's party.

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 Councils 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.

4.4 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, especially:

1. prepares acts for the deputy Prime Minister to coordinate the activities of the Ministers in the areas determined by the Prime Minister
2. coordinates work on the projects implemented by several ministries
3. prepares acts which are or proposed to the Government for adoption
4. prepares documents for the activities of the Prime Minister related to the session of the government or government Committees, and for the session of the parliament
5. handles the cooperation of the prime minister with the parliament, other state institutions, foreign officials and international organizations
6. organizes the meetings of the Prime Minister

Taking into account the current political situation in Serbia and 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.

The Office of the Deputy Prime Minister is a new institution as such. The previous Government had 4-5 deputy Prime Ministers and one of them was also Minister of internal

affairs. The others were in charge of certain areas, but it is questionable what was their capacity to do so, since they only had 5-6 people in their offices, including technical staff.

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 crosssectoral, 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 source of knowledge and advice: Serbian Office for European Integration, Serbian Investment and Export Promotion Agency and Poverty Reduction Strategy Implementation Focal Point.

4.4.1 Office for European Integration

The Decree on the establishment of the EU Integration Office has envisaged that the Office is performing tasks related to the: strategy of association and accession to the EU; cooperation with institutions of the State Union; implementation of Stabilization and Association agreement; strategy and monitoring of harmonization of Serbia's legislation to *acquis*; support to ministries in legislation harmonization; economic analysis of harmonization with *acquis*. Besides these activities, the Office also prepares the document for the Government to monitor and coordinate the activities of the ministries, related to EU accession process,

Although the Secretary is formally responsible to the Government and the Prime Minister, taking into account the current separation of responsibilities among the Prime Minister and deputy Prime Minister, the Secretary is in fact responsible to the deputy Prime Minister.

Organizationally, the Office is different from other ministries, since it was created for a specific task, to answer to current issues of the country in the accession process, and to enable

realization of very specific priorities comprised in two strategic documents – European Partnership and EU Accession Strategy. Also, looking at the personnel, the difference compared to other institutions is very clear, since most of the employees are young, with substantial international experience.

It has to be admitted that so far the national strategies (EU Accession Strategy and Poverty Reduction Strategy) did not have much effect to the daily work of the ministries and their prioritization, since they were most of the time considered to be forced upon them. One of the roles of the Office is to operationalize the EU Accession Strategy through cooperation with the ministries and through advising them.

Recent adoption of the National EU Accession Strategy is extremely important, since the EU accession is a long term priority of the country. The reason for adopting this Strategy was to plan and coordinate activities related to EU accession. The goal of this Strategy was to integrate the obligations and conditions arising from the Stabilization and Association Process into the comprehensive Development Strategy of Serbia, whose main goal is to transform itself to a democratic society with functioning and efficient market economy. The main role of the strategy in the following period should be linked to fulfillment of strict economic and political standards, above all to straightening market institutions and further stabilization of the democratic system, and rule of law. The Strategy gives basis which the Government and ministries will use in implementation of activities. The strategy was done jointly by Government and external experts.

Taking into account the importance of European integrations, it can be claimed that the Office for EU Integration will in the future have a very important role in strategic policy making. Even now, in the process of preparation of platform for SAA negotiations, the Office was mostly seen by other players as a professional and expert team, whose opinion has to be considered. Also, during the preparation of new regulations, the Ministries are frequently asking Office for help in trying to harmonize the legislation with the European norms.

4.4.2 Poverty Reduction Strategy Implementation Focal Point

The Poverty Reduction Strategy (PRS) is a national mid-term development framework aimed at reducing key forms of poverty. The PRS is a national document that provides an analysis of causes, characteristics and profiles of poverty in Serbia, as well as the main strategic guidelines for social development and the reduction of the number of the poor in the years to come. Activities defined by the Strategy are primarily focused to economic growth and development, prevention of new poverty as a result of restructuring of the economy and promoting modern instruments of social policy.

The Strategy was adopted by Government at the end of 2003, and the Team for implementation was created in September 2004 within the Office of Deputy Prime Minister. Ministry of social affairs had the leading role in the preparation phase and participants in drafting it were other state institutions, non Governmental institutions, local Governments, unions, business, international development partners and national parliament.

PRSP is fully aligned to other reform processes. World Bank and IMF have assessed Serbian PRSP as one of the most successful documents of its kind. The most recent Country Assistance Strategy of the World Bank is fully based on PRSP recommendations.

The role of the Deputy Prime Minister's Team is to oversee and coordinate the implementation of the Strategy, and to monitor and report on the poverty rates in Serbia. The Strategy was created as a reaction to the uncoordinated approach to reforms, but also as a monitoring mechanism in many areas. Although the name emphasizes poverty, the strategy itself is more focused to growth in employment through improved business climate, macroeconomic stability and responsible and just fiscal policy. Widely defined specter of subjects that it covers, gives the Team a leverage to influence the policies in line ministries and to coordinate their activities.

One of the major challenges to operationalize the strategy and to make it a more efficient and effective coordinating mechanism is lack of linkages to the budget. Donors have mostly accepted the strategy as a planning document, but the Government itself, as a result of lack of capacities still not using the strategy as a basis for decision – making and prioritization.

Regarding the monitoring and evaluation, Strategy gives a solid basis for those processes to start.

5. Advisory role of international institutions and conditionalities

Regarding the direct conditionalities of the international financial institutions, above all IMF and the World Bank, those conditions were always focused on reforms and economy. They were always the subject of negotiations between two sides.

No matter what the nature of those conditions was, the question is whether it was successful. The answer could be yes. However, the question remains how much did those conditions manage to and promote certain values. For example, there are some opinions that the pressure that was applied to Serbian Governments helped to push some reforms, but it did not change the attitude. Simply, perception was created that certain conditions have to be fulfilled not because it was good for the country but because it was an external demand.

5.1 International Monetary Fund

Renewing the membership in the IMF in the fall 2000 was the first step in reintegration of Serbia in international financial institutions. The renewal of membership and preparation of the first stand by arrangement was conditioned by certain macroeconomic policies, above all removal of quasi fiscal deficit and market exchange rate.

In the June 2001 the first stand by arrangement was approved. The part of Serbia's commitment was to maintain certain macroeconomic proportions, but IMF also pushed for strong structural reforms, particularly in the banking sector. During the implementation of the program, IMF insisted on liquidation of 4 major banks. Liquidation of those banks done in 2002, had a very beneficial effect to domestic banking sector.

Two elements of IMF policy are crucial for transition in Serbia. The first one is rejection to accept the 2004 budget with a proposed 600 million dollar deficit. The other is a policy in the first half of 2005. to restructure the industry which is seen as a source of budget and trade

deficit. The Government was in both cases forced to accept the conditions and redefine its economic policy.

As can be seen, the role of the IMF in strategic decision making and advising can not be underestimated. IMF was the lead promoter of pro market reforms in Serbia. In a sense, each big decision had to be approved by the Fund.

The role of the Fund can be better understood by listing some of the reforms that were pushed by IMF: rises in electricity prices since 2001; liquidation of 4 largest banks; divestment of state shares in the banks; reform of pension system; restructuring and privatization of parts of public companies; acceleration of privatization process.

5.2 World Bank

Regarding the role of the World Bank, it was mostly focused to advisory and technical assistance to the new Government. This assistance was extremely useful, since the World Bank has accumulated and systematized ten years of transition experience.

The beginning of the financial activities in Serbia was very ambitious in a direction of financing specific projects and improving public policies, like establishing Serbia Export Credit Agency or modernizing the Customs Administration. However, it soon became clear that implementation of such projects goes very slowly because the Serbian administration was not able to receive and manage that kind of projects. Simply, the number of people capable of implemented projects is very limited.

This led to the shift in the World Bank policy, who moved away from the specific projects to the direct budgetary support through Structural Adjustment Credits. This way of financing is much more easier for implementation since the Government is expected to take certain reform steps, and when they are made, the financial assistance is disbursed.

World Bank and IMF were mostly doing their activities in coordination. However, regarding sector policies, World Bank had a much more important role in advising Government. Some of the examples of reforms done as the result of the World Bank conditionalities are: creation

of Agency for company registration, adoption of the new Company law, pension system reform, new Bankruptcy law etc.

5.3 European Union

Taking into account political and social importance of the EU accession, it can be assumed that the conditions and standards that EU imposed were especially important for making strategic decisions. That assumption is mostly important, especially if we consider the conditions for macroeconomic assistance. This assistance represents conditional budgetary support.

Regarding conditions, they were mostly aligned to the IMF and World Bank conditions. However, unlike those, EU conditions were also political in nature. EU has also financed the operations of Policy and Legal Advisory Center, who mostly did analyses on the foreign trade and WTO accession. The assessment of those reports and the role that PLAC has played can hardly be positive.

6. Think tanks and institutes

Think tanks have played an important role in the Serbian transition. Mostly finance by foreign donors to prepare analyses and reports, they were mostly able to separate themselves from domestic party and political interests and to more or less objectively and professionally prepare proposals. Also, by actively advocating certain policies they were able to focus the attention of the public to a certain issue and to force politicians to deal with it.

However, it seems that the Government was not able to rely on the external assistance for many reasons. First, even when the external experts would do a complete analysis and make a proposal, civil servants and executive would not always understand what the proposal means and how it could be applied. Second reason is political, as the Government does not want to share some information with the outsiders, to the outsiders were unable to do the analysis. Also, experts frequently don't really know how the state works, so the proposals were either

no feasible or simply unrealistic. The fourth problem is also political. Experts have frequently criticized the Government in public. The Government did not want to work with them.

Specially influential think tanks are those dealing with economic and social policy and legal issues, such as Center for Liberal – Democratic Studies, Economic Institute, or G17 Institute. Besides them, some associations are also influential, such as Chamber of Commerce and Standing conference of towns and municipalities. These associations also advocate the interests of their members and have a limited research and policy capacity.

Many strategic decisions were made after the proposal of nongovernmental institutes and associations, such as Privatization Law, financing of local municipalities, Tax laws etc.