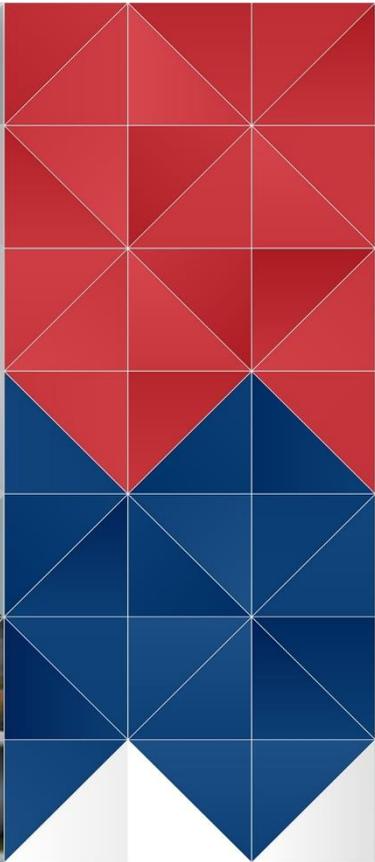


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REPUBLIC
OF SERBIA

Synthesis Report

VERTICAL FUNCTIONAL REVIEW OF THE MINISTRY OF AGRICULTURE AND ENVIRONMENTAL PROTECTION



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AND ENVIRONMENTAL PROTECTION

DRAFT JUNE 30, 2017

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FOREWORD

The essence of good government is doing the right things, in the right way, in the right place. This functional review focuses on those three issues, first asking whether there are tasks that do not need to be done at all, or at least not by a government ministry, then asking whether necessary tasks can be done better and more efficiently, and finally asking what is the best institutional location and structure to carry out those tasks.



CHAPTER 1. PRIORITY ISSUES AND RECOMMENDATIONS

The following eleven recommendations are the most important or wide-ranging of this report, and should be considered as a priority. Most of them apply to many different parts of this ministry and may also be replicated in other ministries; resolving them will in some cases require action at the level of the Ministry of Agriculture and Environmental Protection, in other cases action will be needed at government level.

Recommendation 1: Separating agriculture and environment

The current combination of agriculture and environment inside one ministry is a relatively recent arrangement, operating for just three years since economic transition began at the start of this millennium. Officials from both areas argued that they would be better divided into two ministries, and the team find the arguments convincing:

- In practice the two areas still operate almost independently, with environment having two policy sectors, its own inspection sector, two dedicated departments within the Sector for International Cooperation, and an external agency; the three environmental sectors sit together in New Belgrade, not with the rest of the ministry. This means that the synergies in practice are small and it would be administratively simple to relocate the environment units to a new ministry.
- At present, environment tends to come in second place to the more politically pressing problems of agriculture, and so one minister is not able to give environment the attention it deserves.
- Agriculture and environment together represent around 50% of the *acquis communautaire* and face a tremendous workload in harmonisation and accession negotiation. Dividing them between two ministries would help to even out the

workload and a new minister for the environment would strengthen Serbia's negotiating position for this chapter.

- Whilst the combination of agriculture and environment can be seen as synergistic, it can also be viewed as a potential conflict of interest, given that agriculture is one of the biggest sources of diffuse pollution.
- Grouping together environment, forestry and water into a new "Ministry for the Environment and Natural Resources" would allow better integration of policies across these sectors, particularly given the strong environmental focus of the EU's Water Framework Directive and the fact that many of Serbia's "Natura 2000" protected sites lie inside forests.
- The recommendation to separate agriculture and environment into different ministries is also made in the reports of the Horizontal Functional Review component of this project.

This is not the highest priority of the ten key recommendations made here, but it has implications for the institutional arrangements of everything else and so has been listed first.

Recommendation 2: Rethinking the role of government in agriculture

Governments in Europe and the West tend to involve themselves in agriculture in ways they would not countenance for other economic sectors. They implement extensive controls, demand detailed data, and subsidise products, processes and production. In every sector government has a duty to make markets work, providing "light-touch" regulation to prevent cheating and bullying, and stepping in to ensure the provision of public goods where the market alone will not meet society's demand. Agriculture has many important examples where government's role is critical: representing the country in international negotiations; controlling or eradication serious pests and diseases; ensuring that food is safe and that exports products meet the buyers' requirements; supporting research, education and training; managing strategic irrigation infrastructure; and protecting the farmed environment. If government fails in any of these respects, the implications can be severe – food poisoning or death, loss of export markets, devastating disease outbreaks – and so it is essential that these services are properly funded and efficiently delivered.

However, much of the ministry's work, spend and staff time falls outside these core areas. For example, one of the foundations of a market economy is private ownership of land, yet 17 years into economic transition, the Administration for Agricultural Land still manages large areas of state-owned land and participates in a restitution process that should have been completed years ago; the most efficient way for the ministry to implement those two tasks would be to give back the land and then not implement them at all. Another example is the area payment that now stands at just 2,000 dinars per hectare of agricultural land; in many

cases the costs of administration and farmers' time will be greater than the value of the subsidy, and so now is the right moment to cancel these payments entirely and reallocate the funds to more critical issues.

The ministry's latest "Informator" on agricultural subsidies lists some 170 different subsidies or subsidy levels ranging from chickens to beehives to fruit saplings. There is widespread consensus amongst economists, based on decades of analysis, that these kind of subsidies are distortionary, administratively costly and economically inefficient. To take the first example, if poultry production is profitable, and the markets for feed, chicks, equipment and poultry-meat are efficient and competitive, then people will keep chickens without needing any subsidies; if they cannot keep make a profit without subsidy, then subsidising them to keep chickens is likely to expand a business that ultimately makes Serbia poorer. The real role of the ministry in the poultry sector is not to subsidise production but to ensure that farmers have access to the best equipment, genetic material and feed ingredients at competitive prices, to ensure they have the knowledge and skills to operate effectively in this highly competitive market, to design and implement effective programmes of disease control, to ensure access to a range of veterinary treatments that are effective in controlling disease but do not result in dangerous or trade-impeding subsidies, to negotiate access to foreign markets and ensure that producers and slaughterhouses meet their demanding requirements. The ministry has many vital roles to play in the poultry sector, but the most critical ones must be carried out by the trade team, the Veterinary Administration and the inspectors.

If agriculture and environment have to take their share of cuts in government staffing and expenditure, then it is essential to have a clear idea of priorities so that the most critical areas get first call on limited resources and any cuts fall on areas where their impact will be least. Redesigning the subsidy system to reduce administrative costs, increase efficiency and strengthen markets rather than distort them, will be a serious analytical and political challenge requiring a stronger and more integrated policy system.

Recommendation 3: Mending the broken policy cycle

The purpose of a ministry is to make and implement public policy, and the role of its inspectors is to support implementation and encourage compliance. The starting point must be good policy, addressing clear and appropriate objectives and founded on proper analysis. Implementation and enforcement must form part of the policy cycle, supporting achievement of the policy objectives and feeding back information to help make policy better.

In much of the ministry, this cycle is broken. Policies are made by external advisors with little reference to permanent policy staff who have training, experience and access to data. Many of the administrations, directorates and agencies operate in a policy vacuum with no clear links back to policy units in the main ministry. Inspection is often treated as a separate task,

without involving policy makers and implementers in design of the inspection programme, and without timely feedback of inspection findings to improve policy design and implementation mechanisms. These points emerged repeatedly in interviews throughout the ministry¹.

Resolving this will require strengthening of the policy cycle throughout the ministry, including:

- Creating a post on land policy as the counterpart to the Land Administration;
- Creating a small group on food chain policy to strengthen policy development by the Veterinary and Phytosanitary Administrations and integrate it with other policies;
- Creating a group for policy evaluation and establishing a robust programme of robust evaluation by staff outside the units responsible for the policies;
- Strengthening the staff and skills of the policy units, with a more systematic and less *ad hoc* approach to policy analysis, design and monitoring;
- Establishing a regular programme of policy workshops, 2-4 times per year, where policy staff from different parts of the ministry gather to present and discuss a selection of policies from an economic perspective. International and local experts might be invited to participate, with the aim of encouraging staff to think about familiar policies in new ways;
- Establishing a proper policy procedure so that no policy proposal goes to the Minister or Government without an accompanying summary of its costs, benefits and impacts, including an assessment of its distributional effects and burden on its target group;
- Creating procedures for regular information flow from implementing and inspection units, feeding back to policy units.

A similar approach should be applied to the proposed new “Ministry for the Environment and Natural Resources”, with strengthened and integrated policy units in the main ministry and clear policy oversight for the Forestry Administration, Water Directorate and Environmental Protection Agency.

Recommendation 4: Positioning professional staff

One issue faced by any public administration is how best to combine generic professional skills with knowledge and responsibilities in specific subject areas. This applies particularly to legal skills, economics and IT. All three are important and urgent for this ministry in Serbia:

¹ For example, staff of the Sector for Agrarian Policy reported that they are now rarely consulted in policy design; they and staff of the Sector for Rural Development get only limited feedback on implementation from the Payments Uprava and none from the inspectors; the Director of the Land Uprava was unsure who makes land policy, and also said that reporting of inspection findings back to the Land Uprava is limited and late.

legal expertise is greatly needed for approximation of legislation with that of the EU; economic skills will be essential for strengthening policy analysis, design and monitoring; and IT skills must play a pivotal role in moving implementation and inspection from the paper-based approach of the nineteenth and twentieth centuries to the computerised and connected world of this century.

Various approaches can be used:

1. Professionals can be grouped together into a legal department, an economics department and an IT department, which then support line departments on a project or working group basis. This allows the professionals to interact and help upgrade each other's skills, but means that they may face a steep learning curve every time they switch to a new field, as well as leaving line departments devoid of support once a major project is finished and the professional has moved on to the next task.
2. Alternatively, each department can have its own lawyers, economists and IT specialists, who get to know well their subject, colleagues and systems and are always on hand. The downside is that isolated professionals may not always have the skills or experience required, their professional development tends to slow down if they have limited interaction with their peers, and IT systems in particular can become incompatible and fragmented if developed in isolation. A more practical problem is that good professionals are expensive and relatively rare in the civil service, and not every sector can recruit and retain the specialists it needs.
3. A hybrid approach used in the UK is that of "Civil Service Professions", including the "Government Economics Service", "Government Legal Service" and "Government IT Profession"; other professions and services include communications, statistics and finance. Members are based in line departments where they deal every day with the same subject areas and so get to know them in detail, but also gain support from their colleagues across the profession and take part in continuous professional development and training.

The current arrangements in the ministry are as follows:

- **Legal skills** in the core ministry follow the first model, with 13 lawyers in the Sector for Legal and Legislative Affairs, divided into a division for agriculture and a department for environment; the other bodies typically have one or two lawyers of their own. When it comes to drafting a new law or regulation, these lawyers normally participate in working groups alongside technical colleagues and external experts.
- **Economics** is a relatively rare discipline in the ministry, with a few agricultural economists in the Sector for Agrarian Policy; some of the bodies outside the core ministry do not have a single economist, which contributes to the policy problems noted above.

- **IT** is addressed in several different ways: the government's common service takes care of networks, internet access and hardware provision; some specific units, such as the Payments Administration and the Animal Identification System, have their own dedicated IT staff; in most other cases staff in need of IT support turn to the most knowledgeable nearby colleague. If a department happens to have someone who is skilled and enthusiastic about IT, then it may develop reasonably good IT systems; if there is no such person, then it is common to find people doing in Word jobs that should be done in Excel, and doing in Excel jobs that should be done in a database.

Improving the ministry's performance in these three areas will be critical to its overall modernisation and to making more efficient use of its limited resources. This issue is highlighted for discussion without, as yet, any specific recommendations.

Recommendation 5: A straighter road to Europe

EU integration is one of the biggest challenges facing the Serbian government, and the workload in front of the Ministry of Agriculture and Environmental Protection is as big as that of the rest of government put together. The ministry has responded to this need by establishing two departments for European integration within the Sector for International Cooperation and increasing their staffing to ten people for agriculture and nine for environment. Meanwhile, government has created a "minister without portfolio" responsible for European integration and a Serbian European Integration Office (SEIO), including a 5-person "Sector for environment, agriculture and rural development" within its "Department for coordination of the accession process and monitoring of the Stabilisation and Association Agreement", together with a 3-person "Group for planning and programming of EU funds and development aid in the field of competitiveness and agriculture" and 5-person "Section for planning and programming of EU funds and development aid in the field of environment, energy and transport" within the "Department for planning, programming, monitoring and reporting on EU funds and development aid".

The issue is that the real work of EU integration has to be carried out by each of the individual units working on specific policy areas, and that these are the people with the knowledge needed for effective EU negotiations. The current arrangement has so many different units involved in EU integration that there is a real risk that they act more as a block than a conduit.

It is therefore recommended that the ministry should build its EU expertise within each relevant sector and body, with their experts taking part in negotiations in Belgrade and Brussels, and reduce the role of the Sector for International Cooperation to a much more limited one of coordination and organisation of missions.

Although strictly outside the scope of this functional review, it is also recommended to review the role of the SEIO's agriculture and environment units, and consider relocating those functions to the future ministries of agriculture and environment.

Recommendation 6: Data on your desktop

The ministry handles a tremendous amount of data in many different systems – applications, payments, permits, licenses, inspections, registrations, statistics, projects, etc. The underlying structures range from hand-written records to purpose-built databases but a common feature is that most data systems are designed by the users for their own specific purposes, with little or no thought to how the data might be used by others or its value increased through analysis.

Most keenly aware of this are the policy staff in the Sector for Agrarian Policy and the Sector for Rural Development. For example, someone working on a new livestock policy would know that the Payments Administration has a lot of data about the beneficiaries of previous policies, the Sector for Agricultural Inspection has experience of what goes wrong in the field and how the system may be abused, the “Group for labelling and traceability of animals” within the Veterinary Administration has extensive data on production structures whilst their colleagues in veterinary public health have data on the relevant processing facilities. However, there is no routine system to obtain these data and so a head of department or sector has to send an official request, whose reply typically requires a time-consuming *ad hoc* query; if the policy issue is urgent, then there may simply not be time to obtain the data and so important policy decisions are made without the benefit of information that someone in the ministry already possesses.

A solution to this would be to conduct a systematic review of data sources throughout the ministry, discussing them with potential users and then developing a series of regular reports and analysis that would be carried out routinely and made available to anyone in the ministry who needed them, without any special requests being required – essentially a system for generating and disseminating statistics from the ministry's own data sources. The review project should also help develop the reporting tools (database queries and reports, linked spreadsheets and filters, etc.) so that producing the report every month, quarter or year takes no more than a few minutes.

To make this system work in the long term, and to improve access to external data from the Statistical Office, Customs Service, etc. the ministry should appoint an “Information Officer”, attached to the Sector for Agrarian Policy but with a remit to support the entire ministry with access to data and statistics. This officer should regularly seek data from inside and outside the ministry, structure it into forms that are as close as possible to the way users need it, and disseminate the data throughout the ministry. This does not need a sophisticated “Data

Warehouse” that takes time to build, maintain and use, but a series of simple, well-structured spreadsheets to which new rows or columns can be added every time new data become available, and then sent immediately to all interested users in the ministry on one of the targeted mailing lists. Data should also be available by request and/or on an intranet server.

The Information Officer should also provide training and advice in how best to work with these data, sharing tools and techniques for good data storage and analysis, and preparing brief notes on the scope, origin, strengths and weaknesses of each dataset.

The two recommendations made here – systematic review of internal data sources, and creation of an “Information Officer” – will contribute significantly to evidence-based policy making, and it should be possible to get donor support for the process.

Recommendation 7: Getting decentralisation right

Decentralisation is not a goal in its own right, but one of the options for better government – sometimes the best choice, sometimes not. This vertical functional review identified several areas of interaction between the ministry and local authorities including: the role of the Sector for Rural Development in approving local rural development plans; the role of the Administration for Agricultural Land in approving land lease contracts; and many interactions between the environment and municipalities in areas such as waste water treatment, solid waste disposal and control of industrial plants at risk of polluting.

In the first two cases it seems that the central control is a largely unnecessary step, symptomatic of incomplete delegation. It is suggested here that the role of the ministry be changed from one of having to review and approve every plan or lease contract, to an inspection or audit role based on reporting by municipalities and follow up by the ministry in a sample of cases where the risk of problems is highest. With respect to local rural development plans, the ministry could give greater guidance as to what should or should not be funded; for example, if there is no economic case for supporting poultry production at the national level, then there is certainly no case for doing so out of limited local budgets. Determining whether a particular kind of intervention is economically efficient requires a capacity in policy analysis that does not exist at municipal level, and where the national ministry can make a valuable contribution.

In the field of environment, the usual problem is that municipalities have been delegated important tasks without sufficient capacity to discharge them effectively. It is recommended to review the decentralisation of environmental responsibilities to see which work well, which require further capacity-building support, and which would be better retained in or returned to the central level. It is specifically recommended that the highly technical issues of integrated permitting of industrial installations and issuing consents under the EU Habitats Directive and Birds Directive should be done by the ministry rather than local authorities.

Recommendation 8: Solving the staffing problem

The Synthesis Report of the Horizontal Functional Review includes a box on “Key lessons on reshaping government”, of which the first is “*Avoid across-the-board cuts as they are inherently non-strategic and usually ineffective*”². One of the most consistent findings of this vertical review of the Ministry of Agriculture and Environmental Protection is that the blanket ban on staff recruitment is seriously hampering the effectiveness of the ministry and holding back its transition to a more modern and efficient organisation. This was evidenced in many different ways:

- With no ability to recruit permanent staff, ministry units are increasingly dependent on short-term contracts. In some cases, such as land and water, contracted staff now account for 70 % of the total, and some staff have been employed in this way for more than 10 years. With contracts now issued for just 3 months, this creates additional workload in contract renewal and insecurity for the employees, and prevents any proper programme of human resource development.
- Staff are aging, particularly in the various inspection services where the legal status of inspector precludes use of contracted employees. The average age of inspectors is now mid- to late-50s, which presents a serious obstacle to the introduction of new working practices and IT solutions and means that, unless new recruitment starts soon, the ministry is going to hit a serious staff shortage in the next decade.
- The focus on number of staff encourages managers to use staff who are more highly qualified or senior than is really needed for the task; as one manager in the Veterinary Administration put it, “If I can only have X staff, then I will choose to have X vets”. The way forward for most administrative tasks is to put more effort into designing and describing systematic processes that can be computerised and implemented by relatively junior staff, rather than employing a lot of skilled staff who need to use experience and judgement to make decisions in each case. This the skill set that the ministry requires is changing, but the staff that it has are not.

Resolutions to this problem include:

- Giving managers a staff budget rather than rigid number of staff, allowing them to optimise the combination of staff skills and ages to best meet their requirements. Budgets might be set in terms of “pay points” from the civil service pay scale, rather than money, so that they do not need to be updated each year.
- Move a significant proportion of the contacted staff into permanent employment, within the overall staff budget.

² Evans and Parison, 2003.

- Adopt a “investment” approach to upgrading the ministry, that allows managers to recruit new staff with particular skills, where this will lead in the medium term to overall staff reductions through process change (see next section).

Recommendation 9: It’s not what you do, it’s the way that you do it

Actually, it is important what you do, and the cheapest way to do any task is usually not to do it at all. This review has identified a number of functions that can be dropped or delegated, and raised questions as to which of the ministry’s activities in subsidies and land are really the business of government at all. However, these are the exceptions; in most cases staff are doing jobs that need to be done, and by now most have a very clear idea of the new functions and responsibilities that EU accession will bring. For this majority of the ministry, the question is indeed not what they do but the way that they do it.

Many of the ministry’s processes have their roots in last century’s Yugoslavia, or even in the Ottoman and Austro-Hungarian empires that preceded it. There is often a culture of control, an emphasis on documents over reality, a tendency to mistrust stakeholders and demand additional documentation just in case... And almost all of it developed in a pre-computer age. This approach is not specific to agriculture but is a common feature of Serbia’s overall government system, leading it to rank in 35th place out of the 48 countries of Europe and Central Asia included in the World Bank’s “Ease of Doing Business” index.

The ITCM project being implemented by KPMG and funded by the EU addresses the very important subject of making food chain inspection systems more effective and integrated, but represents a massive missed opportunity as its experts were tasked with describing, analysing and computerising existing tasks without first asking whether they really needed to be done or could be done in a better way. Given the cost of a project such as this, there are unlikely to be the resources to re-write the software based on a deeper analysis, and so there is a real danger that this well-meant initiative will actually end up “freezing” an outdated way of working and so inhibiting necessary change.

The problem is that here “the devil is in the detail” – each process needs to be considered individually to see which steps or documents can be cut out, whether a system might move from 100 % control to a sample basis, or other ways in which costs to the ministry or stakeholders can be reduced. Best practice from other countries can be a powerful tool in encouraging people to consider the possibility that things could be done differently; taking an example from the “Ease of Doing Business” index, if opening a business in Germany involves 3 procedures, takes 3 days and costs 2.4 % of average per capita income, why does the same operation in Serbia involve 5 procedures, take 7 days and cost 6.5 % of per capita income? Ultimately the real improvements in government efficiency that Serbia seeks will be achieved

not by across-the-board staff reductions, nor by institutional restructuring, but by asking and answering questions such as this.

This inter-country comparison shows that major savings are possible, for example, for the six measures in the index that are costed against a national reference value, such as per capita income or a typical building cost, the average cost in Germany is just 23 % of that in Serbia. If Serbia wants to reap the big rewards of government reform and get those kind of savings, then this functional review needs to be followed up by a process review, starting with the processes that involve a lot of people, time and money, and then progressively moving to processes with lesser impact. This programme should set ambitious but achievable targets, such as to halve the total cost and the number of steps or documents involved. And if Serbia aspires eventually to govern as well as Germany, then it might revisit the process next decade and aim to halve the costs again.

Recommendation 10: Inspecting for results

Of the ministry's 1,358 staff, almost half (643) are inspectors of one kind or another, making inspection by far the biggest task of the whole ministry. One implication is that inspection processes should be amongst the top priorities for the proposed process review. Another is that the ministry must be sure that it really gets value from its inspection work.

Inspection is sometimes seen as an isolated task to be carried out for itself: "The law says what must be done, and our job is to check that people are complying with the law", as one inspector put it. This approach misses the wider context that inspection is an integral part of the policy cycle. Government wishes people to behave in certain ways – to do or not do certain things – and uses a range of policy instruments to influence their behaviour, predominantly the "carrots" of subsidies and the "sticks" of penalties. Inspection is part of the overall system to decide who gets the carrot and who gets the stick, but its ultimate goal is to support the policy objective of changing people's behaviour in ways that government deems desirable. Thus the effectiveness of inspection should be judged not by the number of inspection visits carried out or penalty notices issued, but by the extent to which it increases compliance with the policy goals. Legislation is the instrument that links together the policy-maker's goals, the farmer's understanding of what is expected of him, and the inspector's task.

Farmers and food business operators may fail to comply with regulations for two main reasons. One is that they deliberately break the rules for financial gain, perhaps applying for more subsidy than they are entitled to, or using state land that has not been leased to them. Here the role of inspection is to provide an incentive, to let the farmer know that there is a very real chance of being found out, and that the resulting penalty would be significantly greater than the gain from breaking the rules. The other main reason is ignorance – business

operators either do not know what the rules are or do not know how to meet them, which is often the case for quite complex rules in food processing or specialist forms of production. Here prosecution may be a last resort, and inspectors can achieve much more through “advisory inspection visits”, either at their initiative or at the request of the farmer, or through issuing improvement notices that tell the operator what changes must be made and set a period of time in which to make them.

Most inspectors are well aware of these different approaches and vary their tactics according to what they hope will bring the best results. However, they complain that they are often let down by the legal system. Sometimes they are obliged to focus on prosecuting and do not have as much time as they would like to work together with operators in averting and resolving problems, but more commonly the problem is that they have no real stick: violations reported by inspectors go to the Public Prosecutor’s office and frequently result in no action. When prosecutions are made, they often result in a trivial fine or an agreement by the defendant to make a donation to a charitable fund rather than pay a serious penalty. If the risks and costs of being found out seem small compared to the potential gains from breaking the rules, then the deterrent effect is lost and the whole expensive inspection process will make little or no contribution to the ultimate goal of making policies work in practice.

This is an important issue that must be addressed in order for inspection to be worth its substantial cost. Part of the solution could be better cooperation with the Public Prosecutor’s office, agreeing more consistent follow-up of inspectors’ reports, together with prompt feedback on the action taken and its outcome. Another could be better sentencing guidelines so that judges use the whole of the penalty scale laid down in law, according to the seriousness of the offence and the level of financial advantage gained. Further action could require legal changes to review and update penalty scales, and to remove the option for defendants to make donations in place of paying a legal penalty. All have implications beyond this one ministry, and so this issue should be addressed at government level.

Recommendation 11: Investing in the future

The ministry requires radical change. Some tasks can be cut out as they are not a core responsibility of government (e.g. management of land; many agricultural subsidies), whilst others can be more fully delegated to local authorities or external bodies (e.g. local rural development plans). The core tasks that remain need a robust implementation of e-government including on-line applications, computer-based risk assessment, policy management with databases and GIS system, electronic reporting in place of written documents, etc. These developments are already widely implemented in other countries and used by many municipalities in Serbia to issue official documents to citizens. The challenge is that there is significant investment required to get to the new system.

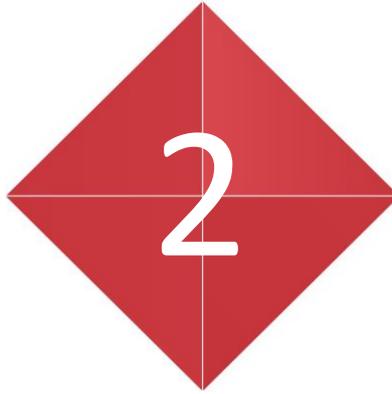
Taking the example of an inspector: now they may visit a farm or processing plant, carry out an inspection according to a written checklist (already a significant step forward), issue the owner with a hand-written record of the findings, return to their office and type up their notes. These notes may or may not go into a database, and may or may not feed into a risk-assessment system to help target future inspections more effectively – the Sector for Agricultural Inspection is already working towards this goal.

In future the checklist could be on a tablet, the inspection report produced automatically and sent to the farmer by e-mail with the inspector's electronic signature, and the data go straight to the database and the risk assessment system. As an intermediate step until all farmers use e-mail, the inspector could use a portable printer to make a hard copy for the farmer. The benefit should be that the inspector spends less time filling out paperwork on the farm and much less time doing paperwork in the office, thus allowing him or her to complete more inspections in the course of a week. Better targeting might require fewer inspection visits to achieve the same compliance goal, which would combine with the greater operational efficiency to allow the same level of control from fewer inspectors.

However, to make this work the software has to be developed, tested and maintained. Inspectors have to be issued with tablets and portable printers and taught how to use them. Resistance from older inspectors might mean that the system would be better introduced with new recruits. At some point, legal changes would be required to allow electronic reporting in place of paper. Managing the transition takes time and skill, and there would inevitably be problems along the way. Essentially it comes down to an investment question: Is it worthwhile investing resources now into new hardware, software and staff, to bring savings in staff costs in the future? And would senior managers actually welcome the change, or would they prefer to keep their old systems and their higher staff numbers?

One approach could be to launch a system of competitive "investment projects" within the ministry, whereby managers could submit proposals for investment in their units – potentially including new staff and training, additional hardware, software and systems development – against projected savings in staff and operational costs, and/or improvements in the service delivered. Both the "with project" and "without project" budgets should include realistic values for the time and costs of farmers and food business operators, to ensure that the investment benefits the overall economy and not just the ministry. Appraisal of submissions should involve some independent evaluators and a healthy dose of realism to counter the inherent "optimism bias", for example by assuming that all IT projects take twice as long and cost twice as much as originally forecast.

The idea of competitive investment projects is just one possibility; the key underlying principle is to change the attitude in the ministry from one of struggling to survive with chronic understaffing and underfunding, fighting for their departments against pressure from the Ministry of Finance, to one of working together to build an organisation that is different, better and able to achieve significantly more with less.



CHAPTER 2. HORIZONTAL ISSUES

The issues in this section apply to several or even all of the sectors and bodies in the ministry, and some may also apply to other parts of government.

Ministry scope: Environment and agriculture

The environmental sectors and agency still function like “add-ins” to the main ministry, handling many issues unconnected with agriculture and typically receiving lower priority than core agricultural units. They also extend the ministry’s harmonisation burden to around 70 % of the total EU acquis.

Recommendation 1: Place environment, forestry and water in a separate “Ministry of Environment and Natural Resources”.

Benefit: Greater attention to the environment and a more focussed Ministry of Agriculture.

Staffing: Recruitment ban

The use of a recruitment ban to control staff costs is creating overdue reliance on short-term contracts and weakening the ministry by holding back the changes it needs to become more cost-effective, particularly the greater use of IT by younger staff with different skill-sets.

One option, discussed in the overall report and in the background paper circulated in 2016, is to build on the system of points or coefficients that sets civil service salaries by grade, and define staffing limits as the total number of “pay points” rather than the number of staff. This would allow a manager to, for example, replace one Advisor with two Clerks if a new system required more data entry and less use of judgement and experience.

Recommendation 2: Replace the recruitment ban with departmental staffing limits expressed in terms of “pay points”.

Benefit: Managers have the flexibility to pick the most appropriate team.

Staffing: Annual systematisation

The ministry’s “Systematisation” rulebook is now being changed on almost an annual basis, along with a progressive reduction in staff. It currently seems as though the Systematisation is following events on the ground, cutting out posts as people retire and downgrading shrinking units from departments to divisions, from divisions to groups, rather than leading change. It is also a manual and rather time-consuming process.

An alternative approach would be to use a database to keep track of staff posts and units, and to include details of future years for phased transition, and use this to generate the Systematisation document and organigrams³. Managers might propose some changes each year, along with the budgeting process, as they implement the more flexible “pay-points” approach.

Recommendation 3: Develop a Systematisation database with forward planning and a regular update cycle.

Information: Adding value to data

Many ministry information systems (e.g. farm register, subsidy payments, animal ID) could provide valuable information to help improve policy making and implementation, but this is not routinely produced because it is not a specific concern of the unit running the information system. Therefore, staff must either make policy without data, or make special requests that are time-consuming for both units.

Recommendation 4: Review information systems and design a series of regular reports that can be produced and disseminated with minimal effort.

³ This approach was successfully applied by a World Bank project in Montenegro, with the database showing three years’ staffing in advance, and a database report providing almost the entire legal text of the Systematisation rulebook.

Benefit: Policy makers will have immediate access to data, whilst reducing the time taken up by *ad hoc* data requests.

Information: Developing an IT strategy

Successful transformation into a modern, efficient ministry will depend very heavily on IT systems. Development so far is rather piecemeal, with individual solutions being developed or EU systems adopted in different parts of the ministry with little overall vision of how they will interact. The Payments Administration, as the biggest IT user, has its own IT strategy but most units do not.

One of the conceptual challenges is that different units use different definitions, for very good reasons. For example, the definition of a “livestock holding” in the animal identification database is necessarily different from the definition of an “agricultural holding” in the payments system, as they serve different purposes and implement different pieces of EU legislation. However, databases like these can be linked if a wider view is taken at the design stage.

Recommendation 5: Develop a ministry-wide IT strategy with detailed plans for each sector and body, within an overall framework.

Benefit: More effective IT development, better integration between systems and less need to modify systems later.

Information: Establishing IT groups

IT support in the ministry currently comes from four main sources:

- The government-wide “Common Services Administration” provides internet access, internal networks, official websites and IT security, as well as IT procurement and software licensing;
- The “Group for information technology” in the Secretariat of the ministry has responsibility for overall coordination and support within the Ministry of Agriculture and Environmental Protection, but with just three staff it has nowhere near the capacity needed to support an organisation of almost 1,400 people;
- Various parts of the ministry have units to develop and maintain specific IT systems, for example the “Group for labelling and traceability of animals, registry management and central database management” within the Veterinary Administration. In many cases

these were initiated by donor projects or developed through contracts with IT companies;

- For everyday support, most people in the ministry turn to the most “IT-aware” person sitting in or near their office.

Whilst considerable progress has been made through these arrangements, taking IT systems and skills to the next level will require a greater professional input. Major systems do get attention, particularly when they are required to implement a specific part of the EU *acquis*, but everyday computing tasks are often limited by the skills of the users so, for example, they may keep important lists in Word when they would be better structured as an Excel spreadsheet or a database. Major improvements in efficiency could be made through a ministry-wide programme of IT training, plus ready access to IT experts who understand the work of each department.

Recommendation 6: Establish a “Group for IT and databases” in each ministry body, to develop and run its specialist system, and provide support and training to all its staff.

Benefit: Improved efficiency in everyday tasks throughout the ministry.

Information: IT service

Key recommendation “Recommendation 4: Positioning professional staff” presented a number of options for better organisation of staff from cross-cutting professions such as IT. Here it is recommended to establish a ministry-wide IT service bringing together experts from the IT group in each body, for training, mutual support and exchange of experience. No one person can be an specialist in every area of IT, but across the ministry there is comprehensive expertise in a range of subjects such as databases, GIS, statistical analysis and website design. Time and money should be invested in training one or two members of the service in new areas identified in the IT strategy, such as the production of apps for portable devices, and these staff used to support their colleagues in these areas.

One or two people from the service should be tasked with upgrading working practices throughout the ministry in use of everyday office applications, through training, troubleshooting, design of templates, etc.

Recommendation 7: Link professionals from all the IT groups into a ministry “IT service” whose members will together have broad and deep knowledge.

Benefit: Faster and better development of IT solutions; improved use of everyday IT tools.

EU integration: Streamlining the EU harmonisation process

As discussed in the “Top Ten” recommendations, the current system for coordinating EU harmonisation has multiple steps and could be simplified to move many of the EU skills out of the Sector for International Cooperation and into the sectors and bodies where the work of harmonisation must take place, involving responsible staff and experts as directly as possible in the negotiation process.

Recommendation 8: Change the EU harmonisation role of the Sector for International Cooperation to one of limited coordination, and strengthen the knowledge and involvement of line departments.

Benefit: More direct communication between experts in Serbia and their counterparts in Brussels; staff and cost savings in the Sector for International Cooperation.

Inspection: Inspection process

Inspection can be made more effective and efficient through a process of risk-based sampling, checklists during inspection, and improved data processing after inspection. This is well advanced in the Agricultural Inspectorate but less advanced in other areas.

Recommendation 9: Take a systematic approach to improving the inspection process throughout the ministry, collaborating with the ITCM project as appropriate.

Inspection: Prosecution after inspection

When inspectors find a serious violation and report it to the Public Prosecutor’s office, it often fails to prosecute; when it does, the defendant can often make a modest donation to a charitable fund and avoid legal penalty. This can undermine the deterrent effect and hence the entire inspection system that comprises half the ministry’s work.

Recommendation 10: Agree with the Public Prosecutor a more systematic approach to what is prosecuted, and institute a system of reporting back on every case referred to the Prosecutor.

Recommendation 11: Discontinue the donations system and implement the penalties laid down in the relevant law.

Inspection: Reporting by inspectors

The “Law on General Administrative Procedures” requires every inspector to issue a written notification of inspection findings before leaving the premises, typically a hand-written form that does not feed easily into inspection databases.

Recommendation 12: Adopt IT-friendly alternatives, such as portable devices and printers, electronic signatures and e-mail copies, or machine-readable paper forms. Amend the law as necessary.

Inspection: Reduction in the number of inspectors

Inspection services have suffered from staff reductions and aging more severely than other parts of the ministry, as staff on short-term contracts are not authorised to work as inspectors. This hampers the ability to modernise the inspection process and represents a looming problem in a few years’ time when the majority of inspectors retire. It will obviously be necessary to replace many of these inspectors with new recruits, but this will bring both advantage and disadvantages: on the one hand they should be more computer-literate and open to new ideas, but on the other they will lack the experience and judgement of older inspectors.

Recommendation 13: Progressively recruit new inspectors to ensure continuity of staff numbers and experience when the current generation retires; use the opportunity of new blood to introduce new systems.

Benefit: Continuity of the vital inspection role, and a pool of younger people to introduce new systems and approaches.

Inspection: Inspection as part of the policy cycle

As discussed in the “Top Ten” recommendations, inspection is an integral part of the policy cycle, not a separate activity. Information from the policy implementation units should be regularly sent to the relevant inspection services to help them better target inspections, and the findings of the inspectors should be fed back to policy makers and implements so that they know what really happens in practice and can redesign policies and systems to reduce problems and the scope for abuse.

Policy makers should routinely seek the opinion of implementers and inspectors before creating or amending a policy, to see what issue might be anticipated and to invite suggestions on how to make the policy smoother and more reliable to implement.

Recommendation 14: Arrange regular data exchange and periodic meetings between all parties involved in making, implementing and enforcing a policy, with proper consultation before introducing any new or changed policy.

Benefit: Better policies and a higher level of compliance.

Coordination: Management meetings

Along with an increased dependence on external advisors, many parts of the ministry have experienced a reduction in internal consultation and involvement. The goal of developing a professional civil service requires that the ministry functions as a coherent and permanent organisation. The skills and experience of non-partisan civil servants should provide continuity when ministers and governments change, and ensure that new policy initiatives are developed and implemented with the benefit of lessons learned in the past. One of the secrets of effective organisations is good communications at all levels, so that staff know what is expected of them and are able to contribute to better decision-making by the organisation.

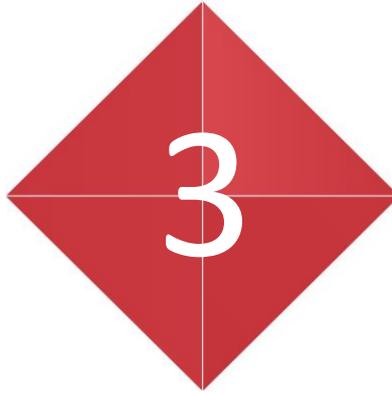
One simple but essential part of this communication is regular meetings at two or three levels:

- Weekly meetings of the “Collegium”, where the Minister, State Secretaries, Deputy Ministers, and Directors of ministry bodies discuss important issues, forthcoming activities and plans for the coming week;
- Weekly meetings within each sector or body, where the Assistant Minister or Director briefs his or her staff and involves them in discussion and decision making;
- Where the sector or body is too large for all staff to participate in these meetings, the heads of individual departments should hold regular short meetings with their entire team so that everyone knows where their part of the organisation is heading and where their work contributes to the whole.

Like all meetings, good chairmanship is required to ensure they are short and productive. Often a single meeting may not seem very worthwhile, but over time they build up a team spirit and contribute to a more cooperative, open and positive organisation. Many managers in the ministry already know and practice this, but it should be encouraged throughout the organisation as a matter of policy.

Recommendation 15: Hold regular meetings of the Collegium and staff meetings within each sector, body or large department.

Benefit: A more cooperative, open and positive organisation, where the ideas and experience of individual staff contribute to the long-term effectiveness of the whole ministry.



CHAPTER 3. ISSUES IN THE CORE MINISTRY

Policy: General policy issues

Policy evaluation

The ministry puts a lot of time, effort and money into policies designed to change farmers' behaviour and businesses – to increase investment, productivity and profitability – but often has little idea of what impact the policies have in practice. Measuring the impact of policies in agriculture is not straightforward, as every year has different weather, different market conditions and different pest and disease challenges. There are established techniques of policy evaluation that can compensate for these external factors to estimate the impact of the policy itself, though staff require training and some experience to apply them correctly.

The second challenge of policy evaluation is that the staff who design and manage policies are naturally defensive of them, wanting to see and show them in the best possible light in the annual competition for limited budget funds. Thus objective policy evaluation needs to be carried out by independent evaluators who are not linked to any particular policy.

The task of policy monitoring and evaluation can also be applied to the strategy documents that underlie policy, checking that new strategies are consistent, coherent and likely to produce the desired results in an efficient manner, and monitoring implementation to check that the ministry is following the course laid out in its strategy.

This important monitoring and evaluation role should be carried out by a new independent unit, perhaps located alongside the “Group for internal audit” as one of the “Immediate internal units outside sectors”. Whilst the main aim of the “Group for internal audit” is to ensure that procedures were followed and money spent correctly, the new “Group for policy evaluation” would focus on the impacts of policies, including their effects on production, markets and farmers' income, and on the ways in which farmers adapted their behaviour in response to the policy. Its work should include:

- Implementing an annual programme of in-depth policy evaluation, covering perhaps 4-8 policies per year, drawn from agricultural support, trade, rural development and the veterinary and phytosanitary fields;
- Monitoring the implementation of the agricultural strategy, rural development programmes and other strategies, or providing independent comments on the monitoring reports where these are already being produced by other units;
- Providing an independent economic opinion on all draft policy proposals before final submission to the Minister or Government.

The group should also have a budget to commission field surveys where necessary; the ministry might seek donor support to establish and train the unit and to fund a number of surveys.

Recommendation 16: Establish an independent “Group for policy evaluation” to comment on policy proposals, assess the impact of operating policies, and monitor progress towards strategic goals.

Benefit: Strengthened policy cycle, with evidence-based decision making resulting in more effective policies and better value for money.

Reasserting the Info Centre

The ministry’s “Info Centre” was established to give farmers and the public a single point of contact where well-informed staff could address most of their queries immediately, or consult colleagues on more complex questions and come back to the enquirer with a proper answer. Its aim was both to serve the enquirers and to protect policy staff from continuous interruptions.

The Info Centre has now been moved to the SIV III building in New Belgrade and seems to have lost its former working relationship with the sectors for agrarian policy and rural development, whose staff now receive many telephone enquiries.

Recommendation 17: Reassert the role of the Info Centre as the single contact point for outside enquirers, and improve the system of internal referrals for more complex queries.

Benefit: Better response to outside enquirers and less disruption to the work of policy staff.

Policy: Sector for agrarian policy

Steering policy

The biggest issue in the Sector for Agrarian Policy is the lack of a proper policy process to ensure that policies are based on solid evidence and sound analysis, and to give the Sector's trained and experienced staff a central role in policy making. This critical issue is addressed above in the "Top Ten" recommendations.

Access to data

Also listed in the "Top Ten" recommendations is the issue of giving policy makers access to the best possible data from inside and outside the ministry. Weaknesses in the current system – or lack of system – affect the Sector for Agrarian Policy more than any other part of the ministry.

Separating implementation from policy making

The reforms of 2003 that established the Sector for Agrarian Policy also established the Sector for Agrarian Operations, which has since developed into the Administration for Agrarian Payments. Whilst this development was fully intended, it has brought a problem in that the Administration is focussed entirely on payments and no longer carries out other aspects of routine policy implementation.

The Sector for Agrarian Policy has developed a number of important new systems, including the Vineyards Register, control marks for products of recognised Geographical Origin, register of alcoholic drinks producers and register of wine Geographical Indications. However, policy staff are still responsible for the routine implementation of these systems, which should now be transferred to a different part of the ministry so that policy staff can concentrate on analysis and development of new measures and systems. Given that most of these systems are based around databases or registers, implementation might be supported by the same unit that maintains the farm register and will in future implement the EU "IACS" and "LPIS" information systems.

Recommendation 18: Establish a unit for implementation of non-payment policy measures, either within the Administration for Agrarian Payments or in the main ministry.

Benefit: More efficient and cost-effective implementation, with proper IT support; policy analysis freed up to work in their core role.

Outsourcing the annual Green Book

Since 2014, and in line with the “Law on Subsidies in Agriculture and Rural Development”, the Sector for Agrarian Policy has produced each year a new edition of its “Green Book”, reporting on the state of Serbia’s agriculture, policies and trade. The sector has done the necessary work in developing the product and it is now well established, but continues to absorb significant time from the limited policy staff. This, like other implementation tasks, could now be transferred elsewhere for regular production. Given that the output is a report, rather than a payment or control decision, this work does not need to be performed by civil servants and could be contracted out to a university, institute or other competent organisation through open competitive tender. Staff of the Sector for Agrarian Policy should be responsible for steering the process, exercising quality control and – most importantly – thinking about the implications of the data and analysis contained in the report.

Recommendation 19: Production of the annual “Green Book” should be outsourced to a competent organisation selected through open competitive tender.

Benefit: Staff of the Sector for Agrarian Policy have more time for their core role; different contractors will bring useful new ideas, approaches and insights.

Upgrading the STIPS market information system

In 2003-4 the ministry of agriculture, with support from the USDA, established its “STIPS” market information system. Routine operation is now outsourced to the Institute for the Application of Science in Agriculture (IPN), with staff from the extension service collecting and entering data for direct display on the website. Policy control is exercised by the Sector for Agrarian Policy.

The system reached a certain level quite quickly but has now seen little development for several years, despite repeated suggestions for improvement from the USDA and others. Specific areas for improvement include better quality control, enhanced analysis, capturing and making use of data on price variability, and increasing the value of reports to users, for example by making it easier to compare the prices of fertilisers of differing formulations and pack sizes. The underlying problem seems to be one of unclear responsibilities, with the sector saying that IPN is responsible for the system, and IPN saying that they do not have the mandate to make changes.

Recommendation 20: Upgrade the STIPS market information system to improve quality, increase analysis and add value for users.

Benefit: More efficient agricultural markets as farmers and traders have better access to information and analysis.

New functions from EU policy

Staff of the Sector for Agrarian Policy identified a number of new responsibilities that will come with the EU accession process, including implementing the EU's "Common Market Organisation" (CMO) and fisheries policy. The sector has prepared a revised organigram identifying the units and posts needed to discharge these new responsibilities.

Recommendation 21: Introduce staff and units to fulfil new responsibilities under the EU Common Agricultural Policy.

Benefit: An essential step in the EU accession process, without which negotiations on Chapter 11 cannot be concluded.

Policy: Sector for rural development

Rural development programme

The "Law on Agriculture and Rural Development" and the "Strategy for Agriculture and Rural Development for the period 2014 - 2024" lay down an obligation to adopt a "National Rural Development Programme" for the period 2014-20. This programme has still not been adopted and hence there is no proper planning basis for rural development measures and no standard against which to check rural development programmes developed by municipalities.

Serbia has implemented rural development measures every year since 2014 and so now has considerable experience of what works and what does not; proper evaluation of this experience should form the basis of future planning.

Recommendation 22: Finalise and adopt the National Rural Development Programme, based on experience gained from supporting rural development over the last 13 years.

Benefit: Proper planning foundation for rural development measures.

Rural development measures at municipal level

A number of municipalities have developed rural development programmes, with measures funded from their local budget. The Sector for Rural Development has an obligation to check

the compliance of these with the National Rural Development Programme and to ensure that there is no double-funding. Hence all municipal programmes are sent to the sector for approval before they can be implemented, but as there is as yet no National Rural Development Programme, compliance checking is impossible.

A wider issue is that double-checking work by municipalities is an additional task that should be avoided wherever possible. A National Rural Development Programme should set out clearly what should *not* be funded by municipalities (e.g. duplicate funding for the same activity, inefficient and distortionary production subsidies, measures that effectively use local taxpayers' funds to compete with neighbouring municipalities), and what may be funded (e.g. responses to specific local needs, support for needs identified in the National Rural Development Programme but for which insufficient resources are available at the national level). The "Law on Agriculture and Rural Development" should require municipalities to work within this framework, and their compliance could be checked as part of the general auditing process.

Recommendation 23: Cancel the routine checking of municipalities' rural development programmes, and instead provide clear legal guidance on what may and may not be included.

Benefit: Significant reduction in workload for the Sector for Rural Development; more cost-effective rural development measures at municipal level.

International coordination of rural development

One of the sector's stated tasks is "implementation of cooperation with international and national organizations and domestic commitments in the field of rural development in order to harmonize the measures of support, and securing donor support for the implementation of development programs and projects in the field of rural development". The task is important but it is also assigned to the Sector for International Cooperation.

Recommendation 24: Decide which unit will be responsible for international coordination in rural development, and remove duplication.

Benefit: Avoidance of duplication and potentially conflicting messages.

Support for cooperatives

Other stated functions for the sector include "monitoring the situation and proposing measures for the revitalization and promotion of the development of agricultural

cooperatives, programming and implementation of measures to support the cooperation in order to improve the production and marketing of agricultural and food products on the domestic and foreign markets and monitoring the situation and proposing measures for the revitalization and promotion of the development of agricultural cooperatives". Seventy years' experience in (former) Yugoslavia and even longer experience in the rest of the world shows that government-promoted cooperation is very rarely successful, whilst Serbia does have many good examples of farmers who have come together and formed successful cooperatives of their own volition.

The appropriate role of government in this respect is to provide a sound legal basis for agricultural cooperatives; to ensure that tax treatment and administrative requirements treat coops fairly compared to private farms or farming companies (neither penalising them nor creating incentives for the artificial creation of cooperatives); and to provide farmers with accurate information on how to form cooperatives and deal with the kind of issues that frequently arise. Beyond this, the choice of organisational form should be left up to the farmers themselves.

Recommendation 25: Delete the function of promoting agricultural cooperatives, and change the emphasis to providing the environment in which coops can form and function effectively.

Benefit: Reduced distortion in organisational forms of agriculture, and a better operating environment.

Agricultural extension

The sector includes a "Group for extension", involved in planning extension work and licensing advisors. The issue was reviewed two years ago at the request of the Minister of Agriculture, by a USAID-funded team led by one of the experts conducting this Functional Review. The recommendations of that study remain valid and should be implemented, including:

- The state advisory service should focus on important activities that private-sector advisors will generally not, such as independent trials and demonstrations, media-based extension and cost-effective advice delivery to small farms;
- Extension work should be more proactive, based around "extension packages" to address key weak areas in common farming practice;
- Private advisors should *not* be subject to compulsory licensing, as this will reduce choice and competition, and give an unfair advantage to state advisors.

Recommendation 26: Implement the recommendations of the USAID draft extension strategy, including cancelling the system of advisor licensing, strengthening mass extension, and positioning the state service to complement the private sector rather than compete with it.

Benefit: Greater choice for farmers, and more cost-effective provision of advice to the majority of farms.

Environment: General and cross-sectoral issues in environment

Some of these issues also relate to the Environmental Protection Agency (see section 0).

Environmental policy

Environment faces the need for good policy making as agriculture, and recommendation *Recommendation 3: Mending the broken policy cycle* is just as relevant. Policy making, monitoring and evaluation within the future “Ministry for the Environment and Natural Resources” should follow similar recommendations to those made in section 0 *Policy*, and ensure proper oversight of the Forestry Administration, Water Directorate and Environmental Protection Agency.

Recommendation 27: Implement a robust system of coordinated policy making, monitoring and evaluation in the future Ministry for the Environment and Natural Resources.

Benefit: More effective, efficient and coordinated policies.

Upgrading climate action

The “Climate change division” has a relatively low profile and staffing, currently sitting in the Sector for International Relations, with the National Strategy and Action Plan not yet prepared.

Recommendation 28: Rename the “Climate change division” as the “Climate action division” and integrate it into mainstream policy making.

Benefit: Greater attention to climate change, more integrated with environmental policy.

Recommendation 29: Produce the National Climate Strategy and Action Plan, and put them into practice.

Delegation without capacity

Many tasks in environmental implementation and inspection have been delegated to the Autonomous Province of Vojvodina or to units of local self-government without adequate capacity building, guidance or supervision. Specific tasks best returned to the ministry include:

- Integrated permitting of industrial installations
- Consents under the EU Habitats Directive and Birds Directive

Recommendation 30: Review the delegation of functions to determine which work well in their current delegated form, which could function well with better training and systems, which should be brought into a national system with local implementation, and which should be returned to the national implementation and inspection services, at least temporarily.

Allocation of responsibilities under the Water Framework Directive

Responsibilities under this key EU Directive are split between all three environment sectors, the Environmental Inspection Agency and the Water Inspectorate, with considerable scope for overlap and omissions.

Recommendation 31: Review, simplify and clarify the allocation of responsibilities under the Water Framework Directive.

Environmental protection in forests

Many of Serbia's protected sites and species are found in forests, whose management falls under the Forestry Administration. This includes many Natura 2000 sites, Special Areas of Conservation, and Special Protected Areas for birds, as well as the permitting of research and collection of plant specimens.

Recommendation 32: Delegate to the Forestry Administration the implementation of specific nature protection measures in forests.

Benefit: Nature protection more integrated into forest management.

Air quality

Five staff work on air quality and ozone-depleting substances within the “Department for natural resources” but without any specific unit. Control of ozone-depleting substances is a specific task related to refrigerants and air-conditioning systems, and has little in common with other aspects of air quality.

Recommendation 33: Place control of ozone-depleting substances under the “Group for standards and cleaner production” and move other air quality issues to the “Group for protection against noise, vibration and non-ionising radiation”, both within the Sector for Planning and Management of the Environment.

Benefit: More logical grouping of staff according to related responsibilities.

Environment: Sector for Environmental Protection

Species conservation

The sector contains a “Group for protected areas”, such as Special Protected Areas and Special Areas of Conservation, but no clear responsibility for conservation initiatives not linked to geographical areas, such as the CITES convention (Convention on International Trade in Endangered Species).

Recommendation 34: Establish a “Group for species conservation” within the renamed “Department for Nature Protection”.

Benefit: Clear allocation of functions for species protection.

Nature protection

The Department for Protected Areas and Ecological Networks also has responsibilities for species protection outside protected areas or networks.

Recommendation 35: Rename the “Department for Protected Areas and Ecological Networks” as the “Department for Nature Protection”.

Benefit: New name more clearly reflects the department’s responsibilities.

Consents under the EU Habitats Directive and Birds Directive

Issuing consents under these two directives involves a process of Appropriate Assessment requiring specialist scientific knowledge which is not normally present in local authorities, and has a potential conflict of interest with the local development planning process.

Recommendation 36: Do not delegate consents under the Habitats and Birds Directives.

Benefit: Consents based on proper and impartial scientific assessment.

Environment: Sector for Planning and Management of the Environment

Internal structure of the Sector for Planning and Management of the Environment

The sector currently contains ten groups, divisions or departments, all answerable to the Assistant Minister. It might be reorganised as follows:

- **Department for Environmental Planning and Permitting** – New:
 - Group for strategic, program and planning documents
 - Group for standards and cleaner production
 - Division for environmental impact assessment of projects and activities on the environment (by merger of the “Group for strategic assessment of environmental impact” and the “Division for impact assessment of projects and activities on the environment”)
 - Division for integrated permits
- **Department for Waste Management** – No changes
- **Department for Chemicals** – Existing division and groups, plus:
 - Group for protection from major chemical accidents
- **Group for protection against noise, vibration and non-ionizing radiation**

Recommendation 37: Reorganise the Sector for Planning and Management of the Environment into three main departments plus one group.

Benefit: Better cooperation between related units, and more effective oversight by the Assistant Minister.

Waste management

There is a massive task to be done in improving waste management, including the closure or improvement of landfill sites across the country. Progress so far is very slow, in part due to the many local issues that have to be resolved by local authorities.

Recommendation 38: Revise and update the national and local waste management strategies.

Environment: Sector for Inspection of Environmental Protection

Inspection system for Natura 2000 sites

Most environmental inspections check compliance with issued permits; Natura 2000 sites are different, in that obligations are set down in management plans rather than permits. Effective inspection requires understanding of both the plans and the underlying scientific issues, and a different inspection procedure.

Recommendation 39: Develop a specific inspection protocol for Natura 2000 sites, and ensure inspectors have access to the necessary scientific skills.

Agricultural Inspection

The following issues apply specifically to this unit, in addition to those noted in section 0.

Communication with inspectors

Efficient management and improved use of IT systems are hampered by the lack of modern computers and internet connections for inspectors.

Recommendation 40: Equip all inspectors with a laptop, suitable software, training and internet connection – tools as essential to an inspector as a tractor to a farmer.

Reactive inspections

Over 80 % of inspections by the “Department for inspection of agricultural land” are in response to specific complaints, usually about misuse of state land, leaving little time for a planned programme of inspections. Similarly, most inspections related to agricultural subsidies are in response to requests from the Payments Administration. Such referrals can increase efficiency, by targeting the inspectors’ work on the problem areas, but they may also indicate poor policies and implementation procedures that lead to repeated problems.

Recommendation 41: Periodically analyse the underlying cause of the most frequent problems referred to the inspection service, and seek to improve policies and procedures to reduce their occurrence.

Benefit: Better compliance with legislation, and hence better achievement of policy objectives.

Animal feed inspection

Inspection of animal feed currently falls under the “Department for control of subsidies in agriculture, organic production and animal husbandry”, although it is not a subsidy issue.

Recommendation 42: Relocate to the “Department of agricultural inspection for food safety of plant and mixed origin and control of tobacco processors and tobacco product producers”.

Alcoholic drinks inspection

Compliance in this area is rated as “Low-medium”, lower than for most other areas under the Agricultural Inspection.

Recommendation 43: Organise more “official advisory visits” to make producers more aware of legal requirements and how to meet them.

Benefit: Prevention rather than cure, by helping producers to work within the law rather than finding and prosecuting violations afterwards.

Supporting units: Sector for International Cooperation

The main recommendation for this sector relates to the EU harmonisation process: see horizontal **Error! Reference source not found. Error! Reference source not found.**

Supporting units: Sector for Legal and Legislative Affairs

Strengthening legal input to the EU harmonisation process

This sector includes a small “Group for legal affairs” to represent the ministry in legal matters, such as prosecutions and complaints; this is a specialist function which should remain at this level to serve the whole ministry.

A much larger task is supporting the drafting of new laws and regulations, where 5 experts work on agriculture and 8 on the environment. The EU accession process will create major demands for these skills and accentuate the need to combine specialist legal skills with detailed knowledge of the subject matter, as discussed in the “Top Ten” recommendations on “Positioning professional staff”.

Recommendation 44: Review options to improve legal input to the harmonisation process, and recruit additional lawyers where this is a bottleneck.

Benefit: Smoother and faster EU accession process, with fewer challenges in the courts or from Brussels.

Human resources and training

Staffing issues underlie this functional review and are addressed directly in the “Top Ten” recommendations, as well as in horizontal **Error! Reference source not found. Error! Reference source not found.** and **Error! Reference source not found. Error! Reference source not found.** These recommendations will allow this sector to take a more proactive and planned approach to human resource development and staff training.

Supporting units: Sector for Financial Management

The work of this sector follows from the laws on budget and on public procurement, which apply to all ministries. Relevant recommendations are given in the Horizontal Review.

Supporting units: Secretariat of the Ministry

The biggest issue identified for the Secretariat relates to its “Group for information technology” and the leading role it should play in development of an IT strategy and substantial strengthening of IT skills and support throughout the ministry (see section 0).

Supporting units: Cabinet of the Minister

The main role of the cabinet is to support the minister in performance of his or her duty, which largely falls outside the scope of this functional review. One area in which the cabinet could improve the work of the ministry as a whole is through encouraging a more inclusive and open ministry, such as reinstating regular meetings of the Collegium (see **Error! Reference source not found. Error! Reference source not found.**)

Supporting units: Group for Internal Audit

It was clarified that the Group for Internal Audit focusses on examining whether proper internal controls are in place and are being properly followed, and does not have the resources to examine the external impact of ministry policies; thus there would be no overlap of functions between this group and the new “Group for Policy Evaluation” proposed in recommendation **Error! Bookmark not defined.**

The internal audit group currently has in place just one of the three people shown in the Systematisation, and it is not permitted to use contract employees for audit tasks. As well as being two-thirds under-staffed, this means there is no opportunity for constructive discussion or exchange of ideas between colleagues.

Recommendation 45: Recruit at least one more full-time person to the Group for Internal Audit.

Benefit: Operation of the internal audit function at closer to its planned level.



CHAPTER 4. ISSUES IN THE PHYTOSANITARY ADMINISTRATION

State phytosanitary service

Many activities of the Phytosanitary Administration rely on staff employed by external institutions, in particular, staff of the “Agricultural Advisory and Expert Service” based in 34 “Agricultural Stations”, each a separate legal entity⁴. This outsourcing is based on the *Law on performing of advisory and expert tasks in the field of agriculture* (Official Gazette 30/10) and offers the following paid services to producers or exporters:

- Health control of crops and premises for production of seeds and planting material, and issuing certificates of health, quality and trueness-to-type for seeds and planting material;
- Health examination of consignments of all plants, plant products and facilities intended for export, and issuance of phytosanitary certificates.

These controls and certificates are required by national legislation to protect plant health within Serbia, and are demanded by importing countries to protect their agriculture. International trade in plant products depends on countries having confidence in the certificates issued by other states’ services, and for many years Russia has raised concerns about relying on certificates that are not issued by authorised state inspectors.

Serbia currently does not have sufficient phytosanitary inspectors to control implementation of the ten laws in this sector and to issue export certificates, so certificates are signed by employees of the Agricultural Advisory and Export Service, which also receives € 2.5 million in annual fees that should rightly go to the state budget.

⁴ Thirty-three are state-owned companies and one is private.

Experts involved in carrying out phytosanitary inspections and issuing certificates should be brought into a “State Phytosanitary Service” under the management of the Phytosanitary Administration and employed with the status and obligations of inspectors. They are already state employees, since 33 of the 34 Agricultural Stations are state-owned companies, so this would not increase the government payroll. It should also be noted that these are chargeable services that would bring a net income to the state budget; where necessary the number of phytosanitary inspectors should be increased to support increased trade in plant products, with additional salaries covered by increased fee revenue.

Recommendation 46: Create a State Phytosanitary Service under the direct management of the Phytosanitary Administration, funded by and returning fees to the state budget.

Benefit: Phytosanitary certificates issued in line with international standards, thus ensuring continued access to export markets; increased revenue to the state budget.

Phytosanitary border inspection

Serbia’s increasing integration into the international trading system and the EU is increasing the two-way flow of goods across borders and the need for effective and efficient border inspection in line with EU procedures. The number of phytosanitary consignments crossing the border has doubled since 2006 and now requires around 50 inspectors to carry out checks effectively and in reasonable time; the current Systematisation shows 46 posts in the “Department for border phytosanitary inspection” but currently 11 posts are vacant and only 35 staff in place. The cost of these staff is fully covered by the inspection fees paid by importers.

Recommendation 47: Employ and train new phytosanitary inspectors.

Benefit: Enhanced trade and less risk from harmful pests.

Registration and control of plant protection products

Registration and control of plant protection products must strike the right balance between protecting the health of food consumers, meeting the requirements of international buyers of Serbian products, and giving producers access to effective and affordable plant protection products. Given Serbia’s aspiration of EU membership, in practice that balance is best found

by implementing the EU *acquis* in this area. The principles of the *acquis* have been incorporated into the *Law on Plant Protection Products*, but full implementation has been repeatedly delayed to allow the continued marketing of generic pesticides without proper assessment and approval.

This raises genuine risks to consumer safety and increases the possibility that Maximum Residue Limits will be exceeded, potentially endangering exports to the EU and other customer countries.

Recommendation 48: Revise the Law on Plant Protection Products and apply re-registration under equal terms for all products and producers.

Benefit: Increased safety for Serbian consumers and security for exporters to the EU.

National reference laboratories for phytosanitary control

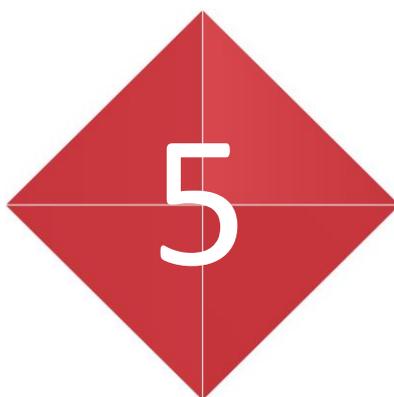
Many of the phytosanitary controls listed above depend on laboratory analyses which should, under EU Regulation (EC) No 882/2004, be carried out by competent authorised laboratories under the supervision of a national reference laboratory. Currently, phytosanitary controls and certificates depend on a number of regional and local laboratories that do not meet these conditions and so fail to give importing countries the assurances they require.

The Phytosanitary Administration assigned responsibilities for a range of laboratory tests to a specialist institute that was understood to be in the process of accreditation, but the institute then stopped the accreditation process on the grounds that the Law on Plant Protection does not explicitly require laboratories to be accredited. This approach is clearly in contradiction to EU and international standards.

Recommendations in this respect are given under section 0 on



Chapter 9. Issues in the National Reference Laboratories Directorate.



CHAPTER 5. ISSUES IN THE VETERINARY ADMINISTRATION

Single discipline staffing

The Veterinary Administration is staffed almost exclusively by professional veterinarians, creating resistance to reforms that would hand tasks to non-vets and leaving the Administration weak in other disciplines such as economics and IT.

Recommendation 49: Recruit staff to the Veterinary Administration from a wider range of backgrounds, including economics and IT, and not just from the veterinary profession.

Authorised veterinarians

Serbia already applies the EU system of “authorised veterinarians” – private veterinarians who are authorised and contracted to perform various tasks on behalf and under the supervision of the state veterinary service – but in limited areas. Extending this could reduce the burden on the Veterinary Administration.

Recommendation 50: Extend the system of authorised veterinarians to perform more routine tasks and reduce the burden on veterinary inspectors.

Livestock movement certificates

Serbia still applies the old Yugoslav system of livestock movement certificates, alongside the EU systems that achieve the same result in different ways.

Recommendation 51: Abolish the system of livestock movement certificates.

Registration of farms

Serbia also retains the requirement for livestock farms above a certain size to be registered with the Veterinary Administration, though they are also included in EU-harmonised registers.

Recommendation 52: Abolish the separate register of livestock holdings and address this issue within the harmonised animal identification and registration system.

Meat hygiene inspectors

EU slaughterhouse legislation requires a veterinarian to inspect all animals before slaughter and to be present while slaughtering is taking place, but allows high-volume slaughterhouses to use qualified technicians to carry out routine inspections along the processing line.

Recommendation 53: Introduce a system of meat inspection by trained non-veterinarians, under overall veterinary supervision, to cut slaughterhouse costs and make them more competitive.



CHAPTER 6. ISSUES IN THE ADMINISTRATION FOR AGRICULTURAL LAND

Contracted staff

More than 70 % of the land administration’s staff work on 3-month renewable contracts – an extreme example of the problem found throughout the ministry and stemming from the ban on staff recruitment.

No new recommendation is needed here, as it is already covered by horizontal **Recommendation 2**: Replace the recruitment ban with departmental staffing limits expressed in terms of “pay points”.

Unfinished business

Most of the staff time of the Administration for Agricultural Land is occupied with two tasks that are not a role of government in most market economies: land restitution, and administration of state-owned agricultural land. Serbia’s economic transition began 17 years ago and the process of land restitution is one that should be finished as soon as possible. Most states own some land, but this is mainly land of special environmental or recreational value or land used by public infrastructure and institutions; ordinary farmland is a private good that is normally handled better by the market than by government, and Serbia might wish to start developing an “exit strategy” for its wide-scale ownership of agricultural land.

Recommendation 54: Set a clear policy that it is not the long-term role of government or municipalities to manage agricultural land, and accelerate the restitution process.

Benefit: Completion of the land market – one of the foundations of a successful market economy – and eventual removal of the main tasks of the Land Administration.

Land restitution

The unfinished process of land restitution the primary responsibility of the Agency for Land Restitution, with the Administration for Agricultural Land giving opinions where agricultural land is concerned. Policy makers should seek ways to eliminate this administrative step by assisting the Agency for Land Restitution to develop clear procedures for returning agricultural land, so that there is no longer any need for opinions to be issued in each case.

Recommendation 55: Assist the Agency for Land Restitution to develop clear procedures for returning agricultural land, and cease the land administration’s routine involvement in this process.

Benefit: Faster restitution process and reduced workload for the Administration for Agricultural Land.

Land leasing

The Law on Agricultural Land provides for state-owned land to be leased out to farmers; the process is managed by local municipalities, which retain a share of the rent received. The land administration checks each of the draft rental contracts before they can be signed, representing the largest single task of the entire land administration.

Recommendation 56: The Land Administration should end the practice of checking every lease contract prepared by municipalities and move to a risk-based sampling approach, checking a proportion of contracts with emphasis on areas where most problems arise.

Benefit: Significant reduction in the workload of the Land Administration.

Support measures for agricultural land

After land restitution and leasing, the third-largest task for the administration is financing land-related programmes by local municipalities, including funds for land consolidation and

for maintenance and restoration of farm access tracks. In essence, these are not dissimilar to other rural development measures and might be implemented in the same way: with policy responsibility in the core ministry and implementation carried out by the Payments Administration.

A second problem is that many of the supported measures take some time to complete and so do not fit easily with the current system of annual contracts.

Recommendation 57: Transfer implementation of land restoration measures to the Payments Administration and allow multi-annual contracts for long-term measures.

Benefit: Reduced workload for the land administration and greater operational efficiency due to the more systematic and computerised approach of the Payments Administration.

Land GIS system

The land administration is developing a geographical information system (GIS) on agricultural land, with responsibility currently divided between the “Department of general, legal issues, management of agricultural land in state property and financial administrative tasks” and the “Group for the protection and restoration of agricultural land”. This split responsibility, combined with the overall lack of IT capacity, is slowing the development of a core IT system that should make the land administration markedly more efficient.

This is symptomatic of the general lack of IT capacity in the ministry, leading to the slow development of systems and continued reliance of time-consuming manual systems (see recommendations in section 0).

Land policy gap

The administration operates as an implementing agency rather than a policy maker, but no unit in the main ministry – or elsewhere – is assigned responsibility for land policy.

Recommendation 58: Reinstate a post for land policy within the Sector for Agrarian Policy.

Benefit: Better land policy, with proper evaluation and policy management.

Inspection of agricultural land

Control of the implementation of land policy is carried out by the “Department for agricultural inspection of agricultural land” in the Sector for Agricultural Inspection, whose 15 staff spend most of their time investigating allegations of misuse of state-owned agricultural land. Coordination with the land administration is weak, with the administration having no input into the design of the inspection programme and receiving limited and late feedback on the results of inspections.

This is another example of the ministry-wide disconnect between policy-making and enforcement that prevents inspection from playing its proper role in the policy cycle and feeding back to help make policies better. This is addressed in horizontal O As discussed in the “Top Ten” recommendations, inspection is an integral part of the policy cycle, not a separate activity. Information from the policy implementation units should be regularly sent to the relevant inspection services to help them better target inspections, and the findings of the inspectors should be fed back to policy makers and implementers so that they know what really happens in practice and can redesign policies and systems to reduce problems and the scope for abuse.

Policy makers should routinely seek the opinion of implementers and inspectors before creating or amending a policy, to see what issue might be anticipated and to invite suggestions on how to make the policy smoother and more reliable to implement.

Recommendation 14: Arrange regular data exchange and periodic meetings between all parties involved in making, implementing and enforcing a policy, with proper consultation before introducing any new or changed policy.



CHAPTER 7. ISSUES IN THE REPUBLIC WATER DIRECTORATE

Restructuring the Water Directorate

The existing eight top-level sub-units could be usefully regrouped into policy making, policy implementation, policy enforcement and support functions, as:

- Department for Water Resources Management (policy making)
- Department for Water Permitting (policy implementation)
- Department for Water Inspection (policy enforcement)
- Division for Information and Communications (support)
- Division for Human Resources, Finance and Budget (support)

Recommendation 59: Restructure the Water Directorate into departments for policy making, implementation and enforcement, plus support divisions.

Benefit: Clearer separation of functions and strengthened support services.

Human resources development

The Water Directorate has a lot of work to do in developing and implement new, integrated, EU-compatible systems of water resources management, a task that will require new staff and new skills. Currently less than 30 % of its job positions are filled by permanent staff, with the remainder either vacant or filled through short-term contracts. As well as the immediate

issue of staff shortages, the uncertainty of this situation makes it impossible to implement a proper programme of human resource development and training.

This is another example of the ministry-wide issue addressed by **Error! Reference source not found. Error! Reference source not found.**

Increase use of databases and IT solutions in water management

Water management is an information-intensive activity. Water resource management requires data on precipitation, evapotranspiration, river flows, ground-water levels, extractions, discharges and other parameters; in implementation, each permit or license creates a new time-series of data; efficient enforcement requires data analysis to quantify risks and target limited inspection resources at the most important areas, whilst the data it generates should feed back into the cycle to help make policies better and improve their implementation. Serbia's Water Directorate is some way behind its European peers in data management, and would benefit strongly from a dedicated IT and databases unit to serve the whole directorate. This unit could also take the lead in communicating the directorate's work to the public and stakeholders.

Recommendation 60: Establish a Division for Information and Communications.

Benefit: Greater efficiency throughout the whole directorate, allowing more to be achieved with limited human resources.

Organise water resources management and inspection along river basin lines

The EU Water Framework Directive requires each Member State to nominate a body or unit responsible for each major river basin, and for these to manage all water resource issues within the basin in an integrated manner. This principle is recognised in Serbia's Water Management Strategy and Water Law; it is being progressively implemented and some further steps could now be taken, including reorganisation of the "Department for water inspection" according to groups of river basins.

Recommendation 61: Reorganise the Department for Water Inspection to follow river basins.

Benefit: More efficient enforcement of Integrated Water Management, and a further step of alignment with the EU Water Framework Directive.

Outsourcing and transfer of functions

Water issues cut across a number of organisations, occasionally with duplication or with scope for more efficient allocation of responsibilities. The following specific changes are proposed:

- Transfer all responsibility for drinking water standards to the Ministry of Health;
- Delegate implementation of flood protection measures to Srbijavide, with the water directorate exercising strategic control and allocating the funds;
- Delegate responsibility for measurements of surface and ground waters to the Republic Hydrometeorological Office;
- Assign full responsibility for flood forecasting to the Republic Hydrometeorological Office.

Recommendation 62: Transfer responsibility for drinking water standards, water measurements, flood protection and flood forecasting to the appropriate external bodies.

Benefit: Clearer allocation of responsibilities, reduced duplication, and lower workload for the Water Directorate.

Planning and management of investment in water infrastructure

The Water Directorate manages the “Budgetary Fund for Water Management of the Republic of Serbia”. Its total budget for 2017 is € 18 million, of which € 10 million is for the national information system of environmental protection, € 3 million is for joint operations with the Environmental Protection Agency, € 1 million is for the national laboratory and € 4 million is for a number of specific investment projects. This fund represents two-thirds of the total budget controlled by the directorate and requires careful planning and control.

Recommendation 63: Establish a unit for planning and management of investment projects in water infrastructure.

Benefit: Better use of budget funds and more effective projects.

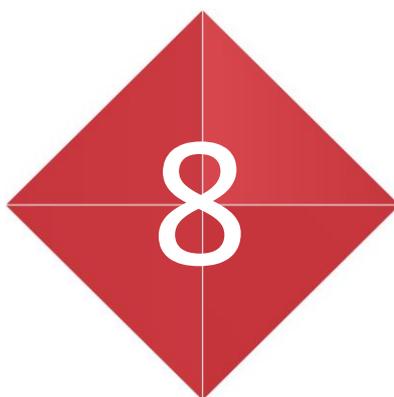
Support to municipalities in water-related issues

Municipalities and city governments play major roles in urban water supply, wastewater treatment and water protection, within the overall framework established by the Water Directorate. Ideally this should be a partnership that combines the specialist knowledge and broad perspective of the Water Directorate with the detailed local knowledge of the municipalities, but in practice many municipalities have to manage complex issues with limited support.

Full understanding of this issue will require visits and discussions with a sample of municipalities, following on from the points raised by the Water Directorate.

Recommendation 64: Review and restructure the relationship between the Water Directorate and local municipalities.

Benefit: More effective management of water at local level.



CHAPTER 8. ISSUES IN THE PAYMENTS ADMINISTRATION

Obtaining accreditation

The Payments Administration has been working for some years towards achieving accreditation by the European Commission, which will allow Serbia to start benefiting from approximately € 29 million of EU IPARD funds per year, representing a 9 % increase in the ministry's budget. Successive reviews have identified issues for attention; many have already been resolved and the main issues still outstanding are to improve IT security and access control; to recruit new staff, write their job descriptions and train them; to complete and publish reference price data for investment grants; and to complete the process of documenting all operating procedures.

Recommendation 65: Complete the outstanding tasks to obtain EU accreditation of the Payments Administration.

Benefit: Ability to start using IPARD funds with an annual value of around € 29 million.

Managing national and EU schemes

In the pre-accession period, EU IPARD funds will represent a small fraction of total support to agriculture, with the majority coming from national funds; after accession the situation will be reversed. One of the functions of IPARD is to help countries develop the systems they will need to implement the CAP once they become full members of the EU, but in the meantime they must also implement national measures. Serbia should start with a very limited range of IPARD measures, initially just M1 (*Investments of physical assets of agricultural holdings*)

and M3 (*Investments in physical assets concerning processing and marketing of agricultural and fishery products*), implemented through accredited sub-units within the Payments Administration. National measures should also be implemented by the Payments Administration, but generally through different units.

Recommendation 66: Begin IPARD with a limited range of measures implemented by accredited sub-units of the Payments Administration, with national measures implemented by other units in the same Administration.

Benefit: Minimum risk of delay in obtaining IPARD accreditation and disbursing EU funds, whilst starting to move all grants and subsidies to a systematic, EU-like process.

Simplified and unified application procedures

National support payments in Serbia currently include headage payments, slaughter premium, milk subsidy, area payments, insurance premium subsidy and diesel price subsidy, in addition to grants for investment in agricultural production and processing. Some of the subsidies are administered directly by the Payments Administration and some through local Treasury offices, using a number of different forms and procedures. Simplifying these processes and unifying them where possible will reduce the total cost to the economy.

Recommendation 67: Simplify and unify application forms and procedures for national subsidies.

Benefit: Reduced costs of farmers' time and staff time for the Payments Administration and Treasury.

Role of Treasury in agricultural payments

Agricultural subsidies and grants are designed by the Sector for Agrarian Policy and the Sector for Rural Development and implemented under the overall supervision of the Payments Administration. In order to provide a local point of contact for farmers throughout Serbia, application forms for area payments and some other subsidies can be delivered to local offices of the Treasury, which also carries out processing and payment; however, investment grants and livestock-related subsidies are handled entirely by the Payments Administration and applications must be delivered to the ministry in Belgrade. This situation could be improved to clarify the relative roles of the Payments Administration as the responsible body

and the Treasury as the delegated body, along with use of local Treasury offices as a “one-stop-shop” for all grant and subsidy applications.

Recommendation 68: Clarify the role of the Payments Administration as the responsible body and Treasury as the delegated body and develop local Treasury offices as a “one-stop-shop” for all grant and subsidy applications.

Benefit: Simpler and less time-consuming procure for applicants; important step on the way to an EU-compatible system of applications, approvals and payments for all grants and subsidies.

Progressive development of IACS

The EU requires all Member States to introduce an “Implemented Administration and Control System” (IACS) for CAP support payments. Whilst not required for IPARD, Serbia will have to develop such a system and demonstrate its proper functioning before joining the EU.

In order to attain this long-term goal without over-burdening the process of EU accreditation, the Payments Administration should develop a systematic phased programme for IACS development, successively building on the farm register, the animal identification and registration system run by the Veterinary Directorate, the payments and control system for subsidies, and a future “Land Parcel Identification System” (IACS). This road map should ensure that systems developed now are compatible with the long-term vision, but the priorities for the Payments Administration should be: firstly, to attain accreditation and start disbursing IPARD funds; secondly, to improve the efficiency of administering national grants and subsidies; thirdly, to start bringing together these and other systems towards the long-term goal of an EU-compatible administration and control system.

Recommendation 69: Develop an overall strategy to establish the systems required by the EU but concentrate first on IPARD, then on national payments and finally on IACS and LPIS.

Benefit: Minimal workload to obtain IPARD accreditation, with a long-term strategy to avoid the development of incompatible systems and lead efficiently to full EU implementation.

Inspection of grants and subsidy payments

With an annual expenditure of more than € 200 million in grants and subsidies, Serbia has an obligation to its taxpayers to ensure that this money is spent correctly. Control of national payments is mainly implemented by the “Department for agricultural inspection of control of incentives in agriculture, organic farming and cattle breeding” within the Sector for Agricultural Inspection, with certain specific controls delegated to the Veterinary Directorate or the Livestock Institute.

The EU lays down stringent control standards for any of its funds disbursed before or after accession, which include that the inspection bodies should be operationally independent from the policy-making units, and that any delegated bodies operate under clear agreements and through written, accredited procedures. Work will be required to develop the current arrangements into systems acceptable to the EU; and it is recommended that inspection of subsidy payments and grants should be moved out of the main ministry and placed under the Payments Administration.

Recommendation 70: Put the “Group for agriculture inspection control of incentives in agriculture and cattle breeding” directly under the Payments Administration, and develop Memoranda of Understanding with all delegated bodies involved in inspection control of grants and subsidies.

Benefit: More effective control of grants and subsidies, which is also an essential step on the road to EU accession.



CHAPTER 9. ISSUES IN THE NATIONAL REFERENCE LABORATORIES DIRECTORATE

Completing the reference laboratory system

Many aspects of veterinary, phytosanitary and food safety control rely on laboratory analyses to identify organisms and detect pathogens and harmful chemicals. The tests involved vary considerably in cost and sophistication, some can be carried out by simple laboratories in every main town or border inspection post whilst others require specialist equipment and expertise that can only be justified at national or even European level. In order to provide these specialist services and to carry out independent quality control of local laboratories, the EU stipulates a system of “national reference laboratories” in its Regulation (EC) No 882/2004.

The EU has donated many millions of euro to establish such a system in Serbia, based on the Batajnica complex managed by the National Reference Laboratories Directorate, but these laboratories are still not functional after some 15 years’ work and investment, and so Serbia’s whole system of food chain safety is based on a network of local laboratories whose accuracy and reliability cannot be assured.

Recommendation 71: Complete the system of national reference laboratories with adequate staff and funding, and allow official analyses only by laboratories participating in its quality control system.

Benefit: More reliable laboratory testing system, enhancing food safety, control of pests and diseases, and agri-food exports.

Ensuring universal and low-cost milk testing

EU legislation on milk hygiene requires that all raw milk entering dairies must be tested regularly and meet specified criteria for Total Bacteria Count, Somatic Cell Count, antibiotic residues and added water. These controls help to protect consumer health, ensure the consistency of dairy processes and enhance the shelf-life of dairy products, and play an important role in establishing the price paid to farmers for their milk. Few dairies in Serbia are equipped to conduct all these tests, and those that are operate without external quality control.

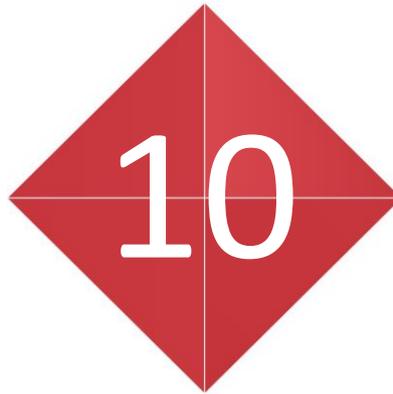
There is obviously a cost involved in collecting and analysing milk samples; the dairies would like these costs to be as low as possible, whilst commercial laboratories would like the fees to be as high as possible. This is a completely normal conflict of interest, which is resolved in market economies by ensuring uniform quality standards and open competition amongst providers of laboratory services. The national reference laboratory has been equipped with a full set of automated milk-testing equipment and refrigerated vehicles for sample transport, supported by the EU and by 325 million dinars of national funding, but this was transferred to a commercial laboratory attached to a university.

This equipment should be returned to the National Reference Laboratory for which it was purchased and used in three ways:

- To provide independent quality control of milk tests conducted by dairies and private laboratories, to give both producers and consumers confidence in their results;
- To offer milk producers an independent testing service when they believe they may have been cheated by their dairy;
- To offer a reliable and affordable milk-testing service to smaller dairies who do not have their own laboratories or easy access to a suitable commercial service.

Recommendation 72: Establish a milk testing service at the national reference laboratory to ensure the quality of other laboratory results, offer confirmatory tests to milk producers, and provide a service to small dairy processors.

Benefit: Increased competitiveness of the Serbian dairy sector, and lower health risks for consumers.



CHAPTER 10. ISSUES IN THE ENVIRONMENTAL PROTECTION AGENCY

See also section **Error! Reference source not found.:** *Error! Reference source not found.*

Role of the Environmental Protection Agency

The concept of an “environmental protection agency” is interpreted differently around the countries of Europe, ranging from a purely information organisation, to an implementing agency, to a policy-making body; there is still ongoing discussion as to the role that this agency should play in Serbia. Given that permitting and inspection tasks are clearly allocated to the main ministry, and that the Environmental Protection Agency has specialist scientific skills and laboratory facilities, it seems most appropriate for the agency to build on these strengths rather than expand into areas already covered by other bodies. It should play a stronger role in providing scientific input to policy-makers and implementers, including greater involvement in standing committees, regular meetings and public consultation.

Recommendation 73: The Environmental Protection Agency should focus on its scientific role, including greater scientific input to policy making and design of implementation procedures.

Frequency of environmental reporting

The Environmental Protection Agency produces a number of regular reports, including its annual flagship “State of the Environment” report. However, important changes in the environment tend to happen over a longer period and do not show up strongly in annual reporting; a 5-yearly “State of the Environment” report might attract more attention from the

media, civil society and policy makers, and so ultimately have more impact than annual reports.

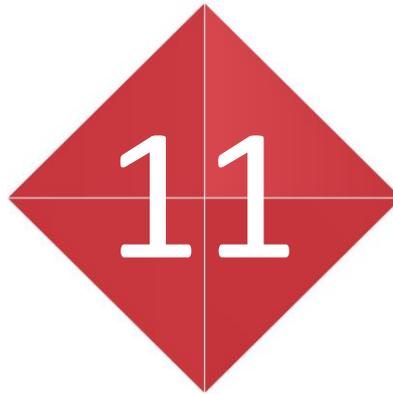
Recommendation 74: Switch to 5-yearly publication of the “State of the Environment” report, and review the frequency of other agency reports.

Benefit: Less time spent on reporting and greater impact of the reports.

Environmental information systems (INSPIRE and E-PRTR)

The Environmental Protection Agency collaborates in the EU “Infrastructure for Spatial Information in the European Community” (INSPIRE) and manages Serbia’s contribution to the European Pollutant Release and Transfer Register (E-PRTR). However, the benefits of the former could be enhanced by more effective collaboration with other institutions, and the costs of the latter could be reduced by streamlining the systems and improving the IT.

Recommendation 75: Improve the effectiveness and efficiency of environmental information systems.



CHAPTER 11. ISSUES IN THE FORESTRY ADMINISTRATION

See also section **Error! Reference source not found.:** *Error! Reference source not found.*

Nature and species protection in forests

Two-thirds of Serbia's protected areas are within forests, and it is recommended that management of these be transferred to the Forestry Administration (Recommendation **Error! Bookmark not defined.**). This will require development of appropriate capacity within the Administration in policy, implementation and inspection.

Recommendation 76: Establish a unit to manage protected areas and species within forests, and train Forestry Inspectors to enforce it.

Benefit: Better protection of valuable forest areas and species, by trained professionals and integrated into overall forest management.

Forest Strategy and Action Plan

The Forest Management Strategy developed in 2006 is an outline document, rather short on detail and prepared before Serbia began systematic adoption of the EU *acquis*; it should be updated, expanded and accompanied by an Action Plan.

Recommendation 77: Update the Forest Management Strategy and prepare an Action Plan.

Benefit: Clear road-map for forest management and EU harmonisation in this area.

Protection against forest fires

Many of the existing forest fire protection plans lack the detail, or the resources in place, to be really effective in case of a major fire. They should be upgraded with external professional support before a major disaster occurs.

Recommendation 78: Revise and strengthen forest fire protection plans, and the arrangements to implement them.

Benefit: Proper planning and preparation may prevent a major fire that could undo decades of work.

Forest information system

The Forestry Administration deals with large amounts of data on subjects from forest management and felling to hunting licenses, but it is hard to extract data when needed and so relatively little data analysis is performed.

Recommendation 79: Establish a forest information system with GIS technology and in association with the Environmental Protection Agency.

Benefit: Increased availability and quality of data for policy making, and more efficient use of staff time in managing permits, licenses, etc.



APPENDIX: LIST OF RECOMMENDATIONS

Horizontal

- Recommendation 1:** Place environment, forestry and water in a separate “Ministry of Environment and Natural Resources”.16
- Recommendation 2:** Replace the recruitment ban with departmental staffing limits expressed in terms of “pay points”.17
- Recommendation 3:** Develop a Systematisation database with forward planning and a regular update cycle.17
- Recommendation 4:** Review information systems and design a series of regular reports that can be produced and disseminated with minimal effort.17
- Recommendation 5:** Develop a ministry-wide IT strategy with detailed plans for each sector and body, within an overall framework.....18
- Recommendation 6:** Establish a “Group for IT and databases” in each ministry body, to develop and run its specialist system, and provide support and training to all its staff.....19
- Recommendation 7:** Link professionals from all the IT groups into a ministry “IT service” whose members will together have broad and deep knowledge.19
- Recommendation 8:** Change the EU harmonisation role of the Sector for International Cooperation to one of limited coordination, and strengthen the knowledge and involvement of line departments.20
- Recommendation 9:** Take a systematic approach to improving the inspection process throughout the ministry, collaborating with the ITCM project as appropriate.20
- Recommendation 10:** Agree with the Public Prosecutor a more systematic approach to what is prosecuted, and institute a system of reporting back on every case referred to the Prosecutor.....20
- Recommendation 11:** Discontinue the donations system and implement the penalties laid down in the relevant law.20
- Recommendation 12:** Adopt IT-friendly alternatives, such as portable devices and printers, electronic signatures and e-mail copies, or machine-readable paper forms. Amend the law as necessary.21

Recommendation 13: Progressively recruit new inspectors to ensure continuity of staff numbers and experience when the current generation retires; use the opportunity of new blood to introduce new systems.	21
Recommendation 14: Arrange regular data exchange and periodic meetings between all parties involved in making, implementing and enforcing a policy, with proper consultation before introducing any new or changed policy.	22
Recommendation 15: Hold regular meetings of the Collegium and staff meetings within each sector, body or large department.	23

Policy

Recommendation 16: Establish an independent “Group for policy evaluation” to comment on policy proposals, assess the impact of operating policies, and monitor progress towards strategic goals.	25
Recommendation 17: Reassert the role of the Info Centre as the single contact point for outside enquirers, and improve the system of internal referrals for more complex queries.	25
Recommendation 18: Establish a unit for implementation of non-payment policy measures, either within the Administration for Agrarian Payments or in the main ministry.	26
Recommendation 19: Production of the annual “Green Book” should be outsourced to a competent organisation selected through open competitive tender.	27
Recommendation 20: Upgrade the STIPS market information system to improve quality, increase analysis and add value for users.	27
Recommendation 21: Introduce staff and units to fulfil new responsibilities under the EU Common Agricultural Policy.	28
Recommendation 22: Finalise and adopt the National Rural Development Programme, based on experience gained from supporting rural development over the last 13 years.	28
Recommendation 23: Cancel the routine checking of municipalities’ rural development programmes, and instead provide clear legal guidance on what may and may not be included.	29
Recommendation 24: Decide which unit will be responsible for international coordination in rural development, and remove duplication.	29
Recommendation 25: Delete the function of promoting agricultural cooperatives, and change the emphasis to providing the environment in which coops can form and function effectively.	30

Recommendation 26: Implement the recommendations of the USAID draft extension strategy, including cancelling the system of advisor licensing, strengthening mass extension, and positioning the state service to complement the private sector rather than compete with it.31

Environment

Recommendation 27: Implement a robust system of coordinated policy making, monitoring and evaluation in the future Ministry for the Environment and Natural Resources.31

Recommendation 28: Rename the “Climate change division” as the “Climate action division” and integrate it into mainstream policy making.31

Recommendation 29: Produce the National Climate Strategy and Action Plan, and put them into practice.32

Recommendation 30: Review the delegation of functions to determine which work well in their current delegated form, which could function well with better training and systems, which should be brought into a national system with local implementation, and which should be returned to the national implementation and inspection services, at least temporarily.32

Recommendation 31: Review, simplify and clarify the allocation of responsibilities under the Water Framework Directive.32

Recommendation 32: Delegate to the Forestry Administration the implementation of specific nature protection measures in forests.32

Recommendation 33: Place control of ozone-depleting substances under the “Group for standards and cleaner production” and move other air quality issues to the “Group for protection against noise, vibration and non-ionising radiation”, both within the Sector for Planning and Management of the Environment.33

Recommendation 34: Establish a “Group for species conservation” within the renamed “Department for Nature Protection”.33

Recommendation 35: Rename the “Department for Protected Areas and Ecological Networks” as the “Department for Nature Protection”33

Recommendation 36: Do not delegate consents under the Habitats and Birds Directives. ...34

Recommendation 37: Reorganise the Sector for Planning and Management of the Environment into three main departments plus one group.34

Recommendation 38: Revise and update the national and local waste management strategies.....35

Recommendation 39: Develop a specific inspection protocol for Natura 2000 sites, and ensure inspectors have access to the necessary scientific skills.35

Inspection

Recommendation 40: Equip all inspectors with a laptop, suitable software, training and internet connection – tools as essential to an inspector as a tractor to a farmer.35

Recommendation 41: Periodically analyse the underlying cause of the most frequent problems referred to the inspection service, and seek to improve policies and procedures to reduce their occurrence.....36

Recommendation 42: Relocate to the “Department of agricultural inspection for food safety of plant and mixed origin and control of tobacco processors and tobacco product producers”.36

Recommendation 43: Organise more “official advisory visits” to make producers more aware of legal requirements and how to meet them.36

Supporting units

Recommendation 44: Review options to improve legal input to the harmonisation process, and recruit additional lawyers where this is a bottleneck.37

Recommendation 45: Recruit at least one more full-time person to the Group for Internal Audit.....38

Phytopsanitary

Recommendation 46: Create a State Phytopsanitary Service under the direct management of the Phytopsanitary Administration, funded by and returning fees to the state budget.40

Recommendation 47: Employ and train new phytopsanitary inspectors.40

Recommendation 48: Revise the Law on Plant Protection Products and apply re-registration under equal terms for all products and producers.....41

Veterinary

- Recommendation 49:** Recruit staff to the Veterinary Administration from a wider range of backgrounds, including economics and IT, and not just from the veterinary profession.....42
- Recommendation 50:** Extend the system of authorised veterinarians to perform more routine tasks and reduce the burden on veterinary inspectors.....42
- Recommendation 51:** Abolish the system of livestock movement certificates.43
- Recommendation 52:** Abolish the separate register of livestock holdings and address this issue within the harmonised animal identification and registration system.43
- Recommendation 53:** Introduce a system of meat inspection by trained non-veterinarians, under overall veterinary supervision, to cut slaughterhouse costs and make them more competitive.43

Land

- Recommendation 54:** Set a clear policy that it is not the long-term role of government or municipalities to manage agricultural land, and accelerate the restitution process.44
- Recommendation 55:** Assist the Agency for Land Restitution to develop clear procedures for returning agricultural land, and cease the land administration’s routine involvement in this process.45
- Recommendation 56:** The Land Administration should end the practice of checking every lease contract prepared by municipalities and move to a risk-based sampling approach, checking a proportion of contracts with emphasis on areas where most problems arise.45
- Recommendation 57:** Transfer implementation of land restoration measures to the Payments Administration and allow multi-annual contracts for long-term measures.....46
- Recommendation 58:** Reinststate a post for land policy within the Sector for Agrarian Policy.46
- Recommendation 59:** Restructure the Water Directorate into departments for policy making, implementation and enforcement, plus support divisions.48
- Recommendation 60:** Establish a Division for Information and Communications.....49
- Recommendation 61:** Reorganise the Department for Water Inspection to follow river basins.49

Recommendation 62: Transfer responsibility for drinking water standards, water measurements, flood protection and flood forecasting to the appropriate external bodies.50

Recommendation 63: Establish a unit for planning and management of investment projects in water infrastructure.....50

Recommendation 64: Review and restructure the relationship between the Water Directorate and local municipalities.51

Payments

Recommendation 65: Complete the outstanding tasks to obtain EU accreditation of the Payments Administration.52

Recommendation 66: Begin IPARD with a limited range of measures implemented by accredited sub-units of the Payments Administration, with national measures implemented by other units in the same Administration.53

Recommendation 67: Simplify and unify application forms and procedures for national subsidies.....53

Recommendation 68: Clarify the role of the Payments Administration as the responsible body and Treasury as the delegated body and develop local Treasury offices as a “one-stop-shop” for all grant and subsidy applications.....54

Recommendation 69: Develop an overall strategy to establish the systems required by the EU but concentrate first on IPARD, then on national payments and finally on IACS and LPIS.54

Recommendation 70: Put the “Group for agriculture inspection control of incentives in agriculture and cattle breeding” directly under the Payments Administration, and develop Memoranda of Understanding with all delegated bodies involved in inspection control of grants and subsidies.....55

Laboratories

Recommendation 71: Complete the system of national reference laboratories with adequate staff and funding, and allow official analyses only by laboratories participating in its quality control system.....56

Recommendation 72: Establish a milk testing service at the national reference laboratory to ensure the quality of other laboratory results, offer confirmatory tests to milk producers, and provide a service to small dairy processors.....57

EPA

Recommendation 73: The Environmental Protection Agency should focus on its scientific role, including greater scientific input to policy making and design of implementation procedures.58

Recommendation 74: Switch to 5-yearly publication of the “State of the Environment” report, and review the frequency of other agency reports.59

Recommendation 75: Improve the effectiveness and efficiency of environmental information systems.59

Forestry

Recommendation 76: Establish a unit to manage protected areas and species within forests, and train Forestry Inspectors to enforce it.....60

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