

2016 Annual Performance Report of the PPMC System

Note: Report is designed to function as a stand-alone document, presenting all elements necessary to understand a logic and developments in the process of the PPMC modeling and testing within the C&J Project (standard reporting format with case study elements). It considers reporting period July 1th – December 31th 2016, and represents continuation of 2016 Semi-Annual Progress Report on the Performance of the PPMC System.

1. Background

The International Bank for Reconstruction and Development (the Bank) and the Republic of Serbia (RS) have agreed a EUR 89.5 million loan (100 million USD) to finance the Competitiveness and Jobs Project (Project). The **Project Development Objective (PDO)**, as the overall objective of the Project, is **to improve the effectiveness and coordination of selected public programs to alleviate constraints to competitiveness and jobs** creation including investment and export promotion, innovation, active labor market programs, labor intermediation, and activation of social assistance beneficiaries and their transition into formal jobs. The project focuses on a targeted set of achievable reforms of existing policies - as well as the effectiveness of their implementation - which have been identified as key drivers of the competitiveness and jobs agenda by the Bank, as well as other relevant analytical work.

The Project incorporates three ministries — the Ministry of Economy (plus its development agencies), Ministry of Education, Science and Technological Development, Ministry of Labor, Employment, Veteran and Social Affairs and the Public Policy Secretariat (PPS) in implementation and piloting of the policy planning, monitoring and coordination (PPMC) System. Through the PPMC System, the three Ministries' and participating agencies, with leadership and support from the PPS, set performance targets on competitiveness and jobs, monitor and evaluate progress, conduct analysis, and contribute to policy development in the Republic of Serbia. The Project is aimed to lead to better designed and better coordinated policies, since it is anticipated that, through piloting the PPMC System, they will become part of a clear, strategic framework with a robust monitoring and evaluation system. The central institution responsible for coordination of the project is the PPS, with the assistance of Project Implementation Unit (PIU) established in PPS, as a technical coordination unit of the project. The PPS leads the implementation of the PPMC System, and coordinates gathering and processing of results of the monitoring, reporting, fiduciary functions and safeguard procedures, in close cooperation with the institutions participating in the project.

PPMC System development, according to the Project, should be based on:

- Modeling (bottom-up approach) – model of the System will be developed for C&J sector, and later on eventually scaled-up on overall system;

- The focus is on strengthening interconnections and functionality of the existing system elements (policy, legal, institution framework, functions, instruments, capacities), rather than creating new ones.

Based on these presumptions/principles was set the Project's operational structure, as well as the initial model of the PPMC System. Main conclusions derived from previous reporting period, based on the process of setting Project's PPMC System and first semi-annual reporting exercise, and presented in 2016 Semi-Annual Progress Report on the Performance of the PPMC System, were:

- Having in mind highly dynamic system environment (on-going reforms and structural adjustments including Public Administration Reform, legal and institutional changes, budget planning and implementation and fiscal consolidation requirements, et c.), developing PPMC System model should be highly adaptable, which implies necessity of regular revisions and adjustments and an iterative development process;
- It is necessary to develop more coherent and functional relations between participating institutions, as well as with institutions outside of the Project that are functionally connected with project targets (such as MoF, MoPALS, Statistical Office of RoS, ...), since a present level of interconnections is based solely on the functioning of IMWB and vertical interconnections;
- It is necessary to strengthen feed-back functions and interconnections within PPMC System, in order to ensure M&E results feeding to evidence based policy making process;
- It is necessary to provide regular monitoring and analysis of the overall system gaps and needs (policy, legal, institutional, functional, capacities and instruments) in order to enable timely interventions and ensure sustainability of built PPMC System model;
- Capacities within participating institutions are unevenly developed, which implies that further capacity building actions within a process of PPMC System modeling should be planned partially as joint, for all participants, and partially tailor-made according to on-going gap analysis and needs assessment for each participant, as well as for system in whole;
- Quality of the present M&E framework elements, especially KPIs is not satisfactory, due to initial lack of capacities and instruments necessary for their proper defining, and their further reassessing and revision is necessary.

Based on these conclusions and having in mind duration of the Project, as well as targeted result (sectoral PPMC System model, scalable to overall system), assumed iterative modeling process was in further limited on 3 annual cycles, including finished 2016 cycle, based on initial Project's PPMC model. Annual cycle was designed to fit also into present Governmental planning and programming cycle, which is necessary for real-time testing and evaluation. Each cycle (except 2016 one, due to time constrains), includes model definition, implementation and testing of the PPMC model (through planning, programming and M&E process). First two cycles (2016 and 2017) were planned to be exercised on the Project platform, while in the third one PPMC System will be developed and tested on C&J sector basis, in order to produce verifiable sectoral PPMC system model, scalable on the overall system, and in same time to neutralize negative effects of duality (PPMC System model as a project management tool, and as a project outcome) and enable optimal implementation structure for the C&J Project, which not going to be exposed to frequent changes.

However, during the present reporting period (second half of 2016) significant changes and developments occurred in the Project's environment/context, among which most important are:

- Appointment of the new Government (11.08.2016.), and consequent shift in governmental priorities (strong focus on fiscal consolidation, economic reforms, enhancing productivity and competitiveness, and alignment of other reforms with these priorities), changes of Governmental Officials (in that number some of members of the Project's Inter Ministerial Working Body IMWB), which influenced the

Project implementation (postponing/slowing down of some activities, reassessing of the operational settings and priorities, as it is presented in this report);

- Launching of new actions/interventions tackling the Project (development, adoption and implementation of the Action Plan for the Implementation of the Government Program (Akcion Plan za sprovođenje Programa Vlade) APSPV, Innovation Based Entrepreneurship initiative, ...);
- Preparation of new regulations (Law on Planning System, Regulation on Public Policy Management, Policy and Regulatory Impact Assessment, and Content of Individual Public Policy Documents, and Regulation on Mid-Term Planning).

Analysis of influence of the contextual developments listed above on the Project's effectiveness and efficiency, as well as on the effectiveness and efficiency of the developing PPMC System, as it is elaborated in the following chapters, came to following conclusions:

- RBM based Project operational structure and applied PPMC System model enabled responsiveness and adjustability of the Project to the occurred environmental/contextual changes and maintaining of satisfactory level of Project effectiveness;
- There is a room for further improvements and therefore is recommendable to revisit and eventually adjust initial principles/approaches of the PPMC System development, in order to maintain or even increase Project's and PPMC System efficiency and effectiveness.

2. Setup Developments

As it is stated in the previous chapter, the key contextual changes that influenced on the PPMC System setup developments have been:

- **Development, adoption and implementation of the APSPV**

Government's Rules of Procedures stipulates that PPS prepares the APSPV that defines governmental priorities, expected results and time for their achievement. After the appointment of the new Cabinet, PPS supported by WB initiated and coordinated new RBM based process of preparation of the new APSPV. In the process participated all ministries, different governmental organizations, as well as the Central Bank of Serbia. New APSPV is adopted by the Government of Serbia (GoS) on the session held 17.11.2016, and at the present is under the implementation, coordinated by PPS and supported by WB.

Through the RBM based process of its preparation, implementation, monitoring and evaluation, the APSPV is introduced as a main instrument for the public policy coordination at the governmental level, aimed to ensure achievement of development priorities at the national level. Although coordination of the APSPV process is not directly embedded in the Project, its closely connected with it, not just because the leading role of the PPS, but primarily because it represents introduction and development of the PPMC System on the governmental level through the top-to-down approach, providing basis for coherent policy framework, strengthening of the institutional framework and coordination functions, as well as an instrument for M&E of governmental priorities.

By the initiating of the Government's APSPV process, coordinated by PPS and supported by WB, the PPMC System was introduced as the overall mechanism for policy coordination for the Government in whole,

including Competitiveness sector and institutions involved in the Project. In order to enable efficient and effective policy coordination, implementation and M&E. for each of the priority groups is established an adequate decision making/management structure in a form of the Ministerial coordination group, that includes all Ministers in charged for the sectors tackled by group's priorities. It is also established appropriate operational structure on the level of the Senior Governmental Officials in the form of Implementation groups, in charged for regular monitoring, results analysis and problem solving. Government periodically, on the thematic Cabinet sessions, reviews progress of APSPV implementation.

Initially, APSPV development and implementation was supported by the Project capacities – PPS in-house capacities that the Project helped develop under the PPMC component (including through a related CIIP grant) and outsourced capacities related to the Project's PPMC component. Furthermore, APSPV is already aligned with the project actions, since the Project objectives are built into the APSPV priorities. Project's policy framework, as well as its PPMC System, are merged into the overall ones, mainly as a part of the second and third group of the APSPV priorities, and by that Project's priorities are promoted to the national ones. Further alignment and adjustment of the Project structure and bottom-up approach, could enable full utilization of this instrument for the Project purposes, and add to the efficiency of both processes.

Similarity between two PPMC System structures, Project's and APSPV's, is obvious, with only difference between approaches to their development – while development of the C&J PPMC System, was based on the modeling and bottom-up principles, APSPV's PPMC structure is developing with top-to down approach. Initially, this similarity and partial overlapping of the Project and APSPV PPMC structures caused overlapping of the activities, and influenced on the IMWB functionality (delays in the implementation of the Thematic Sessions Plan), but developments during the reporting period are recently showing trend of "natural" division of the functions between the Project and APSPV PPMC structures (especially between the IMWB and Implementation Groups 2 and 3). Having in mind that both processes are already aligned, coordinated by same institution, and supported by the WB, it is reasonable to put additional effort in their full harmonization, in order to optimize coordination structure and increase overall efficiency.

- **Public Policy regulation package**

Even if the present legal framework providing necessary elements for establishing public policy coordination on the Government level, the new regulation is foreseen in order to establish efficient, transparent, coordinated and realistic planning system on the national and local levels, which covers all key aspects of socio-economic development policy, regional and spatial development, and ensures budget optimization and sustainable growth and development on all levels, as well as effectiveness of the EU accession process. In order to cover all necessary aspects, the regulation package includes the Law on Planning System, the Regulation on Public Policy Management, Policy and Regulatory Impact Assessment, and Content of Individual Public Policy Documents, and the Regulation on Mid-Term Planning, that are actually creating full legal framework for introducing overall country level RBM based PPMC System. Development of the package was launched in 2015, and after delay due to 2016 elections, continued in the second half of 2016. Final drafts of the regulations are prepared at the end of the year 2016 and submitted to the public consultations, that are held during January 2017. Adoption of the package is planned for the Q1 of 2017.

Together with on-going APSPV process and the Informational System development, the regulation package to be adopted represents one of the main pillars of the developing PPMC System, that will enable efficient and effective policy coordination. At the beginning of the PPMC System building within the Project it was

noted that the current legal framework provides basic legal grounds for all necessary elements of the PPMC System, but does not provide any legal, law or bylaw, solutions which would properly regulate and methodologically systematize overall PPMC System. These recorded issues have some negative consequences on the effectiveness in planning, monitoring, coordination and in implementation of desired policies, causing majority of constrains concerning other PPMC System elements (policy and institutional framework, functions, instruments and capacities). Therefore, even it was not initially foreseen as the activity within the Project, during the reporting period considerable effort is invested into finalization of the mentioned regulation package (Law on Planning System, Regulation on Public Policy Management, Policy and Regulatory Impact Assessment, and Content of Individual Public Policy Documents, and Regulation on Mid-Term Planning), aimed to eliminate mentioned weaknesses of the current legal framework. Both project capacities (PPS in-house capacities strengthened through the Project and expertise outsourced under PPMC component), and lessons learned and solutions tested through the PPMC System building up to date (elaborated in the Chapter 2.2) have been utilized in a process of drafting and public discussions of the regulation package.

- **Innovation Based Entrepreneurship**

Building on the concept of the C&J Project, as well as on objectives of other development interventions in a field of competitiveness, and recognizing the crucial role of Innovation-Based Entrepreneurship as one of key drivers of growth, Government of Serbia and the World Bank Group have agreed to establish a support team, in order to accelerate key initiatives, reforms, and investments to support Serbia's innovators. Unleashing the creative power of Serbia's entrepreneurs and small and medium-sized enterprises (SMEs) is vital for increasing innovation capacity, creating jobs, generating wealth, and transforming the economy for growth in a globalizing world. Research is the basis for knowledge and new technologies, and the transfer of this knowledge to the market is a vital backbone for developing innovation capacities, entrepreneurship, and by that to enhance productivity and competitiveness of the Serbian economy. Serbia has the opportunity to put Innovation-Based Entrepreneurship to work as a driver of growth and high-value jobs. The envisioned joint team will support under the guidance of the PPS capacity building and promotion of activities, which is expected to lead to better designed and better coordinated policies. The objectives of this joint team are to:

- Gather and analyze information on trends and opportunities for Serbia in the sphere of innovation-based entrepreneurship, with an emphasis on the ICT sector and digitization of established industries;
- Develop a plan of actions for a series of rapid policy reforms and investments that can spur Innovation-based Entrepreneurship;
- Support implementation of identified reforms;
- Develop a results-based evaluation framework to track the impact of and adjust the policy reform process as necessary.

Through establishing efficient system for managing innovation in Serbia the Innovation-Based Entrepreneurship intervention should provide support that leads to better coordination of relevant institutions, directing the development policies toward a common goal, in order to increase competitiveness and improve monitoring system in the competitiveness sector. Since this highly cross-sectoral intervention is not just fully aligned, but also generated within the Project aiming to strengthen Competitiveness and Jobs sector trough improvement of the policy coordination, establishment and initial functioning of the Support Team are included into the Project and aligned with further Project actions. By that is ensured not just full exploration of the Innovation-Based Entrepreneurship for competitiveness and jobs boosting, but also provided wider platform for real-time testing of the establishing PPMC System on

another multi-sectoral issue. The envisioned support actions under the guidance of the PPS will include capacity building and promotion of activities, which are expected to lead to better designed and better coordinated policies in this field. This will be achieved through implementation of result based management, with focus on performance and results, their measurement, evaluation, and accountability as tools for achieving more efficient and effective resource utilization. This principle is already used in this Project for building of PPMC System model and spread through the Governments management of the implementation of APSPV, coordinated and monitored by PPS. Its further application on the Innovation-Based Entrepreneurship initiative under current Project's actions will ensure both its full alignment with overall framework, and further development of the PPMC System under the Competitiveness and Jobs Project.

2.1 Policy framework

Sectoral policy framework of the Project is presented at the Figure 1, with 3 main policy papers defining sectoral priorities:

- Program of economic reforms for the period from 2016 to 2018 (currently 2017-2019) (ERP)
- The reform of employment policy and social policy (Employment and Social Reform Program - ESRP)
- Strategy for Public Administration Reform (with Action Plan adopted for the period 2015-2017)

Overview and assessment of the policy framework are presented in the 2016 Semi-Annual Progress Report on the Performance of the PPMC System. Main findings considering the general policy framework, and to certain degree to the policy framework of the competitiveness sector, have been:

- Lack of the clearly defined hierarchy among the strategic documents and policies and clearly defined priorities in their implementation - only nominal connections between strategic documents and policies are determined, by simple referring on other documents and policies for which principled compliance was determined. This often leads to contradictory policies, policies' objectives, measures and programs which results in lower efficiency and effectiveness of the selected policies caused by the lack of the policy framework **coherency**.
- Due to the lack of **uniformity** in drafting policy documents sometimes it is hard to clearly define desired policy, policy objectives, measures and activities that are foreseen in order to achieve desired goals.
- Current **number** of the policy documents is too big for the effective policy implementation due to organizational constrains that arise from too many policy documents institutions responsible for their implementation

As it is already explained, during the reporting period was successfully launched new APSPV cycle, build on RBM principles and based on PPMC System model, that in this case covering overall policy framework, not just competitiveness sector. Its development and implementation is coordinated by the PPS, supported by WBG, and it is based on overall top-to-down approach and evidence based policy making and implementation.

Following this line of improvement of the RBM based PPMC System policy framework, based on principles of the evidence based policy making and implementation, competitiveness framework will be improved through support to the Innovation Based Entrepreneurship intervention within the Project, launched during the Q4 2016. This intervention will improve coherency and uniformity of the policy framework in this field, providing evidence for improvement of specific policy reforms, developing Action Plan indicating the framework/milestones, timeline and description of the activities, indicators and other relevant information needed, developing recommendations for key stakeholders with regards to the improvement of innovations and technological development programs.

2.2 Legal Framework

Project legal framework includes the Loan Agreement, bilaterally signed on October 7, 2015, and the Law on Ratification of the Loan Agreement (Competitiveness and Jobs Project) which has been adopted by the Parliament of the RS on December 29, 2015 and published in "Official Gazette" of Republic of Serbia – International Agreements, No. 024/2015. The Law on Ratification of the LA entered into force on January 7, 2016. Broader legal framework in which Project PPMC system is being implemented currently encompasses, but is not limited to following legislative framework: The Law on Government, The Law on Ministries, The Law on Public Administration, The Budget System Law, The Law on employment and unemployment insurance, The Law on Innovation Activity, etc.

According to the conclusions of the 2016 Semi-Annual Progress Report on the Performance of the PPMC System, present legal framework of the PPMC System:

- Provides basic legal grounds for all necessary elements of the PPMC System
- Does not provide any legal, law or bylaw, solutions which would properly regulate and methodologically systematize overall PPMC System

These recorded issues have some negative consequences on the effectiveness in planning, monitoring, coordination and in implementation of desired policies, causing majority of constraints concerning other PPMC System elements (policy and institutional framework, functions, instruments and capacities).

Therefore, even it was not initially foreseen as the activity within the Project, during the reporting period considerable effort is invested into finalization of the mentioned regulation package (Law on Planning System, Regulation on Public Policy Management, Policy and Regulatory Impact Assessment, and Content of Individual Public Policy Documents, and Regulation on Mid-Term Planning), aimed to eliminate mentioned weaknesses of the current legal framework. The package (at the present in the stage of submitting to Government for the draft approval, after successfully concluded period of the public consultations), stipulates:

- Establishment of the RBM based PPMC System, built on the principles of the evidence based policy making and implementation, through provisions of the Law and methodological regulations, concerning all steps of the policy making, implementation, monitoring and evaluation process at all levels;
- Participatory approach in policy making, through provisions of Law and methodological regulation concerning obligatory public consultations and hearings during the policy making process;
- Transparency of the PPMC process, through provision concerning reporting and accessibility of the policy and implementation documents;

- Accountability of the process participants, by the provisions concerning clear division of the responsibility between all participants of the policy making, implementation, monitoring and evaluation process;
- Methodological framework for policy making, implementation, monitoring and evaluation, through basic Law provisions, and both methodological regulations;
- Uniformity and Coherence of the Policy framework, through regulations provisions concerning both policy paper content, as well as PIA methodology and procedures;
- Quality control mechanism, through procedural provisions of the Law and regulations concerning coordinative and quality control role of the PPS;
- Clear lines of coordination, horizontal and vertical, and between central and local level, through procedural provisions in the Law and both regulations;
- Responsibilities of policy making and implementation process participants;
- Coherence between policy making and budget programming and implementation processes, through the Law and regulation provisions that are connecting both processes into the one System.

2.3 Institutional Framework

Institutional Framework for Project Implementation includes following institutions/organizations:

- Public Policy Secretariat (PPS),
- Ministry of Economy (MoE),
- Ministry of Education, Science and Technological Development, in coordination with Innovation Fund
- Ministry of Labor, Employment, Veteran and Social Affairs (MoLEVSA) with National Employment Service (NES).

In addition to the institutions participating in the project, new bodies, i.e. units, are formed as a part of the PPMC institutional framework, and they will be responsible for the coordination, reforms implementation, reporting and monitoring (component A.1) of the reforms supported by the Project. Those bodies are:

- Inter-ministerial Working Body for Policy Planning, Monitoring and Coordination under Competitiveness and Jobs Policy Area;
- Project Implementation Unit (PIU);
- Internal units at the level of institutions (hereinafter: Internal units).

Initially, the primary purpose of the IMWB, beside decision making, was to direct activities of the participating institutions in order to successfully implement the Project and achieve expected results, by considering specific questions related to the reforms supported by the Project and giving suggestions, opinions and expert explanations, as well as successful implementation and functioning of the PPMC related to the competitiveness and jobs creation, which are supported by the Project. Generally, IMWB was established to direct and unify results of the participating institutions (Project beneficiaries), to monitor Project implementation, suggest solutions to the problems identified by the participating institutions, to support monitoring and evaluation, cost benefit analysis, gap analysis, and to serve as the forum for the knowledge exchange, evaluations and adjustments of the planning system, policy monitoring and coordination.

Figure 2. Institutional Framework

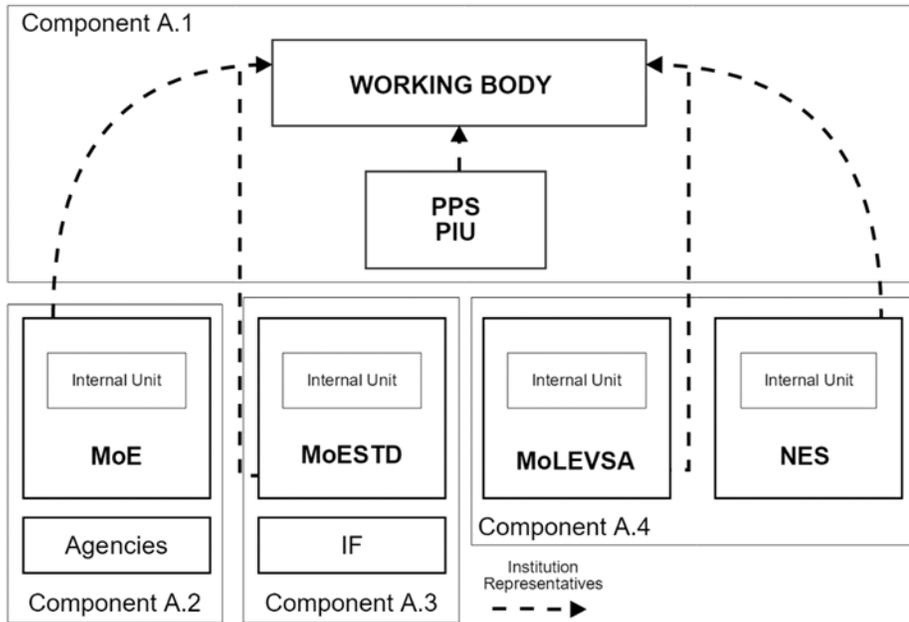
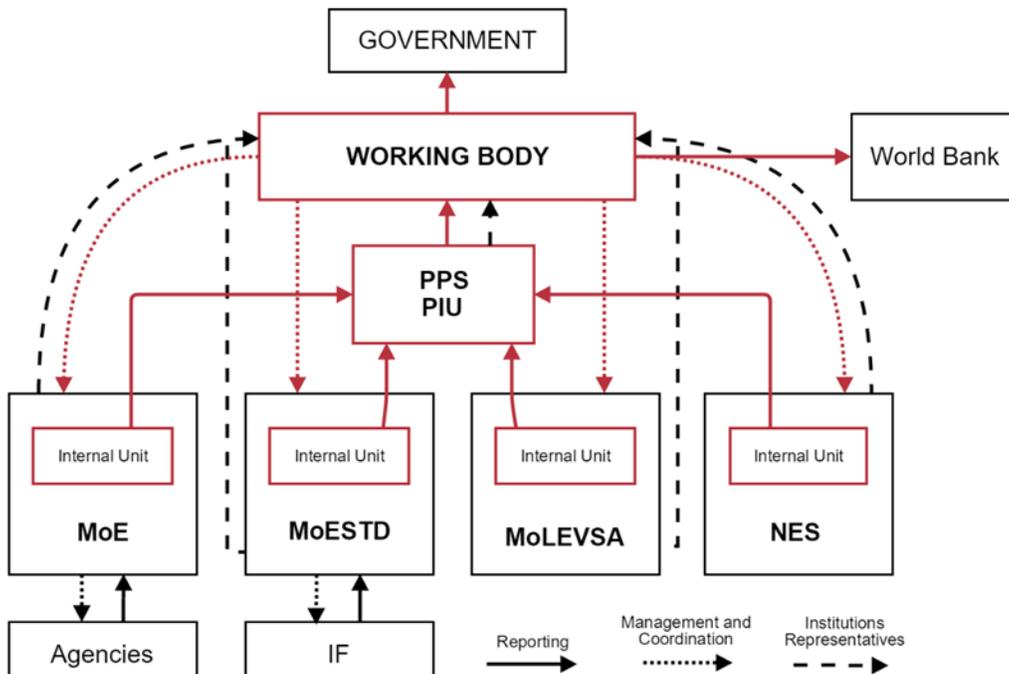


Figure 3. Institutional framework - Component A.1



During the reporting period, as it is already mentioned, similar PPMC institutional structure was developed for the APSPV process purposes, but on the top-to-down principles. In order to launch RBM based APSPV process, 12.09.2016. was held thematic Cabinet session, with participation of the WB representatives. Session was followed by Ministerial Groups sessions, held 26.-27.09. On each Group session are defined Group's priority objectives, together with targeted for 3 year period, and intermediate results (for 100 days, 1 year and 2 years). Work of Ministerial group in the first stage of the APSPV process strengthened intersectoral coordination on the ministerial level and improved top-to-down planning process.

APSPV process also included establishing of the implementational structure. Each ministry represented in the Group (one or more), which is involved in the implementation of the particular Group priority, is obliged to appoint responsible representative (on the Assistant Minister level), that will be in-charged for the monitoring and reporting of priority implementation on behalf of the Ministry. In the cases of horizontal priorities, results of which could be achieved only through strong coordination between all ministries involve in the process, this structure additionally strengthens inter-ministerial coordination and adds to the overall system functionality.

For overall coordination of APSPV process is in charged the PPS. Similarity between two PPMC System structures, Project's and APSPV's, is obvious, with only difference between approaches to their development – while development of the C&J PPMC System, was based on the modeling and bottom-up principles, APSPV's PPMC structure is developing with top-to down approach. Having in mind that both processes are already aligned, coordinated by same institution, and supported by the WB, it is reasonable to put additional effort in their full harmonization, in order to optimize coordination structure and increase overall efficiency.

2.4 Functions/Procedures

First PPMC System model, aimed to provide implementation framework for the C&J Project, was built on the existing procedural/functional framework of the GoS (Rules of Procedures), on which was added Project Operation Manual POM and other necessary rules of procedures, such as those of IMWB. Further building of the PPMC System procedural model will be enabled by adoption of the mentioned regulation package, which stipulates methodologies, procedures and functions within the GoS policy planning, programming and implementation system.

Governments rules of procedure contain additional provisions regarding Temporary working bodies, such as deadlines in which it submits reports on its' work to the relevant Governments' board and the Government and provisions relevant to technical support to the work of the body. Project Operation Manual POM describes the institutional framework under the Heading 4.1. Expected results and performance indicators are described under components and subcomponents of the Project under the Heading 6, procedures for monitoring and reporting of the results under the Heading 5 and individually by components of the Project under the Headings 6, and lines of communication and cash flows under the headings of 4.1.1 and 8.10. The Rules of Procedure of the IMWB describe in detail organization, working methods and decision making of the Working Body. The Rules of Procedure are adopted during the first, constitutive session of the IMWB, and can be modified during the Project. In line with Project requirements, Internal Units are in all participating institutions. They are also authorized by internal acts to participate in

PPMC system. The same acts authorize individuals responsible for managing Internal Units, as well as individual responsibility of each member of the internal units.

Component A.1 is the horizontal component of the Project. It requires commitment by all participating institutions, and it depends on the analysis of data collected from the institutions that implement components of the project Part A. Component A.1 relates to the DLI 1- Piloting the systems for planning, monitoring and coordination of policies in the field of competitiveness and jobs, including:

- Establishing and functioning of PPMC IMWB, chaired by PPS, with participants from PPS, MoE, MoESTD, MoLEVSA, NES, MoF, MoPALSG and Prime Minister Cabinet.
- Establishing Internal Units for planning and monitoring – units at the level of participating institutions (Internal Units) by MoE, MoESTD and NES, which contribute to the IMWB work and overall coordination, implementation and monitoring of implementation of the reforms supported by Project, and
- Piloting PPMC Competitiveness and Jobs System through semiannual Progress Reports and annual Performance Reviews using data collected from participating institutions.

By the end of the reporting period full functionality of the PPMC structure is reached, enabling to assess its efficiency and identify possible improvements and/or adjustments. If the functionality of the Project's PPMC structure is assessed without taking into consideration broader context developments, it could be concluded that it reached satisfying level of efficiency and that the only possible improvements could be introduced on the operational coordination level, through:

- More regular using of IMWB thematic sessions for the analysis of the intervention progress and achievement of the results, with eventual problem solving, and
- Strengthening of the coordination between PPS PIU and ministerial PIUs (especially MoLEVSA PIU), in order to enable better support to the capacity building within participating ministries.

However, if taking into consideration changes in the Project environment, occurred during the reporting period, it is notable that there is additional room for the Project's PPMC System improvement. Beside the fact that focusing on the Innovation Based Entrepreneurship and establishment of the support team will add to the efficiency and effectiveness of the actions within the Components A.2 and A.3, and strengthen coordination under the component A.1, substantial potentials for the functionality improvements are created by launching of the APSPV process. As it is already mentioned, by the initiating of the Government's APSPV process, coordinated by PPS and supported by WB, the PPMC System was, as it is already explained, introduced as the overall mechanism for policy coordination for the Government in whole, including Competitiveness sector and institutions involved in the Project. In order to enable efficient and effective policy coordination, implementation and M&E. for each of the priority groups is established an adequate decision making/management structure in a form of the Ministerial coordination group, that includes all Ministers in charged for the sectors tackled by group/s priorities. It is also established appropriate operational structure on the level of the Senior Governmental Officials in the form of implementational groups, in charged for regular monitoring, results analysis and problem solving. Government periodically, on the thematic Cabinet sessions, reviews progress of APSPV implementation.

It is obvious that in overall PPMC System structure (which is developed based on the top-to down approach), the role and functions of the IMWB within the Project (where the model of the PPMC System is building on the bottom-up principles), were divided on two bodies – Ministerial and Implementational groups – while thematic sessions are left in the Cabinet competencies. Since the Project objectives achievement was covered by the implementation of the priorities within the second and third groups, initially functioning of the IMWB was parallel and un-coordinated, in spite the fact that significant number

of the IMWB members are also involved into the work of Implementational Groups. Initially, it caused overlapping of the activities, and influenced on the IMWB functionality (delays in the implementation of the Thematic Sessions Plan), but developments during the reporting period are recently showing trend of “natural” division of the functions between the Project and APSPV PPMC structures (especially between the IMWB and Implementation Groups 2 and 3). It leads to the conclusion that additional effort invested into building of further synergy between the Project and APSPV exercise, and stronger synchronizing between their bottom-up and top-to-down approaches, could result with improvement of effectiveness and efficiency of both processes.

2.5 Instruments

Current Policy Planning, Monitoring and Coordination System model consists of following elements defined within the C&J Project framework:

- Institutions that participate in the Project implementation (described in the Chapter 2.2);
- Expected results and performance indicators (DLIs and KPIs, which are described in the chapter 3);
- Procedures for defining, monitoring and reporting on the results (methodology and reporting templates, defined in the POM), and
- Project communication lines (presented in the Chapter 2.3).

Additional instrument that was foreseen as a key PPMC System tool, and the only one planned to be built by the Project not solely for the Project PPMC purposes, but for the system in whole, is the Informational System for the policy coordination. Informational System is planned as a sole e-tool for policy making, implementation, monitoring and reporting on the Government level, and as such is already defined by the prepared regulation package elaborated in the Chapter 2.2. Planned RBM based functions/purposes of the Informational System are:

- Data Base of the overall policy framework;
- M&E platform, based on both DLIs and KPIs, that enables continuous monitoring of the process;
- Platform for monitoring of the policy implementation budget indicators, dynamic, achievement of the results, qualitative and quantitative indicators;
- Advanced functions for the monitoring, reporting (with different options for the report generating), and mapping along the PPMC process.

Together with on-going APSPV process and the regulation package to be adopted, the Informational System represents one of the main pillars of the developing PPMC System that will enable efficient and effective policy coordination. At the present, within the Government are existing several independent informational systems in the field of the planning, M&E and budget system. Their connecting and further improvement is identified as a key prerequisite for development of the interconnections between content of the policy, mid-term and financial planning processes of the direct state budget users, including monitoring of the achieved results against defined indicators. Having that in mind, PPS coordinated development of the Informational System concept and preparation of the tender with General Secretariat of the GoS, in order to adjust developing IS solution to the existing hardware and software capacities on the Governmental level.

Beside the Result Chain and M&E Framework (KPI and DLI), which are instruments developed solely for the Project purposes, there are two main instruments that are part of overall system:

- Government Planning Framework (Program of GoS, Action Plan for the Implementation of the Program of GoS, and the Annual Working Plan of GoS)
- Programmatic Budget.

As it is already mentioned, during the reporting period occurred one of the major breakthroughs in the process of the development of the PPMC System, by the launching of the APSPV process. Adopted APSPV, RBM based and methodologically proper defined and implemented, represents coherent overall policy instrument, with all basic elements of the M&E Framework. Initially supported by the Project capacities, APSPV is already aligned with the project actions, since the Project objectives are built into the APSPV priorities. Further alignment and adjustment of the Project structure and bottom-up approach, could enable full utilization of this instrument for the Project purposes, and add to the efficiency of both processes.

2.6 Capacities

Development and implementation of the PPMC System model is foreseen to be largely based on existing capacities of the participating institutions, supported with minimal outsourced expertise. In that course, role of initially provided expertise will gradually reduce along the process, leaving at the end the PPMC System model based solely on the trained and experienced in house capacities, available to use built model in sustainable manner.

Austerity measures included in the fiscal consolidation process, such as planned rationalization at the annual rate of 5%, stipulated with the Stand-by Arrangement with IMF, and measure that prohibits additional employment within the public administration (prolonged by the last Law on Budget System for next three years), adding additional limitation to available institutional capacities, eligible to be engaged on the PPMC System development. It influences not only on the capacity quantity, but also on its quality. From that point of view, development and implementation of the PPMC system model, which requires a set of advanced knowledge and skills, could be hampered if it's not foreseen a comprehensive CB activity along the overall process. It will be based on the training/coaching/mentoring process of the peer learning from the consultants engaged on the PPMC System development, additional outsourced trainers and pre-trained PPS staff, and defined within prepared Provisional Training Plan.

The Plan was planned to be adopted by IMWB in September 2016, and amended regularly in accordance with needs arising along the PPMC System development. Since in the previous reporting period capacities are identified as the weakest element of the developing PPMC System, adoption of the Training plan was postponed and during the current reporting period considerable efforts are invested into the assessment of the existing capacities and development of the recommendations for their improvement. Major findings in this process are:

- System Analysis, conducted according to the Provisional Operational Plan (POP) for development of the model of the PPMC System (Chapter 3.2), have shown that main weakness of the existing administrative capacities at all levels are quality and quantity (familiarity with overall PPMC process, necessary knowledges and skills, uneven distribution and inadequate utilization of the quality (in most of cases overburden of the qualitative capacities), lack of coordination within and between Ministries and other institutions and bodies), lack of awareness of the role and importance of the PPMC process (at all levels), organizational, functional and managerial issues that remaining unsolved due to slowed Public Administration Reform.

- Conclusions of the System Analysis concerning capacity issues are additionally supported by the findings of the analysis of the correlation between achievement of DLS's and the level of execution of the Procurement Plan during the reporting period of the Project itself. Data presented in the Chapter 7. Of the Progress Report for the July 2016 - December 2016 clearly showing that the level of execution of Procurement Plan is almost identical as level of achievement of DLIs calculated as relation between funds that could be disbursed and those planned to be disbursed in 2016. It leads to the conclusion that level of DLS's achievement is dependent of the utilization of the Technical Assistance, which means that capacities of the participating Ministries are still not able to implement the Project activities without outsourced support. What is exact cause of this – lack of quality/quantity, organizational, functional or managerial issues – could be matter of the further analysis, but it clearly points sensitivity of the achievements to capacity weaknesses
- APSPV process already significantly improved awareness of the role and importance of the RBM based PPMC System, especially on the high – Cabinet and ministerial – levels, leading to the strong Governmental commitment to the APSPV process and accelerated capacity consolidation and improvement. Lessons learned so far from on-going APSPV have shown that for the necessary capacity building and consolidation it is crucial to provide only initial outsourced support, while in the further process is much more important to create conditions for strong coordination and active peer learning from existing qualitative capacities, concentrated mainly in the Governmental institutions such as PPS, competent for the coordination of the PPMC process. Following the model of capacity building in the APSPV process, further improvements of the capacity building methodologies within the Project and adjustments of the Training Plan could be introduced.

3. Performance and Results

3.1 M&E Framework

One of the main objectives of the Competitiveness and Jobs Project is to provide support to the Republic of Serbia in improvement of its currently established PPMC practice, and directly addresses the two main challenges in the policy development process in the RS: 1) weak strategic evidence-based planning, and 2) policy coordination. The ultimate goal of the project is to establish functional PPMC system. The project is designed as a pilot project of introducing the PPMC system for the competitiveness and jobs creation sector, namely into the Ministry of Education, Science and Technological Development (MoESTD), Ministry of Labor, Employment and Veteran Affairs (MoLEVSA), Ministry of Economy (MoE) and into the Public Policy Secretariat (PPS).

Key Performance Indicator (KPI) list for all components of the Project have been defined by participating institutions and included in Project Appraisal Document. Apart from those, participating institutions developed and included in monitoring additional KPIs related to Project activities, so progress toward the goals could be monitored more precisely. For all of the four thematic components of the Project, 21 Key Performance Indicator (KPI) has been identified in a way required by PAD and POM and they are presented in this report. However, during implementation, although gathering of data was successful, connections between KPIs and related budget lines, specific activities and related value chains from the Project documents were not completely clear. Space for improvement in terms of KPI results and development, conclusions deriving from the KPI observation and corrective measures has been noted.

In this point of project execution, it would be early to present overall progress towards KPI target values, since the analysis done up to the reporting cut-off date, could not confirm reliability to a level sufficient to be published. The overall progress towards KPI target values per participating institutions is presented in this report just for the illustrative purposes. However, in most cases due to certain methodological issues (discussed per KPI in the Annex 21) the achieved percentage of average overall KPIs progress per participating institutions cannot be used as a measurement of overall progress within the observed Project component.

Several obstacles were noticed in the current setup of Key Performance Indicators (KPI) which prevents implementation of genuine concept of Result Based Management (RBM) and proper setup of KPIs. The most common obstacles are related to the: issues with setting the proper and stimulatory KPIs target values, KPI's relevance, conclusiveness and attributability, and its low informative value. Additionally, a serious methodology constrain was noticed regarding identification of relevant budgetary lines for the selected KPIs. This methodology issue is systemic in its nature and refers to the program budgeting of the Republic of Serbia.

As it is discussed in the Annex 21 of the 2016 Annual Progress Report, it is not possible to present overall execution of KPIs due to following reasons:

- KPIs defined in PAD and additionally by participating institutions are not comparable and simple average percentage of execution would not present correct and valuable information to the reader. More so, it would be misleading, at least from the Project's M&E Framework point of view. Nevertheless, taking into consideration that current set of KPIs is picked from existing M&E frameworks of participating institutions and through the APSPV process additionally aligned with overall policy framework, they should be considered as an integral part of the overall M&E Framework. In that course, their purposes is to track the broader policies that participating ministries are implementing, not just those supported by the Project, and in the further process of the PPMC System development they will be assessed in that context;
- Apart from collecting the values of the defined indicators, participating institutions did not provide detailed analysis with conclusions made based on actual value of the KPI, trend of movement, relation and correlation with activity to be monitored by KPI, whether funding of this activity was sufficient or not, whether number and structure of employees that participated in execution of the activity was adequate or not, which corrective measures, if any, has been defined based on movement of KPI value etc. Within the process of the PPMC System development, PPS developed and provided an adequate tool for reporting purposes (KPI reporting form within the Annex 21), but as it could be seen from forms submitted by participating ministries, at the present they have not been used properly and its full potential is yet to be reached, mainly due to limited analytic capacities within participating institutions. In the forthcoming period, this shortcoming will be addressed and removed through the intensive capacity building activities, including trainings tailored in accordance with the current level of institutional capacities engaged on the Project and APSPV process;
- Budget of Republic of Serbia does not provide information detailed enough to establish reliable and measurable connection between funds used for specific activity and result of the funded activity illustrated by KPI. This is systemic problem, arising from the existing inconsistency between policy management and budget programming processes within the Government. This obstacle will be removed by implementation of the new regulations on planning system, as it is elaborated in the Chapter 2, which was the one of the reasons why the Project strongly supported process of drafting and public discussions in the reporting period;
- It is good that institutions are able to gather data to monitor movement of defined KPI, but definition, monitoring, analysis and use of KPI require further significant improvement.

KPI values at the half and end of the 2016 are presented for each component of the project together with baseline and target values for whole period of the Project.

Within the Project Component A.1, Policy planning, monitoring and coordination, the overall progress in achieving annual KPI's target values by the end of the reporting period is presented in the Table 1. However, due to incomplete data set (agreed qualitative and/or integrated methodology for establishment of KPI1.3), the achievement of KPIs target values cannot be used as a measurement of overall progress within the component A.1

Within the Project Component A.2, Investment and export promotion, the overall progress in achieving annual KPI's target values by the end of the reporting period is presented in the Table 2. Most of the six observed KPIs within the Component A.2 have a high percentage of realization of KPI's annual target values. In one case, the target value for 2018 has been already achieved at the end of June 2016. Having in mind such good results, it is necessary to reevaluate the presently established KPIs and its target values, in order to make them more demanding and simulative for the Ministry of Economy (MoE) and also to fulfill the purpose of introducing the concept of KPIs.

Table 1. Component A.1 - KPI's values by the end of the reporting period

Indicator Name	Key Performance Indicators (KPI)					
	Baseline	2016			2017	2018
		Target	June 30 th	December 31 st	Target	Target
Number of convened sessions of the IMWB	0	6	3	7	8	8
Ratio between number of planned and convened thematic sessions of the PPMC IMWB	0	0,9	0	0,19	0,9	0,9
Satisfaction of the participants with project coordination	0	4	N/A	N/A	4	4
The fulfilment of all planned Disbursement Linked Indicators (DLI)	100%	100%	66,70%	54,95%	100%	100%

Within the Project Component A.3, Innovation, the overall progress in achieving annual KPI's target values by the end of the reporting period is presented in the Table 3. However, there is a need for further analysis to determine whether such a good result in achieving annual KPI's target values is the result of the real improvement in innovation sector, or consequences of the deficiencies which some of the observed KPIs have manifested in the process of their analysis. All of this requires reevaluation of the choice of KPIs and their further improvement to successfully fulfill the purpose of introducing the concept of KPIs.

Table 2. Component A.2 - KPI's values by the end of the reporting period

Indicator Name	Key Performance Indicators (KPI)					
	Baseline	2016			2017	2018
		Target	June 30 th	December 31 st	Target	Target
The number of new jobs (employees)	3.918	4.300	7.321	16.576	4.950	5.450
Total value of new direct investment	139	150	100	235,5	173	190
New investor leads generated by the reformed agency	20	22	12	23	25	30
Percentage of exporters in total number of SMEs	4,3%	5%	0,00%	4,50%	5,5%	6%
Participants in export promotion programs that engage in new export activities	85	90	71	188	95	100
Number of performed analysis measuring the effect of realization of programs to support economy	0	3	0	0	3	3

Table 3. Component A.3 - KPI's values by the end of the reporting period

Indicator Name	Key Performance Indicators (KPI)					
	Baseline	2016			2017	2018
		Target	June 30 th	December 31 st	Target	Target
Number of applied research publications in international journals	5.300	5.000	3.600	5.500	10.000	15.000
Number of applied research publications in national journals	4.600	4.000	3.000	4.500	8.000	12.000
Number of EU grant applications submitted	500	500	306	481	1000	1500
Number of EU grant applications approved	40	35	19	40	70	105
Private financing catalyzed through IF support programs (Amount USD)	(2014) 0.3 m	0.7 m	N/A**	0	1.4 m	2.1 m
Enterprises and startups financed through matching grants (Number)	(2014) 11	15	N/A**	0	30	45
Enterprises and startups financed with female owner (Number - Sub-Type: Breakdown)	(2014) 1	2	0	0	4	6

Indicator Name	Key Performance Indicators (KPI)					
	Baseline	2016			2017	2018
		Target	June 30 th	December 31 st	Target	Target
Innovative products or services developed by MG beneficiary firms (Number)	(2014) 16	7	0	0	17	27
Innovative products or services launched by MG beneficiary firms (Number)	(2014) 3	0	0	0	3	6
Technology transfer: IF TTF service lines deployed (Number)	0	2	1	3	5	5
Technology transfer: transactions initiated (Number)	0	0	2	11	5	10
Citizen engagement: Innovation matching grant beneficiary annual survey (Number of surveys)	0	1	0	0	2	3

Within the Project Component A.4, Labor, the overall progress in achieving annual KPI's target values by the end of the reporting period is presented in the Table 4. Achieved result is a consequence of the certain characteristics of the selected KPIs which prevents us to make reliable measure of achieved overall KPI's progress. There is a need for further analysis of result in achieving annual KPI's target values, before conclusion on improvement of the capacities and services of the National Employment Service (NES) is made. All of this requires reevaluation of the choice of KPIs and their further improvement to successfully fulfill the purpose of introducing the concept of KPIs. Additionally, 5 KPIs defined by MoLEVSA that were not included in this report, due to the fact that they are defined to follow activities that will start during 2017 and 2018, will be analyzed as well, so they could be used in course of the Project properly.

Table 4. Component A.4 - KPI's values by the end of the reporting period

Indicator Name	Key Performance Indicators (KPI)					
	Baseline	2016			2017	2018
		Target	June 30 th	December 31 st	Target	Target
Number of cases in backlog	10,085	9,076	2,914	9,880	8,169	7,368
Share of vacancies filled 6 months after collection (Percentage)	57,33	59,83	38,37	70,42	62,33	65,00
Share of unemployed employed within 6 months after participating in ALMPs (percentage)	27,75	30,17	20,43	30,68	32,59	35
Share of unemployed whose risk has been profiled (percentage)	0	0	0	0	50	N/A
Share of registered unemployed participating in ALMPs in total number of registered unemployed (percentage)	20,80	22,20	11,47	20,40	23,60	25,00

Indicator Name	Key Performance Indicators (KPI)					
	Baseline	2016			2017	2018
		Target	June 30 th	December 31 st	Target	Target
Average unemployment duration (number of months)	48,88	46,44	50,19	50,51	44,11	41,90
Rate of informal employment (percentage)	20,40	20,20	20,30	24,10	20,00	19,80
Share of Financial Social Assistance (FSA) beneficiaries employed within 6 months after participating in ALMPs (percentage)	16,00	16,80	15,09	16,57	17,64	18,50
Net placement rate of NES start-up support program for self-employment 6 months from completion (Percentage)	37 (2013)	37	N/A	9,97	39	42
Net placement rate of NES hiring subsidy program for new employment 6 months from completion (Percentage)	41 (2013)	41	N/A	82,09	43	46
Citizen engagement: Number of employers reached by client satisfaction and needs survey	0	1.000	N/A	854	2.000	3.000

If the methodological issues of KPI's would not be taken into consideration, the presented overview of their achievement at the end of the reporting period could be misleading in drawing conclusion of the Project' relevance. Lack of clear correlation between achievement of KPIs and DLIs and notable discrepancy in the success rate could imply that the Project is not relevant for the progress within the Competitiveness and Jobs sector. Nevertheless, taking into consideration elaborated methodological weaknesses of the KPIs, recorded trend rather adds to necessity of the KPIs revision, even if the overachievement of the KPIs could be to some degree attributed to the side-effects of the APSPV exercise (due to parallelization and partial overlapping of two processes), which streamlined reformed efforts and strongly supported achievement of the results within selected priorities.

During the preparation of the present Report a serious methodology issue was noticed that could have a significant impact on the process of defining relevant budgetary lines for the selected KPIs. This methodology issue is systemic in its nature and refers to the program budgeting of the Republic of Serbia. The Republic of Serbia has introduced program budgeting as a concept (rolled out in 2015), but it didn't embrace it completely. In other words, Serbia is formally using program budgeting, but essentially the whole process of introducing genuine program budgeting is still work in progress. Among others, the program budgeting should classify budgetary expenses according to the narrowly defined responsibilities and program activities of the budget users, which was not the case in the Law on Budget of the Republic of Serbia for the year 2016. As a result of this gap between current model of program budgeting in the Republic of Serbia and the sheer model of program budgeting, there is a methodology constrains that affects process of identifying relevant budgetary lines for selected KPIs.

The main issue, in the context of defining relevant budgetary lines for the selected KPIs, is the formulation of the scope of programs and its associated budgetary expenses in the Law on Budget of the Republic of Serbia for the year 2016. These programs and their associated budgetary expenses are defined too broadly

compared to the activities and associated expenses necessary for achieving the previously defined targets within the observed KPIs. This inconsistency prevents accurate identification of relevant budgetary lines that would reflect real KPI's related expenses. Therefore, significant the absence of the Ministry of Finance as a direct participant of the project, except as a member of IMWB, represents a limitation of the project. The Ministry of Finance as an institution in-charged for the PFM is of the crucial importance for the successful implementation of the project, such as program budgeting. Lack of the mandatory participation of the Ministry of Finance on the project could create obstacles to the PPMC System model development and testing.

In order to overcome this obstacle are planned and partially already undertaken twofold direction actions. One is strengthening of regular cooperation and coordination with Ministry of Finance, not just over KPI's related issues, but over general planning and programming development. The other direction, more systemic, is connected with development of the legal framework for overall PPMC System (elaborated in the Chapter 2.2), which was designed and built in order to fill the gap between policy and budget management processes. In this course, development of the legal framework, led by PPS, included continuous cooperation with Ministry of Finance, and their full involvement in the process of drafting and public discussion of the Law and regulations. Together with alignment of KPS with general policy framework (APSPV), this will ensure basis for alignment with mid-term planning and budget programming, which will solve present obstacles in identification of the KPIs related expenditures.

As a consequence of these methodology issues, for a time being it is not possible to establish reliable conclusions regarding the absolute efficiency of the implemented programs. The only methodologically correct conclusion that can be drawn, regarding the question of the efficiency, is the one that refers to some aspects of the relative efficiency of the implemented programs.

All of the above-mentioned issues regarding the current setup of KPIs requires its reevaluation and further improvements in order to fulfill the purpose of introducing the concept of RBM and KPIs. However, having in mind occurred and forthcoming developments in the project environment/setup (changes within the policy, legal and institutional frameworks, as well as introduction of new functions and instruments), revision of the current M&E Framework, including KPIs, will be possible only in the second half of the forthcoming reporting period.

3.2 POP

The Provisional Operational Plan for Development of the PPMC System (POP) was adopted as a part of the previous 2016 Semi-Annual Progress Report on the Performance of the PPMC System, in order to focus and streamline further process of the PPMC System model development, ensure its efficiency and effectiveness, and create best possible conditions for development of a sustainable scalable model within the C&J Project timeline.

POP was designed taking into consideration conclusions and recommendation of the 2016 Semi-Annual Progress Report on the Performance of the PPMC System. In accordance to that, for the remained part of the first cycle was foreseen detailed System Analysis, aimed to provide an assessment of all key elements (policy, legal, institutional framework, functions, instruments and capacities) of participating institutions and system in generally, and to set baselines for key PPMC System parameters that will be modeled and tested during next to cycles.

Up to the end of Q3 of 2016 the POP was implemented in accordance to the planned dynamic. Planned desk research and key informants' interviews are conducted as a part of System Analysis, and preparations for the interviews within participating institutions (ME, MESTD, MoLEVSA, NES, SDA) and other stakeholder institutions (MF, MPALSG, SORS, etc) are carried out. However, taking into consideration previously elaborated contextual/setting developments and possible adjustments of the further Project actions, at that stage was decided to temporarily put on hold further implementation of the POP. From the POP point of view, key changes are:

- launching of top-to-down APSPV process, parallel with bottom-up C&J PPMC modeling process; due to their overlapping, in the forthcoming period these two processes should be re-examined (rather only C&J PPMC modeling process, than both) and at least aligned, if it's not fully synergized/merged, in order to optimize both processes and avoid overburden of the existing capacities;
- systemic changes of policy, legal and institutional frameworks, as well as introduction of new functions and instruments, that are creating different Project's environment and opportunities.

Having in mind conclusions and recommendations derived from the current reporting period (Chapter 4), adjustments of the POP are planned to be undertaken upon the present report adoption. In accordance to that, adoption of the revised POP and continuation of its implementation could be planned for the end of the Q1 of 2017. Although for the final decision it is necessary to reassess both processes, for a time being two alternatives to the POP revision are identified:

- Continuation of the modeling and bottom-up approach, with minor adjustments in accordance to occurred changes; expected result – model of PPMC System, possibly scalable on the system in whole, but not necessary aligned with the PPMC System developed through the APSPV process;
- Merging C&J PPMC bottom-up process with APSPV process and top-to-down approach (systemic solution); expected result – full PPMC System, already covering system in whole, but developed to full extend only in the C&J Sector (more efficient and effective approach).

4. Conclusions and Further Steps

Analysis of influence of the contextual developments listed above on the Project's effectiveness and efficiency, as well as on the effectiveness and efficiency of the developing PPMC System, as it is elaborated in the previous chapters, come to following conclusion:

- RBM based Project operational structure and applied PPMC System model enabled responsiveness and adjustability of the Project to the occurred environmental/contextual changes and maintaining of satisfactory level of Project effectiveness;
- There is a room for further improvements and therefore is recommendable to revisit and eventually adjust that initial principles/approaches of the PPMC System development, in order to maintain or even increase Project's and PPMC System efficiency and effectiveness.

Compering with the results and conclusions from the previous reporting period, elements of the developing PPMC System model, as well as the model in whole, are changed/improved as follows:

- Adaptability and responsiveness of the model to highly dynamic system environment is demonstrated and improved through the already introduced adjustments to the contextual/setup changes occurred during the reporting period (alignment with forthcoming changes of legal framework and APSPV process, refocusing on the Innovation Based Entrepreneurship, intensive preparation of the Informational System;

- Participation in the APSPV was successfully utilized for improvement of horizontal coordination and general coordination within the Project, with the room for further improvements;
- Feed-back functions and interconnections within PPMC System are strengthened, in order to ensure M&E results feeding to evidence based policy making process, and in advance aligned with the mechanism defined within the new regulation package (Law on Planning System, Regulation on Public Policy Management, Policy and Regulatory Impact Assessment, and Content of Individual Public Policy Documents, and Regulation on Mid-Term Planning);
- Regular monitoring and analysis of the overall system gaps and needs (policy, legal, institutional, functional, capacities and instruments) in order to enable timely interventions and ensure sustainability of built PPMC System model still could be improved, especially by utilization of the mechanism built through the APSPV process, but for that purposes it is necessary to improve alignment between two processes;
- Although the APSPV process and the Project's PPMC process alignment with it significantly improved participants' awareness on importance and role of the policy coordination for overall Governance, capacities within participating institutions are still unevenly developed, which implies that further capacity building actions should be planned partially as joint, for all participants, and partially tailor-made in accordance with findings from on-going processes;
- Quality of the present M&E framework elements, especially KPIs remained as less satisfactory, due to initial lack of capacities and instruments necessary for their proper defining, but with significant room for improvement through their incorporation into the overall M&E Framework, developing within the on-going APSPV, as well as through introduction of the new regulations and establishment of the planned Informational System.

Besides that, a potential for the further improvement of the Project performance and development of the PPMC System model is in full adjustments to the contextual/setup changes (both already occurred and the forthcoming ones) with full utilization of the new legal framework and instruments (Informational System and the APSPV Framework). Concerning the overall approach to the PPMC System development under the Project, as it is already stressed (Chapter 3.2), two options are possible, and in the forthcoming period is necessary to decide which one will be applied in the further implementation of the Competitiveness and Jobs Project.