

**PROGRAM-FOR-RESULTS INFORMATION DOCUMENT (PID)
CONCEPT STAGE**

Report No.:

(The report # is automatically generated by IDU and should not be changed)

Program Name	<i>Program on Modernization and Optimization of Public Administration</i>
Region	<i>Europe and Central Asia</i>
Country	<i>Serbia</i>
Sector	<i>Governance</i>
Lending Instrument	<i>Program for Results</i>
Program ID	<i>P155172</i>
<i>{If Add. Fin.}</i> Parent Program ID	-
Borrower(s)	<i>Republic of Serbia</i>
Implementing Agency	<i>Ministry of Public Administration and Local Self-Government</i>
Date PID Prepared	<i>August 17, 2015</i>
Estimated Date of Appraisal Completion	<i>November 4, 2015</i>
Estimated Date of Board Approval	<i>December 16, 2015</i>
Concept Review Decision	Following the review of the concept, the decision was taken to proceed with the preparation of the operation.
Other Decision <i>{Optional}</i>	

I. Introduction and Context

A. Country Context

1. The Republic of Serbia is an upper middle income country with a GNI per capita of US\$ 5,820 and a population of approximately seven million. It emerged from various political realignments that followed the breakup of the former Yugoslavia in 1991. A political union with Montenegro, in 1992, lasted until 2006 when each country became a sovereign state, following a successful referendum in favor of Montenegro's independence. During the final years of the union and the first few years of the new Serbian state (2001-2008) real GDP averaged 5 percent annually, and poverty headcount declined from 14 percent in 2002 to 7 percent in 2007. However, the establishment of an independent Serbian state marked the beginning of a period of political uncertainty characterized by weak and fragmented political coalitions. The lack of a strong political establishment undermined a focus on critical economic and public sector reforms.

2. In recent years, Serbia has faced significant fiscal challenges. Since 2008, economic growth has stalled, reversing the progress made in earlier years. Average real growth dropped to zero between 2009 and 2014. Fiscal deficits have averaged 6 percent of GDP between 2009 and 2014. As a result, Serbia's public debt has more than doubled – from 34 percent of GDP in 2008 to 71 percent at end-2014. In addition to other structural issues such as subsidies

and guarantees to public utilities and high levels of public employment, inefficient human resource management and weaknesses in financial management have also directly contributed to Serbia's fiscal challenges. Vulnerable poverty rate increased from 6 percent in 2008 to 9 percent in 2010, the latest year for which comparable data are available. Unemployment rates have suffered as a result- and by 2012 had reached a high of 24 percent. Recent growth in employment have largely been attributed to low paying informal employment.

3. In an effort to deal with its fiscal challenges, in 2014 the Government of Serbia adopted an ambitious fiscal consolidation and structural reform program. The program is supported by a 36-month Standby Arrangement with the IMF, approved in 2014. In the short term, the program focuses on the control of aggregate wage and pension expenditures, improvements in tax administration, and reductions in subsidies to state owned enterprises. The Government has also begun to address longer term structural problems in the administration of the public sector, focusing on functional reviews and restructuring to create opportunities for efficiency gains.

B. Sectoral and Institutional Context of the Program

4. A key challenge facing the Serbian public sector is that of inefficiency in the management of public employment and finances. In recent years, the wage bill has grown significantly- moving from 9 percent of GDP in 2002 to approximately 11 percent in 2008. Social benefits account for 18 percent of the GDP (with pension alone covering 13 percent of the GDP). Measures introduced by the government to contain the wage bill have helped keep it at an average of 11 percent of GDP from 2009- to 2014. But, the structure of the public sector has also undermined efforts to curb spending on public sector employment. As a result, there are some sections of public employment with more employees than are required and vice-versa. Similar efficiency related issues are found in the management of finances, including procurement and public investment management.

5. Current efforts to reforms the public sector are linked to the Government's focus on improving its efficiency. This includes cutting costs, reducing staffing, eliminating subsidies, restructuring portfolios and generally improving how the overall business of public administration is conducted. The focus on efficiency linked to human resource management is also reflected in the Government's efforts to improve public financial management. Altogether, they constitute the Government's strategic approach to enhancing efficiency in the public sector, and as a result constitute the immediate focus of the Government to address residual challenges in public sector management as described below.

6. *Human Resource Management:* Serbia faces significant challenges in managing human resources and wage expenditures in the context of a shrinking fiscal space. To date, the Government has largely relied on across-the-board reductions and hiring freezes. In recent years, it has scaled down the formula tying wage adjustments to inflation; imposed a solidarity tax (in effect, a wage cut) on public employees earning more than 60,000 dinars and imposed a ceiling on individual public salaries. More recently, it has imposed an additional across the board 10 percent pay cut (as of November 2014) and modified the budget system law to suspend wage indexation altogether in years in which the share of general government salaries (excluding severance pay) is expected to exceed 7 percent of GDP. It has also taken measures to reduce the

number of staff, imposing a hiring freeze and a cap on replacements (for each 5 employees who leave, only 1 may be replaced) and attempting to reduce overall government operational cost by 5 percent each year for three successive years.

7. While this approach has succeeded in constraining the overall growth in wage, it does not address more fundamental problems in the system of human resource management. There is, for example, evidence of overstaffing in the health, judiciary, and police and to some extent, education sectors. Because the hiring freeze is not targeted, it does not focus on these positions. The wage freeze, similarly, fails to deal with underlying problems in the structure of compensation. At present, the pay and grading system includes 2,200 job titles, 71 different elements of remuneration, 5 different base salaries, 900 different job coefficients, 19 laws and a plethora of by-laws that regulate salary levels. Similarly, compensation rates are above market levels in low skilled positions and below market levels for high level positions (IPSOS, 2015). In addition, the complex and arbitrary nature of the compensation system undermines staff morale and renders the system vulnerable to ad hoc pressure from public sector unions.

8. Moreover, the lack of a strong Human Resource Management Information Systems has undermined the ability of the Government to control employment numbers. Recent efforts by the Government has led to the establishment of the first comprehensive registry of public employees since 2003. The current registry however, has several shortcomings, especially related to inaccurate data (e.g. total number of employees), and given that data are self-reported. However, the lack of strong information systems at the sector level to monitor staffing and employment data has led to inaccuracies and undermined ability of the government to control wage-bill in various sectors. For instance, the Ministry of Education does not have an accurate number of teachers, and schools manipulate the number of employees in order to keep their budgetary allocation. There is no system to link the various systems operating at the sector level ministries with the large central government payroll systems to monitor staff numbers, increase in staff compliment over time, and total employment cost. This has undermined the ability of the Government to control staffing and wage bill management across the public sector generally. While the new Law on Registry is helpful, it would need to be accompanied by a strong HRMIS both at the sector level and at the center.

9. To address these problems, the Government is focusing on three key activities. First is the revision of the legislative and policy framework for public sector employment. As a first step, the Government has passed a Law on the Maximum Number of Employees in the public sector. It has also passed the Law on Registry of Public Employees, and is in the process of finalizing the passage of the Law on Public Sector Salaries. Together, these set of laws and their associated by-laws will strengthen the legal and policy framework for managing the wage-bill and employment practices in the public sector. The government will establish a registry of public employment as a first step towards the establishment of a human resource management information system.

10. The government is also focusing on reforming the pay and grading system. This is to be derived from a comprehensive job evaluation and pay grading exercise. The new structure will cover all public service employees including those in education, health, social protection, culture, tourism, and sport (Local government, police, defense, and members of parliament,

judiciary, and state agencies will have their own pay scheme). Under the proposal, all positions will be re-graded according to common criteria. Pay scales will be established for each grade, reflecting current market conditions and the Government's fiscal constraints. It is expected that a variety of pay scales and implementation strategies (e.g. the extent of grandfathering) will be analyzed. Once this process is completed, new regulations governing the new pay and grading will be issued and the new pay system will be implemented.

11. Finally, the Government is focusing on rationalizing staffing levels in a structured manner. This is part of the “right-sizing and optimization” program intended to improve the organization of the public sector, the assignment of competences among tiers of government, and the organization of work processes within various institutions. Ministries are expected to simplify administrative procedures, eliminate redundant tasks, and eliminate or restructure departments with duplicate functions, thereby reducing the need for staff. To implement staffing reductions, the Government has begun undertaking specific reviews of staffing needs in particular sectors and agencies. Following consultations with stakeholders, a strategic staffing adjustment plan will be prepared and submitted to the cabinet. This will then be implemented, through a combination of attrition, reassignments, and dismissals. At the same time the Government is strengthening its system of establishment control to improve payroll management.

12. *Financial Management: There has been some progress in strengthening public financial management in Serbia.* The Government has made efforts to strengthen treasury systems and financial controls, legislative framework, budget classification, multi-year fiscal planning, procurement and external audit. However, there are still additional areas that require significant attention. The 2015 Public Expenditure and Fiduciary Assessment (PEFA) identified several areas of weaknesses in the public financial management (PFM) system. These include the strengthening of ex-ante controls of commitments, in particular related to multi-annual contracts; monitoring of fiscal risks associated with arrears and state owned enterprises; the budget process, especially addressing weaknesses at preparation stage on revenue forecasting and overall outturn. Among the main consequences of those weaknesses is the increase in public expenditures arrears whose prevention has become one of Government priorities as they impose a risk to fiscal consolidation.

13. These weakness have undermined the strength of Serbia's PFM system. First, ex-ante controls of commitments by budget users are not sufficient, and expenditure by budget beneficiaries routinely exceed annual appropriations. In the absence of controls, budget users tend to make commitments based on their annual budgetary allocations, running up arrears. Indirect budget users (IBB) are not incorporated in the financial management information system (FMIS), undermining the ability of the Treasury to monitor commitment and cash management. Budget process is also weak in revenue forecasting and overall outturn. Additionally, financial reporting framework currently based on cash-based standards, have not been sufficient to provide a comprehensive reflection of the position of Government finances.

14. To address these problems, the Government intends to undertake several measures. First, it will strengthen commitment controls within the FMIS relating to processing payments so that commitments are only made within budget appropriations. It will also roll out the FMIS to indirect budget beneficiaries, starting with judiciary institutions (2016), cultural institutions

(2017) and social welfare centers (2018). The government also plans to strengthen its information management system to support the establishment of a centralized payroll system.

15. *Public Investment: Planning and execution of public investment projects is weak.* There is a large backlog of public investment projects, and many capital projects end up costing significantly more than originally estimated. Moreover, decisions about infrastructure investments are not systematically preceded by adequate cost-benefit analysis. The National Investment Plan provides an overview of ministry and sector strategies, but the plans are neither costed nor clearly linked to the budget. The planning environment is further weakened by the low level of funding predictability and weak capacity for project appraisal.

16. *Despite the formal existence of a 3-year Medium Term Expenditure Framework, the out-year estimates are not respected in practice.* Similarly, capital investment is prone to last minute expenditure reductions due to the discretionary nature of this expenditure. The lack of flexibility and political willingness to reduce other expenditure areas such as personnel expenditures, social assistance programs and various subsidies also undermines a strategic focus on capital investment. To address these problems, the Government intends to draft regulations and guidelines for Public Investment Management; establish a better overview of the project portfolio and initiate systematic monitoring of project progress; design and implement training programs for government officials on appraisal techniques and for budget users on project management. It also plans to strengthen the capacity of the capital spending evaluation unit in the Ministry of Finance.

17. *Public Procurement: The Government adopted a Public Procurement Strategy for 2014 – 2018 and an Action Plan for 2015 on October 30, 2014.* An amendment to the current Public Procurement Law (PPL) is planned to be adopted by the end of 2015. The recently enacted public procurement law made several improvements in the existing procurement system, reducing the number of exceptions, introducing mechanisms for preventing corruption and conflict of interest, and providing for the publication of procurement plans in the online portal. It has also increased the prospects for transparency by requiring government agencies to publish tender documents. It also calls for a partial centralization of procurement and expanding the competences of the Public Procurement Office (PPO).

18. *Capacity weaknesses have undermined the efficiency function of the procurement process.* For instance, the PPO currently lacks adequate human and financial resources to be able to efficiently discharge these new duties. The appeal process also is undermined by lack of sufficient capacity to handle appeals in a timely manner. Public procurement planning is not fully integrated with planning and preparation of the multi-annual budget programs at all levels of government. Low level of understanding of common public procurement procedure has undermined efficiency in the procurement process. Additionally, the inability of end users to contribute in the process of defining technical specifications have also weakened the procurement process. This has caused delays and stoppages. It has also led to purchasing of inadequate goods and services and in worst cases, unsuccessful tender procedures. The lack of certified procurement specialists, poor enforcement of Framework Agreements, and length of time it takes to dispense with appeals has led to delays in the procurement process. It takes about 120 days to complete a procurement procedure, thereby undermining efficiency in the procurement process.

19. To address these challenges in the public sector the Government has developed a program. The Government's overall framework for reforming public sector administration is set out in a Public Administration Reform Strategy (PAR), adopted in 2014. Together with the Action Plan for the Implementation of the Public Sector Reform Strategy (2015-2017), adopted in 2015, the strategy sets out the immediate priorities of the Government of Serbia with respect to key reforms in the public administration. Both the PAR Strategy and Action Plan cover six major areas of reform. These include improvement of the organizational and functioning of the public administration systems; strengthening of human resource management; improvement of public finance and public procurement management, as well as enhancement of legal certainty and improvement of business environment and quality of public services; increased transparency and enhancement of ethical standards and strengthening the Government's supervision capacities.

C. Relationship to Country Partnership Framework

20. The proposed World Bank support to Serbia's Action Plan for the Implementation of Public Administration Reform is aligned with the key themes of the Country Partnership Framework (CPF) for the period FY 16-20. The CPF notes that addressing the systemic constraints in public sector management, is an important prerequisite for successful implementation of the government's reform agenda. This proposed program is linked to the first of the CPF's two focus areas, namely: Economic Governance and the Role of the State, specifically, its objective 1b: *More Effective Public Administration & Service Delivery*. The Program also advances the World Bank's twin goals by focusing on strengthening the management of the government's human resources to serve citizens-including the poor- and tackling deficiencies in public financial management to avert the loss of public funds and improve value for money. The Program is also linked to other lending operations currently underway and under preparation. For instance, supporting upstream reforms around human resource and financial management is expected to help advance the goals of a health sector operation currently under implementation. Additionally, the Program is aligned to, and advances the efficiency goals of the Public Expenditure and Utilities Development Policy Operation currently under preparation. It is expected that some of the policy related actions proposed by the DPO would be realized from the implementation of activities supported by this Program.

D. Rationale for Bank Engagement and Choice of Financing Instrument

21. The justification for Bank engagement is supported by a strong analytical basis. A Public Expenditure and Financial accountability Assessment (PEFA) completed in 2015 identified key gaps in the public financial management (PFM) system. Based on the results of the PEFA, the World Bank has supported the drafting of a Public Financial Management Strategy and Action Plan, which will feed into the overall Action Plan for Implementation of Public Administration Reform. A Public Finance Review (2015) assessing the expenditure policies and outcomes across key priority sectors made specific findings related to improving Serbia's fiscal space by tackling inefficiencies resulting from public sector employment and similar challenges in public financial management. It proposes the tackling employment related issues as well as sector performance in education, health and social protection and their linkage to the ongoing government focus on fiscal consolidation. Additionally, the recently concluded Strategic Country

Diagnostic (2015) singled out governance and public sector performance as one of the six key areas of reforms that the government needs to tackle to support its growth agenda.

22. This operation supports the strengthening of core systems upstream in the public administration system result chain. The delivery of results at the sector level where Bank engagement is already prominent would be enhanced by a functioning public employment and financial management system. Additionally, anticipated savings resulting from efficiency gains from better management of employment and staffing in the public sector as well as improvements in public financial management could provide resources to enhance the delivery of social services downstream. The proposed operation also advances the development objectives of the Public Expenditure and Utilities DPL, currently under preparation, by supporting the government in the process of implementing reforms necessary for the achievement of the objectives of the DPL.

23. The operation is also informed by several lessons on public sector management as well as on the use of this instrument. A key lesson is the need for client participation in design. It is crucial that client staff is engaged in identifying project priorities and in implementation. The preparation of this project will be consultative and based on government priorities. Secondly, short and medium term interventions should be anchored in a comprehensive strategic framework. The design of the project will be tailored to address this problem through the development of an action plan based on milestones sequenced in order to outline specific prerequisite actions attached to disbursement. Additionally, target outcomes should be ambitious but realistic. Previous reform efforts in Serbia have tended to include unrealistic results leading to poor implementation. This project has focused on modest results-sequenced in a way to incrementally support government's focus on efficiency. Finally, it is important to understand the reform context. The results to be supported have been selected based on a realistic assessment of what is relevant, and that could be achieved.

24. The PforR instrument reiterates the focus on results that is central to the government's program. The instrument would allow the government to tackle difficult yet feasible areas of reform- with the results orientation creating the enable environment for sustaining the reform momentum currently underway. This is designed to enable the strengthening of country systems and to build a strong government ownership for the reform agenda. This whole of government approach helps to provide the incentives for a joined up approach in tackling the systemic institutional deficiencies that have traditionally undermined efficient use of public resources. Specifically, the PforR would facilitate a strategic focus on the specific results that the government aims to achieve; strengthen the governments implementation systems without creating parallel systems and additional requirements; sharply focus on efficiency and directly supporting the government's own reform program and finally, provide a direct focus on results that are measurable over a specific duration. While the PforR operation is expected to support only a select set of issues in the government's program, it is expected that strengthening the selected areas will have a multiplier effect on the implementation of the rest of the reform program, by supporting upstream reforms that are critical for the realization of the development goals of the other segments of the program. This Program also compliments the Sector Budget Support operation currently under preparation by the European Union, and which is also expected to support a significant portion of the Government's program.

25. The Action Plan has broad political support at the highest level of government. It is a product of a reform momentum that emerged out of the Prime Minister's efforts to reform the functioning of the government. It is also coinciding with the implementation of an IMF Stand-by Arrangement which obliges the government to undertake key fiscal consolidation measures covered by this Program. The government's program was designed through a consultative and collaborative process reflecting the views of the technical staff in various ministries and the validation of several important stakeholders. In the past, important policy documents and programs have been designed but not implemented largely due to weak coordination and inertia. Through the PforR operation, the World Bank, through the Global Governance Practice, will leverage its global knowledge in public sector reform to support the government's reform agenda.

II. Program Development Objective(s)

A. Program Development Objective

26. The Program Development Objective is to improve efficiency in public sector employment and finances.

B. Key Program Results

Progress towards the PDO will be measured by the following indicators:

1. Variance between the actual number of employees and number of employees as defined in the Law on the Maximum Number of Employees (%)
2. Proportion of public administration employees to which the Law on Wages applies (%)
3. Share of expenditure arrears in total budget expenditures (%)
4. Share of new multi-year public investment projects with implementation funding secured over planned implementation period (%)
5. Average duration of a public procurement procedure (Number)

III. Program Description

A. Description

The Government's program

27. The Public Administration Reform Strategy was launched in 2014 as the overarching roadmap for supporting public sector reform. It was designed to succeed the PAR Strategy of 2004 whose Action Plans covered the periods 2004-2008 and 2009-2012. The overall objective of the PAR Strategy is improvement of the work of Public Administration [...] and of high quality services to citizens and business entities, as well as the creation of public administration which shall significantly contribute to the economic stability and increase of the living standard (GoS, 2014). While the 2004 strategy focused on the legal framework of the

public administration, the 2014 PAR Strategy is more broad- designed to expand reform of the public administration system covering broader functional objectives described below:

Objective 1: Improvement of organizational and functional sub-systems of Public Administration - organizational and functional restructuring of authorities, organizations and other bodies discharging Public Administration operations, enhancement of decentralization and de-concentration of PA activities, improvement of strategic planning system and coordination of public policies as well as development of e-government;

Objective 2: Introduction of harmonized public service system relying on merits and improvement of HR management - setting an aligned system of employment and salaries for public administration employees and further development of human resource management system in the public administration;

Objective 3: Enhancement of public finance and public procurement management - improvement of budget planning and preparation process, strengthening of management and control of revenues and internal audit, but also the public procurement system;

Objective 4: Enhancement of legal certainty and improvement of business environment and quality of Public Administration services - improvement of regulatory processes and administrative procedures and reform of the inspection control;

Objective 5: Improvement of transparency, ethics and accountability for discharging the Public Administration duties - enabling better conditions for participation of interested public in Public Administration activities, strengthening ethical values among Public Administration employees and suppressing corruption.

28. The Public Administration Strategy is supported by the Action Plan for the Implementation of Public Administration Reform Strategy (Action Plan) launched in 2015.

The custodian of the Action Plan in the Ministry of Public Administration and Local Self Government (MPALSG). However specific areas of competence are implemented by relevant ministries. The Action Plan operationalizes the PAR Strategy, and provides specific results areas and a framework for measuring and monitoring the results. It five main objectives (result areas) are aligned with the key areas of the Strategy for Public Administration, namely: (a) Improvement of organizational and functional Public Administration subsystems; (b) Establishing a coordinated public-service system based on merits and promotion of human resource management; (c) Improvement of public finances and procurement management; (d) Increase of legal security and improvement of the business environment and the quality of public services provision;(e) Increase of citizen participation, transparency, improvement of ethical standards and responsibilities in performance of public administration activities. And, to improve citizen participation and transparency, the government adopted the Action Plan for Open Government Partnership on 25 December 2014.

29. The implementation of the Public Administration began in 2014. The government has made some progress in various areas of the Reform Strategy, signaling a strong intention to continue on the reform path. The activities initiated and conducted in 2014 have been largely foundational- to provide the basis for the implementation of the major reform activities in the Action Plan during 2015-2017. As such they have revolved around legal and policy development. For instance, in order to strengthen the integrity of public institutions, the National Assembly adopted the Law on Civil Servants in September 2014; the Law on Protection of

Whistle Blowers was adopted in November 2014. Important steps have also been taken to strengthen human resource management and public administration at the local level.

The Program for Results (the Bank’s Program)

30. The PforR will support the key results in the three-year duration of the Action Plan (2016-2018). The Program will support discrete elements of the expenditure framework for the Action Plan, implemented by four agencies (Ministry of Public Administration and Local Self Government; Ministry of Finance; Treasury and Public Procurement Office). The Program Boundaries are defined around two out of the five result areas of the Government’s program. The Program will provide financial support for the achievement of two out of five objectives set forth by the PAR Action plan during the three-year period including 2016, 2017 and 2018. The activities that the Program will support will contribute to the Introduction of harmonized public service system relying on merits and improvement of HR management (objective 2 of PAR Action plan) and Enhancement of public finance and public procurement management (objective 3 of PAR Action plan). The total financing required to achieve these objectives in the three year period is estimated at US\$295,852,121, out of which the PforR will provide US\$75,000,000 while the remaining US\$220,852,121 will be financed by the European Union with US\$72,000,000 while the Government of Serbia will provide the remaining US\$148,852,121. The Program financing represent 25.35% of total financing while the share of Government of Serbia (GoS) financing is 50.31%. The EU financing constitutes 24.34% of total required funds and is currently under preparation. It is expected to be effective during the first quarter of 2016. Table 1 below provides the Program’s financing structure.

Table 1: Structure of the Expenditure Framework (by expenditure type)

	2016	2017	2018	TOTAL
Capital cost	3.08%	3.10%	3.10%	3.09%
Operational cost	17.35%	17.27%	17.29%	17.30%
Severance	79.57%	79.64%	79.61%	79.61%

31. The Program will finance a sub-set of activities linked to the delivery of results associated with the DLI and the PDO in the result areas below.

Result Area 1: Improved management of Employment and Staffing: The Program will support the government’s program to develop a system for managing its staff and monitoring the wage-bill. Key activities include: organizational and functional restructuring of the public administration; development and management of a registry of all employees in the public sector; training of civil servants in state administration on new policies for human resource management; preparation and establishment of merit based pay and grading system in the public administration; implementation of the legal regulations on the maximum number of employees; and development of human resource management system.

Result Area 2: Improving Public Investment Management: The Program will support: the reduction of backlog in the public investment portfolio; strengthening of project preparation procedures and implementation capacity; training to improve the selection of public investment

projects in line with medium term government policies and plans and timely and efficient implementation of projects.

Result Area 3: Strengthening Commitment Control and Cash Management: The Program will support the expenditure framework linked to the planning, management and supervision of the financial and fiscal system of the government. This will include the strengthening of budget execution and monitoring to ensure improved coverage of budget beneficiaries in the Financial Management Information System (FMIS). It will support government's plans to improve financial and budget information, commitment control and arrears, and the overall monitoring and control of budget execution of Indirect Budget Beneficiaries. The Program will support Treasury operations; expansion and technological upgrading of capacity for more efficient business; establishment of a centralized payroll system and improvements in business process automation.

Result Area 4: Improving Public Procurement Management: The Program will support training of officers involved in the procurement process both at the PPO, Appeals Board and procuring entities; preparation of procurement tools and manuals; development of a systematic approach to measure the performance of the public procurement system; preparation and determination of the Bill on Amendments to the Law on Public Procurement; publication of juridical review against CPR decisions made by the Administrative Court (second instance in the review system); improvement of the training level of officials and decision-makers in public procurement procedures; and adoption of the value for money methodology and guidelines for implementation of the "Life cycle product cost" concept; and further developing the use of information and communication technology (ICT) (e-Government) to enhance efficiency in procurement.

IV. Initial Environmental and Social Screening

32. The program is not expected to have any major environment impacts. There will therefore be no need for an environmental assessment. Similarly, the program does not present any negative social impacts in terms of land acquisition and/or displacement, since the proposed activities do not include any civil works.

33. There are potential risks, impacts and benefits of proposed changes in the area of employment management and staffing. These will need to be identified during consultation with stakeholders (e.g. trade unions, professional associations, employment experts, etc.). Methodology for calculating the maximum number of employees per sector, grading of positions and wages should be transparent and open for debate. Given the gender disparities in Serbia's employment figures (female employment being 33% vs. 49% male employment) and the over-representation of women in some sectors affected by the reform (e.g., health, education, etc.), expected gender impacts of the proposed changes will need to be assessed. As part of the program preparation process, and before Program Appraisal, a social assessment will be carried out consistent with the requirement of *Bank Policy Program for Results Financing* to determine the extent of any social risks that might result from the Program and the government's institutional capacity to plan and monitor social management measures. The assessment and related disclosure will be conducted no later than October 30, 2015.

Tentative financing

Source: (\$m.)
Borrower/Recipient 148.9
IBRD : 75.0
EU: 72.0
Total 295.9

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