



Transparentnost Srbija  
Transparency Serbia

# JOINT PROJECT ON BUDGET CREDIBILITY: EXTENDED TRACK

## Final report

Transparentnost Srbija

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## Summary

Transparency Serbia conducted a research related to the one of the weaknesses of the budget system, that **undermines budget transparency and increases discretion** in distribution of budget funds in Serbia, and pointed out to stakeholders and media about this problem and possible solutions. It is the fact that transfers of contingency funds (aka “current budget reserve”) significantly affect the budget programs adopted by the Parliament throughout the fiscal year. Namely, contingency funds, that Government may spend on purposes not envisaged in the adopted budget, according to the latest amendments to the Law on the Budgetary System<sup>1</sup>, can go now up to as much as **four percent of the total budget** (previously, the limit was 2%). During the planning phase of the budget, Government normally asks for rather small amount of money for the contingency funds<sup>2</sup>, but increases it during the fiscal year up to the 4% cap, through transfers from other budget programs.

Having in mind that such planning and transfers are regular practice, repeated in several consecutive budget years, it is obvious that the Government falsely presents the structure of budget expenditures in EBP, while intending to spend much more than presented through contingency funds. What remains unclear is whether the main reason for that is poor planning process, i.e. failure to estimate correctly needs for certain budget

programs, lack of transparency or willingness to keep discretionary powers, not just when it comes to the distribution of funds from the budget reserve, but also when it comes to the programs that will be affected in order to fill in contingency funds.

This is only one of the methods that enables spending in contrary to the originally approved budget. Other methods include reallocation of up to 10% of the funds within the appropriation of the same budget user. However, through distribution of contingency funds, funds are taken from one budget user and given to another, for totally unrelated purposes. Therefore, one budget beneficiary’s return assets received for certain programs and projects, that are further distributed through contingency funds to new projects or some that were already planned by the beginning of the fiscal year, but need additional assets for their implementation. Reallocation may be simultaneous, in case that Government at the same time decides to decrease funds for one budget user and its program and to distribute these funds to another. In other instances, Government draws greater amount of funds from one budget program and later decides about the distribution to several budget users.

Significant part of these assets is transferred to cities and municipalities. Although some criteria exist in the law for cities and municipalities to be eligible for these funds,

<sup>1</sup>[https://www.paragraf.rs/propisi/zakon\\_o\\_budzetskom\\_sistemu.html](https://www.paragraf.rs/propisi/zakon_o_budzetskom_sistemu.html)

<sup>2</sup><https://www.paragraf.rs/propisi/zakon-o-budzetu-republike-srbije-za-2019-godinu.html>

the decision of Ministry of Finance and the Government on granting is rather arbitrary.

In their responds to the request for free access to the information of public importance, cities and municipalities stated that they needed contingency funds due to illiquidity –“for decrease in income”. However, they just provided us with the list of projects that money was requested for and have not elaborated why these predictable expenses were not properly planned in the first place, when they had to be aware of them. Typical examples are expense of school or kindergarten heating and reconstruction of objects and streets. None of the stated expenses from this sample corresponds to something that couldn't be planned due to reasons such are unexpected weather conditions or some other disaster. There is no explanation of the reasons for failure to achieve planned income level. Ministry of Finance that is in charge of managing the central budget has not published any explanation for such transfers that annually reach up to more than 450 million of US dollars either.

TS have not received any of the requested answers from the Ministry of Finance about the potential influence of such transfers to the budget programs. Government also has not provided explanations of transfers to and from the contingency funds in the final year reports on budget implementation. These decisions could therefore be considered as discretionary.

During this research, representatives of TS, tried to raise public attention to lack of

transparency of the transfers during the fiscal year. We were invited by the television N1<sup>3</sup> and provided a statement to the weekly paper “NIN“ about the research and emphasized that Government of Serbia should publish all the decisions about awarding the contingency funds assets, to publish detailed elaborations of its decisions, to establish criteria for awarding these transfers, as well as to publish information about the process of selection when it decides on who to approve additional funds.

During the conversation with the representatives of State Audit Institution (SAI), we pointed out that special attention should be dedicated to audit of programs that were given up on during the fiscal year as well as to include municipalities who received contingency funds assets in their audit plan for the next year. We expressed our suspicion that municipalities were not equally treated in equal situations. In the conversation with the representatives of another independent oversight body, the Fiscal Council, we indicated that it would be necessary to analyze this phenomenon and to initiate adoption of strict fiscal rules. They indicated as the main problem when it comes to the current budget reserve, redistribution of funds between ministries, in particular towards ministries of Defense and the Interior, and that they plan to analyze these transfers in the future. They pointed out that the funds transferred to local governments are only 10% of the total funds transferred through this fund. However, TS still consider transfers to the municipalities as a significant phenomenon to follow up, having in mind

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<sup>3</sup> <http://rs.n1info.com/Video/N1-reporteri/a523479/N1-reporteri-o-cetvrtom-okruglom-stolu-i-ponovnom-davanju-iz-budzeta-za-Beograd.html>

potential abuse of discretionary powers in order to make favors to those local politicians having stronger ties with decision makers in the national government.

Transparency Serbia plans to use the information from the research and conversations with relevant authorities for

our future advocacy initiatives, as well as to continue raising awareness of public on importance of the budget credibility, to initiate public pressure towards the Government of Serbia to publish explanation of each decision about contingency funds' transfers.

## Contingency funds in Serbia

Using of contingency funds by the government during the fiscal year has significant impact to the budget. Since 2015, there is a legal threshold for such "budget reserve" funds, that is 4% of overall budget income. In practice, the level of contingency funds is significantly smaller in the original budget, approved by the Parliament, but the Government increases it by transferring funds from approved budget appropriations that "cannot be used" to the contingency funds.

Government, however, does not provide explanation on consequences of to the original budget programs from which money was taken. Thereafter, money from the contingency fund is transferred to other budget beneficiaries and spent for other purposes, either entirely new or for those where original funds were insufficient. Significant part of these funds is transferred to the municipalities selected in an arbitrary manner and without the explanation. The part of the planned revenues which is not allocated in advance, but is retained in the name of the current budget reserve can be

used for "unplanned purposes for which no appropriations have been established or for purposes that during the year show that the appropriations were not sufficient". The Government adopts such decisions on its sessions, based on proposal of Ministry of Finance. No further criteria or procedures are regulated. Typical decision on budget reserve contains quotation of legal provisions, identification of budget beneficiary, affected budget appropriations, programs and amounts. However, there is no explanation of reasons for such decisions. **The** Government of Serbia does not publish these documents on its website. Ministry of Finance neither. It is not available in a free section of the Official Gazette webpage, but for subscribers only. Even when one obtains individual decisions on budget reserve, they are not informative at all about reasons for moving funds from one budget appropriation to another through the contingency funds so, additional requests for information are needed.

Until a few months ago, the public did not deal with the problem of the current budget reserves. Previously were sporadically published the news that some received some

funds from the Government but without the analysis wherefrom the funds are withdrawn and how it was decided who will be assigned. TS, together with interested stakeholders, for years warned on the lack of transparency in spending from the budget. Since 2014, even though it is a legal obligation, the Government for years did not send to the Parliament any law on budget final statement of account. Some information could be seen only from the report of SAI on the audit of balance sheet, among others – amount of transfers from the current budget reserve. However, after the media began to deal with the theme of credibility of budget, the Government has sent to the Parliament drafts on law on budget final statement of account for the last four years.<sup>4</sup> In the final statement of account for 2018, there is a part on the current budget reserve, but only benefits listed in table and for which programs without narrative explanatory.

In 2014, there were 75 Government's decisions about contingency funds, in 2015 there were 118 decisions, in 2016 the number rose to 168 and in 2017 there were 198 decisions. In 2018, the number of transfers in and out of the

current budget reserve reached 207 and in the first eight months of 2019 there were 78 decisions.

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<sup>4</sup><https://www.paragraf.rs/dnevne-vesti/200919/200919-vest9.html>

## Transfers in and out of the current budget reserve in 2018 and 2019

In 2018 were totally 50 transfers into the current budget reserve from the programs of various budget users. Budget for 2018 planned 3 billion RSD in the current budget reserve but by these transfers this amount to the end of the year was increased for 44.14 billion RSD, i.e. up to total of 47.14 billion, that is exactly 4% on the budget, meaning the exact extent permitted by the Law on budget system.

In the Report on audit on Budget final statement of account on Serbia, State audit institution concluded that these changes indicate to the problem of unrealistically planned appropriations by budget users when proposing financial plans.

According to the budget for 2019, projected funds of the current budget reserve are 2.5 billion RSD which shows that there is even more space for increasing of it during the year and for more money returned from the specific programs, projects and appropriations. The Ministry of Finance returned during the 2018 to the budget reserve the funds of even 79 appropriations. In the "Official Gazette" are published only decisions on the funds' transfers into the current budget reserve without any explanation. The Ministry of Finance did not respond to any request for free access to the information of public importance by which we have required the copies of documents that contains information – sources for the insight in the basis of the conclusion for inability of use of the funds of mentioned appropriations, so the funds on these

appropriations were transferred during the 2018 to the budget reserve, by decisions of the Serbian Government. We have not also received any response to the issues on the transfers to the current budget reserve during the first six months of 2019, when the Ministry of Finance transferred funds from 15 programs and appropriations.

TS asked for additional information about all decisions made by the Government. We addressed our requests to 20 different ministries and other direct budget users which had the most transfers in the current budget reserve. Formally we had received the answers from 17 direct budget users but only several supplied us with documents that point out to some of the reasons why planned funds will not be used. The Ministry of Finance, the Ministry of Mining and Energy and the Ministry of Labor and Social Affairs ignored our demands completely, which is why we filled a complaint to the Commissioner for Information of Public importance.

From the Draft Law on Budget final statement of account for 2018 it can be seen that more than 12 billion RSD were transferred to the Ministry of Defense in July 2018, and without any explanation on the purposes. From the final statement of account is visible that the Ministry of Defense has spent in 2018 15 billion RSD more than it was planned by the Law on Budget for 2018. This difference comes out the mostly from the transfer through the current budget reserve. Such transfers confirm our research findings that budget processes in Serbia are not transparent enough and that they affect the

originally planned programs on primarily planned programs, in this way rewritten without clear criteria and explanations.

Within the replies in reasons for the return of funds from certain programs and appropriations in the budget, only few ministries offered explanations, too. Thus, the Ministry of Construction, Transport and Infrastructure in response stated that, during the 2018, returned to the budget reserve 180 million RSD of the program "road transport, roads and traffic safety" and 290 million RSD from the project of construction of the Belgrade bypass on highway E70 / E75, with a request for 1.57 billion RSD to be allocated for subsidies for public enterprise "roads of Serbia" due to lack of funds for maintenance of the state road network, as well as to pay due debts to contractors. Of the project Construction of highway section Preljina - Požega was returned 1.415 billion RSD, with a request for 1.965 billion RSD to be allocated for subsidies to the company "Corridors of Serbia", for financing of works on sections of the Corridor 10. The Ministry said that it believes that the proposed diversion "will not impede the performance of appropriations for which is proposed to diversion." This conclusion is not logical because it raises the question why the funds were initially planned for these purposes if their withdrawal for other purposes does not interfere with the realization of the objective. Also, it is not clear why the subsidies for two public enterprises were not planned in the original budget in a greater extent.

Also, the Ministry of Construction, Transport and Infrastructure has asked for the Ministry of Finance for additional funds from the current budget reserve – 426 million RSD, for the subsidies to the enterprises "Srbija kargo" and "Infrastruktura železnice

Srbije" for the implementation of reform activities and liquidity of newly established companies incurred restructuring. With the appropriation "reconstruction of the bridge at the crossing Šepak" were returned 141 million RSD, with the explanation that prior to this work should be signed an agreement with Bosnia and Herzegovina, which was not happened, but the funds are returned to the budgetary reserve. In 2019, the Ministry sought the diversion of additional 66 million RSD to the program "Road Transport, Roads and Traffic Safety" for subsidies, or for a media campaign Traffic Safety Agency. 141 million RSD were shifted by this Ministry with the project of reconstruction of the bridge at the border crossing Šepak over the current budget reserve for subsidies to "Aerodromi Srbije" – functioning of the Airport "Morava" near Kraljevo. Again, it is not clear why these expenditures were not planned in the original budget proposal.

The Ministry of Public Administration and Local Self-Government was transferred to the current budget reserve amount of 5.2 million RSD in 2018. In response to TS, the Ministry stated that the funds were transferred from the appropriation "establishing applications for keeping records on citizens of the Republic of Serbia within the Central System for the electronic processing and storage of data and keeping the second copy of the registry books." These funds were transferred to the Ministry of Interior, which is responsible to facilitate the conduct of a single electronic register of citizens of the Republic of Serbia within the framework of a unified information system (Central system). This explanation sounds logical as it is grounded in the change of the body responsible within the government for the same budget program.

Serbian Ministry of Education transferred in December 2018 to the current budget reserve the amount of 208.5 million RSD, which were intended for the development of science program - basic research. In response, it stated that the funds were returned because there was no contractual financial obligation of the Ministry for 2018 for spending of these appropriations. In July 2018, the Ministry remitted 64.8 million RSD dedicated to the training teachers in the use of digital textbooks. In reply it was stated that the funds were returned because the training was conducted by the Institute for Advancement of Education.

However, it is not clear why the Ministry originally planned these expenditures in its budget.

The Ministry of Culture and Information has diverted 5.9 million RSD within the same program. With the program of support of the realization of the public interest in the field of information and bilateral cooperation between Serbia and China, resources are diverted into the program of co-financing projects for the public interest implementation in the field of public information. The Ministry has explained in response that it has received a considerable number of projects for a single administration for the reason that arrived projects could not be planned at the time of announcement of the competition (extraordinary circumstances, the urgency of implementation...). However, it remained unknown why the Ministry considered originally approved support for programs of cooperation with China unnecessary.

Ministry of Sport and Youth returned on 2 October 2018 amount of 43.3 million RSD in

the current budget reserve from the support program for young people in employment, 1.2 million RSD with the program of grants to NGOs and 1.45 million RSD of the grant program to international organizations. In the reply of the Ministry, it was stated that the funds were returned after detailed budget analysis and the conclusion that the funds cannot be spent until the end of the year. It remained unknown why the Ministry did not organize distribution of funds for original purposes in timely manner.

Ministry of Sport and Youth transferred in 2019 50 million RSD in the budget reserve from the project of "organization of European university games 2020" but it refused to provide us with information about the basis on which was concluded that the use of funds was not possible, but it crossed-reference us to the Ministry of Finance.

Ministry of Trade, Tourism and Telecommunications diverted 14 million over the current budget reserve within the same program, but for the purpose of going to the International Fair in Izmir, Turkey, stating that this reallocation "did not menace the implementation of the budget for 2018".

National Academy of Public Administration returned in 2019 to the current budget reserve the amount of 62.5 million RSD for the purchase of furniture and other planned equipment. Due to the ongoing reconstruction of the building of the Academy - the funds were refunded from the budget reserve for reconstruction works on the building in Belgrade.

## Discretionary decision making on the allocation of funds

From the overview of these decisions, and sample made by TS for the purpose of this research, it can be noticed that some of decisions were made already in the first half of the year, and one cannot help wondering how did Government foreseen that those fund “cannot be used” and that “transfer will not jeopardize the established priorities”, although the programs from which money was taken are continued. This is one of the questions that TS asked the Ministry of Finance within this research, but remained unanswered.

We are addressing the lack of readiness of decision makers in the Government to be accountable to the citizens in regards to distribution of budget funds, insufficient parliamentary oversight of the budget and insufficiency of information about the use of contingency funds.

Last year's survey of TS on the allocation of funds from the current budget reserve to the municipalities showed arbitrariness when it comes to the choice to which one the funds will be transferred. Or, the lack of clear criteria for decision making and lack of transparency of the process open the suspicion that it is about political decisions, or about helping to local political leaders.

During 2018, 23 local governments received funds from the current budget reserve and 4 of them in the first 6 months of 2019. We got answers from 25 municipalities and cities on which we demanded the information about the budget programs and projects in which were jeopardized the implementation because of lower budget revenues and therefore it was necessary to require funds from the current

budget reserve or, for what purposes were spent the funds that the local government received by the budget reserve.

City of Zrenjanin has sought and received the 2018 60 million RSD from the current budget reserves for decreased revenues during the year. In response was stated that from obtained 60 million RSD it was not spent even 17 million RSD. Funds not spent were intended to pay for services under the contract, street lighting, for current repairs and objects' maintenance, the costs of communal hygiene, animal hygiene and maintenance of green areas. The funds were spent for the costs of enforced collection, the maternity allowance, the cost of transportation of students, development of tourism, the cost of local communities and water supply (25.8 million RSD while the City still has no drinking water).

City of Belgrade received in 2018 from the budget reserve at least 924 million RSD, through a number of separate decisions of the Government of Serbia. In the replies submitted to the TS, the City of Belgrade said that the funds were received for financing previous commitments for capital investments in accordance with the plan, which could not be implemented due to the enforced collection of completed solutions on claims of parents on the accrued and unpaid expenses of stay of children in preschools. It remained unknown why City of Belgrade did not plan sufficient funds for these compensations. However, we have not received answers to the question about exact programs for which are these funds used. Belgrade media published a statement of the

deputy mayor Goran Vesić that the funds were required "due to unforeseen costs in the process of preparation and adoption of the budget." Vesić<sup>5</sup> added that City got the money to invest in facilities needed for the culture. Funds received in 2018 were consumed, according to him, for a variety of purposes - from the monument of Zoran Djindjic, the final tournament of Euroleague Basketball through compensation payments to parents who paid kindergartens more than anticipated, to the reconstruction of the facades in the territory of Zemun.

City of Subotica won in 2018 20 million RSD "for the purpose of fulfilling the obligations of the City." It was indicated in response that the resources had been directed to the reconstruction project of the Culture Center in the Donji Tavankut. It was also submitted a diary entry for the debts of the city on the performed services and works. City of Čačak received in 2018. 32.8 million RSD from the current budget reserve. In response to the TS, the City has submitted a list of 84 items to which the money was spent, but most of the money went to the functioning of primary schools, pre-schools and the Center for Social Work. City Smederevo received in 2018 20 million RSD that used to settle obligations to the Public Water Management Company "Srbijavode" Beograd, and on the basis of the issued decisions that determine the drainage compensation. All answers indicate that cities spent additional budget funds for payments that had to be planned in their original budgets. It also indicates that planning of their income was unrealistic if there were not sufficient funds to pay for them without budget reserve support.

City of Vranje used obtained 100 million RSD, as stated in response, for reducing of the debt for pave of 49 kilometers of rural roads (debt from 2015), for servicing of short-term loans, reducing debt by rescheduling the city pharmacies, the construction of the second phase of theater, for arranging of the access roads, or for the payment of the first installment for Municipal stadium.

City of Niš received in 2018 150 million RSD from the current budget reserve. In response to the TS. It has been said that the funds were spent on the current liquidity, or on current expenditures.

In May 2018 the Ministry of Finance has returned in the current budgetary reserve 40.3 million RSD intended to payment for the expropriation of land for the construction of capital projects. These funds were transferred to the Ministry of Culture for the "Novi Sad, Youth Capital of Europe 2019 - OPENS 2019". There is no information on capital projects affected by failure of expropriation of the land.

With the same project, the Ministry of Finance diverted, through the current budget reserve,

30 million RSD for the municipality of Dimitrovgrad "to perform obligations", as well as 3 million RSD for the municipality of Krupanj. The municipality of Dimitrovgrad, in response to the TS, stated that 20 million RSD were spent on the reconstruction of the Street Balkanska and the rest to payment of the bills for electricity and for commitments to JP "Komunalac", another example of poor planning of original municipal budget.

<sup>5</sup> <https://insajder.net/sr/sajt/vazno/13503/>

Municipality of Novi Bečej received in 2018 23 million RSD, but instead answer to which budgetary programs and projects were spent funds from the budget reserve, it has sent to us a copy of the decision of the Government of Serbia on allotment of funds to this local government. The municipality of Bač in 2018 received 20 million RSD from the current budget reserve. In response to the TS it was stated that the funds were required for the payment of obligations of primary schools, such as heating, electricity etc. The municipality of Opovo received in 2018 25 million RSD from the budget reserve. In response to the TS, Opovo stated that nearly 19 million were spent on the reconstruction of water supply network, and the rest for the functioning of the primary school, Health Center and the Center for Social Work. Also, 2 million RSD are intended to the construction of the indoor soccer field (project cost 5.62 million).

The municipality of Majdanpek – in 2018 funds are required for maintenance of the sports hall in Majdanpek. Municipality of Nova Crnja received in 2018 5 million RSD, and in response to the TS stated that funds were spent for the readjustment and reconstruction of two elementary schools, as well as for the readjustment of water supply system in the settlement of Toba. Municipality of Mionica said in response that 20 million RSD, received from the current budget reserve in 2018, were used for the construction of the Cultural Center and the Sports Hall in the municipality. The municipality of Temerin replied that 10 million RSD obtained from the current budget reserve to were spent for "the solution of the problem of water supply." "Maintaining of the current liquidity of the

budget" was the answer of the Municipality of Apatin.

The municipality of Smederevska Palanka has submitted the request to the Ministry of Finance to award 130.7 million RSD from the current budget reserve, primarily unblocking of the Budget, public subsidies to enterprises and debts for public lighting. Municipality of Aranđelovac received in 2019 the amount of 60 million RSD of which 10 million have been earmarked for the reconstruction works of the parts in two streets. The municipality in its response did not explain what he spent the remaining 50 million. Municipality of Negotin used 33 million RSD from the current budget reserve for the development of complex "Negotinske pivnice". In response to the TS, it was stated that this expenditure, "was not possible to be planned by budget for 2019".

The municipality of Krupanj asked for 3 million RSD from the current budget reserve for the co-financing of the churches' project. In response to the TS, it was stated that to one church in 2018 was assigned to 1 million, and the remaining funds are transferred to the 2019. Krupanj in 2018 got another 20 million RSD, of which 9 million were intended to the construction of the industrial zone, 4.4 million to the annex of kindergartens and 6.6 million to a research project of groundwater. Municipality of Rača in 2019 received 20 million RSD. In reply it was stated that the funds were spent for subsidies to farmers, Public Communal Enterprise, payment of loans and interests, donations to NGOs and for the purchase of office furniture.

City of Novi Sad received on 21 February 2019 50 million RSD from the current budget reserve. In response to the request was stated that the funds were unconditional and

therefore there is neither record, nor a separate document that would contain the requested information, and that such documents are not created in the work of the City Finance Administration. A similar response we have also received for 2018 - that the funds were received due to inflows of non-compliance dynamics with the dynamics of consumption.

The analysis shows that all of the costs for which local governments were seeking money could be planned by budget or, that projects are even planned in the expectations that they will be paid by the funds that will be requested from the current budget reserve. Also, the analysis showed that municipalities do not have sufficient fiscal responsibility, that do not make and do not keep necessary documentation, that their budgets are transparent and therefore local authorities are responsible to the citizens in terms of planning budget revenues and expenditures.

We managed to put these problems in media and to raise public awareness. We spoke about the findings of our research, which indicate that budgets were not adequately planned, that budget expenditures were made in a non-transparent manner. We also warned that decisions on transfers from the budgetary reserve were made without any criteria, which would increase the discretion of the Minister of Finance, that did not justify its decisions.

We also had interaction with the group of MPs that is particularly interested for the fight against corruption (GOPAC), and the members of parliamentary committee for public finances and suggested them to include "budget reserve" distribution as one of the topics in their work. However, the parliament in Serbia is for more than a year boycotted by

the most of opposition parties and the space for substantial discussions is therefore limited. We also addressed the issue of national and local budgets within the Open government partnership initiative. Aside from national level, where some transparency measures became the part of the adopted action plan (publishing budget in an open format), TS, along with other NGOs

supports development of local open government partnership plans in five Serbian cities and municipalities. Furthermore, TS representative lectured on occasion OGP week about the topic of budget transparency and interacted there with the representatives of various government ministries, local governments and CSO.

Within the Government Accountability Project USAID, TS has supported five local governments to write their local anti-corruption plans that have 16 divisions, including the improvement of credibility of the budget, as well as responsible management of public finances. In 2020 TS will continue this work with a new seven municipalities and cities and, as before, special attention will be paid to measures relating to the increase of fiscal responsibility and budget transparency.

Budget transparency issues are also part of our agenda in the work with members of several SCO coalitions, such are EU Contract, EU Convention and groups dealing with free access to information and open data. TS also hosted meeting with the new management of International Monetary Fund in Serbia in May 2019, and transparency of budget processes was one of the key topics of this discussion.

TS plan is to share our recommendations with all relevant decision makers - Executive,

Parliament and political groups represented, Fiscal Council, SAI, IMF, World bank. It also includes communication with public in general on press conferences, public

statements, interviews, columns in press, social network etc.

## Key recommendations

Our key recommendations are:

### Government:

- to publish all decisions on budget contingency reserve transfers on line
- to draft and publish detailed explanatory note for these decisions, that would provide reasons for changes in original budget and consequences for original budget programs
- to establish criteria for distribution of contingency funds to those requesting it, in particular to the local self-governments that asks additional funds because of failure to raise planned budget income
- to publish these criteria and information about selection process, in particular where needs (requests) of budget beneficiaries and local governments is greater than available funds

### State Audit Institution:

- to perform performance audit of programs affected by transfers to the budget reserve and compliance audit of decisions related to the further distribution of these funds to other budget beneficiaries.

### Fiscal Council:

- to perform a more detailed analysis of phenomenon researched here and to initiate adoption of more strict fiscal rules.

### Parliament and its committees:

- to organize special public hearing on using of budget reserve before discussing end year report for the budgets, submitted by the Government



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