

CEVES RA2C

Reform Agenda to Competitiveness Monitoring Tool

Monitoring whether Reform Agenda implementation strengthens
Serbia's competitiveness through economic governance reform

Activity A1.2.1 — CSF Phase II, 2025 Annual Work Programme
March 2026

Contents

I. Aim and Scope	3
1.1 What RA2C monitors	3
1.2 Relationship to other programme outputs	3
1.3 Scope boundaries	3
II. Core Monitoring Indicators	4
2.1 State Aid	4
Indicator 1: SME share of total state aid volume	4
Indicator 2: State aid concentration — top-10 beneficiary share	5
Indicator 3: SME equipment upgrading programme envelope	5
Indicator 4: Coverage — share of capital expenditure outside standard procedures.....	5
Indicator 5: Single-bid procedure rate (value-weighted)	6
Indicator 6: CEVES Large-Project Tracker	6
Indicator 7: Programme structure indicator	7
Indicator 8: In-year budget reallocation tracker	7
2.4 Competitiveness Outcome	8
Indicator 9: REER-adjusted unit labour cost index	8
2.5 Indicator Summary Table	9
III. Evaluation Approach	10
3.1 Annual monitoring cycle.....	10
3.2 Relationship to the Flagship analysis.....	10
3.3 Relationship to the Growth Assessment Methodology.....	10
3.4 Policy benchmarks.....	10
IV. Addendum: Monitoring Ambitions Requiring Additional Resources	12

I. Aim and Scope

1.1 What RA2C monitors

The RA2C (Reform Agenda to Competitiveness) monitoring tool tracks whether the implementation of Serbia's Reform Agenda in the areas of state aid, public procurement, and public investment management is actually producing the competitiveness outcomes that the reforms are designed to deliver. The tool does not duplicate the broader RA implementation monitoring conducted by other CSOs and institutional actors; instead, it focuses on the **economic governance mechanisms** that determine whether reforms translate into a more competitive economy — primarily through strengthening SMEs and the productivity of the tradable sectors.

This focus reflects what CEVES found through the diagnostic work conducted under Activity A1.1.1 and the Flagship analysis (A1.3.1). Reviewing Serbia's reform landscape — the Reform Agenda, ERP, national strategies, and EU assessments — and conducting extensive stakeholder consultations, CEVES identified a recurring pattern: the key constraints on reform effectiveness are not primarily in the formal adoption of measures but in the quality of economic governance that determines how measures are designed, resourced, and implemented. These governance deficits cut across all three of CEVES's focal areas — state aid, procurement, and public investment — which is why the Flagship analysis and this monitoring tool are structured around governance mechanisms rather than treating each policy area as a separate silo.

The tool is designed for use by CEVES's own economists and, in appropriately adapted forms, by CSOs within the NCEU WG17 network and the WG for RA. It is intentionally lean: it monitors only what CEVES can credibly track from available data on a regular cycle. Indicators that require data CEVES does not control, or that would need dedicated additional resources, are identified separately as monitoring ambitions (Section IV).

1.2 Relationship to other programme outputs

RA2C is the third of three monitoring tools developed under Activity A1.2.1. Together with the Growth Assessment Methodology (which monitors macroeconomic growth dynamics across the real, fiscal, external, and BOP sectors) and the forthcoming Macro-Budget Monitoring Tool (which adds medium-term fiscal framework analysis and budget deep-dives), RA2C completes an integrated monitoring framework covering the full chain from macro performance through budget allocation to the governance quality of specific reform areas.

RA2C draws directly on the diagnostic and analytical work of the CEVES Flagship Integrated Report (A1.3.1), which provides the qualitative evidence base, the detailed diagnosis of governance deficits, and the policy recommendations against which reform progress is evaluated. The indicators in this tool were developed through the Flagship research process. The Flagship's Annex on monitoring indicators, policy recommendations, and independent initiatives constitutes the broader analytical context within which RA2C operates — including a set of policy reforms that CEVES advocates for government adoption but that fall outside the scope of what CEVES can independently monitor.

1.3 Scope boundaries

RA2C covers RA Policy Area 1 (“Business environment and private sector development”), focusing specifically on the three governance domains where CEVES has deep analytical expertise and where governance quality has the most direct bearing on competitiveness: **state aid, public procurement, and public investment management**. Within these domains, the tool does not attempt to track every RA measure but concentrates on the measures and mechanisms that most directly affect SME development, tradable-sector productivity, and the competitive neutrality of the policy environment.

The tool also includes one cross-cutting competitiveness outcome indicator (REER-adjusted unit labour costs) and a budget/resource allocation dimension that tracks whether public spending patterns are consistent with stated reform priorities. These connect RA2C to the Growth Assessment Methodology and the Macro-Budget Monitoring Tool, ensuring that governance-level monitoring is anchored in macroeconomic and fiscal reality.

II. Core Monitoring Indicators

This section presents the nine indicators that CEVES will track on an annual basis using available data. For each indicator, the tool specifies: what it measures and why it matters for competitiveness; the data source; the baseline value (where established through the Flagship analysis); and the direction of change that would signal progress.

2.1 State Aid

Serbia’s state aid system is currently structured in a way that disproportionately benefits large, typically foreign, investors through instruments (CIT holidays, negotiated packages) that are inaccessible to domestic SMEs. The Flagship analysis documents this structural imbalance in detail. The following indicators track whether the RA-mandated alignment of state aid with EU rules is being accompanied by a substantive reorientation toward competitive neutrality and SME access.

Indicator 1: SME share of total state aid volume

Definition: The percentage of total annual state aid disbursements (by value) received by small and medium-sized enterprises, as defined by the Law on Accounting and reported in the State Aid Commission’s annual report.

Why it matters: This is the single most direct measure of whether the state aid system serves competitiveness broadly or concentrates resources on a narrow set of large beneficiaries. A low and stagnant SME share signals that formal alignment with EU state aid rules is not translating into substantive access for the firms that constitute the backbone of the domestic economy.

Data source: State Aid Commission annual reports; supplemented by Ministry of Finance budget execution data for specific programmes (e.g. SME equipment upgrading).

Baseline: The Flagship documents that the current system is overwhelmingly biased toward large investors. [*Insert specific % from State Aid Commission data when available.*]

Target direction: Increasing. A meaningful reorientation would see the SME share rise toward [30–40%] over a multi-year period, consistent with EU member state norms.

Indicator 2: State aid concentration — top-10 beneficiary share

Definition: The share of total state aid value captured by the ten largest individual beneficiaries in a given year.

Why it matters: High concentration signals a system driven by discretionary, deal-based allocation rather than rules-based instruments with broad eligibility. It is a proxy for competitive neutrality: a highly concentrated system by definition discriminates against the vast majority of firms.

Data source: State Aid Commission annual reports (beneficiary-level data, where published); CEVES analytical estimates from programme-level data where individual beneficiary data are not available.

Baseline: *[To be established from available State Aid Commission data.]*

Target direction: Decreasing. A shift from discretionary facilitation to rules-based instruments should broaden the beneficiary base and reduce concentration.

Indicator 3: SME equipment upgrading programme envelope

Definition: The annual budget allocation (in nominal and real terms) for the flagship SME equipment upgrading programme administered through the Ministry of Economy.

Why it matters: The Flagship documents that this programme — the single most important instrument for SME productive investment support — fell from RSD 3.1 billion (2022) to RSD 1.4 billion (2023) to RSD 0.8 billion (2024), a decline of over 70% in two years. Tracking this envelope is a concrete, budget-verifiable test of whether stated commitments to SME development are backed by resources.

Data source: Annual budget law; Ministry of Finance budget execution reports.

Baseline: RSD 0.8 billion (2024).

Target direction: Increasing, at minimum to restore the 2022 level in real terms. Sustained reduction signals that SME support is being deprioritised regardless of formal RA commitments.

2.2 Public Investment and Procurement

Serbia's public investment system operates with a significant share of capital spending implemented outside standard appraisal and procurement procedures, through special laws (*lex specialis*), intergovernmental agreements (IGAs), and other exception mechanisms. The Flagship analysis documents how this undermines value for money, competitive neutrality, and the development of domestic contractor capacity. The following indicators track whether the RA-mandated PIM reform and procurement improvements are narrowing the space for exceptions and strengthening competitive processes.

Indicator 4: Coverage — share of capital expenditure outside standard procedures

Definition: The percentage of total general government capital expenditure (by value) implemented through *lex specialis*, IGAs, direct negotiation, or other mechanisms that bypass standard public investment appraisal and/or procurement procedures.

Why it matters: This is the single most important structural indicator for public investment governance. A high coverage gap means that the PIM framework being established under the RA will

only govern a fraction of actual public investment, leaving the largest and most politically significant projects outside its reach. It directly measures the “dual-track” problem that the Flagship identifies as the central governance deficit in this area.

Data source: CEVES analytical construction from: (a) budget execution data on capital expenditure; (b) identification of projects governed by special laws and IGAs (from Official Gazette, government decisions, and CEVES Large-Project Tracker). This indicator requires active analytical work each year and is not available from any single published source.

Baseline: *[To be established through the first systematic calculation, drawing on Flagship research.]*

Target direction: Decreasing. The RA commitment to establish a PIM framework should progressively bring more capital spending under standard procedures. A stable or increasing share of exceptions signals that the formal PIM framework is being bypassed in practice.

Indicator 5: Single-bid procedure rate (value-weighted)

Definition: The share of total public procurement value awarded through procedures in which only a single bid was received.

Why it matters: Single-bid procedures are a proxy for weak competition in procurement markets. Value-weighting (rather than counting procedures) reveals whether the largest contracts — where competitive pressure matters most for value for money and SME market access — are contested. The Flagship flags persistently weak competitive indicators in Serbian procurement but does not have a systematic baseline; this indicator provides one.

Data source: Public Procurement Office annual reports and the electronic procurement portal (portal.ujn.gov.rs). Value-weighting requires analytical processing of procurement-level data.

Baseline: *[To be calculated from PPO data. EU average single-bid rate is approximately 20–25% by value; rates above 40% signal systemic competition problems.]*

Target direction: Decreasing. RA procurement reforms should widen market access and increase competitive pressure, reducing single-bid outcomes.

Indicator 6: CEVES Large-Project Tracker

Definition: A structured analytical register of all major public investment projects (above a defined threshold) that tracks: legal basis (standard budget, *lex specialis*, IGA); procurement method; contracted value; committed fiscal exposure; implementation status; and any identified irregularities or transparency gaps.

Why it matters: In the absence of a government-published unified project register (which the RA’s PIM reform should eventually deliver), CEVES’s own tracker is the only independent, public-interest instrument that follows large projects across budgets and legal frameworks. It serves as both a monitoring tool and a demonstration of what the government’s own PIM system should eventually provide. CEVES has already initiated this tracker during the Flagship research.

Data source: CEVES analytical construction from: budget documents, Official Gazette (special laws, IGA ratifications), government press releases, parliamentary records, media monitoring, and direct information requests where feasible.

Baseline: Tracker initiated during 2025–2026 Flagship research. [*Insert number of projects currently tracked.*]

Target direction: Expanding coverage; increasing share of tracked projects for which full data (cost, timeline, procurement method, implementation status) is publicly available.

2.3 Budget and Resource Allocation

The way the budget allocates resources across programmes and instruments reveals whether stated policy priorities are backed by actual spending decisions. The Flagship’s resource allocation analysis found systematic disconnects between reform rhetoric and budget reality — including declining allocations for productivity-enhancing programmes, opaque reserve spending, and programme structures that obscure rather than reveal policy intent. The following indicators track whether budget practice is moving toward the transparency and coherence that the RA’s fiscal governance commitments require.

Indicator 7: Programme structure indicator

Definition: A composite qualitative-quantitative assessment of whether the budget’s programme classification enables meaningful monitoring of reform-related spending. Specifically: (a) the share of total subsidies and state aid that can be attributed to identifiable policy programmes (as opposed to lump-sum budget lines); (b) whether the programme classification distinguishes between rules-based instruments and discretionary allocations.

Why it matters: If the budget’s programme structure does not distinguish between different types of support (e.g. a competitive SME upgrading programme versus a discretionary subsidy to a single firm), then no amount of transparency will enable meaningful monitoring. The programme structure is a precondition for all other budget monitoring. The Flagship identifies this as a fundamental obstacle: monitoring should track instruments and concentration, not only totals, if the objective is to move from discretionary subsidisation to a rules-based support architecture.

Data source: Annual budget law; budget execution reports; Ministry of Finance programme documentation.

Baseline: Current assessment: programme structure is inadequate for distinguishing between reform-relevant spending categories. [*Qualify with specific examples from Flagship resource allocation analysis.*]

Target direction: Improving. Measurable through the share of subsidies/transfers attributable to named, rules-based programmes.

Indicator 8: In-year budget reallocation tracker

Definition: The total value of spending reallocated during the fiscal year through supplementary budgets and current budget reserve usage, expressed as a percentage of original budget appropriations. Tracked with attention to (a) the size and destination of reserve spending and (b) whether reallocations shift resources toward or away from reform-relevant programmes.

Why it matters: Large in-year reallocations and opaque reserve spending undermine the credibility of the budget as a policy instrument. The Flagship documents that Serbia’s current reserve spending practices are not adequately connected to the risks they are supposed to cover, and that

supplementary budgets frequently redirect resources in ways that are difficult to trace. This indicator makes the scale and direction of within-year changes visible.

Data source: Supplementary budget laws; budget execution reports (monthly and annual); Ministry of Finance reserve spending reports.

Baseline: *[To be calculated from most recent fiscal year data. Express as % of original total budget and identify the largest reallocation destinations.]*

Target direction: Decreasing (reserve share); Increasing transparency (traceability of reallocations to specific purposes).

2.4 Competitiveness Outcome

The governance indicators above track whether RA reforms are being implemented in ways that should strengthen competitiveness. This final core indicator tracks whether competitiveness is actually changing. It connects RA2C to the Growth Assessment Methodology, which analyses the macroeconomic growth dynamics in detail.

Indicator 9: REER-adjusted unit labour cost index

Definition: The divergence between nominal wage growth and tradable-sector productivity growth, expressed as a real effective exchange rate (REER)-adjusted unit labour cost (ULC) index relative to Serbia's main trade partners and CEE comparators.

Why it matters: The Flagship documents that Serbia's labour market has tightened dramatically and that wages are rising faster than productivity, eroding the cost competitiveness that attracted FDI into tradable sectors. The REER-adjusted ULC is the leading signal of whether this erosion is being offset by productivity gains — which is precisely what effective governance reforms (better investment climate, SME upgrading, efficient public investment) should deliver over time. A persistently rising ULC signals that governance reforms are not translating into the productivity gains needed to sustain competitiveness.

Data source: CEVES Growth Assessment Methodology macro files: wage data from RZS Labour Force Survey; productivity data from national accounts (GVA per employee by sector); REER from NBS. Comparator data from Eurostat, WIIW. This indicator is produced from data CEVES already maintains.

Baseline: The Flagship provides the qualitative diagnosis; the quantitative index *[to be produced from the macro files for the baseline year]*. The Flagship specifically documents that Serbia's manufacturing wages relative to Croatia and Slovenia have been converging faster than productivity, signalling erosion.

Target direction: Stable or declining. Rising ULC signals competitiveness erosion; declining or stable signals that productivity growth is keeping pace with wage growth. The relationship between this outcome indicator and the governance indicators above is the analytical core of RA2C: if governance reforms are working, ULC should stabilise over the medium term.

2.5 Indicator Summary Table

#	Area	Indicator	Source	Freq.	Direction
State Aid					
1	State Aid	SME share of total state aid volume	State Aid Commission	Annual	↑ Increasing
2	State Aid	Top-10 beneficiary concentration	State Aid Commission	Annual	↓ Decreasing
3	State Aid	SME equipment programme envelope	Budget law / execution	Annual	↑ Increasing
Public Investment & Procurement					
4	Investment	Capex outside standard procedures (%)	CEVES construction	Annual	↓ Decreasing
5	Procurement	Single-bid procedure rate (value-wtd)	PPO data	Annual	↓ Decreasing
6	Investment	Large-Project Tracker (coverage)	CEVES construction	Ongoing	↑ Expanding
Budget & Resource Allocation					
7	Budget	Programme structure quality	Budget law / docs	Annual	↑ Improving
8	Budget	In-year reallocation / reserve usage	MoF reports	Annual	↓ Decreasing
Competitiveness Outcome					
9	Compet.	REER-adjusted unit labour cost index	CEVES macro files	Annual	→ Stable/↓

III. Evaluation Approach

3.1 Annual monitoring cycle

RA2C indicators are updated annually, timed to the availability of the principal data sources: the State Aid Commission annual report (typically published mid-year for the previous year), the budget execution report, and the PPO annual report. The update cycle produces:

(a) An indicator update table showing the current value, the change from the previous year, and a brief assessment of what the change signals for competitiveness. This is a compact, structured output suitable for dissemination to WG17 members and incorporation into CEVES communications.

(b) An analytical note interpreting the indicator movements in the context of the qualitative governance assessment provided by the Flagship analysis. Numbers alone do not tell the story; the note connects indicator changes to specific policy decisions, implementation developments, or governance dynamics identified in the ongoing analytical work.

3.2 Relationship to the Flagship analysis

The Flagship Integrated Report (produced under A1.3.1) provides the deep qualitative diagnosis that gives RA2C indicators their interpretive context. The Flagship identifies the governance mechanisms that drive indicator values: why the single-bid rate is high (concentrated markets, restrictive specifications), why the SME aid share is low (instrument design that excludes small firms), why reserve spending is opaque (discretionary budget management culture). RA2C tracks whether these mechanisms are changing; the Flagship explains why or why not.

In future programme cycles, the relationship should be reciprocal: RA2C indicator trends should inform the Flagship's focus areas, directing qualitative analysis toward the governance domains where quantitative signals are most concerning.

3.3 Relationship to the Growth Assessment Methodology

RA2C's competitiveness outcome indicator (REER-adjusted ULC) is drawn directly from the Growth Assessment Methodology's macro monitoring files. This creates a direct analytical link between the governance level (are reforms improving the quality of public spending, state aid, and investment management?) and the macroeconomic level (is Serbia's competitiveness position improving, deteriorating, or holding?). The Growth Assessment Methodology provides the macro frame; RA2C provides the governance-level explanation for why competitiveness is moving as it is.

3.4 Policy benchmarks

RA2C evaluates progress not only against the direction of indicator movement but against the substantive policy recommendations developed in the Flagship analysis. These recommendations — presented in detail in the Flagship's Annex on monitoring indicators, policy recommendations, and independent initiatives — constitute the benchmark of what "good implementation" would look like. They include both reforms that can be obtained within the current political economy (e.g. minimum disclosure standards for procurement exceptions) and more ambitious structural changes (e.g. restoring competitive neutrality in state aid). RA2C's evaluation notes should reference these

benchmarks explicitly, enabling stakeholders to see not just how indicators are moving but how far current practice remains from what the evidence suggests is needed.

IV. Addendum: Monitoring Ambitions Requiring Additional Resources

The following indicators have been identified through the Flagship research as analytically valuable for competitiveness monitoring but require either dedicated analytical resources beyond the current programme allocation or data that is not yet systematically available. They represent the next frontier of RA2C development, contingent on additional funding. CEVES will advocate for support to develop these indicators and, in the meantime, will flag relevant developments in its qualitative analysis wherever partial data permit.

#	Indicator	Why it matters	What would be needed
A1	Procurement Market Contestability Index (PMCI)	Measures effective competition in procurement beyond simple single-bid counts; captures market structure, lot design, and bidder diversity	Systematic processing of procurement-level data from PPO portal; dedicated analyst time for data cleaning and index construction
A2	State aid leverage ratios	Tracks private investment mobilised per euro of public support; distinguishes productive from passive instruments	Programme-level data from implementing agencies (RAS, AOFI); may require formal data-sharing agreements or FOI requests
A3	Planning quality: share of strategies with adequate costing	Measures whether the planning system produces actionable, budgetable strategies rather than aspirational documents	Systematic annual review of sector strategy documents against a defined costing adequacy standard; dedicated analyst time
A4	Permit deadline compliance rate	Direct measure of administrative quality affecting business environment; SAI found 59% of construction permits exceeded legal deadlines	Access to SAI audit data or development of independent data collection from business surveys / FOI requests to agencies
A5	Sectoral spending quality (capex share of programme budgets)	Tracks whether sector budgets invest in capacity or merely sustain current operations; generalises the education spending finding from the Flagship	Detailed analysis of programme-level budget execution across multiple sectors (education, health, agriculture); dedicated analyst capacity

For the full set of indicators recommended for government adoption — including the Investment Integrity and Execution Score, Unique Project Identifier, regional aid differentiation index, sequencing quality measures, and administrative silence tracking — see the Annex to the CEVES Flagship Integrated Report (March 2026).