

CHALLENGES TO FINANCIAL MANAGEMENT AND CONTROL IN THE PUBLIC ADMINISTRATION OF SERBIA

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ABSTRACT

Sound and efficient public administration is a foundation for the functioning of the state, as it contributes to its ability to ensure high quality public services while strengthening competitiveness and progress. This means that a sound public administration is characterized by reliability, accountability and transparency, as well as the level of technical and organizational capacities that ensures financial sustainability and standardized service. The aim of this paper is to present the findings of a research conducted in spring 2017 involving executive officials in the public administration of Serbia. The purpose of the research was to map the existing capacities of the Serbian public administration, in order to lay the groundwork for the strengthening of those capacities in the period ahead and for reaching the SIGMA principles of public administration applied among EU member states, especially in financial management segment. The findings of the research presented in this paper are part of the primary research findings collected within ERASMUS+ project conducted on the sample of 240 examinees. The authors of this paper participated in the project implementation.

INTRODUCTION

Republic of Serbia belongs to Western Balkan countries that put great effort into reaching EU area. That process implies set of activities considering policies harmonization and improving quality of services to citizens. Those reforms must be performed both in applicant countries as well as in candidate countries. Every European country can apply for European Union membership if respects democratic values and is committed to its further improvement together with other EU family members. First step for every country in reaching EU membership is to fulfil main criteria that basically were defined in Copenhagen 1993, on the EU Council meeting and those are called "Copenhagen criteria"¹. EU accession process helps candidate countries to build capacities for adopting and implement EU laws as well as EU and international standards. Motives for countries to apply for EU memberships lies in the fact that they gain partnerships with EU countries that offers trade privileges, economic and financial help, assistance for reconstruction and development, stabilization and association process. In order to fulfil its commitments from The Stabilisation and Association Agreement, every candidate country is getting closer to EU membership step by step. European Commission appraises achieved progress with countries reports of progression that are published every year.

European Council granted Serbia status of candidate country in March 2012, and from September 2013 has started process of monitoring of application of legal attainment of EU through screening The Community acquis. Screening of acquis has started with opening Chapter 23 - Judiciary and fundamental rights and Chapter 24 - Justice, freedom and security. Serbia continued EU accession by opening Chapter 33 - Financial and budgetary provisions and from December 2015 opened Chapter 32 - Financial control. Responsible for implementation of Chapter 32 are Ministry of Finance and Ministry of Public Administration and Local Self-Government. That is reasonable because Ministry of Finance in Serbia performs duties of public administration regarding state budget, determining of consolidated balance of public revenue and public spending, system and policy of taxes, tariffs and other public revenues, public

¹ European Council in Copenhagen, Conclusions of the Presidency, 21-22 June 1993.

expenditure policy, contribution system for social security and financing of mandatory social security. Public administration in Serbia, as service to all citizens, need to be constantly improved and upgraded.

Public administration is the basis of the functioning of a state, as it contributes to the government's ability to ensure high-quality public services from the standpoint of competitiveness and progress. In addition, it plays a key role in the European Union (EU) integration process, by contributing to the dialogue about the reforms implemented as part of the integration process and alignment with the standards of good governance of EU countries. It is frequently pointed out that "good governance and the right to good governance represent relatively recent important concerns both for the national and the European governmental authorities (Mateia L. et al., 2016, pp. 335)". The concept of "good governance" was defined by EU countries and included in the Charter of Fundamental Rights of the European Union. The notion of a "European administrative space" was set out by SIGMA (Support for Improvement in Governance and Management) principles. SIGMA is a joint initiative of the OECD and the EU. Its key objective is to strengthen the foundations for improving public governance, by improving elements including reliability, predictability, accountability and transparency, as well as technical and managerial competence, organizational capacities, financial sustainability and citizens' participation in public administration.

It is said, with good reason, that the good governance "is standard for public policies" (The Independent Commission for Good Governance in Public Services, 2004). Although good governance criteria are universal, these principles are primarily intended for countries which aspire to join the EU and which receive assistance via the Instrument for Pre-accession Assistance (IPA). Based on the principles of good governance, accepted by most European states, ICGGPS (2004) presents "the good governance standard for public policies", which comprises the focus on outcomes for citizens, transparency of decision, risk management, development of the capacity and capability for efficient governance, real accountability etc. (Mateia L. et al., 2016, pp. 335). Requirements laid out in the EU acquis, as well as other guidance and instructions by the EU represent the core of the principles in the areas regulated by the acquis. In other areas, principles are derived from international standards and conditions, as well as from good practices of EU and/or OECD member states. Countries need to achieve compliance with these core principles, as a minimum standard of good governance. The principles cover the public sector area (Benkovic et al, 2015, pp. 397) called "public administration". This name is widely used in Western Balkan countries, including Serbia (OECD/SIGMA principles, 2015). It refers to two basic elements:

- “public administration” at the (national or central) “government” level,
- and/or independent constitutional bodies, such as Parliament and legislative-judicial institutions in the part of their authority for conducting oversight and control of public administration.

Similar to others countries that are in the process of accession to EU, public administration in Serbia is also facing numerous difficulties and challenges, namely capacity shortage or unwillingness of the government and public administration system to adjust to new demands in the process of harmonisation with EU standards. Strategy for public administration reform in Serbia has been defined in Strategy of public administration reform² and Action plan for 2015-2017 periods. Action plan defines meanings of good governance relating on SIGMA program. Having in mind that there is no EU heritage in the area of public administration, Principles defined within SIGMA program represent important standards and measurable framework of public administration and enable comparison of administrative capacities and citizen’s treatment between EU member countries. Public administration principles rely on EU law, like Charter of Fundamental Rights of The European Union and good practices of The Organisation for Economic Co-operation and Development (OECD). Serbia is one of the countries that OECD cooperates and accordingly Principles defined by SIGMA program are incorporated into Strategy and Action plan of the public administration reform of the Republic of Serbia for the 2015-2017 periods. Principles are focused on six key areas: strategic framework of public administration reform, creation and coordination of policies, state – service system and human resource management, responsibility, service provision and public finance management.

Although last couple of years Ministry of finance and Ministry of Public Administration and Local Self-Government of the Republic of Serbia have put great effort into reaching set goals, there are some delays and deviations, especially in the area of public administration finance. Namely, according to Progress Report of Serbia for EU accession for 2015. It has been pointed out that there are some weaknesses like low transparency of state budget for 2015, non-existence of new program plan for internal financial control, low level of consciousness about importance of internal control in public sector within public resource beneficiary and certain inconsistency in regulatory framework for public procurement. Especially has been pointed out special need for additional trainings and courses in the area of financial

² Strategy of public administration reform in Republic of Serbia, Official Gazette of the Republic of Serbia 9/2014, and 42/2014

management, audit and financial control of employees on executive position in public administration in order to enhance institutional capacity. Reform of public finance and controlling³ should provide sustainable budget with low level of debt to GDP, strong acceptance of the internal audit and controlling role, with the strong clear connection between budget planning and Serbian government policy at the same time. That especially implies to providing sustainable macro-fiscal and budget framework, planning and budgeting of public spending, efficient and effective budget execution, providing effective financial controlling, accounting, monitoring and financial reporting, as well as external control of public finance. Every previously mentioned segments demand monitoring through set of measures that consist of results, activities, indicators, deadlines, additional costs and clearly stated responsibility of achieved results.

ERASMUS program entitled *Financial Management, Accounting and Controlling curricula development for capacity building of public administration*, financed by European Commission, part of which results from one of the work packages are presented in this paper, aims to point available capacities of knowledge and employees competences in public administration in the area of financial management, controlling and audit. Results are obtained through research conducted in cooperation with representatives of Ministry of Public Administration and Local Self-Government of the Republic of Serbia that is active partner in this project, associates from Ministry of Finance and Human Resource Management Service of Republic of Serbia, representative of universities and non-governmental organizations. For the project purpose questionnaire has been developed in order to depict current level of knowledge in financial management, audit and controlling of employees on executive positions in public administration in Serbia. According to results, tailor made training and Master degree program would be developed in order to enhance current level of knowledge of employees in public administration and consequently contribute to efficient management of public finance. More efficient management of public finance would contribute to reach faster the principles defined by SIGMA program, which set the standards in EU member countries, as well as by Strategy and Action plan of public administration reform in Republic of Serbia.

One of the motives for preparing this paper is to point put the current level of knowledge and skills that have employees in public administration in charge for its efficient financial management and to highlight

³ Program of public finance management reform 2016-2020, Ministry of Finance of the Republic of Serbia, November, 2015.

challenges they face during the process of public administration capacity building in Serbia. The aim of this paper is to provide a current status analysis of the public administration of Serbia with regard to financial management, controlling and internal audit. Special emphasis will be placed on the findings of the research involving executive officials, especially in terms of the level of knowledge and competence in financial departments of the public administration of Serbia. The research findings presented in the paper constitute a segment of primary research findings collected within the work package 1 of the ERASMUS+ project in spring 2017. The paper is divided in several parts. The introductory part is followed by the second chapter that provides an overview of challenges facing the public administration in Serbia, with the special emphasis on the sector of financial management, controlling and internal audit. The third chapter presents the research, more specifically, the research sample, while the fourth chapter lays out the research findings. The fifth chapter summarizes the conclusions based on the research findings and gives recommendations for improving the public finance segment of the Serbian public administration. The final chapter provides concluding remarks.

2 CHALLENGES IN THE PUBLIC ADMINISTRATION OF SERBIA

Similar to other developing countries, Serbia is facing the challenge of better usage of its overall educational and training systems for the sake of human, social and economic development of the country, including poverty reduction. Governments must deliver public services within a sustainable financial framework. Since revenue is rarely sufficient to meet demand, public money must be managed carefully to ensure sustainability in the medium- and long-term. Therefore, robust public financial management systems are essential at all stages of the budget cycle – from formulation to execution, including procurement, financial management and controlling, and internal audit.

At the same time, an efficient and transparent public administration is a prerequisite for effective democratic governance of any country. As the foundation of the functioning of a state, it determines the government's ability to provide public services and increase the country's competitiveness and growth. It also plays a fundamental role in the European integration process by enabling the implementation of crucial reforms and organizing the efficient accession dialogue with the EU. Therefore, the EU candidate countries, like Serbia, are expected to have a credible and relevant program to improve all the key aspects of public financial management.

Republic of Serbia Government has recognized that the good government is important not just for EU joining but it contributes to efficient and modern state. That is the reason why huge effort has been put to reform financial system of Serbia with the aim to reach more transparent, efficient, citizen-oriented and reliable system of public finance that correlates to EU standards, namely Chapter 32 - Financial management and control and Chapter 33 - Financial and budgetary provisions in the process of joining EU. Financial system of Serbia relies on fiscal strategy⁴ that did not define total limit and sub-limits of financial spending for budget beneficiaries until 2015. That kind of system did not contribute to transparency and precise spending of budget resources. Starting from 2015 mid-term budget framework becomes integral part of Budget System Law, while Strategy contains structural reform plan as well as potential risks for the financial systems and sensitivity analysis that defines the direction for the public finance if main variables are not positive. Strategy predicts that budget deficit should be limit to 1% of GDP in mid-term and to debt to GDP not exceed 45% of GDP. Neither of these two rules is still implemented.

The Baseline Measurement Report for Serbia highlights that the government in Serbia emphasized as its main priority the stabilization of public finances. Therefore, the Government's Fiscal Strategy 2015 – 17 (Petrović et al, 2015, pp. 17) is founded on the delivery of (i) a 10% reduction in wages and pensions, (ii) public sector wage freeze until 2017, (iii) job cuts of about 5% per annum over the next three years and (iv) restructuring of state-owned enterprises. "The Fiscal Strategy aims to stabilize the general government debt to gross domestic product (GDP) ratio at about 79% in 2016/17". The Budget for 2015 was submitted to the Parliament on 17 December 2014, but the fact that it was not detailed indicates that the commitment to transparency of the Budget is still weak. Currently there is no policy plan for developing Public Internal Financial Control.

The Reports on progress in implementing the principles of the European Commission in Serbia's accession for 2015⁵ (pp. 72) and 2016⁶ (pp. 83), especially Chapter 32, relating to financial management and

⁴ Program of public finance management reform 2016-2020, Ministry of Finance of the Republic of Serbia, November, 2015.

⁵ https://ec.europa.eu/neighbourhood-enlargement/sites/near/files/pdf/key_documents/2015/20151110_report_serbia.pdf Accessed June 2017.

⁶ https://ec.europa.eu/neighbourhood-enlargement/sites/near/files/pdf/key_documents/2016/20161109_report_serbia.pdf Accessed June 2017.

controlling, indicate that moderate steps were taken in this field. It is expected that the implementation of the Public Administration Reform Strategy in the Republic of Serbia for the period 2015-2020 will contribute to a more active role of public administration in the promotion of reforms, especially of public financial management and controlling. Additionally, in the Reports on progress in implementing the principles of European Commission in Serbia's accession for 2015⁷ (pp.72) and 2016⁸ (pp. 83) it is emphasized that it is necessary to provide trainings in the field of financial management, accounting and controlling for top managers in public administration, i.e. "senior public-sector managers will need to be trained to understand their specific role and responsibilities on financial management and control".

Knowledge of employees is very important because managers in public administration must be responsible for their decisions, actions and results. That is the reason why it is needed managerial responsibility implying that manager on all levels in institutions, that cooperate with budget beneficiaries, perform their tasks and duties according to law and principles of efficiency, effectiveness and transparency and to report about performed actions. In that case managers should have more authorities and flexibility to manage budget resources at the level of budget beneficiaries. All aforementioned represent challenges having in mind the manner to perform financial control at the moment in Serbia, since it is need to change accent from budget allocation control to managing budget and efficient public service provision. For that reason it is needed to perform additional capacity building through training and courses of employees in public administration in order to further develop system of financial management, audit and controlling and to provide full functionality of employees responsible for those processes.

The European Commission approved the University of Belgrade as the coordinator on a regional project ERASMUS + with the basic task of designing and accrediting short training courses and Master degree programs⁹. The project aims to contribute to the strengthening of capacities of public administration employees through continuous improvement of their knowledge, especially in financial management,

⁷ https://ec.europa.eu/neighbourhood-enlargement/sites/near/files/pdf/key_documents/2015/20151110_report_serbia.pdf Accessed June 2017.

⁸ https://ec.europa.eu/neighbourhood-enlargement/sites/near/files/pdf/key_documents/2016/20161109_report_serbia.pdf Accessed June 2017.

⁹ <http://ec.europa.eu/programmes/erasmus-plus/projects/eplu-project-details-page/?nodeRef=workspace://SpacesStore/2c057f6c-c98b-4bc0-8b6a-960217ee1d81> Accessed June 2017.

control and internal audit sectors.¹⁰ With the aim to prepare trainings and Master degree program that will most suit need of employees in public administration, firstly it was needed to perceive what is the current level of knowledge and competencies of employees on executive position in the sectors of financial management, audit and controlling. Mapping the existing situation it was caught the missing knowledge, where training is needed in order to create efficient and effective public administration that spends citizens' money rationally and transparently. On the first place, it was crucially important to see if employees in charge for financial management and controlling familiar what are expected of them. Do they know what SIGMA principles are and how to implement them in order to make the process of Serbia joining to EU faster and more efficient? Next question would be what are the other needed documents and rules in order to put services, offered by executives in financial sector of public administration, on a higher level. And finally, the subject of the research is whether employees could recognize the need for specific knowledge and skills they need in order to achieve more efficient and transparent level of public finance in Serbia. Following the stream of research, this study hypothesizes that:

Hypothesis 1: *Public authorities have sufficient knowledge about the relevant principles, including SIGMA principles in the public administration of Serbia.*

Hypothesis 2: *Public authorities have sufficient knowledge and skills for the implementation of program budgeting in public finance of the public administration of Serbia.*

The contribution of the paper is reflected in understanding the current environment in the public administration of Serbia, particularly from the aspect of knowledge and expertise of employees in departments of financial management, controlling and internal audit.

3 METHODS OF RESEARCH

Data were collected using a questionnaire as the main research tool prepared in a form of "Likert Item" where the respondents are asked to evaluate in a survey. Likert scale was set balanced what implies that respondents were realistic during self-evaluation and answering questions, since according to research

¹⁰ <http://www.finac.org.rs/site/about> Accessed June 2017.

results they would attend tailor made trainings and master program in order to improve their knowledge and skills. Questionnaire, as a research tool, was used because population on which research has been conducted hasn't been precisely defined (there is no exact number of engaged persons on positions like managers, financial managers and auditor in Republic of Serbia government). The aim was to cover by research as broad population as it could be and get more representative quantitative sample insight into general trends and frequency of some phenomena. The sample was limited on government employees on central level in public administration and covered four types of employees: ministers, employees on certain positions in ministries, employees in special organisations and government employees. Considering the age structure the survey covered respondents from 27 to 62 years that were on financial managers or general manager's positions, and from 33 to 59 years for internal auditor's positions. Working experience in public administration for the survey respondents on average is 0-13 years for internal auditors, 1-28 years for the financial managers and 0-34 years for the general managers.

The questionnaire was developed by the representatives of the Centre for Educational Policies (CEP), in cooperation with partners from the Ministry of Public Administration and Local Self-Government, Ministry of Finance, Human Resources Management Service of the Republic of Serbia, University of Belgrade and other partner institutions. From previous text it is obvious that there were significant support form official authorities within state institutions, and it could be said that ERASMUS+FINAC project and its research is the consequence of initiative of officials from Ministry of Public Administration and Local Self-Government. This research is one of its kinds because it is not motivated by research conducted in EU member countries but is motivated by need of Ministry of Finance and Ministry of Public Administration and Local Self-Government. The idea behind the survey was to appraise own capacities in order to enhance them and set on a higher level. The survey was conducted from April 15, till May 31, 2017 in two calls.

Recruitment of institutions for participation in this survey firstly was done by the Ministry of Public Administration and Local-Self Government of the Government of the Republic of Serbia. These two institutions have used their internal data base of contract points in all the institutions to send an invitation letter containing a link to on-line questionnaires. In the first round of participants' recruitment those contact points were secretaries of ministries, chiefs of cabinets of ministries, and in the second round persons in human resource departments. Those contacts points were asked to disseminate e-mail with invitation with a link to on-line questionnaire to all civil servants who satisfy required conditions (that they are being a manager/working in finance departments/ being an internal auditor). Having this two-step

recruitment process as a consequence had a fact that final number of civil servants who actually get an invitation e-mail is unknown and thus the response rate could not be calculated. More significant note is that the realized sample of civil servants cannot be considered as representative for the given populations, so that findings should be understood as indications of certain patterns and with limited generalization. The questionnaire was very extensive and its conduction was performed on-line, anonymously and it took respondents 45 minutes to fill it. In the first half of June interview method has also been applied on limited sample of 15 examinees. The aim was to validate the findings obtained by questionnaire that implied certain conclusions. Respondents were managers on positions like assistants to ministers and head of departments in ministries of Republic of Serbia government. Therefore, within this research mix method was used and it combined qualitative data in order to enrich and validate quantitative ones. Interview method examined 5 auditors, 6 financial managers and 4 managers in public administration. Qualitative data obtained by interview have strongly confirmed challenges notices in quantitative results obtained by questionnaire. That brings to conclusion that the results obtained by this research are valid and worth considering. Data gathered by questionnaires and interview were captured by trained assistants and entered and analyzed in the Statistical Package for Social Scientists program (SPSS) version 17.0. Quantitative data were summarized with demographic statistics: percentages, means and standard deviation. The presented data are preliminary findings that will be analyzed, reported and distributed to all interested parties in Serbia and abroad.

The main issues that were investigated are the following:

- Qualification structure of employees in the public administration who are engaged on activities of financial management, controlling and internal audit and
- Level of professional development of employees in the public administration of Serbia engaged on jobs of financial management, controlling and internal auditing, that has to be upgraded in order for employees to perform professional activities more effectively.

3.1 Sample characteristics

The study examined the qualification structure of employees in the public administration of Serbia engaged on financial management, controlling and internal auditing activities, as well their level of

knowledge and perception of needs for improvement regarding the implementation of SIGMA principles as good recommendations and standards in the process of accession to the EU. The study was conducted on 240 examinees (by survey and interview in a total) in Serbian public administration institutions such as ministries, integrated authority within the ministry and governmental service offices. Examinees were general line managers, managers and staff in finance departments and internal auditors. The distribution of examinees per positions in the public administration is displayed in the table below.

Subsample (realization)	
General line managers	152
Finance department managers	58
Internal auditors on managerial positions	21

Table 1. Subsample description

Based on the description of general positions of employees it was concluded that all examinees had college/university diploma and that all of them were engaged on daily job activities without clearly defined job positions and descriptions, without formal requirements and expectations, incentives or work in groups. It was indicated by examinees that they lack analytical skills, goal setting, defining of indicators of progress, monitoring and evaluation, impact assessments, as well project management mode of thinking. Detailed educational background and working positions of examinees are displayed in the following table.

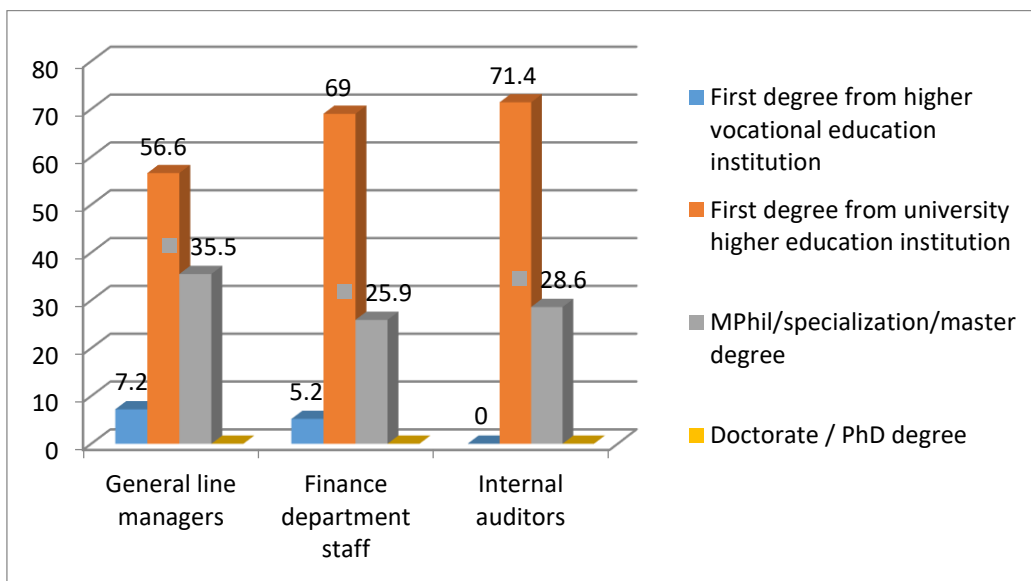


Chart 1. Educational background and working position of examinees

4 INSTRUMENTS AND RESEARCH FINDINGS

The questionnaire used in the research was complex and extensive. For the purpose of this paper, we are presenting the most interesting results that are offering a picture of employees' qualifications and level of knowledge and their perception about the needs for improvement of skills and expertise of financial managers, controllers and internal auditors in the public administration of Serbia and, finally, the perception of employees at financial management, controlling and internal audit positions about the feasibility of implementation of program budgeting in the public administration of Serbia.

Having analyzed these data, we discovered the potentials for improvement of internal capacities, i.e. the knowledge and skills of employees in the public administration of Serbia. The responses to the questions about public policies and the extent to which examinees are recognizing that policies can influence their further professional development and help them perform their work more effectively are displayed in the table below. First column with responses in the table 2 shows correlations employees have between given statement and its own perception considering that statement. For example, for the first statement, to assess the legal framework in the respective area, 19.8% respondents declared that it is high implementation of legal framework in their area, 39.5% of respondents recognize moderate level in their areas and 23.3% respondents stated that there is low level of need for legal aspect in their area.

	High level of need %	Moderate level of need %	Low level of need %	No need at all %
Assessing the legal framework in the respective area	19.8	39.5	23.3	17.4
Analyzing the impact of obligations assumed in the accession to the EU and in other ratified international treaties in the relevant policy area	25.8	30.1	22.6	21.5
Performing comparative analysis of problems/solutions for similar issues in other countries	17.0	35.2	26.1	21.6

Establishing objectives to be achieved by implementing measures contained in the policy document or policy implementing regulation	19.1	32.6	19.1	29.2
Establishing performance indicators for measuring the efficiency and effectiveness of policy implementation and for monitoring the realization of set objectives	18.2	34.1	20.5	27.3
Establishing performance indicators at the level of impact, outcome and output indicators	20.2	36.0	18.0	25.8
Monitoring the realization of set objectives for each of the defined performance indicators	22.7	31.8	14.8	30.7
Examining significant direct and indirect effects of considered policy options on vulnerable categories or groups (primarily the poor, persons with disabilities, minorities, etc.)	9.5	23.8	15.9	50.8
Identifying key stakeholders and performing stakeholder analysis (analyzing their needs, interests and capacities)	12.3	34.6	18.5	34.6
Assessing risks and uncertainties associated with policy implementation	12.7	15.9	17.5	54.0

Table 2 Answers of examinees in the public administration regarding the influence on their further professional development

Collected responses give insights into broad picture about level of knowledge and need for improvements of employees in public administration in certain areas. Joint decision of government representatives and research team was not to perform direct testing of employees (written or behavioural) because they are experienced employees that have knowledge for the position they hold. The aim of the research was to perceive their need for improvement of knowledge and not to evaluate performance of the services they provide. Additionally, results gathered later through interview complement previous table and confirm that Serbian public administration employees have a modest level of knowledge about the regulations and legal restrictions pertaining to their area and that they are also insufficiently acquainted with the expectations imposed by SIGMA procedures which define the obligations that the Serbian public administration must fulfil in the EU accession process. It is particularly interesting that the work of public administration employees on managerial positions is not evaluated based on performance indicators. Bird et al. (2005, p. 2) suggests that there are three main reasons for measuring the performance of public services: to see what works, to identify the functional competence, to support public accountability. This becomes a cause for concern in measuring direct and indirect effects when assessing the quality of services targeting vulnerable population groups, such as the poor, minority populations and population with special needs.

Behn (2003, p. 588) suggests also eight reasons for the measurement of performance in public sector:

- to evaluate how well is the government agency performing;
- to control how can public managers steer their subordinates in the right direction so as to ensure excellent performance;
- to budget the programs, people or projects for which the government should spend the public money;
- to motivate, namely how can public managers motivate line staff, middle managers, non-profit and for-profit collaborators, stakeholders and citizens to do the things necessary in view to improve performance;
- to promote, namely how can public managers convince political superiors, legislators, stakeholders, journalists and citizens that their agency is doing a good job;
- to celebrate what accomplishments are worthy for the important organizational ritual of celebrating success;
- to learn why is something working, or not working;
- to improve, in other words what exactly should be done differently to improve performance.

All the above said provides sufficient reason for improving the process of measuring the performance of public administration. A particularly important segment of the research was dedicated to the knowledge of employees in the field of financial management given that they are responsible for conducting financial policy and managing financial framework. Good financial management is highly important because revenue is rarely sufficient to meet demand, and therefore public money must be managed carefully to ensure sustainability in the medium- and long-term. Robust public financial management systems are essential at all stages of the budget cycle – from formulation to execution, public procurement, financial management and controlling, and internal audit. The research findings clearly show that employees on managerial positions do not have sufficient knowledge about the operating procedures and principles that are necessary for improving the efficiency of public administration and that are an integral part of SIGMA principles. Therefore, the first hypothesis was not confirmed.

Responses to the questions that concern program budgeting and the extent to which examinees are recognizing that it can influence their further professional development and help them perform their work more effectively are displayed in the table below.

	High level of need %	Moderate level of need %	Low level of need %	No need at all %
Analysis of the measures implemented, funds spent and results achieved over the course of the previous fiscal year and planning future implementation	10.2	24.5	22.4	42.9
Reporting on the achieved values through the use of selected indicators	14.6	35.4	10.4	46.1
Reporting on the results of activities carried out over the course of the preceding fiscal year in terms of values achieved as measured by output indicators, including any departures from target values	12.2	32.7	16.3	46.2
Developing budget program structure made up of three program categories: program, program activities and project that are used to group expenditures and outflows	15.6	33.3	26.7	6.7
Establishing objectives of a program (a special social or economic effect – the final outcome to be achieved over the medium term – of the measures undertaken as part of the program)	20.0	20.0	22.2	6.7
Establishing objectives of a program activity or project (it can relate to the final outcome or to the direct short-term and medium outputs)	13.3	28.9	28.9	11.1
Defining program objectives with reference to SMART criteria (Specific, Measurable, Achievable, Relevant, Time-bound)	15.9	27.3	27.3	11.4
Defining indicators measuring the quantity or volume of services provided	20.5	20.5	22.7	6.8
Defining indicators measuring the quality of services provided	16.3	23.3	23.3	7.0
Defining efficiency indicators used to measure the achievement of results at an appropriate cost	17.8	22.2	24.4	6.7
Monitoring which allows the collection and provision of information on how a program, program activity or project is implemented against its expected results	27.9	11.6	18.6	23.3
Reporting on the achieved values through the use of selected indicators	30.2	9.3	23.3	18.6
Reporting on the results of activities carried out over the course of the preceding fiscal year in terms of values achieved as measured by output indicators, including any departures from target values	27.9	16.3	18.6	18.6

Table 3 Responses of examinees regarding knowledge and the influence of program budgeting on their professional development

Based on the presented results of the research conducted among managers and financial managers in the public administration of Serbia we identified needs for support in establishing the program structure, clear

setting of objectives and improving the planning process. The program goal will determine the correct selection and distribution of sub-goals and objectives to be implemented by the program management methodology based on project and program management. (Lytvynchenko G, 2014, 578). In addition, the improvement of financial business indicators will surely be more easily achievable upon defining a set of indicators to be measured and monitored, which will also improve the analysis and reporting process in the public administration. The research findings also point to the need to apply program budgeting, from the aspect of three main heads: (1) Structural or format (2) analytical process (3) data or information systems” (Fisher G. H., 1969, pp. 54), and to improve the relation between planning and budgeting. Another visible weakness is the absence of reporting including financial forecasts. Therefore, it is necessary to implement changes that would improve the work of public administration. Why? Because, as Buckova J underlines: “experience of high staff turnover and poor management of human resources, and inadequate analytical capacity adversely affect the creation of effective policies. Instruments based on evidence are not sufficiently widespread in the public administration. Low efficiency of public administration ultimately affects the distribution of resources in the economy (Buckova J, 2015, pp. 390). The above said clearly demonstrates that the second hypothesis was also not confirmed.

5 CONCLUSION

As frequently pointed out, Serbia is one of the European countries with the smallest number of public administration employees, when measured by the ratio of public employment per 100 inhabitants. Currently, this ratio equals 6.4 employees per 100 inhabitants, while the average for EU countries is 8.5. In the future period Serbia should strengthen the capacities of public administration employees, in order to reach the level of knowledge and competence of employees and efficiency and effectiveness of their performance similar to that of the public administration of EU countries. The rationale behind research conducted within ERASMUS + FINAC project was to get information about professional competencies of employees in public administration in management, financial management and audit positions. Capacity strengthening have a particularly strong impact on the finance sector, so the Ministry of Finance become able to better analyze and control the costs and also to find room for long-term savings in other parts of the system. This should go hand in hand with the improvement of the performance of the Serbian Tax Administration, given the importance of this institution in suppressing gray economy and increasing public revenue collection, up to the level of the Kopenhagen (1993) and Madrid (1995) criteria defined by the European Council. The extent to which a candidate or a potential candidate country applies these criteria

in practice is an indicator of the capacity of its public administration to effectively apply *acquis communautaire*. Serbia still has a long way to go in regulating and improving its public administration, and the research presented in this paper identifies only a part of indicators which lay out the guidelines and direction for improvement of the public administration of Serbia, especially in the segment of financial management and controlling. Hence, it is to be expected that in the near future research would be aimed towards more detailed analysis of capacities of the specific sectors in the Government, taking into consideration its specifics and adjusting in that sense research instruments to be used for the evaluation. In this phase of the research it was not possible since there were heterogeneous population and sectors within government where the research was conducted like ministry of defence, justice, economy, social policy etc.

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