



## **FISCAL TRANSPARENCY PRINCIPLES AND PRACTICE IN SERBIA**

**Background Document 3, February 2015**

The Background Document has been elaborated in the framework of the SELDI initiative ([www.seldi.net](http://www.seldi.net)). In the document the Network`s partner CLDS analyses the problem of fiscal transparency. Usually, fiscal transparency is defined as comprehensive, clear, reliable, timely, and relevant public reporting on the past, present, and future state of public finances. The result of this paper is a general overview of the problem of fiscal transparency, as well as the situation in Serbia.

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# 1. Introduction

Fiscal transparency means different things to different people, depending on the phase of the fiscal process (budgeting, spending, and reporting) and on the interested users (Ministry of finance, credit markets, experts, media and general public). While experts and markets are more interested in the credibility of the budgeting process, realism of the macro assumptions and cost estimates of major government initiatives, general public and media may be more interested in the actual outturns, especially on the spending side.

Usually, fiscal transparency is defined as comprehensive, clear, reliable, timely, and relevant public reporting on the past, present, and future state of public finances. It helps ensure that governments have an accurate picture of their finances when making economic decisions, including of the costs and benefits of policy changes and potential risks to public finances. It also provides legislatures, markets, and citizens with the information they need to hold governments accountable. Based on the assumption that “Sunlight is the best disinfectant”, fiscal transparency may also help in reducing corruption and preventing corrupt and bad fiscal practices.

In some sense, the concept of fiscal transparency means two different things:

- a) “Macro transparency” where the main concern is whether macro variables (revenues, expenditures, deficit, debt) are properly budgeted, accounted and reported.
- b) “Micro transparency” where we are mainly interested in micro, structural data (such as how the subsidies to private enterprises are allocated, what is the level of salaries of some specific people, etc)

It is clear that macro transparency is of key importance for financial markets and various analysts, while micro transparency is of major importance for population, civil society and media. For example, let us analyze the following situation – the Government decides to give the concession on a highway to a private company. From the macro transparency point of view, the way the concession was allocated was not of crucial importance. What is important however is whether the fiscal risk is properly assessed and whether potential liabilities are properly recorded. From the micro perspective though, the process of awarding the concession and the details of the concession contract are of the crucial importance.

Although two concepts are clearly related, we can imagine a situation in which a country is “macro transparent” but is not “micro transparent”, or the other way round. For example, Government can be very transparent at the aggregate level (provides clear and correct data about revenues, expenditures, debt, deficit), but is very secretive about detailed spending data. Also, the government in theory can be very transparent at the micro level (provides list of companies who benefited from state institutions), but is for example trying to mislead the financial markets about actual fiscal situation.

So, although in theory such situations are possible, we believe that in practice macro and micro fiscal transparency mostly go together.

In the following pages we will present three international sets of indicators on the fiscal transparency (IMF, OBI and OECD) and then we will discuss these findings from the point of view of Serbia.

## 2. International Standards

### 2.1. IMF fiscal transparency code

International Monetary Fund has defined the Fiscal Transparency Code<sup>1</sup> and reviewed it several times over the last years. The last version groups principles into three areas – 1) fiscal reporting, 2) fiscal forecasting and budgeting and 3) fiscal risk analysis and management.

On **Fiscal Reporting**, the main goal is for the fiscal reports to provide a comprehensive, relevant, timely, and reliable overview of the government's financial position and performance. Fiscal reports should provide a comprehensive overview of the fiscal activities of the public sector and its sub-sectors and should cover all entities engaged in public activity according to international standards. In addition, fiscal reports should include a balance sheet of public assets, liabilities, and net worth as well as all public revenues, expenditures, and financing and revenue loss from tax expenditures. All reports (whether in-year or annual) should be published on a regular basis, and in a timely manner. Information in fiscal reports should be relevant, internationally comparable, and internally and historically consistent. Importantly, major revisions to historical fiscal statistics should be disclosed and explained. All forecasts, budgets, and fiscal reports are presented on a comparable basis, with any deviations explained.

Regarding **Fiscal Forecasting and Budgeting**, budgets and their underlying fiscal forecasts should provide a clear statement of the government's budgetary objectives and policy intentions, and comprehensive, timely, and credible projections of the evolution of the public finances. Also, all budget projections are based on comprehensive macroeconomic forecasts, which are disclosed and explained. Budget documentation should include outturns and projections of revenues, expenditures, and financing over the medium term on the same basis as the annual budget. The government should regularly disclose its financial obligations under multi-annual investment projects, and should subject all major projects to cost-benefit analysis and open and competitive tender.

The powers and responsibilities of the executive and legislative branches of government in the budget process should be defined in law, and the budget should be presented, debated, and approved in a timely manner. The legal framework clearly defines the time table for budget

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<sup>1</sup> <http://www.imf.org/external/np/pp/eng/2014/061614.pdf>

preparation and approval, key contents of the budget documentation, and the powers and responsibilities of the executive and legislature in the budget process. The legislature and the public are consistently given adequate time to scrutinize and approve the annual budget. Fiscal forecasts and budgets should be presented in a way that facilitates policy analysis and accountability. The government states and reports on clear and measurable objectives for the public finances. Budget documentation provides information regarding the objectives and results achieved under each major government policy area. The government provides citizens with an accessible summary of the implications of budget policies and an opportunity to participate in budget deliberations.

Economic and fiscal forecasts and budgets should be credible. The government's economic and fiscal forecasts and performance are subject to independent evaluation. Any material changes to the approved budget are authorized by the legislature. Budget documentation and any subsequent updates explain any material changes to the government's previous fiscal forecasts, distinguishing the fiscal impact of new policy measures from the baseline.

**Fiscal Risk Analysis and Management.** Governments should disclose, analyze, and manage risks to the public finances and ensure effective coordination of fiscal decision-making across the public sector. Governments should publish regular summary reports on risks to their fiscal prospects. The government reports on how fiscal outcomes might differ from baseline forecasts as a result of different macroeconomic assumptions. The government provides a regular summary report on the main specific risks to its fiscal forecasts. The government regularly publishes projections of the evolution of the public finances over the long term. Specific risks to the public finances should be regularly monitored, disclosed, and managed.

The budget has adequate and transparent allocations for contingencies that arise during budget execution. Risks relating to major assets and liabilities are disclosed and managed. The government's guarantee exposure is regularly disclosed and authorized by law. Obligations under public-private partnerships are regularly disclosed and actively managed. The government's potential fiscal exposure to the financial sector is analyzed, disclosed, and managed. The government's interest in exhaustible natural resource assets and their exploitation is valued, disclosed, and managed. The potential fiscal exposure to natural disasters and other major environmental risks are analyzed, disclosed, and managed. Fiscal relations and performance across the public sector should be analyzed, disclosed, and coordinated. Comprehensive information on the financial condition and performance of sub-national governments, individually and as a consolidated sector, are collected and published. The government regularly publishes comprehensive information on the financial performance of public corporations, including any quasi-fiscal activity undertaken by them

## 2.2. Open Budget Initiative

Open Budget Initiative<sup>2</sup> is an international survey implemented every two years in about 100 countries in the world. The survey analyzes characteristics of nine typical reports that countries should produce, as well as mandates of oversight institutions.

Budget Document	Release Deadlines for “Publicly Available” Documents	Number of questions per document
Pre-Budget Statement (PBS)	Must be released at least one month before the Executive’s Budget Proposal is submitted to the legislature for consideration.	3
Executive’s Budget Proposal (EBP)	Ideally should be released at the same time as it is presented to the legislature. At a minimum, it must be released while the legislature is still considering it and before it is approved. In no case would a proposal released after the legislature has approved it be considered “publicly available.”	58
Supporting documents for the EBP	Must be released at or about the same time of the Executive’s Budget Proposal.	58
Enacted Budget (EB)	Must be released no later than three months after the budget is approved by the legislature.	1
Citizens Budget (CB)	If it is a simplified version of the Executive’s Budget Proposal, it must be released at the same time as a “publicly available” Executive’s Budget Proposal. If it is a simplified version of the Enacted Budget, it must be released at the same time as a “publicly available” the Enacted Budget.	4
In-Year Reports (IYRs)	Must be released no later than three months after the reporting period ends.	8
Mid-Year Review (MYR)	Must be released no later than three months after the reporting period ends.	4
Year-End Report (YER)	Must be released no later than two years after the end of the fiscal year (the reporting period).	10
Audit Report (AR)	Must be released no later than two years after the end of the fiscal year (the reporting period).	7

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<sup>2</sup> Open Budget Survey 2012, Open budget initiative

Of the 30 survey questions that are not used to calculate the OBI, the majority assess the oversight capacity of legislatures and supreme audit institutions (SAIs), as well as the opportunities for public engagement during the budget process. To gain an overall sense of the “strength” of each of these institutions and the level to which governments include the public in budget decision making and monitoring, the responses to the questions on each — legislatures, SAIs, and public participation — were averaged. These measures should be used as indicative data only, as the dataset of questions on the legislature, the SAI, and public participation are not as comprehensive as that on public access to information.

Three of the 30 non-OBI questions are not included in any of the overall indicators. Two questions (65 and 72) on In-Year Reports have been added over subsequent rounds of the Survey, so they have not been included in the OBI calculation in order to maintain comparability across time. The response to a question (113) on whether the executive publishes accessible and nontechnical definitions of terms used in the budget and other budget-related documents is also not included in the Open Budget Index.

### **2.3. OECD Budget Practices for Fiscal Transparency**

The Best Practices<sup>3</sup> are in three parts. Part 1 lists the principal budget reports that governments should produce and their general content. Part 2 describes specific disclosures to be contained in the reports. This includes both financial and non-financial performance information. Part 3 highlights practices for ensuring the quality and integrity of the reports.

#### **2.3.1. Budget reports**

**The budget** is the government’s key policy document. It should be comprehensive, encompassing all government revenue and expenditure, so that the necessary trade-offs between different policy options can be assessed. The government’s draft budget should be submitted to Parliament far enough in advance to allow Parliament to review it properly. In no case should this be less than three months prior to the start of the fiscal year. The budget should be approved by Parliament prior to the start of the fiscal year. The budget, or related documents, should include a detailed commentary on each revenue and expenditure program.

The budget should include a medium-term perspective illustrating how revenue and expenditure will develop during, at least, the two years beyond the next fiscal year. Similarly, the current budget proposal should be reconciled with forecasts contained in earlier fiscal reports for the same period; all significant deviations should be explained. Comparative information on actual revenue and expenditure during the past year and an updated forecast for the current year should be provided for each program.

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<sup>3</sup> OECD best practices for budget transparency, OESC 2001

Expenditures should be presented in gross terms. Ear-marked revenue and user charges should be clearly accounted for separately. Government should be defined in line with the System of National Accounts (SNA). This definition encompasses the non-commercial activities of government. Specifically, the activities of state-owned enterprises are excluded from this definition. Expenditures should be classified by administrative unit (e.g. ministry, agency). Supplementary information classifying expenditure by economic and functional categories should also be presented.

The budget should contain a comprehensive discussion of the government's financial assets and liabilities, non-financial assets, employee pension obligations and contingent liabilities.

**Pre-budget report** serves to encourage debate on the budget aggregates and how they interact with the economy. As such, it also serves to create appropriate expectations for the budget itself. It should be released no later than one month prior to the introduction of the budget proposal. The report should state explicitly the government's long-term economic and fiscal policy objectives and the government's economic and fiscal policy intentions for the forthcoming budget and, at least, the following two fiscal years. It should highlight the total level of revenue, expenditure, deficit or surplus, and debt.

**Monthly reports** show progress in implementing the budget. They should be released within four weeks of the end of each month. They should contain the amount of revenue and expenditure in each month and year-to-date. A comparison should be made with the forecast amounts of monthly revenue and expenditure for the same period. A brief commentary should accompany the numerical data. If a significant divergence between actual and forecast amounts occurs, an explanation should be made. Expenditures should be classified by major administrative units (e.g., ministry, agency).

**Mid-year report** provides an update on the implementation of the budget, including an updated forecast of the budget outcome for the current fiscal year and, at least, the following two fiscal years. The report should be released within six weeks of the end of the mid-year period. The economic assumptions underlying the budget should be reviewed and the impact of any changes on the budget disclosed. The impact of any other government decisions, or other circumstances, that may have a material effect on the budget should be disclosed.

**Year-end report** is the government's key accountability document. It should be audited by the Supreme Audit Institution and be released within six months of the end of the fiscal year. The year-end report shows compliance with the level of revenue and expenditures authorized by Parliament in the budget. Any in-year adjustments to the original budget should be shown separately. The presentation format of the year-end report should mirror the presentation format of the budget. The year-end report, or related documents, should include non-financial performance information, including a comparison of performance targets and actual results achieved where practicable. Expenditure should be presented in gross terms. Ear-marked revenue and user charges should be clearly accounted for separately. The year-end report should contain a comprehensive discussion of the government's financial assets and financial liabilities, non-financial assets, employee pension obligations and contingent liabilities.

**Pre-election report** serves to illuminate the general state of government finances immediately before an election. This fosters a more informed electorate and serves to stimulate public debate. The feasibility of producing this report may depend on constitutional provisions and electoral practices. Optimally, it should be released no later than two weeks prior to elections. The report should contain the same information as the mid-year report.

**Long-term report** assesses the long-term sustainability of current government policies. It should be released at least every five years, or when major changes are made in substantive revenue or expenditure programs. The report should assess the budgetary implications of demographic change, such as population ageing and other potential developments over the long-term (10-40 years). All key assumptions underlying the projections contained in the report should be made explicit and a range of plausible scenarios presented.

### 2.3.2. Specific disclosures

**Economic assumptions** should be disclosed explicitly. This includes the forecast for GDP growth, the composition of GDP growth, the rate of employment and unemployment, the current account, inflation and interest rates (monetary policy). Deviations from the forecast of the key economic assumptions underlying the budget are the government's key fiscal risk. A sensitivity analysis should be made of what impact changes in the key economic assumptions would have on the budget.

**Tax expenditures** are the estimated costs to the tax revenue of preferential treatment for specific activities. The estimated cost of key tax expenditures should be disclosed as supplementary information in the budget. To the extent practicable, a discussion of tax expenditures for specific functional areas should be incorporated into the discussion of general expenditures for those areas in order to inform budgetary choices.

**Financial liabilities and financial assets** should be disclosed in the budget, the mid-year report, and the year-end report. Monthly borrowing activity should be disclosed in the monthly reports, or related documents. Borrowings should be classified by the currency denomination of the debt, the maturity profile of the debt, whether the debt carries a fixed or variable rate of interest, and whether it is callable. Financial assets should be classified by major type, including cash, marketable securities, investments in enterprises and loans advanced to other entities. Investments in enterprises should be listed individually. Loans advanced to other entities should be listed by major category reflecting their nature; historical information on defaults for each category should be disclosed where available. Financial assets should be valued at market value. Debt management instruments, such as forward contracts and swaps, should be disclosed. In the budget, a sensitivity analysis should be made showing what impact changes in interest rates and foreign exchange rates would have on financing costs.

**Non-financial assets**, including real property and equipment, should be disclosed. Non-financial assets will be recognized under full accrual-based accounting and budgeting. This will require the valuation of such assets and the selection of appropriate depreciation schedules. The

valuation and depreciation methods should be fully disclosed. Where full accrual basis is not adopted, a register of assets should be maintained and summary information from this register provided in the budget, the mid-year report and the year-end report.

**Contingent liabilities** are liabilities whose budgetary impact is dependent on future events which may or may not occur. Common examples include government loan guarantees, government insurance programs, and legal claims against the government. All significant contingent liabilities should be disclosed in the budget, the mid-year report and the annual financial statements. Where feasible, the total amount of contingent liabilities should be disclosed and classified by major category reflecting their nature; historical information on defaults for each category should be disclosed where available. In cases where contingent liabilities cannot be quantified, they should be listed and described.

### **2.3.3. Integrity, control and accountability**

A summary of relevant **accounting policies** should accompany all reports. These should describe the basis of accounting applied (e.g. cash, accrual) in preparing the reports and disclose any deviations from generally accepted accounting practices. The same accounting policies should be used for all fiscal reports. If a change in accounting policies is required, then the nature of the change and the reasons for the change should be fully disclosed. Information for previous reporting periods should be adjusted, as practicable, to allow comparisons to be made between reporting periods.

A dynamic system of **internal financial controls**, including internal audit, should be in place to assure the integrity of information provided in the reports. Each report should contain a statement of responsibility by the finance minister and the senior official responsible for producing the report. The minister certifies that all government decisions with a fiscal impact have been included in the report. The senior official certifies that the Finance Ministry has used its best professional judgment in producing the report.

The year-end report should be **audited** by the Supreme Audit Institution in accordance with generally accepted auditing practices. Audit reports prepared by the Supreme Audit Institution should be scrutinized by Parliament.

**Parliament** should have the opportunity and the resources to effectively examine any fiscal report that it deems necessary. All fiscal reports referred to in these Best Practices should be made publicly available. This includes the availability of all reports free of charge on the Internet. The Finance Ministry should actively promote an understanding of the budget process by individual citizens and non-governmental organizations.

### 3. Fiscal Transparency in Serbia

Serbia is clearly not fully compliant with many of these principles and recommendations. For example, for more than 10 years the Parliament has not adopted Final Account of the Budget, although they have regularly been prepared and submitted to the Parliament. Also, document such as Citizen's Budget has never been prepared. Accounting practices are to some extent aligned with international best practices, but not always. Many subsidies have been recorded as either net lending (and accounted as expenses), although they will never be paid back, and some other subsidies have been recorded as acquiring financial assets, where no actual assets have been acquired. Also, budget calendar is in most years not respected – the last Fiscal Strategy (a pre-budget document) has been adopted after the budget.

However, the situation has been mostly improving over the last ten years. Most recently, the government has agreed to stop the practice of hiding some expenditures as a below the line acquiring of financial assets. Namely, over the last several years some expenditure (payment of activated guarantees, bank resolution costs and some other subsidies) has not been included in expenditures (and, therefore, deficit).

#### 3.1. Budget Calendar

Serbian legal system is mostly in line with international practices regarding the timing of adoption of various documents. Namely, the Budget System Law<sup>4</sup> envisages the following **budget calendar**:

February 15<sup>th</sup> - Minister gives the instruction to propose priority funding areas for budget users which include medium-term priorities for public investment.

March 15<sup>th</sup> - direct beneficiaries of the Budget of the Republic of Serbia based on the instructions of the Minister send proposals for determining priority areas of funding for the budget and for the next two fiscal years.

April 15<sup>th</sup> - Minister in cooperation with the ministries and institutions responsible for economic policy and economic system submits to the Government for consideration prior fiscal strategy, which includes economic and fiscal policy of the government with budget projections for the next two fiscal years.

April 25<sup>th</sup> - Government approves the Minister to prepare a draft fiscal strategy that includes concrete decisions on priority areas of financing, which include medium-term priorities for public investment;

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<sup>4</sup> Budget System Law (Zakon o budzetskom sistemu)  
[http://www.paragraf.rs/propisi/zakon\\_o\\_budzetskom\\_sistemu.html](http://www.paragraf.rs/propisi/zakon_o_budzetskom_sistemu.html)

April 30<sup>th</sup> - the Minister shall submit the draft Fiscal Strategy to the Fiscal Council.

May 15<sup>th</sup> - Fiscal Council gives its opinion on the draft Fiscal Strategy.

June 1<sup>st</sup> - the Minister submits the draft Fiscal Strategy to the Government for adoption.

June 15<sup>th</sup> - The government adopts a fiscal strategy and submits it to the National Assembly for consideration.

June 30<sup>th</sup> - The National Assembly submits comments and recommendations to the Government in respect of the fiscal strategy.

July 5<sup>th</sup> - the Minister submits the guidelines for preparing the draft budget of the Republic of Serbia. Also, the Minister submits the guidelines for preparing decisions on the budget to local authorities, as well as the fiscal strategy of organizations for mandatory social insurance.

September 1<sup>st</sup> - direct beneficiaries of the Budget of the Republic of Serbia and organizations for mandatory social insurance submit their proposed medium-term plan and financial plan to the Ministry.

October 1<sup>st</sup> - At the recommendation of the Minister, the Government adopts the revised fiscal strategy, with information on financial and other effects of new policies, taking into account updated macroeconomic framework.

October 5<sup>th</sup> - Government submits revised fiscal strategy to the Parliament

October 15<sup>th</sup> - Minister submits to the Government a draft law on the Budget of the Republic of Serbia, draft decisions on giving consent to financial plans of organizations for mandatory social insurance to financial plans of organizations for mandatory social insurance.

November 1<sup>st</sup> - The government approves the Draft Law on the Budget of the Republic of Serbia and submits it to the National Assembly, together with proposals of decisions granting consent to financial plans of organizations for mandatory social insurance and financial plans of organizations for mandatory social insurance.

December 15<sup>th</sup> - The National Assembly passes a law on the Budget of the Republic of Serbia and decisions on giving consent to financial plans of organizations for mandatory social insurance.

### **3.2. Fiscal Strategy**

Government of Serbia adopts a document called **Fiscal Strategy**, which contains most of the needed information. The Table of contents is as follows<sup>5</sup>:

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<sup>5</sup> Fiscal Strategy for 2015 with projections for 2016 and 2017, Ministry of Finance of Serbia

## **I Macroeconomic Framework for the Period 2015 -17**

1. General framework and main objectives and guidelines of the economic policy
2. Economic Trends and Prospects for the Period 2015-2017
  - 2.1. Assessment of the International Economic Environment
  - 2.2. Current Macroeconomic Developments and Prospects in 2014
  - 2.3. Projection of Macroeconomic Indicators for the Period 2015-2017
  - 2.4. Risks for the Realization of Projections

## **II Fiscal Framework for the Period 2015 to 2017**

1. Medium-term Fiscal Policy Objectives
2. Fiscal Framework for the Period 2015 to 2017
  - 2.1. Fiscal Developments in 2013 and 2014
  - 2.2. Fiscal Projections for the Period 2015 to 2017
  - 2.3. Debt Reduction Program
  - 2.4. Fiscal Risks
  - 2.5. Cyclically Adjusted Fiscal Balance

## **III Public Debt Management Strategy for the Period 2015 to 2017**

1. Public Debt Balance and Structure from the End of 2011 to October 2014
2. Projection of General Government Public Debt in the Period 2014-2017
3. Financial Risks and Public Debt

## **IV Structural Reforms in the Period 2015 - 2017**

1. Structural Reforms of Real Sector
2. Structural Reforms of Public Sector

The main problem is that the strategy is almost never adopted in accordance with the fiscal calendar. Namely, budget calendar envisages adoption of the draft strategy in spring for the next calendar year and then revision of the strategy in the autumn, prior to the adoption of the budget by the Government. However, for the past 6 or 7 years this calendar was not respected. Sometimes, the explanation was elections and sometimes it was the fact that the Government did not really want to share the future fiscal measures with the general public.

Another problem is that Fiscal Strategy does not present data at all by the level of government; it just contains data for the General Government.

### **3.3. Budget Document**

**Executive Budgets' proposal** is adopted in the form of the Draft Budget Law and is adopted by the Government. The document itself does not contain any analytical and/or discussions, but these are present in the accompanying document called Justification.

Executive budget proposal (as well as the adopted Budget<sup>6</sup>) presents data in the economic, functional and program classification. The example is given below:

Razdeo	Glava	Program	Funkcija	Programska aktivnost/ Projekat	Ekonomska klasifikacija	OPIS	Ukupna sredstva
1	2	3	4	5	6	7	8
1						<b>NARODNA SKUPŠTINA</b>	<b>1,781,786,000</b>
					01	<b>Izvori finansiranja za razdeo 1</b>	
						Prihodi iz budžeta	1,781,786,000
	1.0					<b>NARODNA SKUPŠTINA</b>	<b>611,428,000</b>
					01	<b>Izvori finansiranja za glavu 1.0</b>	
						Prihodi iz budžeta	611,428,000
		2101				<b>Politički sistem</b>	<b>611,428,000</b>
			110			<b>Izvršni i zakonodavni organi, finansijski i fiskalni poslovi i spoljni poslovi</b>	<b>611,428,000</b>
				0001		<b>Vršenje poslaničke funkcije</b>	<b>611,428,000</b>
					411	Plate, dodaci i naknade zaposlenih (zarade)	275,000,000
					412	Socijalni doprinosi na teret poslodavca	49,226,000
					413	Naknade u naturi	1,000,000
					414	Socijalna davanja zaposlenima	1,000,000
					415	Naknade troškova za zaposlene	5,000,000
					417	Poslanički dodatak	130,000,000
					421	Stalni troškovi	100,000
					422	Troškovi putovanja	150,000,000
					423	Usluge po ugovoru	100,000
					482	Porezi, obavezne takse i kazne i penali	1,000
					483	Novčane kazne i penali po rešenju sudova	1,000

In addition to detailed breakdown of expenditures, the Budget document provides a summary of revenues and expenditures as well as calculation of financing needs.

The summary statement of expected revenues also exists, but it can be argued that level of details should be higher. For example, VAT (value added tax) is only given in net terms, although it should probably also present gross terms and VAT refunds.

### 3.4. In year reporting

Serbian government does not prepare mid-year or quarterly reports, but does prepare monthly reports on general and republican level, which are usually published between 2 and 4 weeks after the month ends<sup>7</sup>. Also, Ministry of Finance also prepares a monthly Public Finance Bulletin, which is published with delay of few months.

Monthly public finance reports consist of five separate reports:

1. Basic macroeconomic indicators
2. Revenues and expenditures of republican budget according to Budget Law
3. Consolidated general government 2005 - 2015

<sup>6</sup> Budget Law for 2015 (Zakon o budžetu za 2015. godinu)

<sup>7</sup> <http://www.mfin.gov.rs/pages/article.php?id=9814>

4. Consolidated general government, by levels of government
5. Public debt of Republic of Serbia in the period 2000 - January 2015

Monthly report of the Republican Budget contains data on revenues and expenditures only on a much aggregated level.

<b>Budget Revenues and Expenditures</b>
<b><i>I BUDGET REVENUES</i></b>
<b>1. Tax revenues</b>
Personal income tax
Corporate income tax
Value added tax
Excises
Customs
Other tax revenues
<b>2. Non-tax revenues</b>
of which: interest collected
<b>3. Grants</b>
<b><i>II BUDGET EXPENDITURES</i></b>
<b>1. Current expenditures</b>
Expenditure for employees
Purchase of goods and services
Interest payment
Subsidies
Grants to international organizations
Transfers to other levels of government
Transfers to social security funds
Social assistance from the budget
Other current expenditures
<b>2. Capital expenditures</b>
<b>3. Net lending</b>
<b>4. Activated guarantees*</b>
<b><i>III BUDGET SURPLUS/DEFICIT (I - II)</i></b>
<b><i>IV PRIMARY SURPLUS/DEFICIT</i></b>
<b>Financing</b>
<b><i>V PROCEEDS</i></b>
1. Privatization
2. Receipts from repayment of loans
3. Domestic borrowing
4. Foreign borrowing
<b><i>VI EXPENSES</i></b>
1. Debt repayment to domestic creditors

2. Debt repayment to foreign creditors
3. Acquisition of financial assets
<b>VII NET CHANGE IN STOCK OF CASH (III + V - VI)</b>
<b>VIII NET FINANCING (V - VI - VII = - III)</b>

Similar table is produced monthly at the General Government level:

<b>I PUBLIC REVENUES (incl. Grants)</b>
1. Current revenues
1.1. Tax revenues
Personal income tax
<i>Wage tax</i>
<i>Other personal income tax</i>
Corporate income tax
Value added tax
<i>VAT domestic</i>
<i>VAT imports</i>
<i>Other</i>
Excises
<i>Excises on petroleum</i>
<i>Excises on tobacco</i>
<i>Other</i>
Customs
Other tax revenues
Social contributions
1.2. Non-tax revenues
2. Grants
<b>II PUBLIC EXPENDITURES</b>
1. Current expenditures
Expenditures for employees
Purchase of goods and services
Interest payment
Subsidies
Social grants and transfers
<i>of which: Pensions</i>
<i>Contributions for unemployed persons</i>
<i>Sick leave</i>
<i>Social assistance</i>
<i>Other transfers to households</i>

Other current expenditures
2. Capital expenditures
3. Activated guarantees*
4. Net lending
<b>III CONSOLIDATED BALANCE (I - II)</b>
<b>FINANCING</b>
<b>VI FINANCING INFLOWS</b>
1. Privatization proceeds
2. Receipts from repayment of loans
3. Domestic borrowing**
4. Foreign borrowing
<b>V FINANCING OUTFLOWS</b>
1. Debt repayment to domestic creditors***
2. Debt repayment to foreign creditors
3. Acquisition of financial assets

These tables provide both monthly data, as well as:

- 1) Cumulative data from the beginning of the year
- 2) Same data from the last year
- 3) Annual data for the last several years

Until beginning of 2014, the tables were not accompanied by any narrative information. Since then, in addition to the tables, short (about 1 page) narrative reports are produced which provide some elementary analysis. Also on a monthly level, public debt information is provided by the Ministry of Finance, but only on an aggregated basis.

**Public debt office** provides a quarterly report on public debt<sup>8</sup>. The report contains all the important information about the structure and composition of the public debt, but does not have any forward looking data. It contains the following data:

- 1) Internal vs external debt
- 2) Direct vs indirect (guaranteed) debt
- 3) Debt by creditors
- 4) Debt by borrowers (state vs. local level)
- 5) Historical evolution of nominal debt
- 6) List of guarantees by beneficiaries
- 7) Debt repayments made in the last year
- 8) Currency profile of debt
- 9) Debt profile by exchange rate (fixed vs. variable)
- 10) Maturity profile

### 3.5. Fiscal Council

The Fiscal Council was as an independent state body, accountable to the National Assembly of the Republic of Serbia in 2011 when the National Assembly adopted a decision on the appointment of the Fiscal Council members. There are three Fiscal Council members. The mandate and responsibilities of the Fiscal Council are stipulated by the Budget System Law.

The Fiscal Council mission is to assess the credibility of the fiscal policy in terms of compliance with established fiscal rules and to provide the publicity and responsibility in fiscal policy implementation. By making an independent survey of fiscal policy and stimulating professional discussions on fiscal policy, the Fiscal Council should improve fiscal responsibility trend in the Republic of Serbia.

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<sup>8</sup>

<http://www.javnidug.gov.rs/upload/Kvartalni%20izvestaj%20stanja%20i%20strukture%20javnog%20duga/Kvartalni%20izvestaj%2020141231.xlsx>

So as to meet the goals, the Fiscal Council reviews macroeconomic and fiscal suppositions based on which Government documents were developed, provides an independent and credible assessment of the economic policy, assesses fiscal risks and the prospects for the Government to fulfill its fiscal objectives in the future and assesses to what extent the Government respected fiscal rules in the past.

During budget development and adoption procedure, the Fiscal Council performs different activities:

- Prepares an opinion on draft Fiscal Strategy Report,
- Prepares and submits the analysis on revised Government Fiscal Strategy Report,
- Prepares an analysis of the draft Budget Law,
- Prepares an analysis of the proposed Law on final accounts of the budget and prepares assessments on fiscal impact of draft laws.

In addition to these reports, Fiscal Council is preparing monthly reports which are more detailed and comprehensive than the reports prepared by the Ministry of Finance.