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1. INTRODUCTION

1.1 CONTEXT

Since the opening of Serbia's accession negotiations in January 2014, 22 out of 35 chapters have been opened, including all chapters in cluster 1 on the fundamentals and all chapters in cluster 4 on the Green agenda and sustainable connectivity. Two chapters have provisionally been closed. In June 2021, Serbia accepted the revised enlargement methodology. The overall pace of negotiations will continue to depend, in particular, on the pace of rule of law reforms and on the normalisation of Serbia's relations with Kosovo*.

Serbia continued to implement the Stabilisation and Association Agreement (SAA) between Serbia and the EU.

The Serbian government has continued to declare EU membership its strategic goal. The previous government acted in a caretaker capacity with limited powers between February 2022 and late October 2022 when the new government was formed. This had an impact on the pace of reforms in 2022, which picked up again in 2023. Political developments following the two tragic mass shootings in early May 2023, which resulted in 19 dead, including nine schoolchildren, the ensuing protests, and speculations about snap parliamentary elections led to a shift in the reform priorities.

The EU-facilitated Dialogue on normalisation of relations between Kosovo and Serbia continued in the reporting period with regular meetings on the level of Chief Negotiators and Leaders. After months of intense negotiations and with the support of key partners, the Parties reached an Agreement on the Path to Normalisation in Brussels on 27 February 2023, and agreed on its Implementation Annex in Ohrid, North Macedonia, on 18 March 2023. Both Kosovo and Serbia are yet to start implementation of their respective obligations stemming from the Agreement, which are valid and binding for the Parties and part of their European paths.

The Commission's recommendations from its 2021 and 2022 reports, that Serbia has fulfilled the opening benchmarks for cluster 3 (competitiveness and inclusive growth) and that this cluster is technically ready for opening, remain valid.

Following Russia's war of aggression against Ukraine, Serbia aligned with some EU positions in international forums (including in the UN General Assembly). However, it has continued not to align with any restrictive measures against the Russian Federation and has not aligned with the majority of High Representative statements on this matter. It maintained high-level relations with the Russian Federation, raising questions about Serbia's strategic direction. Under the EU-Serbia negotiating framework, Serbia is expected to progressively align its policies towards third countries with the policies and positions adopted by the EU, including restrictive measures.

It remains important that effective policy planning and coordination is in place, along with sufficient human and financial resources for EU accession across all institutions involved, so that Serbia can work towards meeting its objectives for EU accession negotiations. In line with the EU accession objective, and as a matter of priority, the Serbian authorities need to take responsibility for proactive and objective communication on the EU, which is by far Serbia's main political and economic partner.

* This designation is without prejudice to positions on status, and is in line with UNSCR 1244/1999 and the ICJ Opinion on the Kosovo declaration of independence.

1.2 SUMMARY OF THE REPORT¹

As regards the **political criteria**, the Parliament constituted in August 2022 includes the opposition parties that boycotted the 2020 elections. However, political polarisation remained in evidence and has further deepened following the tragic mass shootings in early May. A number of peaceful mass citizens' protests - Serbia against violence - have taken place – with support from several opposition parties.

No elections took place during the reporting period. Serbia still needs to address a number of long-standing recommendations by the Office for Democratic Institutions and Human Rights at the Organisation for Security and Cooperation in Europe (OSCE/ODIHR) and Council of Europe bodies concerning the electoral framework.

Debates in Parliament were marked by tensions between the ruling majority coalition and the opposition. The Parliament has no annual work plan and most of its sessions were called with the minimum advance notice of 24 hours, which should only be used in exceptional circumstances. The code of conduct was not systematically applied and the frequent use of inflammatory language was not penalised. Sanctions and fines were only issued to opposition MPs. Parliamentary Rules of Procedure need to be modernised, and the code of conduct applied to address offences by Members of Parliament. All but two political groups engaged constructively with the European Parliament in the follow-up to the *Inter-Party Dialogue* and its transition into a new *Parliamentary Dialogue Process*.

Further efforts are needed to ensure systematic and genuine cooperation between the government and **civil society**. An enabling environment for establishing, running and financing civil society organisations still needs to be created on the ground, as verbal attacks and smear campaigns against such organisations continued, including by high-level officials.

Serbia is moderately prepared as regards **public administration reform**. Overall, limited progress was made in this area, notably through the continued development of e-services, implementation of the e-government policy, and further roll-out of training courses for civil servants. On human resources management, more than half of senior manager positions are filled on an acting basis. As regards policy development and coordination, no mechanism is yet in place to verify that the Public Policy Secretariat's comments have been incorporated into the final draft versions of laws and policy documents submitted for government approval. On public financial management, action is still needed to fully implement the recommendation for a single mechanism for prioritising all investments regardless of type and source of financing.

Serbia has some level of preparation when it comes to its **judicial system**. Overall, some progress was made during the reporting period. Serbia took an important step towards strengthening the independence and accountability of the judiciary with the timely adoption of most of the implementing legislation giving practical effect to the 2022 constitutional amendments, while two of the implementing laws still need to be adopted: the Law on Judicial Academy and the Law on Seats and Territorial Jurisdiction of Courts. The Venice Commission issued three opinions that overall assessed positively the adopted implementing legislation and recognised the transparency and inclusiveness of the process. Most of its recommendations

¹This report covers the period from June 2022 to June 2023. It is based on input from a variety of sources, including contributions from the government of Serbia, the EU Member States, European Parliament reports and information from various international and non-governmental organisations. It also includes the results of comparative assessments and indices produced by other stakeholders, in particular in the area of rule of law.

The report uses the following assessment scale to describe the state of play: early stage, some level of preparation, moderately prepared, good level of preparation and well advanced. To describe progress made during the reporting period, it uses the following scale has been used: backsliding, no progress, limited progress, some progress, good progress and very good progress. Where appropriate, interim steps have also been used.

were addressed. Relevant by-laws will need to be adopted by May 2024. The High Judicial Council (HJC) and High Prosecutorial Council (HPC) were established on 8 May, following the election of the lay members, which gave practical effect to the implementing legislation.

Serbia has some level of preparation in the **fight against corruption**. Overall, limited progress was made during the reporting period, including on last year's recommendations. Steps have been taken that aimed at further implementing the recommendations of the Council of Europe's Group of States against Corruption (GRECO) in the area of prevention of corruption. There was a slight increase in the number of new investigations and final convictions in high-level corruption cases, but the number of new indictments fell. There were no cases of final confiscation of assets, for which a track record is required. Serbia still needs to adopt a national anti-corruption strategy and the accompanying action plan. Serbia presented to the European Commission a draft strategy for the period 2021-2028 accompanied by a first action plan for the period 2023-2024. A majority of anti-corruption related interim benchmarks for Chapter 23 and a majority of GRECO recommendations from the 4th and 5th rounds of evaluation have been included in the documents. However, there is still a need to ensure the inclusion of remaining Chapter 23 interim benchmarks and outstanding GRECO recommendations and to create the necessary conditions for implementation. Serbia should establish an effective coordination mechanism to operationalise prevention and repression policy goals and thoroughly address corruption. Those sectors most vulnerable to corruption require dedicated action. Overall, corruption is prevalent in many areas and remains an issue of concern. There is a need for strong political will to effectively address corruption issues, and a robust criminal justice response to high-level corruption.

In the **fight against organised crime**, Serbia has some level of preparation. Limited progress was made in addressing last year's recommendations, in particular on detection and prevention of migrant smuggling and trafficking in human beings. A slight increase in financial investigations and confiscation of assets can also be noted in 2022. The number of new investigations and indictments increased; first instance and final convictions (in particular money laundering) decreased. Extended confiscation is not systematically applied. Proactive criminal investigations and the systematic tracking of money flows, especially in cases of inexplicable wealth, are still not common practice. However, the understanding and the investigation approach has improved and police, prosecutors and criminal judges are aware of the importance of consistently applying a 'follow the money to find the crime' approach and using circumstantial evidence. Serbia is late in conducting an analysis of the roles and practices of security services and of the National Security Council in carrying out criminal investigations relating to serious and organised crime, although preparatory works have started. There is well-established cooperation with CEPOL, Eurojust, Europol and INTERPOL, notably on weapons trafficking, drugs trafficking, and the fight against high-profile organised crime groups. Serbia needs to further increase the technical, financial and human resources capacity of the Prosecutor's Office for Organised Crime to perform its duties in an independent manner (including premises to accommodate new staff). Serbia should adapt its approach from one based on individual cases to a strategy against criminal organisations, and from focusing on cases of low or medium importance to high-profile cases, with the aim to dismantle big and international organisations and seizing assets.

Serbia's legislative and institutional framework for upholding **fundamental rights** is broadly in place. The Ombudsman was re-elected in April 2023, without cross-party support. The Ombudsman's Office has yet to be provided with additional resources to cover its new powers laid down in the Ombudsman Law of 2021. The recruitment of additional staff for the Commissioner for Information of Public Importance and Personal Data Protection is

significantly delayed. The procedure for executing the decisions of the European Court of Human Rights, including the role of Serbia's Government Agent before the Court, needs to be further regulated. Implementation of the new strategies and action plans on gender equality, anti-discrimination and Roma² inclusion started, although monitoring bodies were not in place for most of the reporting period due to elections and formation of the new government. Action plans and related funding as regards violence against women and deinstitutionalisation are significantly delayed. New national minority councils were constituted following the elections held in November 2022. Serbia continued drafting and conducting consultations on a new '*action plan for the realisation of the rights of national minorities*'.

Regarding **freedom of expression**, limited progress was made in the reporting period. The police and the prosecution services reacted swiftly to several cases of attacks and threats, working with the standing working group on the safety of journalists. However, cases of threats, intimidation, hate speech and violence against journalists remain a concern, as is the increase of strategic lawsuits against public participation (SLAPP), notably launched by members of national and local authorities, that may produce a chilling effect including self-censorship. Recurrent statements by high-level officials on the daily and investigative work of journalists provide for a challenging environment for the exercise of freedom of expression. The possibility of journalists to report on ongoing criminal proceedings is excessively limited in the legal framework.

Serbia continued implementing the action plan of the media strategy. After increasing delays, several processes were relaunched after the formation of the new government in October 2022. Consultations resumed in November 2022 on amending the Law on public information and media. Following public consultations, consultations with media associations and hurried consultations with the European Commission amendments were adopted to the laws on public information and media and on electronic media before the dissolution of parliament in October 2023. Overall, the new laws will strengthen the independence of the regulatory body for electronic media (REM). They also codify the role of the Press Council and render the process of public co-funding more transparent and accessible. In the context of elections, the ban on media coverage of officials who are also candidates taking part in official gatherings organised for the opening of infrastructure or other facilities was extended to 30 days, which is an improvement of the current situation. However, the legislative process was not finalised fully in line with the EU *acquis* and European standards. The ownership of media by state-owned enterprises was prominent in deliberations. An important step was taken with respect to the application of criteria aligned with the EU *acquis* to the assessment of state aid, while it should be clarified that antitrust and merger control rules apply to the media sector and safeguards to protect media pluralism and editorial independence remain to be improved. The implementation of such safeguards needs to be closely monitored in practice. In August 2022, REM published a call for the allocation of a fifth media service licence with national frequency, which has still not been awarded, without credible justification. Political and economic influence on the media remains a source of concern. Serbia needs to take urgent action to counter anti-EU narratives propagated by numerous media outlets, and to counter foreign information manipulation and interference, most notably in the context of Russia's war of aggression against Ukraine.

On the **economic criteria**, Serbia is at a good level of preparation and has made some progress in developing a functioning market economy. After a strong rebound in 2021 from the

² In line with the terminology of European institutions the umbrella term 'Roma' is used here to refer to a number of different groups, without denying the specificities of these groups.

contraction induced by COVID-19, the Serbian economy decelerated substantially in 2022, impacted by the economic fallout from Russia's war of aggression against Ukraine, in particular as regards rising inflation via soaring energy and food prices. Consumer price inflation surged in 2022 and continued to rise in early 2023, which led the central bank to steadily tighten its policy stance. Progress has also been made as regards the adoption of new fiscal rules. Banking sector stability was maintained and lending growth decelerated substantially. High inflation helped improve the budget balance in 2022, despite substantial capital transfers to state-owned energy utilities and further ad hoc support measures. Major structural reforms of public administration and of the governance of state-owned enterprises continued to advance slowly. The state retains a strong footprint in the economy; the private sector is underdeveloped and hampered by weaknesses in the rule of law, in particular corruption and judicial inefficiency, and in the enforcement of fair competition.

Serbia is moderately prepared and has made some progress in **coping with competitive pressure and market forces within the EU**. The structure of the economy improved further and economic integration with the EU remained high. However, the quality and relevance of education and training still does not fully meet labour market needs. Public investment remained at a high level with the aim to address serious infrastructure gaps after years of underinvestment. Small and medium-sized enterprises still face a number of challenges, including an uneven playing field as compared with large companies and foreign investors.

On **good neighbourly relations and regional cooperation**, Serbia remained committed overall to maintaining good bilateral relations with other candidate countries, potential candidates and neighbouring EU Member States. Relations with Croatia improved. Relations with Hungary have further intensified. In general, Serbia actively participates in regional cooperation.

Overall, Serbia has remained engaged in the EU-facilitated Dialogue on the **normalisation of relations with Kosovo**, but it needs to demonstrate more serious commitment, invest more efforts and make compromises to take the process of normalisation of relations with Kosovo forward. Serbia needs to uphold its Dialogue commitments and commit to the full implementation of all past Dialogue agreements and the Agreement on the Path to Normalisation and its Implementation Annex. Serbia and Kosovo are expected to engage more constructively to enable negotiations on the comprehensive legally binding normalisation Agreement to start and show flexibility in order to make rapid and concrete progress. Normalisation of relations is an essential condition on the European path of both Parties and both risk losing important opportunities in the absence of progress.

The relationship with Kosovo has been affected by several crises of varying intensity on a number of issues, with a violent attack in the north of Kosovo against Kosovo Police on 24 September 2023, constituting the gravest escalation in recent years. Huge quantities of small arms and light weapons (SALW) were found in the context of this attack³. The EU expects the perpetrators to be apprehended and swiftly brought to justice and Serbia to fully cooperate and take all the necessary steps in this regard. Other crises during the reporting period were triggered by issues over the freedom of movement, in particular licence plates, following the Kosovo government's decision on 29 June 2022 to enforce the re-registration of all vehicles with Kosovo-issued licence plates. This led to the tensions in July 2022 and continued through the erection of roadblocks and the collective resignation of Kosovo Serbs from Kosovo institutions in November 2022. Following the withdrawal of Kosovo Serbs from Kosovo

³ The EU and Western Balkan partners agreed in May 2023 to prolong beyond 2024 the Roadmap for a comprehensive small arms and light weapons control in the Western Balkans.

institutions, local by-elections were organised in the four municipalities in the north of Kosovo. Scheduled initially for December 2022 and then postponed to 23 April 2023, the mayoral and municipal by-elections were held in line with the legal framework of Kosovo and efforts were made for them to take place in a smooth and orderly manner. However, despite the milestone Agreement on the path to normalisation reached in Brussels on 27 February and its Implementation Annex agreed in Ohrid, North Macedonia, on 18 March 2023, and despite Kosovo extending the deadline for the registration of candidatures for the local by-elections, not all parties and communities made use of their democratic right to participate and vote. The very low turnout (3.47% of voters), following the boycott by the Kosovo Serb community, showed that these elections do not offer a long-term political solution for these municipalities. The violence perpetrated against KFOR troops during protests against these mayors' taking office in the municipalities has to be fully investigated by Serbia. It remains imperative to restore a situation where Kosovo Serbs participate actively in local governance, policing and the judiciary in the north of Kosovo. Early local elections need to be held as soon as possible in all four municipalities, organised in a fully inclusive manner, and with the unconditional participation of Kosovo Serbs.

Regarding Serbia's **ability to assume the obligations of EU membership**, the country continued the work on alignment with the EU *acquis* in several areas.

The **internal market** cluster is key for Serbia's preparations for the requirements of the EU internal market and is of high relevance for early integration and the development of the Common Regional Market. Progress was limited in most areas within the cluster. No progress was registered in the area of free movement of capital.

The **competitiveness and inclusive growth** cluster has significant links to Serbia's Economic Reform Programme and is technically ready to be opened. Serbia continued to make progress in all areas under this cluster, particularly through further legislative alignment with the EU *acquis* as well as with a new law on the management of state-owned enterprises.

The **Green agenda and sustainable connectivity** cluster is at the heart of the Green Agenda for the Western Balkans⁴ and closely linked to Serbia's Economic Reform Programme and the Commission's Economic and Investment Plan⁵. Some progress was achieved in particular on Trans-European networks, where Serbia advanced on upgrading its infrastructure, with works progressing on the Serbia-Bulgaria gas interconnector, and on climate change, with the adoption of the Low Carbon Development Strategy 2023-2030.

The cluster on **resources, agriculture and cohesion** comprises policies linked to EU structural funds and to developing capacity to assume the responsibilities of a future Member State. It also comprises some of the key policy areas crucial for ensuring sustainable food systems and helping rural communities to develop and diversify economically. Limited progress was achieved in some areas, such as on classification of food establishments and establishments handling animal by-products, and the recruitment of additional staff in the Plant Health Directorate; financial and budgetary provisions as regards the underlying policy areas affecting the correct functioning of the own resources system; and the institutional framework for cohesion policy.

On the **external relations** cluster, Serbia is yet to finalise its accession to the World Trade Organisation which is one of the opening benchmarks for Chapter 30. Serbia should also abstain from introducing unilateral trade-restrictive measures without prior consultation of the Commission, in line with its obligations under the Stabilisation and Association Agreement.

⁴SWD(2020) 223 final.

⁵COM(2020) 641 final.

Serbia continued not to align with EU restrictive measures against Russia and the majority of declarations by the High Representative on behalf of the EU on this matter. Serbia's alignment rate with relevant High Representative statements on behalf of the EU and Council Decisions was at 46% in 2022 and 51 % in August 2023; some actions and statements by Serbia went against EU foreign policy positions. Serbia is expected to improve, as a matter of priority, its alignment with the EU Common Foreign and Security Policy, including with EU restrictive measures, and refrain from actions that go against EU positions on foreign policy.

On **migration**, Serbia contributed to the management of the mixed migration flows towards the EU and cooperated with the EU, EU Member States and its neighbours to implement the EU Action Plan on the Western Balkans presented by the Commission in December 2022. Additional progress along all the pillars of the Action Plan is expected. Efforts continued, with EU support, to host and accommodate substantial numbers of third-country nationals. Serbia extended for one more year, until March 2024, temporary protection to Ukrainian nationals having fled Russia's war of aggression against Ukraine. Serbia continued to implement the EU-Serbia readmission agreement and to carry out border control and surveillance. Implementation of the new integrated border management strategy for 2022-2027, with its 2022-2024 action plan, is delayed. Access to and provision of information regarding the asylum procedure has yet to be improved, in particular at the airports in Nis and Kragujevac. Serbia made substantial progress to align with EU visa policy by reinstating visa requirements for six third countries. Serbia needs to further align with EU visa policy as set out in the Commission's sixth report under the visa suspension mechanism of October 2023⁶. Following the concerns raised by the EU the Government has withdrawn the proposed amendments to the Law on citizenship, which would have provided the possibility to apply for Serbian citizenship after only a short period of residence and work.

⁶ COM(2023) 730 final.

1.3. STATE OF PLAY OF THE ACCESSION NEGOTIATIONS

Clusters	Chapters / areas	State of play
Fundamentals <i>All chapters open</i>	23 – Judiciary and fundamental rights 24 – Justice, freedom and security 5 – Public procurement 18 – Statistics 32 – Financial control ...Economic criteria ...Functioning of democratic institutions ...Public administration reform	Opened July 2016 Opened July 2016 Opened December 2016 Opened December 2018 Opened December 2015
Internal Market <i>4 chapters open</i>	1 – Free movement of goods 2 – Freedom of movement for workers 3 – Right of establishment and freedom to establish services 4 – Free movement of capital 6 – Company law 7 – Intellectual property rights 8 – Competition 9 – Financial services 28 – Consumer and health protection	Serbia working on fulfilment of opening benchmarks Draft EU Common Position in Council Draft EU Common Position in Council Opened December 2019 Opened December 2017 Opened June 2017 Serbia working on fulfilment of opening benchmarks Opened June 2019 Draft EU Common Position in Council
Competitiveness and inclusive growth <i>5 chapters open</i>	10 – Digital transformation and media 16 – Taxation 17 – Economic and monetary policy 19 – Social policy and employment 20 – Enterprise and industrial policy 25 – Science and research 26 – Education and culture 29 – Customs union	Draft EU Common Position in Council Opening Benchmarks Assessment Report in Council Opened December 2018 Opening Benchmarks Assessment Report in Council Opened February 2017 Opened December 2016 and provisionally closed Opened February 2017 and provisionally closed Opened June 2017
Green agenda and sustainable connectivity <i>All chapters open</i>	14 – Transport policy 15 – Energy 21 – Trans-European networks 27 – Environment and climate change	Opened December 2021 Opened December 2021 Opened December 2021 Opened December 2021
Resources, agriculture and cohesion <i>2 chapters open</i>	11 – Agriculture and rural development 12 – Food safety, veterinary and phytosanitary policy 13 – Fisheries and aquaculture 22 – Regional policy and coordination of structural instruments 33 – Financial and budgetary provisions	Opening Benchmarks Assessment Report in Council Serbia working on fulfilment of opening benchmarks Opened June 2018 Opening Benchmarks Assessment Report in Council Opened June 2018
External Relations <i>1 chapter opened</i>	30 – External relations 31 – Foreign, security and defence policy	Opened December 2017 Screening Report in Council

Not part of a cluster:

Chapter 34 – Institutions is currently not applicable for Serbia

Chapter 35 – Other Issues (including Normalisation of relations between Serbia and Kosovo) opened in December 2015

2. CLUSTER 1: THE FUNDAMENTALS OF THE ACCESSION PROCESS

2.1 FUNCTIONING OF DEMOCRATIC INSTITUTIONS AND PUBLIC ADMINISTRATION REFORM

2.1.1 Democracy

The proper functioning of Serbia's democratic processes is a central pillar of Serbia's EU accession process. The Parliament elected in April 2022 includes the opposition parties that boycotted the elections in 2020. However, political polarisation remained in evidence, both in and beyond the Parliament, and was illustrated by frequently harsh and intolerant language used in debates and in the media. The period following the tragic mass shootings in May 2023 saw a further deepening of this polarisation. A number of peaceful mass protests by citizens - Serbia against violence – have taken place since May with support from several opposition parties. Freedom of assembly was guaranteed and protests took place mostly unhindered. However, the protests were sometimes accompanied by verbal attacks on participants by politicians and parts of the media, which also consistently downplayed the size of protests. There were also instances of criminal sanctions issued against participants. In May 2023, the Minister of Education resigned over the school shooting. At the end of a plenary debate on opposition's motion seeking institutional/political and media accountability for mass shootings that lasted between mid-May and mid-July 2023, an inquiry committee was established to look into the background of the shootings and the circumstances that had led to them, but its work was suspended after only two sessions.

Elections

While Serbia's electoral framework has improved, the key aspects of the electoral process require further reform implementation. It is crucial that all outstanding and recent recommendations by the Office for Democratic Institutions and Human Rights at the Organisation for Security and Cooperation in Europe (OSCE/ODIHR) and Council of Europe bodies are fully implemented, in a transparent and inclusive process and well ahead of the next elections.

No elections were held in the reporting period. In August 2022, OSCE/ODIHR issued its final report on the 2022 presidential and national polls, and a follow-up visit was organised in October 2022, to discuss with Serbian authorities the implementation of ODIHR recommendations. In December 2022, a joint Venice Commission and OSCE/ODIHR opinion on the constitutional and legal framework governing the functioning of democratic institutions in Serbia, focusing on electoral law and electoral administration, was published. It was prepared at the request of the Council of Europe Parliamentary Assembly Committee on the Honouring of Obligations and Commitments by Member States of the Council of Europe (Monitoring Committee). The opinion listed recommendations on issues such as electoral administration, media, transparency of election communication campaign financing and prevention of misuse of office and state resources, internal political party democracy, and dispute resolution. The opinion also recommended an interpretation of the Constitution that would limit recourse to early elections, specifically that the President only dissolves the Parliament on the basis of a well elaborated proposal and preferably only when necessary due to the parliamentary situation.

In March 2023, the government reinstated its ad hoc working group for cooperation with OSCE/ODIHR, which has resumed its cooperation with OSCE/ODIHR. While there is an improvement in implementing OSCE/ODIHR recommendations, Serbia still needs to address a number of long-standing recommendations by OSCE/ODIHR, including those pertaining to key aspects of the electoral process, such as access to media, campaign finance, and measures to tackle pressure on voters. It is crucial that all outstanding and recent recommendations by

OSCE/ODIHR and Council of Europe bodies are fully implemented, in a transparent and inclusive process and well ahead of the next elections. Expert civil society organisations should be involved and consulted.

As a follow-up to OSCE/ODIHR recommendations, training has been provided for employees in local self-government units that are responsible for updating and maintaining the single voter register. A manual on the implementation of the register was published and distributed to civil servants across local self-government units. Inter-service cooperation between state institutions was established to fully digitalise voters' access to the register. The Law on electronic media adopted in October 2023 extended the ban on media coverage of officials who are also candidates taking part in official gatherings organised for the opening of infrastructure or other facilities from 10 to 30 days, which is an improvement of the current situation.

Parliament

The Parliament's composition is more pluralistic than the previous legislature and includes the opposition parties that boycotted the elections in 2020. Debates were marked by tensions between the ruling coalition and the opposition. The Parliament has no annual work plan and almost all its sessions were called with the minimum advance notice of 24 hours, which should only be used in exceptional circumstances. The first session of the regular spring sitting, which according to the Constitution starts at the beginning of March, was held only on 19 April 2023. There was no follow-up to a citizens' initiative, nor to an opposition motion for interpellation. Oversight of the executive was weak. All but two political groups engaged constructively with the European Parliament in the follow-up to the *Inter-Party Dialogue* and its transformation into a new *Parliamentary Dialogue Process*. The code of conduct was not systematically applied and there was frequent use of inflammatory language, which went unaddressed. Parliamentary Rules of Procedure need to be modernised, and the code of conduct applied to penalise offences by parliamentarians.

The opposition and majority are taking active part in the work of the Parliament. However, plenary and committee sessions are marked by tensions, offensive language and occasional incidents. These largely lacked an impartial response by the Speaker who regularly engaged in antagonistic exchanges with the opposition. Two special sessions on Kosovo were held, with the participation of the President, and saw threats of violence including against the President. The Rules of Procedure were not systematically applied. Penalties and fines were only issued to opposition MPs. The code of conduct was not applied, despite one motion, upon which the relevant Committee did not act within the deadline.

The Parliament has no annual work plan and the agenda is driven by the executive. Nearly all adopted laws and proposed bills were tabled by the government, and almost all plenary sessions were called within the minimum advance notice of 24 hours, which should only be used in exceptional circumstances, thus limiting the possibility for MPs to propose changes to the agenda or table proposals. In May 2023, for the first time, a session was called upon the initiative of the opposition, which proposed items to discuss institutional and media accountability in the context of mass shootings and these were put on the agenda. There was a slight increase in the use of the urgent procedure – from 9% in the previous reporting period to 12%, covering 12 out of 95 laws adopted from October 2022 to June 2023. The practice of amalgamating large numbers of often unrelated items has continued. Neither the 2023 budget nor the 2023 revised budget were tabled as a separate agenda item. The minimum deadline of 15 days between sending the revised 2023 budget to Parliament and tabling it for plenary debate and adoption was not respected and no discussion on it took place prior to the vote. There has been no follow-up to a citizens' legislative initiative, with 38 000 signatures, on banning lithium mining, despite this being a legal obligation.

Seven public hearings were held: two in 2022 and five until August 2023. Committees continued regular quarterly hearings of ministries, but the work of some committees, which are chaired by the opposition, saw obstruction by ruling parties. Oversight of the executive is weak. The session with questions to the Prime Minister and the government, which should take place monthly, was held for the first time since November 2021 only in April 2023, followed by another two in May and June 2023. An opposition motion for interpellation of the Minister of Finance was not taken forward by the relevant bodies.

The annual reports of independent regulatory bodies were debated in the plenary in February 2023 and conclusions were adopted. However, the plenary took place almost one year after the submission of the reports in March 2022. Parliament needs to more systematically follow up on the implementation of recommendations made by the independent bodies. The mandate of the Ombudsman expired in July 2022 and the procedure for appointing a new one was initiated in February 2023. According to the law, the procedure for appointing a new Ombudsman should have been initiated no later than 180 days before the said expiry. The Ombudsman was re-elected in April 2023, without cross-party support (*See also Chapter 23 on fundamental rights*).

In November 2022, the European Commission's annual report on Serbia was debated in a constructive manner in the Committee for European Integration and the conclusions of the Committee were approved in plenary in April 2023. In March 2023 and August 2023, the European Integration Committee debated periodic six-month reports on the EU accession process submitted by the government. The Parliament continued its cooperation with the National Convention on the European Union composed of civil society organisations.

The Parliament engaged with the European Parliament in the follow-up to the Inter-Party Dialogue and its transformation into a new *Parliamentary Dialogue Process*.

The rules of procedure still need to be modernised in line with European standards and best practice. The effectiveness, autonomy and transparency of the Parliament, and the role of the parliamentary opposition, need to be strengthened to ensure the exercise of necessary checks and balances. In June 2023, a tampered redacted transcript of a plenary session was published on the Parliament's website.

Women make up 35% of MPs (88 out of 250) and three of the seven Deputy Speakers are women. Two Deputy Speakers belong to national minorities.

Governance

The Serbian government, appointed in October 2022, continued to declare EU membership its strategic goal. In line with the EU accession objective, the Serbian authorities need to strengthen emphasis on consistent, proactive and objective communication about the EU, which is by far Serbia's main political and economic partner and donor. Transparency and public consultation need to improve.

The new government was appointed and sworn in on 26 October 2022, within the constitutional deadline, albeit almost 7 months after election day. The governing coalition is composed of six political parties/coalitions, including three parties representing national minorities. The Cabinet consists of 29 members, of whom 10 are women, including the Prime Minister. Representatives of national minorities hold ministerial posts, including for Human and Minority Rights and Social Dialogue, and for the first time a representative of the Croat national community was assigned a ministerial portfolio. The Prime Minister singled out EU accession as the strategic priority of the government. After the mass shootings in early May, the Minister of Education resigned and a new candidate was confirmed by Parliament in July 2023. In July

2023, upon the Prime Minister's proposal, Parliament dismissed the Minister of Economy in connection with his position in favour of sanctions against the Russian Federation and his views about the mass protests by citizens against violence. A new Minister of Economy was confirmed in September 2023.

The government held more regular contacts and consultations with non-governmental organisations under the National Convention on the European Union (NCEU); the Prime Minister took part in the Convention plenary meeting in December 2022.

The autonomy of independent bodies needs to be fully exercised, their role acknowledged and respected by the authorities, and their recommendations followed up thoroughly and in a timely manner.

In March 2023, Serbia adopted and published monitoring reports on its 2022-2025 national plan for the adoption of the EU *acquis* (NPAA) covering the period July-December 2022. In 2022, only 26% of planned NPAA actions were implemented. A total of 35% of actions were implemented when taking into account activities carried out earlier than planned, indicating that planning needs to be further improved.

As regards administrative capacities, the technical secretariat of the National Coordinator for the instrument for pre-accession assistance (IPA) in the Ministry of European Integration now has a department that will serve as a managing authority for annual action plans under Indirect Management with Beneficiary Country (IMBC, IPA 2021 and 2022 programmes). However, the capacities of the secretariat for management of the annual action plans needs to be increased. A staff retention policy remains to be adopted across the public administration, including for structures involved in the management of IPA funds.

As regards **local self-government**, the Law on Vojvodina's financing resources is still not adopted, despite being provided for under the Constitution. Local administrative capacity is still weak and significant disparities between municipalities persist. Responsibilities are borne at local level without proper analysis of the required capacity and human/financial resources. Following the adoption of the first programme for reform of the local government system (2021-2025) in 2021, the implementation rate in 2022 showed rather slow progress (46% at the level of results and 45% at the level of activities). The Commission for Financing Local Self-Governments, re-established in 2021, did not ensure regular meetings and regular consideration of the methodology and criteria for transferring additional budgetary funds, i.e. earmarked funds, from the central level to the local level.

Civilian oversight of the security services

The parliamentary committee for the oversight of security services remains responsible for civilian oversight of the security sector. The Committee reviewed regular periodic reports by the civilian and two military security agencies and the activity reports of the General Inspector of the Ministry of Defence. In December 2022, the Committee visited civilian and military agencies. In April 2023, the Committee adopted a schedule of inspection visits, to be conducted in the course of 2023. The Committee rebutted speculation about the presence in Serbia of the Russian mercenary group Wagner and the recruitment of military officers, active or retired. A law on access to state security files still needs to be adopted.

Civil society

The legal framework for cooperation between the government and civil society organisations (CSOs) is broadly in place; further efforts are needed to ensure systematic, genuine and

meaningful cooperation. An enabling environment for establishing, running and financing CSOs needs to be strengthened. Verbal attacks and smear campaigns against CSOs continued, including by high-level officials. There was a significant increase in strategic lawsuits against public participation (SLAPP), notably launched by members of national and local authorities, against human rights defenders.

Serbia started implementing the 2022-2030 Strategy and action plan for creating a stimulating environment for the development of civil society, but measurable progress has yet to be demonstrated. A council for cooperation and development of civil society was established, as foreseen in the action plan, in September 2023.

An empowered civil society is a crucial component of any democratic system and should be recognised and treated as such by state institutions.

CSOs and human rights defenders continued to raise awareness about civil and political rights. This took place in a polarised environment. Verbal attacks and smear campaigns against several CSOs and their financing continued, including by high-level officials. Despite the fact that verbal attacks were also made in the Parliament, the administrative committee in charge of the application of the code of conduct of the Parliament did not find any violation. Organisations and individuals that criticised the authorities were put under pressure, in particular those participating in protests against the glorification of war criminals, in support of environmental protection, and in the ‘Serbia against violence’ protests (*See also Chapter 23 on freedom of assembly*). There was a significant and worrying increase in strategic lawsuits against public participation (SLAPP), notably launched by members of national and local authorities, against human rights defenders.

Serbia started implementing the 2022-2030 Strategy and action plan for creating a stimulating environment for the development of civil society, but measurable progress has yet to be demonstrated. A council for cooperation and development of civil society was established, as foreseen in the action plan, in September 2023. The action plan also targeted the adoption of a Law on volunteering by the 1st quarter of 2023 but it is yet to be adopted.

In terms of public funding of civil society, the transparency and fairness of award procedures need to be significantly improved. Some of the key challenges acknowledged in the aforementioned strategy include the lack of consultations with CSOs when planning priority activities, discretionary decisions of managers in funding procedures, the lack of transparent criteria for approving financial and non-financial support to CSOs or for selecting independent experts in evaluation commissions, and insufficient transparency of public authorities in the reporting of spent funds on an annual basis. Overall, the strategy states that the 2018 Regulation on funds for programme promotion leaves room for further regulatory improvement but that the key issue is its inadequate and uneven application.

The National Convention on the European Union continued to monitor and assess the progress of accession negotiations, and met several times with government officials, including the Prime Minister. The legal framework for cooperation between the government and CSOs is broadly in place; its implementation still needs to be improved and systematised. There is still no central body in charge of the quality control of public consultations, including of the e-consultations platform established in December 2021. The reporting period saw increased consultation of civil society; however, despite the legal obligation to provide information on the results of public consultations, reports are not systematically published, nor are explanations systematically provided on the acceptance or not of comments received. CSOs continue to report that the time given for public consultations is not sufficient, and that their comments on draft laws of public interest are not taken into account.

2.1.2. Public administration reform

Serbia is **moderately prepared** as regards the reform of its public administration (PAR). Overall, there was **limited progress** in this area, notably through the continued development of e-services, implementation of the e-government policy, and further roll-out of training courses for civil servants. The Commission recommendations from last year are still to be implemented. On human resources management, more than half of senior manager positions are filled on an acting basis. As regards policy development and coordination, no mechanism is yet in place to verify that the Public Policy Secretariat's comments have been incorporated into the final draft versions of laws and policy documents submitted for government approval. On public financial management (PFM), action is still needed to fully implement the recommendation for a single mechanism for prioritising all investments regardless of type and source of financing. There is an urgent need to address these shortcomings.

In the coming year, Serbia should in particular:

- reduce the excessive number of acting positions, and allocate sufficient resources for effective, merit-based recruitment processes;
- strengthen the mechanism for systematically integrating the opinion of the Public Policy Secretariat in draft laws and policy documents, in line with the Law on the planning system;
- put in place a unified, comprehensive and transparent system for capital investment planning and management.

Strategic framework for public administration reform

There was no consolidated PAR implementation report published for 2022. Implementation varied between the different PAR sub-areas: 78% of achieved measures for the PAR action plan covering human resources management, accountability and public services, 64% for the PFM programme, and 46% for the local self-government programme. No implementation report on the public policy management and regulatory reform programme was published by the legal deadline. Four new positions were created in the Department for Local Self-Government, Sector for Registers and Local Government of the Ministry of Public Administration; the capacities on these matters need to be strengthened further. The authorities continued to involve civil society organisations in monitoring implementation of the strategy. **Political support** for public administration reform is limited. The PAR Council did not meet in 2022. The 2021 PAR implementation report was approved by the PAR Council only in January 2023. Financial sustainability is still an issue of concern due to reliance on donor funding.

Policy development and coordination

Institutions remain in place for a central government **policymaking system**, including for the EU integration process. The Law on the planning system sets clear rules for developing, monitoring and reporting on sector strategies. It is not yet applied systematically. In 2022, there was slow progress in optimising the sectoral planning areas, as only three out of the planned six were optimised. No notable progress was made in ensuring that comments by the Public Policy Secretariat are incorporated and that final draft versions of laws and policy documents are compliant with the legislation. The number of policy documents entered into the unified information system is gradually increasing, but the number of implementation reports deriving from it is still limited. Three years on, the legal requirement to have midterm plans adopted by all institutions as of January 2020 is still not met; only 22 of 40 public bodies have adopted and published their midterm plans for 2022-2024. No government annual work plan was prepared

in 2022. The annual work plan for 2023 was adopted in May 2023. Better synchronisation is needed between the national plan for the adoption of the EU *acquis* (NPAA) and other government strategic documents. In the government annual work programme, a high proportion of planned commitments continue to be carried forward to the following year as they have not been implemented. In 2022, only 26% of planned NPAA actions were implemented. A total of 35% of NPAA actions were implemented when taking into account activities carried out earlier than planned.

The capacity for **inclusive and evidence-based policy and legislative development**, including when aligning with the EU *acquis*, needs further strengthening. Administrative data collection and its systematic use for policy and law-making remains to be further improved across the administration. The Public Policy Secretariat's acceptance of 'partial compliance' with the methodology on impact assessments continues to limit both the degree of alignment with legal requirements and improvement in the overall quality of impact assessments. Better coordination between the Ministry of Finance and the Public Policy Secretariat is still needed to ensure that there are no discrepancies between financial impact assessments and financial information in the regulatory impact assessments. Regarding inter-ministerial consultations, there are still no high-level mechanisms for resolving possible conflicts between services before they reach the government.

While **public consultations** were conducted for all draft policy planning documents in 2022, this was the case for only 29% of draft laws and 30% of draft regulations. There is still no central body in charge of the quality control of public consultations, including on the e-consultations platform, established in December 2021. Despite the legal obligation to provide information on the results of public consultations, reports are not systematically published, nor are explanations systematically provided on the acceptance or not of comments received (*See Civil society*).

Regarding **public scrutiny of government work**, reports were published on implementation of the PAR strategy and PFM reform programme, on the action plan for implementation of the government programme, and on the NPAA. However, the annual government work plan for 2022 and its implementation report were not published. Reports on other sectoral strategies were not published. Overall, in 2022, only eight implementation reports (11%) out of the 75 policy planning documents were published. Agendas, minutes and conclusions of government sessions are still not publicly available.

Public financial management

The 2021-2025 PFM reform programme was largely implemented in line with its 2022 action plan. To preserve fiscal sustainability, and in line with government plans to prioritise capital projects, and pension and salary policies, fiscal rules were redefined by amendments to the Law on the budget system. The capital budget level was kept at a satisfactory level, but a unified, comprehensive, effective and transparent system for planning and management of capital investments needs to be put in place. Serbia needs to apply the legal framework and methodology regarding capital projects management, and public procurement procedures, to all capital investments regardless of the type of investment or source of financing. It must also ensure that effective procedures are in place to guarantee that the planning, appraisal and implementation of capital projects is integrated into the budget process. The December 2022 amendments to the Decree on capital projects management focused on green investments. The public investment management information system (PIMIS), which aims at improving the monitoring of capital projects, was launched in June 2023. In September 2023, the government adopted a new Decree on capital projects, which makes some steps in the direction of a single and clear overall view of the current and planned investment in Serbia, notably with the

provisions dedicated to PIMIS. However, the Decree falls short of developing a genuine single pipeline for public investment management and foresees important exemptions. Furthermore, the government's investment planning and management capacity needs to be improved. This includes the capacity for public assets management and for assessing possible fiscal risks for investment projects funded by loans from third countries. The Capital Investment Commission was re-established in 2023.

The link between the government programme and the sector strategies and operational plans of budget beneficiaries remains weak. The improved legislative framework for public procurement and internal control needs to be implemented in practice and the managerial accountability roadmap needs to be adopted. The State Audit Institution continued to increase both the coverage and quality of its audits of public funds and its relations with stakeholders.

Analytical units in all ministries and government agencies need to be established without delay in order to foster the effective consolidation of strategic, operational and financial management functions, as planned in Serbia's strategic documents. Areas that would merit further improvements include the accounting and reporting framework, arrears, commitment controls, extra-budgetary operations and performance management.

Serbia did not progress in improving **budget transparency**. No transparency roadmap, pre-budget statement or mid-year report has been produced or published. The Ministry of Finance does not publish the budget execution profile at the beginning of the year, preventing analysis of deviations from targets. Some additional policy and fiscal risk information could be included in the executive's budget proposal. Public participation in the budget process and budget oversight by the legislature needs to be improved. The November 2022 amending budget was adopted under urgent procedure, without justification. The 2023 budget was adopted in line with the budget calendar but with very limited qualitative assessment and debate among stakeholders. In particular, the parliamentary debate on the draft budget was called under an urgent procedure, negatively affecting the quality of the debate. In addition, the September 2023 amending budget was adopted under urgent procedure and did not comply with the minimum deadline between sending the bill to the Parliament and tabling it for plenary debate and adoption.

Public service and human resources management

The civil service legislation provides for **merit-based recruitment and dismissal procedures** but leaves too much discretion to the heads of institutions in setting up selection committees. Mandatory competition procedures for recruiting temporary staff in cases of increased workload was further postponed from 2023 to 2025. The possibility to convert certain categories of temporary contracts into permanent civil service contracts needs to be considered carefully to avoid possible abuse. Grades received by civil servants under the performance appraisal system remain inflated. The proportion of disciplinary decisions annulled by courts decreased but remains high (42% in 2022; 50% in 2021). The gender structure within the overall public administration is balanced, including for top managerial positions (49% women; 51% men).

The legislation on senior civil service positions provides for a merit-based recruitment procedure, but the continuous lack of transparency and compliance with it remain issues of serious concern. The legal provision allowing for appointments to acting positions for 6 months (with a maximum extension of 3 months) remains used well beyond those limits. As of June 2023, 55% of filled senior positions were held on an acting basis (51% in May 2022). Despite amendments to the Law on civil servants restricting appointments to existing civil servants as

of July 2019, close to 70% of all acting posts are held by non-civil servants. The limited capacity of the High Civil Service Council remains a concern given the large number of competitions to be organised to replace all current acting managers at a reasonable speed. Clear political will, sufficient resources and effective monitoring by the responsible institutions remain essential to address this issue as a matter of urgency. Although a special working group was previously established to look into possible solutions, and its membership was widened, there are no concrete results yet. Overall, established practices continue to lack transparency. In particular, appointment decisions for management positions can still be overturned by a government personnel committee after the selection process has been finalised at the institutional level.

As regards the competency-based **human resources management** system, the success rate of tested competencies amounts to 34%, which means that they play a more efficient filtering role than in the past in the overall process. The Human Resources Management Service adopted an action plan for strengthening the capacities of human resources units and took measures to coordinate and harmonise the work of human resources units in the line institutions through regular meetings of the network of human resources units and the developed IT platform for information exchange. The actual impact remains to be assessed. The Service introduced annual reporting to government on recruitments. Reliable statistics on all human resources management functions are not yet available as the setting up of a new human resources management information system remains delayed. No progress was made regarding **remuneration** of civil servants because implementation of the 2016 Law on the public sector salary system, which introduces the principle of equal pay for equal work for all public sector employees, was postponed to 2025. Restrictions in recruitment are still in place under the Law on the budget system.

With regard to **professional development**, the National Academy for Public Administration accelerated the organisation of training for all public officials, including at the local self-government level. The Academy further developed online training courses, which contributed to increased training coverage. Implementation of a comprehensive professional development programme for senior civil servants is ongoing.

Almost all (99%) institutions that had the obligation to adopt **integrity plans** did so. Further efforts are needed to ensure that existing integrity plans for the judiciary and public administration are fully implemented. The integrity of the civil service is still undermined by the excessive number of acting senior manager posts. By March 2023, 48 out of 174 local self-governments had adopted the new code of ethics for local officials developed by the Standing Conference of Towns and Municipalities.

Accountability of administration

The public administration structure remains to be streamlined. The **lines of accountability** between agencies and their parent institutions are blurred, contributing to overlapping functions, fragmentation, and unclear reporting lines. Despite the existence of the Law on public agencies, the status of almost all agencies remains regulated by a special law. Responsibilities are delegated in a uniform manner to all local self-governments regardless of their size and capacity to assume them. Political commitment to managerial accountability, performance management and systematic delegation of responsibilities is not yet in place. Around 40% of institutions reported to have established analytical units since the adoption in March 2021 of a Decree on organisation and systematisation of work posts. Analytical units need to be promptly set up with appropriately trained staff. Institutions retain a predominantly bureaucratic and process-oriented approach to planning, budgeting and reporting on their activities (*See Chapter 32 – Financial control*).

As regards **citizens' right to good administration**, according to the Ombudsman's 2022 report, the largest number of citizens' complaints relates to violation of economic, civic and social rights, as well as the principle of good administration, specifically the right to efficient administration and the right to receive a decision within the legal time frame. Administrative silence, whereby public authorities fail to properly act on citizens' information requests, remained a major issue. (*See Chapter 23 – Fight against corruption*).

On **citizens' right to administrative justice**, review of Administrative Court judgments is possible only in a limited number of cases and only through extraordinary legal remedies. The establishment of two instances in the administrative justice network, planned for the first quarter of 2023 in the Chapter 23 action plan, was further delayed. In 2022, the Administrative Court received 63 302 new cases and resolved 25 178 of these (39.77% clearance rate). Some 103 198 cases were pending at the end of 2022. The average duration of court proceedings was 1 496 days. The number of judges increased from 46 to 52, but their work was negatively affected by the increased inflow of cases, including a high number (over 60%) of abuse of procedural rights cases filed by lawyers for the purpose of obtaining court expenses, which contributed significantly to the increased backlog. No interim measures were taken to address the challenges of the extensive court jurisdiction and the lack of specialisation among judges, which negatively affected the quality of work in 2022. The Court continued to improve transparency by uploading 213 651 integral and 25 703 anonymised judgments into the case law database of the Supreme Court of Cassation. **Citizens' right to seek compensation** is regulated but there is still no statistical data to monitor its implementation.

Service delivery to citizens and businesses

Creating a more **user-oriented administration** remains a government priority. The Office for IT and eGovernment and the Prime Minister's Delivery Unit, together with the recently established Ministry of Information and Telecommunications, continued to lead in this area. The e-government development programme and action plan for 2023-2025 were adopted in April 2023. Progress in key enablers, such as the cloud-based e-signature and user-friendly payment services, contributed to further development of e-services. The number of databases connected to the Government Service Bus - an information system linking major databases - has increased. Digital signatures are being used but by a limited number of people. The number of municipal one-stop shops increased. However, a regulation governing the setting up of one-stop shops has yet to be adopted. A central monitoring of performance and quality standards for services is still needed. Further developments in the digital transformation of the administration are hampered by the fragmentation of responsibilities and mandates between different institutions and the lack of a dedicated coordination system.

The legal framework for **simplification of administrative procedures** is in place. However, regulatory uncertainty for individuals and businesses remains due to delays in aligning sector-based legislation with the Law on general administrative procedures. The capacity of the Ministry of Public Administration and Local Self-Government to efficiently oversee the implementation of this Law is still limited and there is no record of legislation pending alignment. Through implementation of the 'e-paper' programme since 2019, the Public Policy Secretariat simplified 386 administrative procedures for businesses and digitised 64 procedures. The registry of administrative procedures has been further developed, but it is not yet known to the majority of businesses and citizens.

2.2. RULE OF LAW AND FUNDAMENTAL RIGHTS

2.2.1. Chapter 23: Judiciary and fundamental rights

The EU's founding values include the rule of law and respect for human rights. An effective (independent, high-quality and efficient) judicial system and an effective fight against corruption are of paramount importance, as is respect of fundamental rights in law and in practice.

Serbia has **some level of preparation** and has made **limited progress** in applying the EU *acquis* and European standards in this area, most notably with implementation of the judicial reform. Despite ongoing work, Serbia remains to finalise and adopt an anti-corruption strategy fully in line with EU recommendations. On media freedom, limited progress was made on the recommendations of last year, which still remain valid.

The Coordination Body for overseeing the implementation of the action plan for Chapter 23 reports quarterly and every 6 months, including regular quarterly alerts under the early-warning mechanism. The mechanism for cooperation with civil society has improved. The Ministry of Justice has organised several round-table discussions bringing together civil society organisations.

Functioning of the judiciary

Serbia has **some level of preparation** in the area of the judiciary. **Some progress** was made on last year's recommendations. On 9 February 2023, Serbia took an important step to ensure independence and accountability of the judiciary with the timely adoption of five laws implementing the 2022 constitutional amendments, while two of the implementing laws still need to be adopted: the Law on Judicial Academy and the Law on Seats and Territorial Jurisdiction of Courts. The Venice Commission issued three opinions that overall assessed positively the legislation and recognised the transparency and inclusiveness of the process. Most of its recommendations were addressed. Relevant by-laws will need to be adopted by May 2024. The High Judicial Council (HJC) and High Prosecutorial Council (HPC) were established on 8 May, following the election of the lay members, which gave practical effect to the implementing legislation.

Serbia needs to ensure that the human resources strategy and the related action plan are implemented within the scheduled timelines.

Challenges and delays in implementation persist regarding the impartiality, accountability, efficiency and professionalism of the judiciary, access to justice, and high-quality training. The current system of recruitment, transfer and promotion of judges and prosecutors has not been revised yet to ensure that careers are fully based on merit. While the new judicial laws lay down more precise disciplinary rules, there is a need to improve the capacity of the disciplinary bodies. Regarding undue pressure on the judiciary the situation remains a concern. A number of steps have been taken to reduce the space for political influence on the judiciary. However, it is not yet possible to observe a consistent reduction of undue influence on judges and prosecutors in practice. Serbia still has not shown a genuine commitment to investigating and adjudicating war crimes cases. Serbia continues to challenge publicly the judgments of the International Criminal Tribunal for the former Yugoslavia (ICTY), including at the highest levels. A number of Serbian political parties, politicians and media outlets continued to provide support to, and public space for, convicted war criminals.

In the coming year, Serbia needs in particular to:

- adopt the Laws on Judicial Academy and on Seats and Territorial Jurisdiction of Courts and carry out the necessary appointments of judges and prosecutors in line with the newly adopted legal framework;

- ensure that the High Judicial and Prosecutorial Councils, the Government and the Parliament effectively and proactively defend judicial independence and prosecutorial autonomy in cases of external undue influence, including in cases of undue public comments by members of Government or Parliament on ongoing investigations or court proceedings which are in contradiction with their code of conduct;
- operationalise the uniform and centralised case management systems to improve the efficiency of the justice system and fully implement the human resources strategy.

Strategic documents

The revised **action plan for Chapter 23**, adopted in June 2020, and the 2020-2025 **judicial development strategy**, adopted in March 2022, are the main strategic documents. The government is still delayed in carrying out a comprehensive impact analysis of the country's reforms on the basis of the 2014 World Bank functional review, including addressing its recommendations, as well as recommendations from previous World Bank functional reviews and the latest World Bank functional analysis of the prosecution services, finalised in August 2022. They remain to be addressed.

The implementation of the **human resources strategy** (HR strategy) started by launching a series of normative gap analyses, pending finalisation. Full implementation is expected to improve performance across the justice sector. The new monitoring and reporting mechanism, set out in the Chapter 23 action plan, should provide a qualitative analysis of achievements against clear impact indicators, including on human and financial resources, as well as early-warning and corrective measures. Special efforts should be placed on staff retention and capacity building across the implementing institutions. Sustained efforts are needed to make the information and communications technology (ICT) system work in an effective and efficient manner, closely linked with the human resources strategy and the judicial reform. The Ministry of Justice developed a mechanism for cooperation with civil society.

Management bodies

A division of budget functions was established, by judicial laws, between the Minister of Justice, the HJC, the HPC and the Supreme Public Prosecutor. In line with the 2022 constitutional amendments, the implementing laws provide that the two councils independently manage the funds in their budget. Consultations are planned with the Ministry of Finance to harmonise their positions. In addition, implementation of the human resources strategy is expected to improve the overall management of the system, taking into account the predicted judiciary workload, and both the number and complexity of cases, as determined by a case-weighting procedure.

The HJC adopted a new strategy and improved the use of the information and financial reporting system for more accurate, reliable and efficient data collection and processing. The HPC took steps towards introducing the necessary ICT tools to ensure random allocation of cases and introducing the case-weighting formula. Measures were also taken to improve the transparency of work by the Councils, through publication on their websites of their reports. The new judicial laws will further strengthen the role of the Councils, in line with constitutional amendments and Venice Commission recommendations. The need to improve the analytical and statistical capacity of both Councils in line with the human resources strategy for the judiciary has still not been addressed.

Independence and impartiality

The new constitutional and legal framework strengthens the guarantees against attempts to exercise undue political influence over the judiciary, notably by shifting the competence to

appoint judges and prosecutors from the Assembly to the Judicial and Prosecutorial Councils. Following the promulgation of the constitutional amendments in February 2022, aimed at strengthening judicial independence and accountability, the relevant implementing legislation giving effect to the amendments was adopted on time in February 2023. The draft laws on judges, high judicial council, organisation of courts, public prosecutors' office, and high prosecutorial council were shared in September 2022 with the Venice Commission. The latter adopted a series of relevant opinions that were duly considered by Serbian authorities to revise the draft legislation. Broad public consultations were held between September 2022 and January 2023. Serbian authorities worked constructively with the European Commission and the Venice Commission. The Venice Commission commended the Serbian authorities for *'the considerable effort they invested in the preparation of the legislative package implementing the constitutional amendments, which was well-structured, clearly written and covered all essential points'*. The Venice Commission also commended Serbia *'for the inclusiveness of the process of preparation of the legislative package'*.

The Venice Commission further underlined that *'the overall positive assessment of the revised draft Laws and the general recommendation remains valid.'* On the other hand, the Commission also stressed *'that a successful judicial reform ... need[s] to be accompanied by non-legislative measures including a change of the current legal culture.'* Following these opinions, further amendments were made during the parliamentary discussions. On 13 March 2023, the Venice Commission published an information document as a follow-up to its opinions assessing that *'the overall direction of the amendments corresponds to the recommendations of the Venice Commission.'*

Notwithstanding this positive development in the legal framework, pressure on the judiciary and the prosecution services still remains high. Government officials, including some at the highest level, and Members of Parliament continue to **comment publicly on ongoing investigations or court proceedings**, as well as on the work of individual prosecutors and judges. Such comments are in contradiction with the code of conduct of members of the government and the Parliament, but the enforcement and penalisation policy did not improve. Information leaked on ongoing investigations or cases was published by a number of media outlets, interfering with the investigations and processing of cases, thus creating undue pressure on individual members of the judiciary or the prosecution service.

In principle, the current rules of procedure of the HJC and the HPC lay the foundation for a more effective reaction and protection mechanism for judges and prosecutors in cases of undue influence. The HJC has appointed one member to act as confidential counsellor upon report of cases of undue influence while one HPC member has been elected as Commissioner for Autonomy. However, despite these steps taken, it is not yet possible to observe in practice a significant reduction of undue influence on judges and prosecutors. In 2022, the HJC received seven requests for protection of undue influence. It took a decision in four cases. In the first quarter of 2023, the HPC and the Commissioner for Independence received 19 new cases. In two cases a decision was taken and no ground was found for undue inappropriate influence. The 17 remaining cases are still ongoing. Up to 31 December 2022, seven judges requested from the HJC protection from undue influence. In two cases, the requests were withdrawn for referral. In five cases, the requests were rejected as inadmissible. In the first quarter of 2023, in four cases, the judges reported undue influence on their work. The cases are still ongoing before the HJC member, a judge who was elected in May 2023 to work on protection of his peers from undue influence. More transparency in the work on undue influence is needed, including the publication of guidance and anonymised decisions. This creates a certain vulnerability for political influence, notably with the lack of effective safeguards. Overall, both

Councils should react more strongly and engage in broader public outreach to overcome limited media coverage, notably through statements, press conferences, and targeted messages to the authorities or institutions concerned. This would send a clear message on the need to eliminate undue influence on judges and prosecutors and help reverse a persisting negative perception as to their independence and autonomy in practice.

The transfer of two deputy public prosecutors from the Special Department for Suppressing Corruption of the Higher Public Prosecution to the General Crime Department in Belgrade, which took place without proper justification, was contested by the prosecutors themselves and led to widespread criticism. The disciplinary charges, filed by the two (deputy) prosecutors against their superior who transferred them without justification were dismissed in June by the HPC disciplinary prosecutor as according to the legislation of that time there was no rule asking for proper written justifications in such instances. The deputy prosecutors had been working on a corruption case and a money laundering case related to the state-owned Electric Power Company of Serbia (EPS). The transfer was made in the middle of the investigation and after the arrest of suspects. Even if the HPC Commissioner for Independence assessed that the transfer was conducted in accordance with the law, it noted that the transfer should not have taken place during the proceedings of such a high-profile case. The new legislation implementing the 2022 constitutional amendments has now introduced safeguards in relation to mandatory instructions and the reallocation of work within the Public Prosecutor's Office.

Accountability

Following the constitutional changes, the new judicial laws lay down more precise disciplinary rules for judges and prosecutors, including the necessary procedural safeguards, especially for violations of adopted standards of professional ethics. There is a need to improve the capacity of the disciplinary bodies.

In June 2022, the HJC adopted a new rulebook on the work of its Ethical Board. Both Councils continued to promote respect for professional ethical standards and confidential counselling.

A precondition for the implementing legislation to be applicable was the establishment of the High Judicial Council and the High Prosecutorial Council, for which the four lay members of each Council needed to be elected by the Parliament. The election procedure started on 19 April 2023 when only one lay member received the necessary votes of the Parliament. Therefore, the five-member anti-deadlock commission (Parliament Speaker, President of the Constitutional Court, President of the Supreme Court, Supreme Public Prosecutor and the Ombudsman) was activated to elect the remaining seven lay members (three for the HJC and four for the HPC) on 8 May 2023. Before the voting, the five-member commission held public interviews with the candidates. Candidates were shortlisted by the Parliamentary Committee on Judiciary following a public competition and confirmation of at least 10 years of experience in a legal profession.

In 2022, the disciplinary prosecutor worked on 89 cases, which contributed to the reduction of the backlog of cases. Out of the total number of cases, disciplinary complaints were filed against 96 public prosecutors and against 20 other people. In the reporting period, disciplinary charges were filed against 14 public prosecutors and 82 deputy public prosecutors. Disciplinary reports are primarily submitted by citizens and their attorneys. The disciplinary prosecutor dismissed as unfounded disciplinary charges filed against a total of 83 public prosecutors. 18 cases were resolved by other means, for instance by joining the case or through an official note on the reason for archiving. In the reported period, one disciplinary report was assessed as well founded, which allowed for the initiation of proceedings before the Disciplinary Commission of the SPC.

In 2022, the HJC's acted as final instance in six cases upon appeals against the decisions of the Disciplinary Commission. In one case, the HJC started the procedure for dismissal of one judge over a serious disciplinary violation, ordered salary reduction of 20% and 30 % for two judges, public warnings for two judges and rejected one proposal for disciplinary proceedings. In 2022, the Disciplinary Prosecutor of the HJC, acting in first instance, received 312 disciplinary reports and worked on 579 cases (together with 267 unsolved reports from 2021). He solved 434 cases, submitted 18 proposals to the Disciplinary Commission for further processing, 145 reports are pending at the end of 2022. In the reporting period, the Disciplinary Commission, as the second instance, took decisions in 14 cases submitted by the disciplinary prosecutor. In nine cases, the Commission established disciplinary violations and issued various disciplinary sanctions, among them seven public warnings, one salary reduction, one ban on career advancement. The Commission rejected three cases, the disciplinary prosecutor withdrew the charges in one case and one case is pending appeal at the end of 2022. Majority of disciplinary reports were filed by private individuals and lawyers who complained over prolonged litigations and misdemeanour proceedings in first instance courts, mostly within the Belgrade Appellate Court jurisdiction. In 2023, the HPC disciplinary prosecutor had 46 disciplinary complaints against 43 persons, of which 27 were dismissed and 18 were resolved through other means. Disciplinary reports were mostly submitted by citizens. In the reporting period, one disciplinary report was assessed as founded, which allowed for the initiation of proceeding before the Disciplinary Commission of the HPC.

In 2022, 20 court presidents and 149 judges were appointed to courts at all levels (259 in 2020 and 2021) and in 2023, the HJC appointed 37 judges. At the end of 2022, out of 3 073 judicial positions, 137 were vacant (110 judges have retired and 19 judges left on own request while 2 503 judges effectively worked (2 508 in 2022), amounting to 39.71 judges per 100 000 inhabitants (39, 4 in 2022). The number of acting court presidents was reduced from 24 in October 2022 to six in February 2023. By the end of 2023, most of the present court presidents will end their mandate, the HJC is preparing the new competition. As of 31 December 2022, there were 711 deputy public prosecutors actively working and 103 vacant positions in appellate, higher and primary prosecution offices (out of 814 available). In June 2023, there were 747 holders of public prosecutors function (chief public prosecutors and public prosecutors), which is 10.99 per 100.000 inhabitants. In 2022, there were 50 public prosecutors in full mandate, 26 deputy public prosecutors in acting positions and 15 deputy prosecutors in the caretaker capacity for prosecution offices. In 2022, the SPC published a competition for 62 deputy prosecutors, out of which 27 were elected. On 19 June 2023, the HPC elected 46 prosecutors. More than 20 appeals against the selection decisions were filed with the Constitutional Court. One of the arguments was the lack of participation of prominent lawyers in preparing the candidates' list.

According to the European Commission for the Efficiency of Justice (CEPEJ), the European averages are 22.2 judges/11.8 prosecutors per 100 000 inhabitants.

Professionalism and competence

The HJC and HPC continued to publish information on their websites about the evaluation process. Transparency needs to be improved by sharing more information and improving communication with the public. In 2022, HJC published 116 statements on its activities and held 18 regular and 9 remote sessions; adopted minutes were posted on the website. In 2022, the HJC was an observer in the European Network of Councils for the Judiciary (ENCJ) and took part in a judicial career attractiveness programme. The HJC's strategic goal is to standardise information on the website and to establish spokesperson services for all courts. In 2022, the HPC held 2 regular and 26 extraordinary remote sessions. The current system for

recruiting, transferring and promoting judges and prosecutors will need to be revised in line with the new judicial legislation. It will be essential to establish merit-based judicial careers, with a clear performance evaluation mechanism and criteria. In the course of 2022, the evaluation procedure was initiated for 701 judges (259 judges under regular and 442 judges under extraordinary evaluation). The decisions for 374 judges are expected. In 2022, SPC evaluated 28 candidates and in June published a competition for 50 prosecutor positions, for which decisions are pending.

The eligibility criteria for the judicial profession remain to be defined in line with the newly adopted laws on judges and prosecutors and the new Law on the judicial academy, to cover all presently eligible categories (in 2022, HJC elected 92 judges from the ranks of court assistants, 9 judicial academy graduates and 3 from other professions). In line with the Venice Commission's recommendation, the Academy should be effectively '*protected from possible undue influence*'. The independence and professionalism of the Academy remain essential to it becoming the sole entry point to the judicial profession. Guidelines for amending the Law on the judicial academy are in preparation, with participation of the HJC and SPC members to define the training needs and criteria for the selection and engagement of mentors and lecturers.

In line with the Law on planning, the Ministry of Justice should step up implementation of the new reform strategy to improve performance appraisal, and budgetary planning and execution, and to increase support to qualifications and skills through training, based on recommendations from the World Bank's functional reviews (finalised in November 2022 for the court system and in August 2022 for the prosecution service).

Quality of justice

The Judicial Academy, responsible for initial and continuous judicial training, kept implementing its multiannual work programme for 2020-2025. From January until June 2023, 76 educational events (in-person and online) were held and the new platform (PARS LMS) for a better management and monitoring of the implementation of training programmes was established. Working under supervision of the Ministry of Justice, the Academy conducts annual analysis of the training needs in order to better define the topics. As of June 2023, 79 people were employed (43 permanent and 36 temporary positions). Trainings continued, among others, with the Council of Europe on undue influence on the judiciary. The Academy's capacity and internal expertise for delivering sufficient initial and continuous training should be further improved, in particular for training on EU law. Steps were taken to improve transparency of the mentor selection process and should be followed for the initial testing process. The total budget for training initiatives at the Judicial Academy in 2022 amounted to EUR 4 246 580. The Academy continues to be an observer in the European Judicial Training Network (EJTN) and should better benefit from its expertise.

On **case law harmonisation**, following the Supreme Court of Cassation (SCC) instruction of October 2022, the database with court jurisprudence was expanded with inputs from the SCC, four appellate courts, commercial and misdemeanour appellate courts and the administrative court. At the end of 2022, there were 353 670 integral decisions and 47 033 anonymised decisions in the database. The connection was made to prosecutor databases and to European Court of Human Rights (ECHR) databases. There were two joint sessions of civil departments of the appellate-level courts in 2022, in June and December, in accordance with the Agreement of Presidents of Appeal Courts. The Supreme Court also prepared two bulletins with the legal opinions on disputed legal issues ahead of the annual conference of judges held in May 2023. There is a need to redefine the role of the SCC in effectively orienting jurisprudence in line with the judicial laws adopted for implementing constitutional amendments, especially concerning repetitive cases.

Serbia still lacks a comprehensive **court case (and document) management system** that interlinks cases across Serbian courts and prosecutor offices. The work on a case management system for courts officially started in September 2021 and is planned to be finalised in 2024. The case management system for prosecutor offices is planned to be finalised by mid-2024. The case management system for prisons administration is operational as of December 2021. Further work is still required to ensure that all systems can operate smoothly. Legislative changes are needed, along with adequate staffing, financial resources and upgraded communication infrastructure.

By the end of 2022, the **notary system** had 226 offices, 455 notary trainees, over 700 notarial interns and assistants and over 700 administrative staff. Public notaries are yet to be appointed for the areas of three basic courts. In 2022, public notaries processed over 200 000 real estate transactions, 485 000 inheritance cases and 350 000 certifications of documents with a small number of appeals and reversals. Analysis is underway to prepare amendments to the Law on notaries and the set of accompanying laws. The notary chamber continued its efforts for better services, improvements to the electronic documentation system, standardisation of practice, and training.

In the area of **alternative dispute resolution**, including mediation, amendments to the legal framework are still pending, following prior analysis from 2020. As of 31 December 2022, 1 677 mediators were registered in the Ministry of Justice: 656 are from Belgrade, 112 from Nis, 140 from Novi Sad and 53 from Kragujevac (183 of them are lawyers, 15 judges, one is an enforcement officer, 739 are law graduates and 1 is an ombudsman). By 31 December 2022, 29 organisations have received permits to conduct training for mediators, but so far only 22 organisations have conducted training, with a total of 6 544 participants.

In 2022, 1 529 mediation agreements were concluded and 1 291 cases were successfully finalised (mainly in civil, commercial and family law areas). Most cases were resolved in the territory of the Belgrade Court of Appeals (61%), in Novi Sad (19%) and in Kragujevac and Nis (10%). In addition, 1 179 individual and 35 collective labour disputes were initiated before the arbitration; 565 and 19 were resolved respectively. The number of mediations compared with the number of pending civil court proceedings remains below 1%.

Efficiency

The court and prosecution network consists of 159 courts and 90 prosecutor offices (general and specific jurisdictions), operating in four instances (basic, higher, appellate and supreme), adding to the complexity in terms of financing, procurement and court payments for the services. Problems of unequal workload among judges and prosecutors negatively affected performance and access to justice for the public. An analysis of the effects of the Law on the protection of the right to a trial within reasonable time was prepared (with the Council of Europe). Legislative changes are pending. The proposal for amendments to the Law on the protection of the right to a trial within reasonable time are pending for adoption in Parliament.

In 2022, all courts received 1 808 813 new cases (compared with 2 402 486 in 2021), the highest number being in basic and misdemeanour courts. In 2022, all courts have resolved 2 132 305 cases, compared with 2 415 672 in 2021.

At the end of 2022, the number of pending cases fell; there were 1 174 642 cases compared with 1 498 237 in 2021. The average duration of court proceedings in 2022 was 201 days compared with 226 days in 2021, and the average clearance rate of 117,88%, was higher than in 2021 (100.55%) but with significant differences between courts (130.58% for basic courts, 26.89% for misdemeanour courts, 55.35% for SCC and only 39.63% for the administrative court).

Serbia already has numerous vacant posts in the judiciary, and many more senior judges will retire soon. This problem is exacerbated by a lack of interest in a judicial career among law school graduates. Attracting young judges and prosecutors to the system may require allocating sufficient budgetary means to the judiciary to solve the problem of relatively modest salaries. Another general problem, which cannot be solved by legislative amendments alone, is the strictly hierarchical organisation of the judiciary with a strong notion of supervision over the work of the lower courts. The new legislation has tried to address some of these problems. The division of budgetary functions was increased between the relevant ministry and high councils; the change of titles was not only cosmetic but reflected a consolidation of functions. However, the cumulative effect of all those mechanisms could affect the attractiveness of the judicial professions for young lawyers.

In 2022, there were a total of 10 098 positions for court staff (9 064 filled) and 1 546 were engaged on temporary basis, compared to 9 882 positions for court staff (8 763 filled) and 1 751 on temporary basis in 2021, who were engaged due to increased workload. The number of state employees i.e. staff whose work is not linked to processing of cases, slightly increased in 2022 (2 961, of which 2 709 were filled) compared with 2 831 in 2021 (2 938 in 2020). This remains high compared with the total number of staff, as against the European average (CEPEJ report).

Implementation of the unified **backlog reduction** programme for 2021-2025 continued under the supervision of the SCC, with declining trends in the overall number of pending backlog cases, including enforcement cases. Some measures were proposed to streamline future work on old cases. In 2022, the number of resolved backlog cases was 288 654, compared with 375 859 in 2021. The majority of resolved backlog cases were trial cases (250 185 in 2022 compared with 118 823 in 2021). At the end of 2022, there were 130 260 pending backlog cases, with a higher number of resolved civil cases before basic courts (36 859 compared with 32 923 in 2021). The percentage of backlog cases in the total workload of courts is 3.94%. Looking at individual types of courts, the number of pending cases in 2022 fell in basic courts, misdemeanour courts, commercial courts, appellate courts, commercial appellate courts and misdemeanour appellate courts; on the other hand, the number of pending cases increased in higher courts, administrative courts and the Supreme Court of Cassation. The number of old cases increased in the administrative court (6 333 in 2022 compared with 4 368 in 2021). Most of them are cases of 3-5 years old (6 190).

A high number of cases (29 672) is pending before the **Constitutional Court**, 99.13% of which are constitutional appeals and only 227 related to normative control. In 2022, the Constitutional Court worked on 16 249 cases (18 198 in 2021): 16 075 were constitutional appeals and 116 cases of normative control. The Constitutional Court resolved 14 203 cases, of which 13 969 constitutional appeals and 175 normative control cases. Working with 13 of the 15 judges, the Constitutional Court took 939 decisions on merit (6.72% of resolved cases), a fall compared with 2022 (1 147 or 11.5%), and rejected appeals in 7 617 cases (54.52% of resolved cases). The Constitutional Court is taking steps to improve visibility and transparency of its work and to enable easier access to the court practice database of both domestic and European Court of Human Rights judgments. No steps were taken to reform the Constitutional Court in particular in regard to the introduction of a qualified majority with a deadlock mechanism for the election of some of the judges of this court by Parliament, as underlined by the Venice Commission.

Significant **differences in workload** remain between courts across the country, with the Belgrade courts of first instance bearing the highest workload overall. There was no progress in amending the legal framework on local jurisdiction to address this problem. In January 2022, the Ministry of Justice introduced a case-weighting formula in all basic, higher and commercial

courts. Lengthy proceedings and the slow pace of processing indemnity claims continue to hamper, efficiency, quality and access to justice. There is a need to improve implementation of the 2019 Law on free legal aid. (*See procedural rights*)

As to **enforcement cases**, the transfer of additional types of enforcement cases from courts to 231 public enforcement officers and 37 deputy officers continued in 2022 (415 718 general cases and 1 435 commercial cases were transferred). The e-auction platform is in use to increase access to information and improve transparency. The number of sales of movable and real estate property increased. In 2022, courts received 236 004 new enforcement cases (255 792 in 2021) and solved 274 913 cases (514 833 in 2021). There was a fall in the number of pending backlog enforcement cases, which affect the efficiency of the courts, with 27 701 pending at the end of 2022 compared with 66 610 in 2021. Average length of proceedings was 36.78 days and 69.44 days for enforcement based on authentic document. Implementing the new human resources strategy for the judiciary should provide courts with the additional human resources that are required for better protection of individual debtors and stronger court control over enforcement.

Domestic processing of war crimes

Cooperation between the International Residual Mechanism for Criminal Tribunals (IRMCT) prosecution office and the Serbian War Crimes Prosecutor's Office has continued. Arrest warrants issued by the International Criminal Tribunal for the former Yugoslavia and the IRMCT on contempt of court charges have still not been executed. In May 2023, the appeals chamber of the IRMCT handed down the judgment in the Stanišić and Simatović case against two former senior officials of the Serbian State Security Service within the Ministry of Interior. The defendants were convicted for involvement in crimes across Bosnia and Herzegovina and in one town in Croatia as members of a joint criminal enterprise to ethnically cleanse non-Serbs from the areas during the 1990s wars in the Balkans. Besides overturning the acquittals of involvement in the criminal enterprise, the appeals chamber raised the sentences from 12 to 15 years. This is the last IRMCT case on the former Yugoslavia.

Regarding **judicial cooperation** issues, bilateral agreements exist between the Prosecutor's Office of Serbia and its counterparts in Bosnia and Herzegovina, Croatia and Montenegro, including on the exchange of evidence related to war crimes. Serbia has yet to enforce the judgment of Bosnia and Herzegovina in the case of General Djukić, who resides in Serbia. In November 2022, the Office of the War Crimes Prosecutor (OWCP) and the Prosecutor's Office of Bosnia and Herzegovina signed an agreement on cooperation in the area of support for witnesses, aggrieved parties and victims in criminal proceedings.

No progress in cooperation between Serbia and Croatia was noted in the reporting period.

Following the October 2021 government adoption of the second national strategy for the prosecution of war crimes for 2021-2026, three monitoring reports have been published. In December 2022, the OWCP adopted a Prosecutorial Strategy for the Investigation and Prosecution of War Crimes for the period 2023-2026 and an accompanying action plan. Relevant international organisations and civil society organisations were not consulted during the drafting process. Contrary to what was envisaged in the first national strategy, the OWCP has yet to define the selection criteria for war crimes cases and to create a list of priority and high-profile war crimes cases, consistent with the obligation that all priority and high-profile cases be duly prosecuted. In view of the end of the mandate of the current War Crimes Prosecutor in May 2023, the appointment procedure for the next mandate was launched in November 2022, but has not been completed yet.

A number of Serbian political parties and figures, including at ministerial level, continued to provide support to, and public space for, convicted war criminals. Convicted war criminals continue to spread hate speech in the public space. Certain politicians continue to deny the Srebrenica genocide without repercussions.

The War Crimes Prosecutor's Office filed 10 new indictments against 14 individuals in 2022, of which four were transferred from Bosnia and Herzegovina. The indictments involved five defendants who held high-ranking positions at the time of the alleged offences affecting hundreds of victims.

In March 2022, the OWCP filed an indictment against four high-ranking Croatian air force officers in the 'Petrovačka Cesta' case for war crimes against civilians allegedly committed during the operation 'Storm' in August 1995. The OWCP charged the suspects with ordering a missile attack on a convoy of Serb refugees on the Petrovačka cesta road, outside of Bosanski Petrovac, Bosnia and Herzegovina. As per the OWCP's allegations, the missiles fired by the combat aircraft killed 13 civilians, including six children, and wounded 24. Since all the defendants were unavailable to the Serbian authorities, the OWCP filed a motion to the High Court to initiate a trial *in absentia* against the defendants. In August 2022, the indictment was confirmed. The defence lodged appeals against the ruling on the confirmation of the indictment. In its August 2022 ruling, the Court of Appeals rejected the appeals lodged by the defence. To date, the High Court has not decided on the motion. The High Court postponed the start of the main hearing, scheduled for December 2022, finding that there was insufficient evidence as to whether the defendants had received the summons or not. In the first half of 2023, no hearing has been scheduled for the case.

In 2023, proceedings *in absentia* are underway in the 'Zagreb' case.

As of 31 March 2023, trial proceedings were ongoing in 23 war crimes cases before the Higher Court (19 cases) and the Court of Appeals in Belgrade (4 cases) against 44 defendants.

The trial of Milenko Živanovic, the former General and Commander of the army of Republika Srpska at the time of the alleged offence, is ongoing.

As of 31 December 2022, trial proceedings were ongoing in three cases of sexual violence committed during the 1992 conflict in Bosnia and Herzegovina: the Rogatica case, the Kalinovik case and the Bratunac II case. All of those cases relate to the rape of Bosniak women. In addition, during the reporting period, the OWCP raised one indictment related to the rape of a Bosniak woman in May 1992 in Bosnia and Herzegovina in the Gorazde II case; the first hearing took place in April 2023.

Two final judgments against three defendants were rendered in 2022. The Court of Appeals found three defendants guilty, sentencing them to 15, 7, and 4 years and 6 months respectively, in prison.

Serbia's judiciary has failed to include financial compensation to war crimes victims in any criminal proceedings. Its track record of compensation to war crimes victims in civil proceedings is weak.

Serbia's pace of processing war crimes cases has significantly deteriorated in recent years. A genuine commitment to address cases, including those of high-ranking suspects, should be assured. Serbia has a case backlog of over 1 700 pre-investigative cases.

According to the relevant data of the International Committee of the Red Cross (ICRC), as at July 2023, 9 781 people were still missing as a result of conflicts in the region. Of these, 6 237 cases are related to the conflict in Bosnia and Herzegovina, 1 926 to the conflict in Croatia and

1 618 to the conflict in Kosovo. In 2022, 106 cases were resolved, of which 67 concerned the conflict in Bosnia and Herzegovina, 37 the conflict in Croatia and two the conflict in Kosovo. From January to July 2023, 16 cases related to Croatia, 37 related to Bosnia and Herzegovina and two cases related to Kosovo were resolved. Throughout 2022, Serbia participated in the work of the Missing Persons Group under the framework plan, including the preparation and launch of the regional database of active missing persons cases from conflicts on the territory of the former Yugoslavia. The government Commission on Missing Persons also engaged in activities with the ICRC and the International Commission on Missing Persons (ICMP) to promote bilateral cooperation with Croatia, Bosnia and Herzegovina, and Montenegro in the resolution of missing person cases. Work was done among other issues on cases of common interest at the Lešće cemetery in Belgrade. On 29 November 2022, the missing persons domestic institutions from Serbia, Bosnia and Herzegovina and Montenegro met in Belgrade to discuss the framework for cooperation. Rules of procedures for bilateral cooperation with Montenegro were formally signed by the two Missing Persons Commissions on 9 June 2023. A meeting was organised in Zagreb on 30 January 2023 between the Missing Persons Commissions of the governments of Serbia and Croatia, also attended by the Serbian War Crimes Prosecutor, illustrating recent efforts to increase bilateral cooperation, without however leading to concrete follow-up. The Serbia Missing Persons Commission also joined a trilateral meeting with Bosnia and Herzegovina, hosted by its Croatian counterpart on 28 March 2023, which included a field visit.

In September 2022, Serbia's Missing Persons Commission signed a memorandum of understanding with the ICRC on the transfer and use of information and documents related to active cases of missing persons obtained from relevant archives for the purpose of supporting the search process. The Missing Persons Commission also actively participated in ICRC initiatives in support of families of missing persons.

The Serbian delegation to the ICRC-chaired working group on missing persons remained engaged in 2022 and 2023, including in assessing all locations indicated by the Kosovo delegation as potential gravesites in Serbia and participating in the assessments of four locations in Kosovo. There has been no session of the ICRC-led Belgrade-Pristina Working Group on Missing Persons since April 2021, as the Kosovo delegation refuses to hold meetings until the Serbia delegation changed its head. Nonetheless, lower levels of the mechanism (sub-working group on forensic issues analytical team and one meeting on unidentified bodies) continued to work on concrete cases and sites. Both the Kosovo and Serbia delegations have shown interest in resuming excavations at the Stavalj mine complex in summer 2023. From June 2022 until March 2023, the combined efforts of EULEX and local forensic experts resulted in 34 field operations and 12 exhumations. Some 12 sets of remains were recovered, representing a minimum of 12 individuals. Eight individuals were identified, of which three were on the list of missing persons. A total of 21 individuals were handed over to the families and 74 DNA samples were sent for analysis. The Serbian delegation to the working group remained committed to assessing several locations on the territory of Serbia indicated by their Kosovo counterpart as potential gravesites of victims from the conflict in Kosovo. In the context of the EU-facilitated Dialogue, the Parties agreed on and endorsed a joint declaration on Missing Persons at a High-level Dialogue meeting in Brussels on 2 May 2023, committing to improving Kosovo and Serbia's joint efforts towards resolving the outstanding cases of Missing Persons from the Kosovo conflict. Work is ongoing to establish the Joint Commission that will monitor the implementation of this Declaration.

Fight against corruption

Serbia has **some level of preparation** in the fight against corruption. Overall, **limited progress** has been made during the reporting period on last year's recommendations. Regarding the recommendations by the Group of States against Corruption (GRECO), Serbia took steps to meet the remaining five recommendations of the fourth evaluation round on the prevention of corruption in respect of Members of Parliament, judges and prosecutors, and reported on it to GRECO in March 2023. Serbia still needs to adopt a national anti-corruption strategy accompanied by an action plan. Serbia presented to the European Commission a draft strategy for the period 2021-2028 accompanied by a first action plan for the period 2023-2024. A majority of anti-corruption related interim benchmarks for Chapter 23 and a majority of GRECO recommendations from the 4th and 5th rounds of evaluation have been included in the documents. However, there is still a need to ensure the inclusion of remaining Chapter 23 interim benchmarks and outstanding GRECO recommendations and to create the necessary conditions for implementation. Serbia should establish an effective coordination mechanism to operationalise prevention and repression policy goals and thoroughly address corruption. In 2022, there was a slight increase in the number of final convictions for high-level corruption cases compared with 2021. The number of new investigations increased but the number of new indictments decreased. There were no cases of final confiscation of assets. Overall, corruption is prevalent in many areas and remains an issue of concern. There is a need for strong political will to effectively address corruption issues, as well as a robust criminal justice response to high-level corruption.

In the coming year, Serbia should in particular:

- further improve its track record on investigations, prosecutions and final court decisions in high-level corruption cases, in particular the seizure and confiscation of criminal assets;
- address all GRECO recommendations, in particular from the fifth evaluation round;
- adopt a new anti-corruption strategy, addressing in particular all relevant interim benchmarks and GRECO recommendations, and start implementing it. The strategy must be underpinned by a credible and realistic action plan, and establish an effective coordination mechanism.

Regional cooperation initiatives and events, including EU-funded programmes, support good neighbourly relations and reconciliation. Serbia has been invited by the European Commission to participate in the IPA 2019 multi-country rule of law programme aimed at 'supporting a more effective administration of justice in corruption and organised crime cases in the Western Balkans through trial monitoring'. This is implemented by the OSCE and all other Western Balkan partners already participate. Serbia should join this programme. This would send a positive signal concerning its commitment to the rule of law.

Track record

As regards the track record on **high-level corruption**, the number of final convictions in 2022 went slightly up compared with 2021. Based on indictments from the Prosecutor's Office for Organised Crime, the courts rendered first instance judgments against 26 individuals in 2022 (compared with 22 individuals in 2020 and only 10 in 2021). There were final convictions against 21 individuals (compared with 11 individuals in 2020 and 19 in 2021). The Prosecutor's Office for Organised Crime ordered investigations against 34 individuals (22 in 2022), but issued a lower number of indictments - only 12 - compared with previous years (22 in 2021, 19 in 2020, 20 in 2019, 41 in 2018 and 50 in 2017). As in the past 2 years, no case resulted in a final confiscation of assets (there were three such cases in 2019). Serbia still needs to show a convincing track record of confiscating assets in corruption cases.

In 2022, the special departments for combating corruption in the offices of higher prosecutors received a lower number of criminal complaints than in previous years (2 651, compared with 3 035 in 2021 and 2 936 in 2020). They ordered 179 investigations (270 in 2021) and initiated parallel financial investigations against 34 individuals (compared with 67 in 2021 and 23 in 2020). A total of 403 indictments were issued (540 in 2021, 470 in 2020). The courts rendered judgments against 221 individuals at the first instance based on indictments from these departments (271 in 2021, 230 in 2020). There were final convictions against 212 individuals (255 in 2021, 195 in 2020).

In 2022, in light of the gradual transfer of cases from the prosecutions of general jurisdiction to the special departments, there were no orders to investigate corruption and economic crime offences (29 in 2021, 22 in 2020), and the prosecution of general jurisdiction filed fewer indictments than in 2021 (19 indictments in 2022 in comparison with 63 in 2021 and 136 in 2020). The courts convicted 83 individuals at first instance (132 in 2021), and 28 individuals at final instance (80 in 2021). There was no case with final confiscation of assets (compared with one in 2021 and three in 2020).

The Agency for prevention of corruption initiated 483 procedures to determine violations of the Law on prevention of corruption (2021: 656). During 2022, in 309 procedures conducted by the Agency, it was determined that there were violations of the Law on prevention of corruption pertaining to conflicts of interest (347 in 2021). In 2022, misdemeanour courts issued first instance decisions on the responsibility of public officials in 20 cases (2021: 11).

In 2022, the Agency submitted 201 requests for initiation of misdemeanour proceedings relating to a failure to promptly submit asset declarations, which is far higher than in previous years (2021: 134; 2020: 29). Based on the Agency's work in previous years, a much larger number of final decisions were issued by misdemeanour courts: 161 in 2022 (52 in 2021). The Agency filed six criminal charges in 2022 (2021: seven) due to reasonable suspicion that a public official had not reported assets or had given false information about assets with the intent to conceal the facts. Based on the Agency's previous work, one conviction was rendered (2021: three).

In 2022, the Agency monitored the election campaign expenses for the presidential, parliamentary and local elections. It engaged 124 monitors for this purpose. Preliminary electoral campaign expense reports were submitted by 81.75% of the entities participating in the electoral campaigns that had this obligation. Final reports were submitted by 88.1% of the obliged entities. The Agency published its reports on the inspection of the financing of electoral expenses of political entities.

Regarding the financing of political activities, the Agency initiated 44 procedures in 2022 based on the suspicion of violation of the provisions of the law, of which 25 were related to the electoral campaign. It issued 28 warning measures, of which 11 related to the electoral campaign, and submitted 168 requests to initiate misdemeanour proceedings for violations of the Law on the financing of political activities (2021: 209). In 2022, the Agency issued 11 decisions related to electoral campaigns, based on suspicion of violation of the law, and submitted one report to the prosecution on suspicion of a criminal offence. Based on final judgments, 41 decisions were made on the loss of the right to obtain funds from public sources intended for financing regular work in the following year (13 in 2021; 9 in 2020).

Regarding **access to information**, in 2022, there was a 43.8% increase in the number of reports to the Commissioner for violation of the right to access information of public importance (9 219, compared with 5 181 in 2021). There was a 34.4% increase in reports to the Commissioner for information of public importance from national-level institutions, and 21.6%

from local-level institutions. The Commissioner adopted 547 decisions based on individual complaints (1 052 in 2021) and requested public institutions to provide such information. The institutions did not react in 148 cases, which means that the rate of execution of the Commissioner's decisions was 72.9% (75% in 2021). The Commissioner established that 42.9% of the cases of complaints from the public – most of them concerning 'administrative silence' – were well-founded, meaning that the information requested by citizens should have been provided by the authorities as per the Law on access to information of public importance. In 50.8% (27.8% in 2021) of well-founded cases, the authorities reported that they acted upon the Commissioner's request to provide the information to the complainants even before a decision was made on the appeal. The Commissioner continued to request the administrative enforcement of decisions for all requests that were submitted up until the entry into force of the amendments to the Law on access to information of public importance (16 February 2022). As in the previous years, the administrative enforcement of these decisions was not ensured. In 2022, the Commissioner submitted eight requests for initiating proceedings for misdemeanours as provided for by the law. As in previous years, the administrative inspection did not submit any request to the misdemeanour courts to initiate proceedings for non-execution of the Commissioner's decisions. Following a reversal of the Administrative Court's position in June 2022, a large number of cases of reimbursement of legal costs concerning requests for access to information of public importance has impacted the workload and resources of the Commissioner, as also assessed in his 2022 annual report. Any solution to this issue should not unduly restrict the effective exercise of the right to access information.

In 2022, courts in Serbia received 69 (2021: 99) new cases based on the Law on whistle-blower protection. A total of 71 cases related to the protection of whistle-blowers were resolved (2021: 106). Despite the urgency of these cases, 39 cases remained pending at the end of 2022 where the proceedings had not been completed even after 3 years. Some whistle-blower reports have still not been investigated in accordance with the Law. In order to strengthen trust in the institutions, Serbia needs to step up its protection of whistle-blowers and investigate allegations in high-level corruption cases.

Serbia needs to ensure that exemptions from the Law on public procurement are in line with the EU *acquis* and the Stabilisation and Association Agreement, including notably in the context of intergovernmental agreements. Intergovernmental agreements are not always in line with the principles of equal treatment, non-discrimination and transparency or competition rules (*see Chapter 5 – Public procurement*). The public procurement portal enables users to monitor all ongoing public procurement procedures. The number of requests for initiating misdemeanour procedures submitted by the Public Procurement Office (PPO) to the relevant courts increased significantly from 143 in 2021 to 429 in 2022, based on PPO findings in the process of monitoring the implementation of public procurement legislation.

Institutional framework

Prevention measures

As regards GRECO recommendations, following up on the March 2022 compliance report on Serbia's fourth evaluation round concerning Members of Parliament, judges and prosecutors, GRECO requested Serbia to report by March 2023 on progress for the five remaining recommendations. Serbia submitted this report on time.

Serbia should implement all recommendations issued by GRECO as part of the fifth evaluation round, which targets preventing corruption and promoting integrity in central government (top executive functions) and law enforcement agencies. The March 2022 GRECO report called for further measures to prevent corruption in Serbia in respect of those with top executive

functions, including the President, ministers, assistant ministers, state secretaries, heads of cabinet and political advisers, as well as members of the Serbian Police. In view of the findings of the report, GRECO issued 24 recommendations and invited the Serbian authorities to submit by 30 September 2023 a report on the measures taken to implement the recommendations. The measures will be assessed by GRECO through its compliance procedure.

The new director for the Agency for the Prevention of Corruption was elected by the Parliament in February 2023. In August 2023, the Agency for the Prevention of Corruption had 91 staff members out of a planned 163 (same as in 2021). The Agency's Council, which decides on appeals against first instance decisions by the Agency, among other things, held 12 sessions, and took 49 first-instance decisions upon appeals. In February 2023, the Parliament discussed and formally accepted the Agency's report for 2021, and in March 2023, the Agency submitted the 2022 report to Parliament for adoption, along with the report on implementation of the action plan for the Chapter 23 sub-chapter on the fight against corruption. Discussions on these reports have yet to take place within the relevant parliamentary committees. There is a need for strong political will to implement the Agency's mandate in full and to gain increased public trust in the institutions preventing corruption. There is a further need to increase the resources of the Agency to implement effectively the recommendations of GRECO's fifth evaluation round.

Regarding sectors particularly vulnerable to corruption, the operational plan for the prevention of corruption in areas of special risk, adopted in September 2021, expired at the end of 2022. According to the April 2023 final report on the monitoring of its implementation, prepared by the Agency, only three measures out of 15 have been completely implemented. Serbia still needs to fully implement all the measures stipulated by that plan in the areas of public procurement, police, customs, local self-government and privatisation processes. It also needs to fully implement the specific operational plans for prevention of corruption in the areas of tax administration, education and health. This includes the need for the adoption of amendments to health sector legislation in accordance with the analysis of risks to corruption in the Law on medicines and medical devices. In March 2023, the Agency provided training on the implementation of a methodology for corruption risk assessment for the members of working groups for the development of the new national anti-corruption strategy and its 2023-2028 Action Plan.

In July 2023, the Parliament enacted the Law repealing the Law on special procedures for linear infrastructure projects from 2020, which provided for the exemption of linear infrastructure projects of 'special importance for the Republic of Serbia' from the application of the Law on public procurement.

From 2017, when the obligation began, until the end of 2022, only 26 out of 145 local self-governments adopted a local action plan and established a body to monitor it, in line with the Anti-Corruption Agency model. Overall, there were no tangible improvements in relation to anti-corruption efforts at local level. This calls into question the local action plans as a solution to the prevention of corruption at local level in Serbia.

The Anti-Corruption Council, in its advisory role to the government, remained active in exposing and analysing cases of systemic corruption. It remains of serious concern that the authorities have still not established a more constructive relationship with the Council. In addition, the Council is still not systematically consulted on draft legislation. The government failed to set up a procedure to consult the Council, although this had been planned since 2016. The Council issued informative reports on the lack of transparency of the ownership of agricultural land and on the construction of a gondola from Kalemegdan to Usce park in Belgrade. No steps have been taken to additionally strengthen the Anti-Corruption Council's

budgetary resources and staff capacity. Serbia should implement the GRECO recommendation about the Council from the fifth evaluation round.

Law enforcement

Following an assessment of needs, the special departments for combating corruption in the offices of Higher Prosecutors in Kraljevo, Niš, Novi Sad and Belgrade have increased their staffing and now have 61 assigned deputy public prosecutors (58 in 2021; 44 in 2020; 45 in 2019). The offices should have one financial forensic expert in each of the four special departments, but the positions remain vacant.

The Prosecutor's Office for Organised Crime, which has jurisdiction over high-level corruption cases, remains understaffed (see Chapter 24 – Justice, freedom and security). It has yet to finalise activities for implementing the Rulebook on internal organisation and systematisation of work positions, establishing new organisational units, and increasing the number of employees. The Higher Court in Belgrade dealing with corruption also remains understaffed. Furthermore, as provided for in the Prosecutor's Office for Organised Crime, two financial forensic experts are employed.

In 2022, three task forces were investigating corruption offences, while in the first half of 2023, two new task forces were established (five in 2021).

The Law on the organisation and jurisdiction of state authorities in suppression of organised crime, terrorism and corruption is in force. However, it does not regulate in sufficient detail the role and mandate of the Prosecutor's Office for Organised Crime as the coordinator in relation to the special departments of offices of higher public prosecutors for suppression of corruption. Serbia should take further steps to ensure effective coordination.

Greater transparency is needed in the anti-corruption work of the prosecution service and courts, and the Public Prosecutor's Office should step up its monitoring of the reasons for the dismissal of criminal charges or lengthy investigation of corruption offences.

The State Audit Institution continued to audit statements from beneficiaries of public funds. By checking arrangements for ensuring the proper functioning of internal auditing, it found that out of a total of 90 auditees required to establish internal audit procedures, 48 auditees (53.33%) had not done so, similar to the previous year (45.36% in 2021).

Legal framework

Serbia is a party to all international anti-corruption conventions. The legal framework for the fight against corruption is broadly in place.

In February 2022, Serbia adopted the Law on the **financing of political activities**. While the Law has been aligned with a number of OSCE/ODIHR recommendations, Serbia needs to further align the law with the remaining OSCE/ODIHR and GRECO recommendations, in line with the August 2022 Final Report of the Election Observation Mission. This includes explicit regulation of third-party campaigning, and provisions on effective, proportionate and dissuasive penalties for violation and inadequate reporting. The criminal code needs to be brought in line with the Law on financing of political activities. Serbia should continue to take further measures to ensure that citizens are able to recognise paid political advertisements or communications and the related costs. Amendments were also made to the Law on prevention of corruption aiming at alignment with the new Law on financing of political activities. The Law on prevention of corruption now further specifies which public officials are excluded from the duty of unambiguous separation between their public function and representing a political entity while acting in public. This obligation no longer applies to directly elected officials such

as members of the National Assembly, members of provincial parliaments and members of local assemblies.

The GRECO report on the fifth round of evaluation took note of the November 2021 amendments to the **Law on access to information of public importance**, and recommended that requests for information lodged with the government or presidential administration not receiving a positive response should also be subject to appeal before the Commissioner for Information of Public Importance and Personal Data Protection. Furthermore, Serbia needs to continue to monitor their implementation to ensure that the previously identified issues are effectively addressed, including that of ‘administrative silence’ to citizens’ requests and the lack of enforcement of decisions of the Commissioner for information of public importance.

The legal framework on **whistle-blower protection** is yet to be aligned with EU *acquis*.

With respect to **transparency and integrity within the public administration**, there has been no sizeable reduction in the excessive number of acting senior manager posts but an increase, as of June 2023, to 55% of filled positions occupied by people in an acting capacity, compared with 51% in May 2022. In addition, non-civil servants continued to be appointed on an acting basis after the legal deadline of July 2019, in breach of the Law on civil servants. The similar issue of acting directors in state-owned enterprises – 22 out of 34 – has yet to be addressed.

There is no evidence of what the impact has been of the Law on the origin of assets, adopted in 2020 and amended in 2021, on the effectiveness of the check of assets of natural persons against declared income. An assessment of the impact of this law is needed, and its implementation needs to be non-discriminatory and not vulnerable to corruption.

Strategic framework

Serbia has no **anti-corruption strategy** in force. There is a clear need for an anti-corruption strategy encompassing prevention and repression of corruption, accompanied by a credible action plan in addition to the relevant section in the Chapter 23 action plan. Serbia presented to the European Commission a draft strategy for the period 2021-2028 accompanied by a first action plan for the period 2023-2024. A majority of anti-corruption related interim benchmarks for Chapter 23 and a majority of GRECO recommendations from the 4th and 5th rounds of evaluation have been included in the documents. However, there is still a need to ensure the inclusion of remaining Chapter 23 interim benchmarks and outstanding GRECO recommendations. There is a need to further clarify the context of cooperation, coordination and communication of the two bodies that will monitor implementation (the Working Body of the Government and the Agency for the Prevention of Corruption) as well as how implementing authorities will report to them. All activities under the action plan should be costed and budgeted for.

An ex-ante analysis based on risk assessments for sectors most vulnerable to corruption was completed in June 2023, with the aim to inform the draft strategy.

The Agency for Prevention of Corruption submitted the report on implementation of the anti-corruption part of the action plan for Chapter 23, and submitted it to Parliament in March 2023. According to this report, in 2022 Serbia completed 61% of actions (2021: 60%), which either had to be completed in 2022 or were ongoing actions.

Fundamental rights

Serbia’s legislative and institutional framework for upholding fundamental rights is broadly in place. This framework needs to be consistently and efficiently implemented. The Ombudsman was re-elected in April 2023, without cross-party support. The Ombudsman’s Office has yet to
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be provided with additional resources to cover the new powers introduced by the Ombudsman Law of 2021. The recruitment of additional staff for the Commissioner for Information of Public Importance and Personal Data Protection is significantly delayed. The procedure for executing the decisions of the European Court of Human Rights, including the role of Serbia's Government Agent before the Court, needs to be further regulated.

Implementation started of the new strategies and action plans on gender equality, anti-discrimination and Roma inclusion, although monitoring bodies were not in place for most of the reporting period due to elections and formation of the new government. Action plans and related funding due in July 2021 as regards violence against women, and April 2022 as regards deinstitutionalisation, are now significantly delayed. More efforts are needed to comply with the Law on the planning system, which requires that action plans be adopted within 3 months of the adoption of related strategies, and that reports are published annually on the implementation of strategies: no such reports were published for the year 2022. New national minority councils were constituted following the elections held in November 2022. Serbia continued drafting and conducting consultations on a new '*action plan for the realisation of the rights of national minorities*'.

Most of last year's recommendations have not yet been implemented and remain valid. In the coming year, Serbia needs to:

- strengthen human rights institutions by allocating the necessary financial and human resources and by putting in place procedures to ensure compliance with measures, including interim measures, of the European Court of Human Rights;
- implement and report in good time on the strategies on anti-discrimination that includes the rights of LGBTIQ persons, gender equality, violence against women, and deinstitutionalisation; actively counter hate-motivated crimes and establish a track record of investigation and convictions;
- demonstrate, through better data collection, tangible improvements across the country in the effective exercise of the rights of individuals belonging to national minorities, including reference to the targets set by the Poznan Declaration on Roma inclusion and by the future new action plan relating to national minorities.

Serbia has ratified the main **international human rights instruments**. Serbia's Council for monitoring the implementation of the recommendations of the UN Human Rights Mechanisms includes civil society organisations and was extended to the Chamber of Commerce and the Standing Conference on Towns and Municipalities.

In June 2023, there were 1 818 applications pending before the **European Court of Human Rights** (ECtHR). The ECtHR delivered judgments on 31 applications and found breaches of the European Convention on Human Rights in eight out of nine cases (against nine in 2022), relating mainly to the right to respect for private and family life, to the right to a fair trial and the general prohibition of discrimination. In the reporting period, there were 2 112 new applications allocated to a decision body. Currently, there are 59 cases under enhanced supervision by the Committee of Ministers of the Council of Europe. The procedure for executing the decisions of the ECtHR, including the role of Serbia's Government Agent before the Court, needs to be further regulated. The Law on the State Attorney's Office only broadly defines the Government Agent but it does not refer to the execution of judgments of the Court; only secondary legislation does this. The Government Agent before the Court needs to be given a coordination role and the authority to fulfil it. Work is ongoing to implement the mechanism providing individual redress to parents in cases similar to that of *Zorica Jovanović v Serbia*. A

key feature of this case is the continued failure by the Serbian authorities to provide the applicant with any information about the real fate of her missing baby who had been in the care of a state-run hospital. In 2021 and 2022, the National DNA Registry of the National Centre for Criminal Forensics of the Criminal Police Directorate received 34 requests for determining parenthood. When the status of the missing newborn could not be determined, courts awarded damages of the maximum amount prescribed by law. Since the Court's first judgment in 2008 on the *Kačapor group* case, a systemic solution needs to be found to the delayed enforcement of domestic decisions against socially/state-owned companies; this case is about companies in the former socialist regime of Yugoslavia.

As regards the **promotion and enforcement of human rights**, the mandate of the Ombudsman expired in July 2022 and the procedure for appointing a new one was initiated in February 2023. Under the law, the procedure for appointing a new Ombudsman should have been initiated no later than 180 days before the said expiry. The incumbent Ombudsman was re-elected in April 2023, without cross-party support. The law requires only an absolute majority for the election, deviating from the Venice Principles which set out that the Ombudsman should preferably be elected by an appropriate qualified majority. In addition, the Venice Principles recommend that the Ombudsman cannot be reappointed. While the new Law does prescribe that the Ombudsman cannot be reappointed, another provision in the Law gave to the Ombudsman who had been appointed under the previous laws the possibility to be reappointed, which did in fact happen. Parliament held a plenary discussion on the Ombudsman's annual report for 2021, issued in March 2022, only in February 2023. Citizens submitted 3 530 complaints to the Ombudsman in 2022, down from 4 501 in 2021. The number of recommendations from the Ombudsman to the authorities also fell to 904 (1 050 in 2021). According to the Ombudsman's 2022 report, the percentage of its recommendations followed up by the authorities increased to 92% (2021: 78%). However, it is not sufficiently clear how the Ombudsman verifies that a recommendation has been followed up appropriately. The Ombudsman needs to publicly address all violations of human rights and to improve his cooperation with civil society, in particular in his capacity as National Preventive Mechanism against Torture. A new rulebook on internal organisation and systematisation of posts was not yet adopted. The Ombudsman's Office has yet to be provided with additional resources to recruit staff and cover the new powers introduced by the new Ombudsman Law of 2021. As of May 2023, it was employing 74 staff, fewer than the target of 106 included in the Chapter 23 action plan. Staff turnover in the Office continues to hamper its efficiency. Appropriate premises are also still lacking.

In order for Serbia to fully benefit from its observer status in the **European Union Agency for Fundamental Rights**, it needs - as already required in the Law on the planning system - to develop a comprehensive monitoring and data collection system to assess the level of implementation of human rights legislation, policies, and strategies.

In the field of **prevention of torture and ill-treatment**, the Ombudsman, in the role of National Preventive Mechanism against Torture, continued with visits to relevant sites. Training sessions on the methodology for investigating cases of torture also continued. The European Committee for the Prevention of Torture and Inhuman or Degrading Treatment or Punishment (CPT) paid an ad hoc visit to Serbia in March 2023. The focus was on the treatment of individuals deprived of their liberty by the police, as the follow-up of recommendations contained in reports on CPT visits in 2017 and 2021 was not sufficient. A large number of CPT recommendations from previous reports have yet to be addressed. This concerns in particular the recommendation to eradicate police ill-treatment and effectively investigate such cases. The monitoring of police interviewing standards and procedures is needed to facilitate the

investigation of any allegations of ill-treatment. This would require an accurate recording of police interviews to be conducted with electronic audio and video recording equipment. The treatment of individuals held in remand detention is also of particular concern. Action is required to guarantee the right of access to a lawyer without undue delay after deprivation of liberty. The execution of the January 2021 judgment of the European Court of Human Rights in the case *Zličić v Serbia* - concerning inhuman and degrading treatment while in police custody and failure to conduct an effective investigation - is pending and under enhanced supervision of Committee of Ministers along with other similar cases. Serbia has still not revised the criminal code amendments of 2019 which introduced life imprisonment without the possibility of conditional release for a number of crimes; the criminal code therefore remains contrary to the European Convention on Human Rights and to the case law of the European Court of Human Rights. The CPT had raised concern about this issue in its report of March 2022. Following the Ombudsman's findings on the lawfulness of the work of the Ministry of the Interior during the July 2020 citizens' protests related to the COVID-19 pandemic, all criminal charges against police officers addressed thus far have been dismissed and a disciplinary measure (fine) was imposed on one officer (*see also the section on freedom of assembly*).

Concerning the **prison system**, the renovation programme continued in several prisons. The Training Centre for Prison Staff focuses on prison guards rather than on all prison staff and is reliant on external entities for sporadic training for other prison professions. Offender treatment programmes were rolled out in all prisons and covered a variety of issues, e.g. drug and alcohol addictions, aggression, and general cognitive-behavioural skills. Resocialisation programmes have been introduced in the pre-release phase of a custodial sentence but require additional support. Staff numbers and competencies need to increase to ensure that the Prison Service can systematically offer such programmes in all relevant institutions. In January 2022, the prison population stood at 10 557 for a total capacity of 11 957 places, i.e. an occupancy rate of 94.7%, although instances of local overcrowding remain. Overcrowding and overall conditions at the Belgrade Special Prison Hospital are still of concern. In December 2022, Serbia adopted the 2022-2027 strategy for the further development of the system of enforcement of criminal penalties and the accompanying action plan. The majority of executed alternative penalties comprise house arrests, and the use of community penalties remains low. The probation, social and employment services have insufficient resources to satisfactorily address post-penal care.

The Law on **personal data protection** is mostly aligned with the EU Regulation on general data protection (GDPR) and the Directive on law enforcement. However, the law is insufficient with regards to penalties and difficult to implement in practice. This is because it does not further elaborate on the principles provided by the GDPR, and the provisions regulating processing of personal data by law enforcement authorities are scattered across a number of articles in the law. In addition, the process of harmonising the provisions of all other laws relating to the processing of personal data with the personal data protection law, which was due by the end of 2020, is significantly delayed. The number of designated data protection officers within public entities remained low, with 616 new officers in 2022 (amounting to a total of 4 378 out of over 12 000). Court enforcement of this law, following complaints on personal data violations including data leaks to the media, remains limited. The Office of the Commissioner for Information of Public Importance and Personal Data Protection worked with 105 staff members in 2022, against the target of 129 in the Chapter 23 action plan. The recruitment of additional staff in the Office of the Commissioner is significantly delayed. In December 2022, a first regional office of the Commissioner was opened in Novi Sad. Following the Commissioner's previous negative opinions on the Ministry of the Interior's impact assessment on street video-surveillance, the Ministry stated that it had put processing

of biometric personal data on hold until a legal basis was developed. The Ministry started drafting a new law on internal affairs to regulate these matters, and several other topics. In December 2022, the draft law was withdrawn from the adoption procedure for the second time and consultations with civil society were relaunched and are ongoing. The proportionality and necessity of the proposed system of video surveillance in public spaces and processing of personal data by facial recognition software still needs to be assessed. The Law on personal data protection will need to be revised before a special regime for processing personal data by the police, together with amendments to the criminal procedure code, can be adopted.

Freedom of thought, conscience and religion is constitutionally guaranteed and generally respected. However, the lack of transparency and consistency in the process for registering religious communities remains one of the main obstacles preventing some religious groups from exercising their rights. The Law on churches and religious communities needs to be aligned with the recommendations of the Council of Europe's Advisory Committee for the Framework Convention on National Minorities.

Regarding the **fight against antisemitism**, the Jewish community is small (around 3000 Jews) but vibrant. Serbia is a member of the International Holocaust Remembrance Alliance since 2011. Serbia made concrete steps to ensure Holocaust education and remembrance but further work is needed. Implementation of the Law on the restitution of heirless Jewish property, and the return of properties to churches and religious communities, has continued.

Freedom of expression

Serbia has **some level of preparation** concerning freedom of expression. Overall, **limited progress** was made on the recommendations from last year, which therefore remain valid. The police and the prosecution service reacted swiftly to several cases of attacks and threats, working with the standing working group on the safety of journalists. However, cases of threats, intimidation, hate speech and violence against journalists remain a concern, as is the increase in strategic lawsuits against public participation (SLAPP), notably launched by members of national and local authorities, that may produce a chilling effect including self-censorship. There are recurrent statements by high-level officials on the daily and investigative work of journalists. The possibility of journalists to report on ongoing criminal proceedings is excessively limited in the legal framework. The overall environment for the exercise of freedom of expression without hindrance still needs to be further strengthened in practice. Serbia continued implementing the media strategy action plan. Several processes were relaunched after the formation of the new government in October 2022, after increasing delays. Consultations resumed in November 2022 on amending the Law on public information and media. Following public consultations, consultations with media associations and hurried consultations with the European Commission amendments were adopted to the laws on public information and media and on electronic media in October 2023 before the dissolution of parliament. Overall, the new laws will strengthen the independence of the regulatory body for electronic media (REM). They also codify the role of the Press Council and render the process of public co-funding more transparent and accessible. In the context of elections, the ban on media coverage of officials who are also candidates taking part in official gatherings organised for the opening of infrastructure or other facilities was extended to 30 days, which is an improvement of the current situation. However, the legislative process was not finalised fully in line with the EU *acquis* and European standards. The ownership of media by state-owned enterprises was prominent in deliberations. An important step was taken with respect to the application of criteria aligned with the EU *acquis* to the assessment of state aid, while it should

be clarified that antitrust and merger control rules apply to the media sector and safeguards to protect media pluralism and editorial independence remain to be improved. The implementation of such safeguards will need to be closely monitored in practice. In August 2022, REM published a call for the allocation of a fifth media service licence with national frequency, which has still not been awarded, without credible justification.

Political and economic influence on the media remains a source of concern. Serbia needs to take urgent action to counter anti-EU narratives propagated by numerous media outlets, and to counter foreign information manipulation and interference, most obviously in the context of Russia's war of aggression against Ukraine.

In addressing the persisting shortcomings, Serbia should implement its media strategy and action plan without further delay, in a transparent, efficient and inclusive manner, respecting the letter and spirit of the objectives of that strategy, and focusing as a matter of priority on implementing last year's recommendations:

- strengthening the security and safety of journalists and notably ensuring that: (i) high-level officials refrain from labelling or making verbal attacks on journalists; and (ii) any threats and cases of physical and verbal violence are swiftly followed up and, as appropriate, publicly condemned, investigated or prosecuted;
- strengthening media pluralism, including through implementing measures in line with the media strategy relating to REM's functioning, mandate and independence, and to the public broadcasters;
- ensuring transparent and equitable co-funding for media content serving the public interest, and full transparency in media ownership and advertising.

Intimidation of journalists

Cases of threats, intimidation and violence against journalists remain a source of concern, especially at local level. Verbal attacks and smear campaigns against journalists continued, including verbal violence against female journalists. Hate speech and discriminatory terminology are often used and tolerated in the media and are rarely followed up by regulatory authorities or prosecutors. Recurrent statements by high-level officials on the daily and investigative work of journalists are preventing the creation of an environment where freedom of expression can be exercised without hindrance. Despite these statements having been made also in Parliament, the administrative committee in charge of the application of the code of conduct of the Parliament has not found any violation so far. The two main journalist associations in Serbia recorded an increase in physical attacks and threats against property in 2022, compared with 2021. In June 2023, a group of protesters entered into the private property of one cable TV, with no reactions from the authorities, police or judicial follow-up. There was also an increase in strategic lawsuits against public participation (SLAPP), notably launched by members of national and local authorities. Cases were raised, for example, against one investigative portal and local media. Investigative journalists also continued to face either frequent refusals by public bodies to disclose information, or no response at all ('administrative silence'). Furthermore, the possibility of journalists to report on ongoing criminal proceedings is excessively limited in the legal framework.

The police and the prosecution service reacted swiftly to several cases of attacks and threats, working with the standing working group on the safety of journalists. The other working group for the safety and protection of journalists, established by the government in December 2020, has not met since June 2022. The majority of media associations had left the group in spring 2021 while another media association left in December 2022. In 2022, the Office of the

Republic Public Prosecutor (RPPO) registered 83 cases of criminal acts committed against journalists (87 cases in 2021). According to the RPPO's information regarding those acts that qualify for criminal prosecution, by the end of March 2023, the RPPO had proceeded with 75 of the 83 cases filed in 2022, while 8 cases had been dismissed. In total, 34 cases had been finalised (including 5 convictions), while criminal proceedings continue for the remaining cases (6 cases before the court, 29 in pre-investigation, 5 in investigation (evidential actions), and 7 cases without identified perpetrators). A conviction of a local official and the prison sentence was confirmed in the re-trial regarding the case of the arson attack on the house of an investigative journalist in December 2018, after the earlier decision had been overturned in 2021. Another conviction sentence, among others, was made in the case of an attack against a local radio station, despite challenges in the process. A number of other cases, including those with death threats, have still not been resolved. Regarding the work of the commission tasked with looking into three cases involving the murders of journalists, the Court of Appeals opened a re-trial in the case of the murder of Slavko Ćuruvija and completed the hearing in March 2023, which is now pending the final verdict more than 24 years after his murder. There were no developments in the two other murder cases from 1994 and 2001.

Legislative environment

Serbia continued implementing the media strategy action plan. Several processes were relaunched after the formation of the new government in October 2022, after increasing delays. In light of the wide scope of the planned reforms, appropriate human resources are needed in the newly formed Ministry of Information and Telecommunications. The working group established to monitor implementation of the action plan, including media representatives, did not meet as regularly as planned and there were delays in the adoption of quarterly monitoring reports. The initial action plan implementing the media strategy expired at the end of 2022 and a new action plan for the period 2023-2025 has not yet been adopted. Consultations resumed in November 2022 on amending the Law on public information and media, which notably deals with public co-financing of media through calls for proposals, state ownership of media, self-regulation and the transparency and functionality of the media registry. In the current system, the print media with the most violations of the journalistic code of professional conduct recorded by the Press Council, including those with court convictions, are not precluded from – and in effect continued – receiving public co-funding, especially at local level. According to the media strategy, this issue should be addressed by laying down binding criteria for complying with the journalistic code of conduct and by requiring applicants to accept the authority of the Press Council. Work started in January 2023 on drafting amendments to the Law on electronic media, which must strengthen the independence and transparency in the work of the Regulatory Authority of Electronic Media (REM), effectively safeguard media pluralism, and clarify the procedure for issuing licences for the provision of audiovisual media services. Public consultations on these two draft laws were launched in September 2023. Following public consultations, consultations with media associations and hurried consultations with the European Commission amendments were adopted to the laws on public information and media and on electronic media in October 2023 before the dissolution of parliament. Overall, the new laws will strengthen the independence of the regulatory body for electronic media (REM). and reinforce its mandate for tackling threats to media pluralism. The process of nominating REM Council members was depoliticised while steps were taken to enhance the protection of the rights of persons with disabilities, minors and national minorities. The authorities and the media associations also reached agreement on the role of the Press Council, while steps were taken to render the process of public co-funding more transparent and accessible. They also codify the role of the Press Council and render the process of public co-funding more transparent and accessible. In the context of elections, the ban on media

coverage of officials who are also candidates taking part in official gatherings organised for the opening of infrastructure or other facilities was extended to 30 days, which is an improvement of the current situation. However, the legislative process was not finalised fully in line with the EU *acquis* and European standards. The ownership of media by state-owned enterprises was prominent in deliberations. An important step was taken with respect to the application of criteria aligned with the EU *acquis* to the assessment of state aid, while it should be clarified that antitrust and merger control rules apply to the media sector and safeguards to protect media pluralism and editorial independence remain to be improved. The implementation of such safeguards will need to be closely monitored in practice. The third law planned by the media strategy, the Law on public broadcasters, has yet to be amended.

Implementation of legislation / institutions

REM fails to demonstrate its independence in a consistent manner and to exercise its mandate to the full in safeguarding media pluralism and professional standards. In July 2022, REM awarded all four national television licences – which have a validity of 8 years – to the same previous licensees despite the fact that they had received warnings from REM due to violations of their legal obligations during the previous period. Several of these channels continued not to respect legal provisions. In August 2022, REM published a call for the allocation of a fifth media service licence with national frequency, which has still not been awarded, without credible justification. According to the published call, REM was expected to decide within 30 days of publishing the list of eligible applicants. The REM Council suspended its work between 9 and 21 December, claiming to protest against public criticism it had received concerning the unallocated fifth frequency. REM subsequently resumed its work but unilaterally decided not to proceed with the allocation of the fifth frequency while a complaint brought by one applicant is pending at the administrative court.

In May 2023, in the context of tragic mass shootings, REM appeared before the Parliament's Committee for Culture and Information to present its report on media monitoring for the period October 2022 to March 2023, reflecting also on the topic of violence in media. Despite the fact that several TV channels broadcast content that encourages overt or covert hatred or violence, including by providing a platform for convicted war criminals, REM concluded that all of the media, except one, overall met the provisions set out in the Law on electronic media. During the reporting period, several TV channels with national frequencies, including TV Pink and Happy TV, fell short of their own commitments and obligations on programming for children, culture and education, based on which they had obtained a (renewed) national frequency. In May 2023, REM awarded a cable and IPTV licence to the publisher of a print tabloid which, according to the Press Council, frequently breaches the ethical code of conduct. In June 2023, one member of the REM Council resigned due to disagreements with the work and conduct of the regulator.

Serbia needs to take urgent action to counter anti-EU narratives propagated by numerous media outlets, and to counter foreign information manipulation and interference, most obviously in the context of Russia's war of aggression against Ukraine. Sputnik applied for the public competition for the issuance of licences for the provision of radio media services for the Belgrade area, which was rejected in December 2022 by REM. Russia Today's (RT) international channel in the English language was not banned by REM and is still broadcast in Serbia on the cable TV. In addition, in November 2022, RT launched a local RT Balkan multimedia web platform in the Serbian language, also hosting government representatives in its video format. The outlet also promoted military recruitment for the Wagner paramilitary group, which is prohibited under Serbian legislation but was not followed up by prosecution services. These outlets, together with Sputnik Serbia and other local media, produce and/or

disseminate content that manipulates the information environment in Serbia. Such content is echoed in a large portion of mainstream media in Serbia and in the region more broadly. Local civil society, the media and fact-checking community have been making valuable efforts in countering disinformation.

Public service broadcasters

The improved balance of representation of political parties on the public broadcaster during the electoral campaign in spring 2022 did not continue to the same extent beyond the election period. Shortcomings in public service media legislation, identified by the media strategy, still need to be addressed by amending the law. Public broadcasting services in minority languages need to be strengthened, in line with the Chapter 23 interim benchmark, especially as regards Radio Television Srbija (RTS) (*see also the section on minorities*). The partial budget financing of Radio Television of Vojvodina (RTV) was extended to 2023. The position of RTV managing director, which had been vacant since the expiry of the previous mandate in July 2021, was filled in October 2023 following a lengthy appointment process. Some other RTV management positions have also been vacant since July 2021. Some RTS employees held a warning strike demanding better employment conditions, while the management board president filed a criminal complaint against the director and another editor, under suspicion of fraud. In June 2023, a public protest was held outside RTS premises as the dismissal of its management is among the requests of the citizens' protests 'Serbia against violence'.

Economic factors

Political and economic influence on the media remains a source of concern. The media strategy proposes measures to address issues of transparency in ownership structures and fairness in financing media content and advertising from state resources, which are overdue (*see also legislative environment*). The media sector privatisation process has yet to be completed in line with the objective set in the media strategy. The media strategy also highlighted the absence of suitable criteria and mechanisms for assessing the existence of media pluralism, and identified measures aimed at addressing these issues; they now need to be implemented. A local civil society organisation monitoring central news shows on the five television channels with national coverage during the period June 2022 to May 2023 calculated that the ruling coalition received 95% of airtime and the opposition 5%; this ratio was similar for the public broadcaster RTS 1 (94% v 6%).

Professional organisations and working conditions

The lack of job security for journalists and the editorial environment encourage tabloidism. Further efforts are needed to improve journalistic standards, media literacy and overall resilience. The increasing trend of SLAPP lawsuits is of concern as it puts pressure on the media's financial and human resources capacity.

(*See also Chapter 10 – Digital transition and media*).

Freedom of artistic expression

Freedom of artistic expression is broadly guaranteed. Statements by MPs of the ruling coalition were made that productions involving government critics should not receive public funding.

While legislation on **freedom of assembly and association** is generally in line with European standards, Serbia has yet to align further with the joint Venice Commission and OSCE/ODIHR Guidelines on Freedom of Peaceful Assembly. Freedom of assembly is a fundamental EU right, which needs to be both protected and exercised peacefully and in full respect of the rule of law and public order. This right also apply to civil servants. Following the Ombudsman's findings

on the lawfulness of the work of the Ministry of the Interior during the July 2020 citizens' protests related to the COVID-19 pandemic, all criminal charges against police officers addressed thus far have been dismissed and a disciplinary measure (fine) was imposed on one officer (*see also prevention of torture and ill-treatment*). As regards the environmental protest in Šabac in 2021, in November 2022 the Ombudsman issued a recommendation to initiate disciplinary proceedings against police officers who did not protect citizens from a group of hooligans who attacked them. The Ministry of the Interior informed that disciplinary proceedings against police officers could not be taken due to the statute of limitations, namely the fact that the initiation of disciplinary proceedings for minor violations of official duty expires 6 months from the date of execution or, for serious violations, after 1 year. The Ombudsman also issued a recommendation to wear uniforms with visible police identification; while this is required by the law on the police, such identification is not always visible when police officers wear protective gears during demonstrations. The EuroPride march in Belgrade in September 2022 was protected by a high number of law enforcement officers. Nevertheless, some instances of violence against participants were reported. In cases addressed so far, prosecutors found no criminal acts of violence against the participants. A Pride march took place in Belgrade in September 2023 without incidents. In February 2023, a gathering of neo-Nazi groups that celebrated Milan Nedić, the Nazi collaborator in WWII, was protected by the police. A number of peaceful mass protests by citizens - Serbia against violence – have taken place since May with support from several opposition parties. Freedom of assembly was guaranteed and protests took place mostly unhindered. However, the protests were sometimes accompanied by verbal attacks on participants by politicians and parts of the media, which also consistently downplayed the size of protests.

*Issues of **labour and trade union rights** are further covered in Chapter 19 – Social policy and employment.*

Regarding **property rights**, the Agency for Restitution continued with restitutions in kind and first instance decisions on the return of confiscated properties. Based on the coefficient for financial restitution when restitution in kind is not possible, the government issued bonds in January 2023 worth about EUR 40.14 million with maturities of 5, 10 and to be 12 years. It also provided claimants with an initial cash advance as a form of compensation. This is expected to be done annually until the process is completed.

In April 2023, the government established the Council for monitoring implementation of the strategy and action plan on **non-discrimination**, which is chaired by the Minister for Human and Minority Rights and Social Dialogue and composed of representatives of the relevant institutions and CSOs. Serbia has yet to adopt a national housing strategy addressing non-discrimination in terms of housing policies and taking into account the 2016 report of the UN Special Rapporteur on adequate housing. The 2022 report of the Commissioner for the Protection of Equality indicates an increase in the number of citizen complaints (2021: 1 372; 2022: 1 879), and in the number of recommendations issued by the Commissioner to public bodies (2021: 312; 2022: 412). The percentage of Commissioner recommendations that were implemented remained high (2021: 82%; 2022: 88%). The Parliament needs to timely react to the requests of the Commissioner so that her Office can be provided with adequate human resources, in line with the staff systematisation decision. Further work is still required to fully align the Law on the prohibition of discrimination with the EU *acquis*, and in particular Directive 2000/78/EC establishing a general framework for equal treatment in employment and occupation, as well as with European standards. The criminal code relating to prohibition and punishment of criminal racial acts has yet to be aligned with the EU *acquis*. Hate speech, threats and violence continued to target human rights defenders, the Roma community, and lesbian,

gay, bisexual, transgender, intersex and queer (LGBTIQ) persons. The Commissioner for Equality reported cases of attacks and threats against migrants organised by extremist and far-right groups, as well as attacks based on hatred and ethnic identity.

Following the previous adoption of a strategy and action plan on **gender equality**, the Coordination Body for gender equality was re-established in October 2022 and includes an expert group with representatives of both public authorities and CSOs. The Council for Gender Equality was established in April 2023. Several provisions of the Law on gender equality, including those on reporting and data collection obligations and on funding of specialised services, will enter into force only in 2024. No progress has yet been demonstrated in enforcing the Law on gender equality as regards the obligations of education institutions to include the gender perspective and remove gender stereotypes from curricula, textbooks and learning materials. Moreover, eighth grade biology textbooks were modified in October 2022 following the conclusion of the National Educational Council that ‘no interpretation of a programme can contain elements of ideology’. The Ministry of Education claimed that, despite the modifications, the revised textbooks still contain the concept of gender equality and the prohibition of discrimination. An increased number of budget users introduced gender-responsive budgeting in their 2023 budgets. More efforts are needed to collect official sex-disaggregated data and statistics, which are lacking in several domains. In 2022, the Commissioner for the Protection of Equality reacted with statements and warnings on several cases of discriminatory attitudes and verbal violence against women, including by public figures. Roma women, older women, poor women, women with disabilities, refugee and internally displaced women, continue to experience multiple and intersecting forms of discrimination. These women continue to have limited access to health, education, employment, and social assistance, and they lack protection from gender-based violence. The role of the media in the production and reproduction of gender-based violence and gender stereotypes is still a source of concern, including when representing women victims of femicide or women in governing or decision-making roles. Discriminatory attitudes and verbal violence against women were expressed by Members of Parliament and other public figures.

The action plan and related funding for the April 2021 strategy against violence against women and domestic violence are now significantly delayed. A new, third, action plan for the implementation of UN Security Council Resolution 1325 on Women, Peace and Security has yet to be adopted following the expiry of the previous one in 2020. Implementation of the law against domestic violence needs to be improved. An integrated system must be set up for collecting and monitoring cases of violence disaggregated by type of violence and by relationship between perpetrator and victim. Serbia still lacks reliable official statistics but it is estimated that 27 femicides occurred in Serbia in 2022 and 20 in the first half of 2023. In its 2019 baseline report on Serbia, the Group of Experts on Action against Violence against Women and Domestic Violence (GREVIO) made recommendations that have yet to be addressed. One such recommendation is to amend the definition of rape in the criminal code to comply with the Istanbul Convention ratified by Serbia. A more comprehensive response is needed to all instances of violence against women covered by the Istanbul Convention, including rape, stalking, sexual harassment and forced marriage. The very few support services for these cases of violence are predominantly run by CSOs and operate on a limited budget. The transparency and fairness of public funding in this area needs to be demonstrated; an evaluation of the outcome of completed projects is also needed (*see also civil society*). Police protocols do not mandate cooperation with specialist support services or the routine referral of victims, resulting in the underuse of existing CSO expertise. The law against domestic violence does not assign women’s CSOs a standard role in drawing up individual protection plans, as recommended by GREVIO, but leaves their participation to the discretion of the relevant

prosecutor's office. The legal provision offering victims the possibility to participate in the creation of individual protection plans needs to be enforced. Even though there are 11 functioning safe houses in Serbia for victims of gender-based violence, they are understaffed and lack sustainable and adequate funding and capacity, in terms of housing capacity, accessibility, and geographical spread. Attention needs to be paid to ensuring equal access to safe houses for all women, including refugee and migrant women, transgender women and women from other marginalised groups. Appropriate funding is needed to ensure implementation of the national programme for safeguarding and improving sexual and reproductive health, and access to quality services in this area.

On the **rights of the child**, the Council on the Rights of the Child, the coordination body in charge of monitoring the strategy for the protection of children from violence, was re-established in March 2023; it has yet to be supported by a technical body and a cross-sectoral group to enable the effective coordination and monitoring of this strategy. No annual implementation report has been published since the adoption of the strategy in 2020. No national action plan for the rights of the child is in place since the expiry of the previous one in 2015. Further work is needed to implement the 2017 recommendations of the UN Committee on the Rights of the Child. Serbia has yet to ratify the UN Convention on the Rights of the Child's third optional protocol on a communication procedure, which it signed in 2012. Serbia needs to address the recommendations of the Lanzarote Committee on the effective implementation of the Council of Europe Convention on the Protection of Children against Sexual Exploitation and Sexual Abuse (the Lanzarote Convention), which it ratified in 2012. Serbia also needs to amend its family law to explicitly prohibit corporal punishment of children in the family and to ban child marriage. Upgraded sectoral protocols are needed following the previous adoption of a general protocol for the protection of children from abuse and neglect. The Law against domestic violence needs to be amended to ensure that every child who is a witness or victim of domestic/partner violence is always included in the court's individual protection plan. A new Law on juvenile offenders and protection of minors in criminal proceedings has yet to be adopted to align with the EU *acquis* and international standards. Child offenders with mental health problems do not have sufficient access to mental health and psychosocial support services. The principles of the best interests of the child and child participation are yet to be properly operationalised in all court and administrative proceedings. Statistical data on vulnerable groups, including Roma children and children with disabilities, is still not disaggregated. Reliable and comparable data disaggregated by age and sex is essential for addressing violence against children. Although a relatively small number of children are placed in institutional care (under 100 children per 100 000 children), violations of child rights in large-scale institutions remain a concern. Children with disabilities, who are vulnerable to multiple forms of exclusion and abuse, constitute the largest group of children in institutions as they are over-represented (70%) among children living in residential large-scale institutions. Despite a moratorium being in place to prevent institutionalisation of children aged 0-3, this continues to occur, which constitutes a serious cause for concern.

On the **rights of persons with disabilities**, Serbia has yet to adopt implementing legislation for the December 2021 Law on temporary social care residents. There is still no legal basis for ensuring that placement decisions in care homes are subject to regular court reviews. Deprivation of legal capacity procedures need to be changed to strengthen the position of the individuals concerned, as noted in the 2022 CPT report. Amendments to the Family Law, aimed at abolishing the existing system of complete deprivation of legal capacity, as planned by Q2 2021 in the Chapter 23 action plan, have yet to be adopted. An implementation report for 2022 on the strategy for the rights of persons with disabilities has yet to be published. The action plan and related funding for the January 2022 strategy on deinstitutionalisation are now

significantly delayed and, as a consequence, community-based services have yet to be further developed. Deinstitutionalisation needs to be prioritised by the authorities. Women with disabilities in residential institutions continue to face gender-specific forms of violence. Funding for developing community-based services, and for supporting licensed service providers and social services, remains insufficient.

As regards the **rights of lesbian, gay, bisexual, transgender, intersex and queer (LGBTIQ) persons**, a Pride march took place in Belgrade in September 2023 without incidents. There were no developments on the draft law on same-sex partnerships initiated by the Ministry of Human and Minority Rights and Social Dialogue, nor on the Ombudsman's recommendation to regulate legal gender recognition, as already planned in the previous anti-discrimination strategy. The Ministry for Human and Minority Rights and Social Dialogue established cooperation with a CSO that organised training sessions for employees of the Ministry to strengthen their capacities on issues faced by intersex persons. Difficulties remain, especially in smaller municipalities, in implementing amendments to the Law on birth registry, which enable data on gender changes to be entered into the registry. The implementation of hate crime legislation, including on grounds of sexual orientation, remains inadequate. The premises of the Pride Info Centre in Belgrade were subject to multiple attacks during the reporting period. Centralised official data on hate crimes, broken down by bias motivation, is still lacking. Due to a lack of trust in institutions and fear of secondary victimisation, cases of violence and discrimination towards LGBTIQ persons are often unreported. Transgender persons are particularly vulnerable to violence, abuse and discrimination. Intersex persons remain invisible both socially and legally. The lack of adequate mental health services for LGBTIQ persons became particularly visible during the COVID-19 pandemic and is still a concern.

Concerning **procedural rights**, the legal framework remains only partially aligned with the EU *acquis*, notably as regards procedural rights of suspects and accused persons in criminal proceedings and the rights of victims and their family members. In this context, legislative changes are planned by the strategy and action plan on the rights of victims and witnesses of crime, and on the rights of suspects, but the implementation of the strategy has proceeded at a slow pace since its adoption in 2020, as amendments to the Criminal Procedural Code have not yet been adopted. The victim focal points at public prosecution offices and the victim support services at high courts still need to be established by the State. Victim support is provided to a limited number of victims by local CSOs not funded by the authorities; these usually include specifically vulnerable victims of crime, such as victims of trafficking in human beings or gender-based violence, and children. No effective referral mechanisms exist so far between the institutions. During the criminal procedure, victims are guaranteed the right to access justice and to testify. Victims who have been granted the status of specifically vulnerable victim have the possibility to testify in special, secluded premises in court houses during trial, in order to avoid physical contact with the perpetrator. In practice, and as only five of the 25 high courts have been equipped with special rooms where testimonies can be provided via audio/video link, for cases where the law entitles them to this protection, victims are not always protected from having to face the accused during proceedings. The number of decisions rendered on compensation claims within the criminal justice procedure is growing at a very slow pace. No state-run compensation fund is available for victims of crime.

Regarding **access to justice**, there is a need to further raise awareness of the availability of legal aid among the most vulnerable and marginalised individuals. This also needs to take into consideration the recommendations to Serbia from the Committee of the Convention on the Elimination of All Forms of Discrimination against Women (CEDAW) regarding women's access to justice in all cases of gender-based discrimination. CSOs continued to provide

information and support to beneficiaries. In the third year of implementation of the Law on free legal aid, local services in municipalities approved 95% of free legal aid requests. The Ministry of Justice shared a template on necessary documentation with all local self-government units. There is a need to improve the existing capacity and cooperation between different service providers, including through training courses on application of good governance and anti-discrimination standards in decision-making. An analysis of the necessary amendments to the Law on free legal aid was finalised, but the revision of procedural laws, the law on court fees and the tariff regulation has been delayed.

The legal framework for respect for and protection of **minorities** and cultural rights is broadly in place and generally upheld, in line with the Council of Europe Framework Convention on National Minorities. Implementation of Serbia's '*Action plan for the realisation of the rights of national minorities*' and relevant legislation needs to lead to a tangible improvement in the effective exercise of the rights of individuals belonging to national minorities throughout the country. Serbia needs to address the recommendations contained in the fourth opinion of the Council of Europe's Advisory Committee for the Framework Convention. Among other actions, it still needs to set up a sustainable data collection framework and to revitalise inter-ethnic relations, taking into account the need to involve the majority in Serbian society in integrating and including national minorities. All new national minority councils were constituted following the elections held in November 2022, except the Albanian one which was constituted after repeat elections held in May 2023. Following these elections, the working group in charge of drafting the new action plan in this area, including representatives of National Minority Councils, was reappointed. A new population census was conducted in October 2022, preceded by translation of census questionnaires into languages of national minorities and awareness-raising campaigns. The proper functioning and independence of national minority councils remain important. The Ministry for Human and Minority Rights and Social Dialogue maintained good cooperation with national minority councils. The amounts allocated under the Fund for the National Minorities for 2023 remained the same as in 2022. Members of the Albanian national minority raised concerns about the way police were checking residence status in South Serbia, resulting in the 'passivisation' of certain addresses; there is a need for the authorities to better explain to the public how these checks are being conducted and whether South Serbia is specifically targeted. Following a dialogue between the authorities and representatives of Albanians living in South Serbia in the framework of the 'Seven Points Action Plan', an action plan for improvements in the representation of Albanians in institutions was prepared but has yet to be adopted. Local councils for inter-ethnic relations exist in all 73 municipalities where such an obligation is stipulated by the law; however, the full implementation of their mandate has yet to materialise as council members have not always been nominated or councils often do not meet. Despite the legal obligation to take into account the ethnic composition of the population, national minorities remain under-represented in the public administration. The new public employees register, with the voluntary option of declaring national affiliation for statistical purposes, is not yet operational.

Progress on printing certain textbooks in minority languages needs to be further intensified, in line with the Chapter 23 interim benchmark. The process of preparing and printing textbooks continued and produced positive results. The publication of textbooks in some minority languages for use in secondary schools remains limited. The monitoring of the implementation of curricula for teaching Serbian as a non-mother tongue in pilot schools is ongoing. Access to religious worship in minority languages has yet to be enabled throughout Serbia. Public broadcasting services in minority languages are still not sufficient, except for some local broadcasters in Vojvodina. Following the process of media privatisation, such broadcasting needs to be made sustainable, taking into account the April 2021 recommendations of the

Committee of Ministers of the Council of Europe to ‘closely monitor the impact of the privatisation process on minority media’ and to ‘take the necessary measures to preserve sustainable editorial and financial independence of all minority media, including those linked to national councils of national minorities’ (*see also public service broadcasters*). There have been instances of hate speech against national minorities in the media. An appeal procedure is still ongoing before the Constitutional Court following the confirmation, in December 2021, by the appellate court of the decision of the Higher Court to reject a lawsuit filed by the president of the Albanian National Minority Council against a minister for the alleged use of hate speech. In March 2023, the Commissioner for Equality reacted publicly to the statement of one mayor targeting the Roma minority, criticising it as discriminatory.

Regarding **Roma inclusion**, robust monitoring and data collection is needed to implement the new strategy and action plan and to support Serbia in delivering on the commitments made in the Poznan Declaration - signed at the Western Balkans Leaders’ Summit in July 2019 - including its quantitative targets, as updated at the October 2022 Roma Ministerial meeting. In June 2023, Serbia established a coordination body chaired by the Prime Minister. An expert group to support the monitoring of the strategy and action plan has yet to be established. Inter-ministerial coordination, coordination between the national and local authorities, and Roma-sensitive budgeting all still need to be strengthened. Job descriptions for local Roma coordinators, pedagogical assistants, and health mediators have yet to be unified and become an integral part of local self-government services, with additional financial resources.

Most Roma people in Serbia have civil documentation. The number of individuals at risk of statelessness in Serbia fell significantly to 2 000. The procedure for registering all births, regardless of the parents’ status, needs to be implemented effectively and monitored. In the area of education, Roma students in elementary and secondary education continued to receive scholarships through affirmative measures. School dropout rates remain high, especially for Roma girls. Only 7% of Roma children up to 5 years of age attend preschool, compared with 61% in the general population. Only 28% of children living in Roma settlements enrol to upper secondary education, and the rate of completion of secondary school is 61% (overall population 98%), while that rate is the lowest for girls from Roma settlements (49%). Segregation in education needs to be addressed. Roma students are still over-represented in special schools and classes. Transition from education to the labour market is especially challenging for young Roma people. The national programme for transforming undeclared work among Roma has yet to be adopted to support the Poznan Declaration’s objective on employment. Following the adoption of the Law on social entrepreneurship, which is expected to encourage formal work of the Roma, registration of the status of social enterprises is possible since November 2022. As of June 2023, 11 social enterprises had registered. A total of 44 young college-educated Roma have completed training courses at the National Academy for Public Administration since the start of this programme in 2021. Another 26 Roma men and women have so far been employed in local self-governments following a public call launched in 2022. Overall, the Roma are still under-represented in the public administration.

Almost 20% of the population of the Roma settlements that were mapped have no or irregular access to safe drinking water, while over 55% have no or irregular access to sewer networks, and 14.5% have no or irregular access to electricity. The legalisation of Roma settlements needs to be tackled as a matter of priority as required by the Poznan Declaration, notably by updating and sharing the database on settlements and assigning staff to manage it effectively. Forced evictions are still taking place, which is not in line with the Law on housing or international standards. This Law needs to be implemented effectively, especially the provisions prescribing housing support and relocation of informal settlements. Roma returnees under readmission

agreements are in a particularly difficult situation in terms of social and economic inclusion. Limiting the number of children eligible for parental and child allowance, and conditioning the parental allowance on certain criteria, such as school attendance and vaccination of children, are disproportionately affecting Roma children and families. Children of Roma origin are over-represented among child offenders, in particular among children referred to educational/correctional institutions. Although child marriage is not common in the general population in Serbia, early and child marriage remains an issue of concern among Roma girls living in settlements; 56% of women aged 20-24 in Roma settlements were married before age 18 and 16% before age 15. Domestic violence also often goes unreported.

There are 194 662 **internally displaced persons** (IDPs) in Serbia, of whom 68 500 remain vulnerable and with displacement-related needs. The closure of the last collective centre in Bujanovac is ongoing. The strategy on IDPs expired in 2020; a new strategy and action plan need to be adopted. The Law on permanent and temporary residence needs to be consistently applied to allow Roma IDPs living in informal settlements to obtain registered residence and access to basic socio-economic rights. Roma IDPs remain the most marginalised and vulnerable. Serbia is engaged in the regional dialogue on ‘durable solutions for displaced persons from Kosovo’ (the ‘Skopje process’).

2.2.2 Chapter 24: Justice, freedom and security

The EU has common rules for border control, visas, residence and work permits, external migration and asylum. Schengen cooperation entails the lifting of border controls inside the EU. Member States also cooperate with Serbia in the fight against organised crime and terrorism, and on judicial, police and customs matters, all with the support of EU justice and home affairs agencies.

Serbia has **some level of preparation** to implement the EU *acquis* on justice, freedom and security. **Some progress** was made in addressing last year’s recommendations, in particular through the adoption of the Schengen action plan in July 2023 and further alignment with the EU’s visa policy by reinstating visa requirements for six countries. The Law on internal affairs has twice been withdrawn from the legislative process and is now once more under revision. The proposed law must address the long-pending issue of police autonomy from the Ministry of the Interior during pre-investigation and investigation phases, and the recommendations of the Council of Europe Committee for the Prevention of Torture (CPT).

Serbia contributed to the management of the mixed migration flows towards the EU and cooperated with the EU, EU Member States and its neighbours to implement the EU Action Plan on the Western Balkans presented by the Commission in December 2022. Efforts continued to host and accommodate substantial numbers of third-country nationals, with EU support. Serbia extended for one more year until March 2024 temporary protection to Ukrainian citizens having fled Russia’s war of aggression against Ukraine.

Serbia continued to implement the EU-Serbia readmission agreement and to carry out border control and surveillance effectively. Implementation of the new integrated border management strategy for 2022-2027, with its 2022-2024 action plan, is delayed. The IBM Coordination Body was appointed in June 2023. Access to and provision of information regarding the asylum procedure has yet to be improved, in particular at the airports in Nis and Kragujevac. Serbia needs to further align with the EU’s visa policy as set out in the Commission’s sixth report under the visa suspension mechanism of October 2023. The Government proposed amendments to the Law on citizenship that provided the possibility to apply for Serbian citizenship after only a short period of residence and work. While the EU respects the sovereign right of Serbia to decide on its citizenship and naturalisation policies, the Commission has

expressed its concerns to the competent Serbian authorities as regards the possible security risks for the EU linked to the fast-track acquisition of visa-free travel rights for nationals of countries that would be otherwise visa required. Following the concerns raised by the EU the Government has withdrawn the proposal. Serbia needs to adopt a new strategic document and accompanying action plan that cover all forms of radicalisation and violent extremism (irrespective of political, religious or ethno-nationalist so-called justification), in line with EU policies. A baseline study on all forms of radicalisation and violent extremism present in Serbia was adopted in October 2023.

In the coming period, Serbia should in particular:

- amend the Law on internal affairs to make the police fully autonomous from the Ministry of the Interior and fully accountable only to the Prosecutor's Office during pre-investigation and investigation phases;
- further implement the EU Action Plan on the Western Balkans, in particular by swiftly concluding the negotiations for a new Status Agreement with Frontex; further aligning with the EU visa policy; taking measures to systematically register and identify migrants, develop swift asylum procedures and increase capacities for managing effective return operations;
- adopt a national strategy for the prevention and suppression of trafficking in human beings and the protection of and support to victims, and increase national coordination efforts against trafficking.

In 2020, Serbia adopted a revised action plan for Chapter 24. It sets out Serbia's commitments, including in terms of timelines, for meeting the interim benchmarks of the EU common position for this chapter. In general, indications of delays in this report are measured against the deadlines established by Serbia in these revised action plans. The Ministry improved the practice of publishing reports on the implementation of the action plan for Chapter 24 with the timely publishing. The latest report covers the period July-December 2022. From February 2020 to November 2021, no meetings were held between the negotiating group for Chapter 24 and civil society organisations under the umbrella of the working group for Chapter 24 of the National Convention on the European Union. The meetings then restarted. After November 2021, only one such meeting was held (July 2022).

Fight against organised crime

Serbia has **some level of preparation** in the fight against organised crime. **Limited progress** was made in addressing last year's recommendations, in particular on detection and prevention of migrant smuggling and trafficking in human beings. A slight increase in financial investigations and confiscation of assets was also noted in 2022. The number of new investigations and indictments increased; first instance and final convictions (in particular money laundering) decreased. Extended confiscation is not systematically applied. Proactive criminal investigations and the systematic tracking of money flows, especially in cases of inexplicable wealth, are still not common practice. There has so far been insufficient follow-up in terms of investigation and prosecution to the recent attacks in the north of Kosovo. However, the understanding and the investigation approach has improved, and police, prosecutors and criminal judges are aware of the importance of consistently applying a 'follow the money to find the crime' approach and using circumstantial evidence. Serbia needs to align its legislation with Directive (EU) 2018/1673 on combating money laundering by criminal law.

Serbia has yet to conduct an analysis of the roles and practices of security services and of the National Security Council in carrying out criminal investigations related to serious and organised crime, although preparatory works have started.

There is well-established cooperation with CEPOL, Eurojust, Europol and INTERPOL, notably on weapons trafficking, drugs trafficking, and the fight against high-profile organised crime groups.

Serbia needs to further increase the technical, financial and human resources capacity of the Prosecutor's Office for Organised Crime to perform its duties in an independent manner (including premises to accommodate new staff).

Serbia should adapt its approach from one based on cases to a strategy against criminal organisations, and from focusing on cases of low or medium importance to high-profile cases aiming at dismantling big and international organisations and seizing assets.

In the coming period, Serbia should increase its efforts to address these shortcomings and:

- increase the efficiency of prosecution of serious and organised crime cases, including cases of money laundering, and the seizure and confiscation of criminal assets by systematic tracking of money flows, the efficient use of special investigative measures and the systemic use of extended confiscation;
- amend the criminal code in order to criminalise effectively the trafficking of weapons; adopt the new Law on weapons and ammunition; step up the fight against the storage, sale and ownership of illegal firearms;
- take concrete steps to ensure a clear separation of the mandates and regulations concerning the interception of communications for criminal investigation on the one hand, and for security purposes on the other.

Institutional set-up and legal alignment

In Serbia, there are 439 police officers per 100 000 inhabitants, compared with an EU average of 335.3 (Eurostat, 2019-2021). The Prosecutor's Office for Organised Crime (POOC) still needs to recruit three prosecutors to fill all 25 posts, a number which itself is insufficient, considering that Serbia has a prosecution-led pre-investigation and investigation system. There is a need to develop a 'systematisation rulebook' on the basis of a baseline analysis, which takes into consideration the extended jurisdiction and powers of this office. Furthermore, this office should be given more technical resources to carry out relevant special investigative measures, such as covert interception of communication autonomously and independently. POOC should be more accountable to the public concerning its activities and should provide feedback when deciding not to proceed with investigation, or to dismiss a case. The working conditions of general competence prosecutors' offices should be improved across the country.

Serbia has yet to conduct an analysis of the roles and practices of security services in investigations into serious and organised crime cases. The current criminal procedure code provides for covert interception of communication to be executed also by the Security Information Agency (BIA) and the Military Security Agency. This should be subject to an analysis to see whether it is in line with EU best practices. The use of security services in criminal proceedings should be forbidden or limited to exceptional cases regarding the interception of communications. A clear separation needs to be made between the remits and regulations for criminal investigations and those for security purposes.

Concerning **trafficking of weapons**, the same provision in Serbia's legal framework on weapons-related offences covers actions relating to trafficking of weapons and to illegal

possession and other less relevant actions. Hence, it is not possible to distinguish the number of convictions relating to trafficking in weapons from those related to illegal possession and other offences. Analysis by the UN Office on Drugs and Crime of the alignment of legislation with the UN Firearms Protocol confirmed that the criminal code needs to be amended to appropriately criminalise the trafficking of weapons. The working group on amending the law continued its activities and proposed amendments to Article 348 of the criminal code.

Intensified efforts are evident related to the alignment of legislation with the EU *acquis*. However, some additional activities would need to be carried out in line with the Regional Roadmap to better control of SALW in the Western Balkans, such as awareness raising, outreach and education on the dangers and risks related to the misuse, illicit possession, and trafficking of firearms/SALW.

Operationalisation of the Firearms Focal Point (FFP) continued during 2022 and remains to be made fully operational.

The 2017-2022 strategy for prevention and suppression of **trafficking in human beings**, especially women and children, and protection of victims expired, without ever an action plan being adopted. The report on the implementation of the expired strategy and its external evaluation were finalised. The Council for Combating Human Trafficking has not held a session for almost four years. The Centre for protection of victims of human trafficking is operating. The shelter part of the centre obtained the license and is fully functional. The Ombudsman's reports to the Centre for protection of victims successfully resulted in positive identification of 62 victims. However, the Ombudsman noted the lack of a systematic approach by the competent state authorities combatting trafficking in human beings and the lack of timely protection and assistance to victims, including a large number of children.

Legislative alignment on the **environmental liability and environmental criminal law** *acquis* has not progressed.

The legal framework is still insufficient to guarantee the operational autonomy of the police from the Ministry of the Interior during the pre-investigation and investigation phases, in order to be fully accountable only to the prosecutor. The new Law on internal affairs will have to address this issue as well as the recommendations of the CPT.

Media relations, including press releases on ongoing investigations and trials, are still managed mainly by politicians and representatives of the Ministry of the Interior and not by the prosecution service and/or the police. The prosecutors' offices (especially the Supreme Public Prosecutor's Office) needs to improve its external relations capacity, including relations with media. Government officials, including some at the highest level, and Members of Parliament, continue to comment publicly on ongoing investigations or court proceedings, as well as on the work of individual prosecutors and judges. Such comments are in contradiction with the code of conduct of Members of Parliament. Several media outlets made public leaked information on ongoing investigations, including defendants' statements on alleged links between politicians and organised criminal groups, creating undue pressure on individual members of the judiciary or the prosecution service.

The 2022-2024 action plan for implementing the anti-money laundering/counter-financing of terrorism (AML/CFT) strategy for 2022-2024 was adopted by the government in March 2022. The Reports on the implementation of the Action Plan for 2022 and the first quarter of 2023 have been prepared. The Coordination Body for the Prevention of Money Laundering and the Financing of Terrorism (AML/CFT Coordination Body) is responsible for monitoring implementation of the AML/CFT strategy and for reporting on implementation of the action plan. It is chaired by the Minister of Finance, and comprises members representing

23 institutions/authorities/bodies. The Ministry of the Interior's Financial Investigation Unit (FIU) carries out the functions of Serbia's **Asset Recovery Office (ARO)** relating to the exchange of police data in line with the EU *acquis*. In order to be fully operational and to cooperate effectively with the asset recovery offices of EU Member States, it will require access to all relevant databases in Serbia. This should be enabled through interoperability of the relevant databases at national level. The ARO would need to have a fully operational centralised case management system in place, compatible with the prosecutors' case management system (SAPO) and investigative software (SIDDA/SIDNA). In 2022, a total of 9 156 messages were exchanged via SIENA (8 087 in 2021) and a total of 538 messages were exchanged via CT SIENA (110 sent and 428 received).

The Financial Investigation Unit of the Ministry of the Interior received a total of 372 requests for financial investigations from the competent Serbian Prosecutor's Offices in 2022 (188 in 2021). During the same period, the FIU implemented 498 orders on prohibition of disposal of property and on temporary confiscation of movable property (230 in 2021).

Established within the Service for Special Investigative Methods (SSIM) of the Criminal Police Directorate, Serbia's Fugitive Active Search Team (FAST) is considered to be one of the most proactive and reactive units within the European Network of Fugitive Active Search Teams (ENFAST). According to feedback from the 37 countries participating in ENFAST, FAST Serbia is highly ranked in the entire network both by the number of arrests carried out in Serbia (following police cooperation requests disseminated by other FAST units) and arrests executed abroad (based on police cooperation requests produced by FAST Serbia).

Serbia uses SOCTA (Serious and Organised Crime Threat Assessment) to set operational priorities for fighting organised crime. The Ministry of the Interior prepared the national SOCTA for the period 2020-2023.

In Serbia, the police services still lack a shared case/workflow management system, connecting all institutions and giving them access to a common database. A comprehensive analysis of the state of play of business processes in the Ministry of the Interior and other institutions in charge of combating organised crime has been made. Work is ongoing to formulate a conceptual model of the case management system.

The centralised case management system for prosecutors (SAPO) needs to become fully operational. Since the SIDDA/SIDNA investigative software cannot run at full capacity because not all relevant data reaches it, technical and legal preparations progressed for a single centralised criminal intelligence system (NCIS).

Serbia should urgently assess the interoperability of the information systems and databases of all national law enforcement agencies and units before making any further purchases and improvements.

Implementation and enforcement capacity

As regards the **track record in organised crime**, the data provided by Serbia shows a mixed picture: the number of new investigations and indictments increased while first instance and final convictions decreased.

The number of new investigations increased in 2022. Investigations were initiated against 176 individuals compared with 130 in 2021 (110 in 2020). The number of indictments increased in 2022: 127 individuals were indicted compared with 100 in 2021 (108 in 2020). The number of first instance convictions decreased in 2022: first instance convictions were

rendered against 13 individuals compared with 46 in 2021 (127 in 2020). The number of final convictions decreased in 2022: 96 individuals were convicted in 2022 compared with 98 in 2021 (72 in 2020).

Under general jurisdiction, the data that Serbia has provided show that, in 2022, new investigations were initiated against 2 392 individuals (2 206 in 2021) and 8 595 indictments have been issued (8 165 in 2021). First instance judgments were rendered against 7 291 individuals (5 461 in 2021) and final convictions were rendered against 6 636 individuals (5 788 in 2021).

The number of final convictions is still low. Some trials, such as those of Saric, Belivuk, Jovanjica, are ongoing.

In case of recent attacks in the north of Kosovo there has been either no follow-up at all by Serbian prosecution (in case of the attack against KFOR of 29 May in Zvečan/Zvečan) or a very limited one (in case of the attack on Kosovo Police of 24 September). Perpetrators have not yet been brought to justice.

A comprehensive analysis of the effectiveness of the criminal justice system was done, which was submitted to the Ministry of Justice, and which will form the basis of the work of the Working Group for Amendments to the Criminal Procedure Code.

Cooperation and coordination among law enforcement agencies still needs to be strengthened. Measures in the criminal procedure code designed to prevent the excessive delay in proceedings need to be applied more systematically.

The use of plea agreements needs to be carefully balanced against the need to avoid any impression of impunity in serious and organised crime cases.

Currently, there are three active task forces – for combating organised crime and other particularly serious crimes, for combating crimes against legal traffic with elements of organised crime and for combating human smuggling. They are headed by public prosecutors for organised crime, the members of which include representatives of all competent state authorities.

Concerning **international police cooperation**, there is well-established cooperation with CEPOL, Eurojust, Europol and INTERPOL, including on high-profile organised crime cases.

There is a continuously increasing use of the secure communication channel SIENA (both in terms of exchanged messages and initiated cases) in the last three years. Statistics for 2022 point to the same positive trend: in 2022, a total of 9 156 messages were exchanged via SIENA (8 087 in 2021).

Serbia actively participates in the European Multidisciplinary Platform Against Criminal Threats (EMPACT). In 2022, Serbia participated in 67 operational actions and was a co-leader of one operational action (in the operational action plan (OAP) on cannabis, cocaine and heroin). In 2023, Serbia is participating in 64 operational actions while being a co-leader of two operational actions (in the OAPs on cocaine, cannabis and heroin and in the OAP on migrant smuggling). Serbia continued to participate in the EMPACT joint action days. For the time being, the Serbian police refrained from taking part in the activities where Kosovo is mentioned as an operational action leader or co-leader.

Cooperation between Serbia and the EU Agency for Law Enforcement Training (CEPOL) is well established and based on a working arrangement. A dedicated contact point is in place. Serbia has full access to the CEPOL Exchange Programme as well as to CEPOL's free-of-charge electronic learning system LEEd. It is recommended that authorities of Serbia, with the

assistance of CEPOL, design, prepare and organise targeted training to address firearms trafficking and environmental crime as priority training topics at national level.

Financial investigations are not a regular practice in every criminal investigation even if the situation has improved. Proactive criminal investigations are needed, including pre-seizure planning and a systematic tracking of money flows, aimed not only at asset recovery, but also at gathering circumstantial evidence of inexplicable wealth. In 2022, financial investigations were initiated in 145 cases (128 in 2021). In 2022, there were temporary confiscations in 5 cases and 4 cases of final **confiscation of assets** (6 temporary and no final confiscation in 2021). In the first half of 2023, four final decisions on temporary and four final decisions on permanent confiscation of property resulting from a criminal activity were made.

Extended confiscation is not systematically applied. However, even though results are yet to be seen, understanding and the investigation approach has improved and prosecutors are aware of the importance of consistently applying a ‘follow the money to find the crime’ approach. This should lead to better results in the future in both track records of final convictions and the track record of seizure and confiscation of assets.

Recommendations from last year’s report are still relevant, concerning analysis of the Law on the seizure and confiscation of the proceeds of crime and the manner in which financial investigations are conducted. The criminal procedure code (CPC) and the 2016 Law on seizure and confiscation of proceeds of crime (LSCPC) do not make a clear distinction between direct confiscation systems (‘material gain’ under the criminal code/CPC) and extended confiscation (‘assets’ under the LSCPC). A serious limitation to the application and effectiveness of the LSCPC lies in the fact that it only applies to a limited number of criminal offences and only if a certain threshold of material gain is reached. Third-party confiscation is not systematically used, in part because the LSCPC only allows it when assets have been transferred firstly for a manifestly inadequate price and secondly with the aim of preventing seizure. Furthermore, the law does not provide for a rebuttable presumption of fraudulent transaction (thus liable to third-party extended confiscation) when assets are transferred from the accused to a close family member. The provisions of the Law reduce the effectiveness of extended confiscation.

In practice, to establish that assets are disproportionate to lawful income, prosecutors, financial forensic experts and the Financial Investigation Unit frequently rely on open-source databases such as the land registry, tax administration, or city heating records. This approach does not involve a full forensic analysis of defendants’ property and hardly provides an accurate picture of a defendant’s lifestyle. Without an in-depth investigation or a lifestyle analysis, spending by the defendant may remain hidden (e.g. travel, buying of movable goods) which would otherwise reveal the assets to be more disproportionate to the defendant’s lawful income. The proactive role of the judges in following and encouraging this approach is therefore essential.

In 2022, 35 people were convicted for **illegal crossing of the state border and migrant smuggling** (29 in 2021) in the context of organised crime, and 89 under general jurisdiction (71 in 2021). Six organised criminal groups with a total of 52 suspects were prosecuted and 869 migrants identified.

As in the previous 2 years, no individuals were convicted for **trafficking in human beings** in the context of organised crime in 2022, whereas under general jurisdiction, 9 individuals were convicted (15 in 2021).

There were 14 convictions for mediation in prostitution related to trafficking in human beings under organised crime jurisdiction and 11 (3 in 2021) under general jurisdiction. Given the migratory flows through its territory, Serbia needs to build the capacity to detect possible third-country victims of trafficking in human beings.

In 2022, none of the victims of trafficking in human beings was granted a status of an especially vulnerable witness. It is essential to provide victims of trafficking in human beings with proper protection during trials, including granting them the status of an especially vulnerable witness. This is important not only to avoid re-victimisation but also to collect evidence of force, threat or exploitation, as required by the criminal code for this offence.

In 2022, the Centre for the Protection of Trafficking Victims received 138 new reports on potential trafficking victims; it formally identified 62 victims. Sexual exploitation is still the most dominant form (55%), followed by forced begging at 12.9%, multiple exploitation at 11.3%, forced marriages at 9.5% and labour exploitation at 6.4%. The percentage of children among the victims is extremely high and amounts to 40%. The majority of victims are Serbian. Foreign victims identified in 2022 were all women, from Bosnia and Herzegovina, Uganda, Cameroon, Congo and Tunisia.

Since autumn 2021, CSOs have been publicly drawing attention to a case of potential trafficking in human beings for the purpose of labour exploitation concerning Vietnamese workers, referring to alleged ‘deceptive’ and ‘coercive recruitment’ practices, such as debt bondage, and ‘coercion at destination’, such as confiscation of passports. No progress has been reported on this issue.

In 2022, five individuals (none in 2021) were convicted for **weapons-related offences (including trafficking in weapons)** in the context of organised crime. In 2022, 999 people were convicted in courts of general jurisdiction (735 in 2021).

The new draft law on weapons and ammunition, aiming at further alignment with the EU *acquis*, was finalised during the reporting period, and adoption is pending.

The strategy for small arms and light weapons control (2019-2024) is being implemented, as are related international obligations arising from the roadmap for a sustainable solution to the illegal possession, misuse and trafficking of small arms and light weapons and ammunition in the Western Balkans. The accompanying 2-year action plan (2019-2020) expired and a new one was prepared and submitted in July 2023 for public/e-consultation. As a follow-up to the mass shooting events that took place at the beginning of May 2023, Serbia, with technical assistance from the South Eastern and Eastern Europe Clearinghouse for the Control of Small Arms and Light Weapons (SEESAC), implemented another legalisation campaign. By 1 June, 41 376 firearms, 11 123 explosive devices and more than 2 million rounds of ammunition were handed over, which is more than 10 times the number of firearms turned in during four similar legalisation campaigns implemented between 2015 and 2020.

The instruction on the way of handling weapons, ammunition and explosive devices found on the crime scene by authorised officers and the Protocol for securing weapons found at the crime scene were adopted in May 2022.

The application “Stolen and missing weapons” is operational and regularly updated.

The ballistic laboratory is in the process of accreditation, expected in 2023.

The 2019-2023 strategy and action plan for the **fight against cybercrime** are being implemented. Training was given to strengthen the operational capacity of the Special Prosecutor’s Office for Cybercrime. More human resources are needed for investigations into credit card, e-commerce and e-banking abuses, and for combating illicit and harmful content on the internet.

In 2022, a total of 5 630 criminal cases were submitted to the Special Prosecutor’s Office for High-Tech Crime. During the reporting period, requests for gathering necessary information

were submitted against 196 individuals, investigation/evidential actions were undertaken against 245 individuals, indictment acts were filed against 108 defendants, and 94 defendants were convicted.

Concerning the ‘showing, procuring and possession of pornographic material and child pornography’, investigations/evidential actions were launched against 47 individuals in 2022. Indictments were filed against 40 defendants, and 50 individuals were finally convicted.

Serbia is a party to the Council of Europe Budapest Convention on Cybercrime and was among the 22 countries that signed its Second Additional Protocol on enhanced cooperation and disclosure of electronic evidence on 12 May 2022 and ratified it in February 2023.

The witness protection unit hired six more police officers. Technical capacities were improved by getting three special vehicles with a degree of protection.

In 2022, as regards the fight against **money laundering**, and based on indictments by the special prosecutor for organised crime, there were 3 final convictions (7 in 2021).

Serbia has a well-functioning central record of beneficial owners. In 2022, the Business Registers Agency filed a total of 2 121 (2 726 in 2021; 1 900 in 2020) requests to institute misdemeanour proceedings; the competent misdemeanour courts rendered 1 904 (502 in 2021) decisions. Serbia reported 1 563 suspicious transactions in 2022 compared with 2 053 in 2021 (2 276 in 2020).

Overall, the fight against money laundering and financing of terrorism should focus on the sectors most at risk for money laundering, including the financial sector and designated non-financial business and professions (e.g. real estate sector, casinos, lawyers, notaries, currency exchange offices). Unusual proliferation of assets or money administration inconsistent or not proportionate with regular business practices should be subject to preventive checks to detect links with criminal activities. The APML (the Serbian Financial Intelligence Unit) is well developed.

Serbia should step up its efforts on fighting **environmental crime** and create awareness about the phenomenon. Enforcement remains a key priority, including establishing a track record in alignment with the Environmental Crime Directive. The Ministry of the Interior set up the unit for environmental crime suppression and environment protection within the General Police Directorate. The unit is operational. In 2022, a total of 244 messages were exchanged via SIENA regarding environmental crimes. During the same period, there was one order to conduct an investigation (none in 2021), 16 indictments (13 in 2021), four first instance convictions (11 in 2021) and two final convictions (6 in 2021).

Additional effort should be put into the fight against **illicit trafficking of cultural property** and into protecting cultural heritage, and to bolster cooperation with countries in the region on fighting illicit trafficking of cultural goods.

Cooperation in the field of drugs

Institutional set-up and legal alignment

The national drug strategy expired at the end of 2021. It will be used until the new one is enacted. Work on the new policy document ‘*Operational plan for the prevention of drug abuse for period 2023-2027*’ is ongoing.

A working arrangement between the European Monitoring Centre for Drugs and Drug Addiction (EMCDDA) and the Office for Combating Drugs, the Ministry of the Interior and the Ministry of Health has been in force since December 2020, and cooperation extremely good. Serbia has a well-established national early-warning system to liaise with EMCDDA on

new psychoactive substances and new trends. This also applies to the associated risk assessment procedure and the subsequent control mechanism for adding new psychoactive substances to national drug control legislation. Serbia regularly updates and publishes reliable information on new psychoactive substances. In 2022, the list of psychoactive controlled substances was updated twice and a total of 42 new psychoactive substances were added to the list. All tables for the 2022 data reporting cycle were sent to EMCDDA within the deadline.

Serbia's National Drug Observatory is fully staffed and operational. The National Drug Observatory continued with implementation of its three core functions: data collection; monitoring, analysis and interpretation of the data collected; and reporting and dissemination. Serbia progressed on data collection, analysis and reporting though there is room for additional improvement to be fully aligned with the requirements and methodology of the EMCDDA.

The decree on the manner of preserving, sampling, storing and destroying psychoactive substances has been in force since August 2021, providing a necessary legislative framework for psychoactive controlled substances, i.e. chemical/biological material either seized or confiscated. However, the current legislation still requires that the entire seized quantity be kept as material evidence for court proceedings. A national contact point for the transmission and analysis of samples of controlled psychoactive substances has been appointed in July 2023.

As of 2021, four regional centres are operating as part of the Drugs Combating Service of the Department for Coordination, Cooperation and Drugs Abuse Prevention.

In February 2022, the Drugs Combating Service created two new job positions totalling 80. Not all positions have been filled and it is expected that only 73 will be filled by the end of 2023.

Implementation and enforcement capacity

In 2022, 34 individuals were convicted under the organised crime jurisdiction for the production, processing, sale or offering for sale of narcotics, and 766 under general competence jurisdiction. The Prosecutors' Office for Organised Crime filed indictments against 44 individuals.

In 2022, a total of 7.08 tonnes of various substances (including 61.22 kg of heroin) were confiscated, as well as significant quantities of ecstasy, amphetamine, etc. Some 1.08 tonnes of seized psychoactive substances and 2 722 pieces of various narcotic drugs were destroyed in 2022, and an additional 2.0 tonnes were destroyed in May 2023. The destruction of seized precursors remains an issue that needs to be regulated by new legislation. In 2022, a working group prepared the decree on the destruction of precursors, which remains to be adopted. By December 2022, 77 tonnes of precursors were collected, packed and properly stored, while awaiting destruction.

In May 2023, in a coordinated action with Europol and the Dutch police, an organised criminal group behind multi-tonne shipments of cocaine trafficked from Colombia, Brazil and Ecuador to the EU was dismantled. As a result, 13 individuals were arrested in Serbia and 0.7 tons of cocaine seized in the Netherlands, 1.2 tonnes in Belgium and 5 tonnes in Aruba. In addition to drugs, vehicles, firearms, explosives and about EUR 3 million were seized.

During the 2022 data collection exercise under the EMCDDA-IPA 7 project, Serbia provided, for the first time, data on all the security indicators: drug law offences, drug seizures, drug purity/potency, drug composition, drug prices, and cannabis cultivation sites. It furthermore demonstrated a good capacity to collect and store data on these indicators. Some of the indicators still need improvement with a view to being aligned with EU standards.

At the end of 2022, Serbia submitted the updated national drug situation overview.

A software programme is in operation that gives daily updates on quantities of seized drugs, and provides an e-communication channel on seized drugs with the National Forensic Centre on Seized Drugs. ‘Security bags’ were introduced to prevent any tampering with collected evidence. Since January 2021, seized drugs are stored centrally in five containers and in line with clear guidelines based on legal advice.

The government produced a number of documents as part of the programme for the prevention of the use of psychoactive substances, based on scientific evidence and in alignment with international standards. A comprehensive and all-involving prevention programme is still not in place.

Fight against terrorism

Institutional set-up and legal alignment

Following the expiry of the 2017-2021 national strategy for prevention and fight against terrorism, a new strategic document and accompanying action plan to cover all forms of radicalisation and violent extremism (irrespective of political, religious or ethno-nationalist root causes), in line with EU policies, remain to be adopted. A baseline study on all forms of radicalisation and violent extremism present in Serbia was adopted in October 2023. This study should be an annex to the new strategy.

A mechanism for regular monitoring and reporting on implementation of the strategy was never fully operational. Implementation reports on the activities envisaged under the expired 2017-2021 strategy are prepared but not yet adopted.

In July 2022, the Serbian Regulation on criteria for the identification of critical infrastructure and the manner of reporting entered into force, creating the conditions for implementation of the legislative framework for critical infrastructure. The process of identifying critical infrastructure is ongoing.

Following the adoption in June 2021 of the Law on the national database for the prevention and fight against terrorism, the work on establishment of the national database is in its final stage. Implementation of the Law should be closely monitored to prevent any potential abuse.

Implementation and enforcement capacity

Serbia regularly reports on implementation of the bilateral arrangement in the framework of the EU-Western Balkans Joint Action Plan on Counter-Terrorism for the Western Balkans. The sixth report was submitted in February 2023 and the seventh report in August 2023. Serbia does not participate regularly in the meetings of regional network of national P/CVE coordinators, chaired by the EU. Serbia appointed in July 2023 a new National Coordinator for the Prevention and Combating of Terrorism and the new members of the National Coordination Body for the Prevention and Fight against Terrorism. The new coordinator and the new National Coordination Body should step up timely and efficient implementation of the Joint Action Plan and participation in planned and agreed projects.

In 2022, there were no convictions concerning terrorism offences. Under general competence jurisdiction, one person was convicted for ‘participation in war or armed conflict in a foreign country’. The Prosecutors’ Office for Organised Crime filed an indictment against one person for the offence of ‘public inciting to commission of terrorist offences’ (Article 391a Criminal Code).

A regional network of P/CVE specialists was established. It is composed of prison, probation and other P/CVE practitioners and decision-makers, coming from local P/CVE coordination mechanisms or other institutions or organisations.

Activities aimed at preventing all forms of radicalisation and violent extremism, including those conducted in collaboration with civil society organisations, are still under-represented both in the national strategic framework and on the ground. Strategic communications campaigns to address the problem have not been developed.

Training started in May 2022 for the members of four local teams in charge of reintegration, rehabilitation and resocialisation of foreign terrorist fighters and their families.

A mapping of the groups most vulnerable to radicalisation has not yet been conducted. Measures undertaken to prevent and address violent extremism in sport do not yet appear to be sufficient. No concrete steps have been taken to explore possible connections between right-wing extremism and football ultras and hooliganism. Collaboration with civil society organisations in P/CVE activities is still extremely rare. The authorities have not yet put in place a consistent response to activities of far-right groups. Support from the Radicalisation Awareness Network, notably on strategic communications, could be increasingly requested.

The National Council for the Prevention of Negative Phenomena in Sports has been established. The main task is to coordinate activities to prevent violence and misbehaviour of spectators at sports events, doping in sports, match-fixing and other negative phenomena in sports, as well as to fulfil international commitments in these areas.

Additional efforts are needed to investigate and prosecute recruitment networks of foreign fighters, particularly in the context of Russia's war of aggression in Ukraine.

Authorities should improve capacity to address terrorist and extremist content online, increasing efforts to refer terrorist content to internet companies and enhancing efforts to empower civil society to develop effective counternarratives online.

Serbia remains a reliable cooperation partner for Europol and Eurojust. Serbia has an additional contact point for Eurojust – a national correspondent for terrorism matters. Serbia updates Europol on the foreign fighters' list and terrorism-related incidents and effectively uses SIENA for counter-terrorism. Cooperation with Europol has enabled Serbia to start addressing terrorist content online. It actively participated in the Europol 'Check the Web' project and uses SIRIUS platform for internet-based investigations. Moreover, the posting of a Serbian Liaison Officer at Europol has continued to prove very valuable for strengthening cooperation. Serbia continues to participate in the integrative internal security governance (IISG) mechanism.

In 2022, Serbia also took part in a number of INTERPOL operations and projects (e.g. Hotspot Mediterranean 2022) and actively participated in CEPOL activities.

Serbia continued to apply the approach to preventing and combating the financing of terrorism, based on risk assessment. The overall terrorism financing risk in 2022 was assessed as medium-to-low, while the risk of weapons of mass destruction proliferation financing was assessed to be low-to-medium.

Judicial cooperation in civil, commercial and criminal matters

Eurojust and Serbia have continued their good cooperation in criminal matters, notably through the Serbian Liaison Prosecutor (seconded in March 2020), by taking part in four joint investigative teams (JIT) supported by Eurojust in 2022, along with 12 coordination meetings. In 2022, Serbia acted upon 181 cases (including 100 requests from the previous reporting period). Assistance was requested from Serbia in 41 operational cases, while Serbia requested assistance through Eurojust in 40 cases (compared with 20 cases in 2022). Serbia is the second most-requested country in the region, and the fifth most-requested third country in Eurojust's network. Serbia appointed a representative to the contact group of the Western Balkan CRIM

JUST project. There is a need to discuss working arrangements for cooperation with the European Public Prosecutor's Office (EPPO). According to the 2022 EPPO Annual Report, Serbia was involved in one EPPO case in 2022 as place of criminal activity and financial damage (one in 2021).

Reporting continued on implementation of the 2007 Hague Convention on Child Support (HCCH), in force since February 2021. Serbia is considering the possibility of accession to the HCCH 2019 Judgments Convention (Recognition and Enforcement of Foreign Judgments in Civil or Commercial Matters). National legislation still needs to be aligned with the EU *acquis*. Following the adoption of constitutional amendments, initial steps were taken for amending the Criminal and Criminal Procedure Code, the Law on Juvenile Criminal Offenders and Criminal Protection of Juveniles. This would be the basis to proceed with the adoption of the new Law on Judicial Cooperation in Criminal Matters with EU Member States. Analysis of administrative/training and budgetary/financial requirements since 2021 still need to be followed up.

In 2022, Serbia worked on 3 413 new requests for mutual assistance in **civil** matters (1 925 incoming and 4 453 outgoing) and resolved 3 376 cases in total (including from the previous period). Among them, Serbia replied positively to 2 350 and negatively to 1 026 requests. The average duration of procedure for providing MLA was 388 days. For requests in **criminal** matters, Serbia worked on 4 871 cases in 2022 (3,487 incoming and 1,384 outgoing), resolving 4824 requests (4 200 positively and 901 negatively). Serbia continued its regular workflow, with an average duration of procedure (for providing MLA) of 388 days in civil and 486 days in criminal matters. There were no developments regarding the Montenegrin extradition request to ensure that former President of the State Union of Serbia and Montenegro serves his (final and enforceable) prison sentence.

Legal and irregular migration

Serbia contributed to the management of the mixed migration flows towards the EU and cooperated with the EU, EU Member States and its neighbours to implement the EU Action Plan on the Western Balkans presented by the Commission in December 2022. Serbia took in particular steps to further align its visa policy with the EU visa policy. Additional progress along all the pillars of the Action Plan is expected.

Serbia participates in the regional Anti-Smuggling Operational Partnership with the Western Balkans (launched in the EU-Western Balkans Justice and Home Affairs Ministerial meeting on 3 November 2022) to support law enforcement and judicial cooperation against criminal smuggling networks, and to increase border management capacities. Serbia also took part in the regional meeting of the Network of European Immigration Liaison Officers which took place in Tirana on 28-29 March 2023, to facilitate the exchange of operational information and intelligence and support the implementation of the Anti-Smuggling Operational Partnership.

Institutional set-up and legal alignment

Responsibilities for managing migration are shared between the Ministry of the Interior, the Commissariat for Refugees and Migration, and the following ministries: Labour, Employment, Veteran and Social Affairs; Foreign Affairs; Justice; Defence; Health; and Education, Science and Technological Development. They are coordinated by the government working group on mixed migration, with the Commissariat for Refugees and Migration acting as secretariat.

Amendments to the Law on foreigners and the Law on employment of foreigners were adopted in July 2023 aiming at further alignment with the EU *acquis*. The amendments to the Law on foreigners are linked to the deadline for extension of the temporary residence permit and its

extended duration. Furthermore, it is proposed that temporary residence will be issued in the form of a card and not in the form of a sticker in the passport. Amendments to the Law on employment of foreigners aim at unifying the procedure for obtaining a temporary residence permit and the procedure for obtaining a work permit.

In March 2022, the government adopted a decision providing facilitated access to its territory and granting temporary protection to all people having fled Russia's war of aggression against Ukraine. The decision was extended in March 2023 for another year. It allows access to the right of residence, identity documentation, the right to education, access to the labour market and healthcare in accordance with the regulations governing the rights of foreigners. It is largely in line with the EU Temporary Protection Directive. An updated response plan for people fleeing Russia's war of aggression against Ukraine, which includes reception and protection measures, was adopted by the government in March 2023.

The response plan for the management of mixed migration was updated in July 2022. It covers the main priority areas such as: border management and prevention of migrant smuggling; access to asylum; reception and assistance to vulnerable migrants; assisted voluntary return and reintegration in the countries of origin; and supporting local communities under high migratory pressure.

As for combating irregular migration, the 2022-2027 strategy for integrated border management and the 2022-2024 action plan, adopted in August 2022, put special emphasis on efficient registration of irregular migrants and on their processing, but also on coordination among institutions within the migration management system and on return procedures to either the country of origin or the country of previous entry.

In March 2023, Serbia became an observer in the European Migration Network through the signature of an administrative agreement between the Commissariat for Refugees and Migration, as national contact point, and the European Commission.

Serbia has 12 bilateral readmission agreements, including with Bosnia and Herzegovina, Montenegro and North Macedonia. A readmission agreement was signed with Azerbaijan in November 2022. Negotiations with Argentina, Belarus, Georgia, Türkiye and Ukraine are ongoing.

Efforts to establish cooperation with countries of origin of irregular migrants have been made with Afghanistan, Algeria, Iraq, Iran, Morocco and Pakistan. As no response was received from them, at the end of 2021, an emergency request was sent to the authorities of Pakistan, Iraq, Algeria and Morocco. The Iraqi authorities indicated that there is no readiness to conclude a readmission agreement; the others have not responded so far.

Implementation and enforcement capacity

The Western Balkan migratory route continues to be firmly established and to exert pressure on the entire region. Serbia played an active and constructive role in the management of mixed migration flows towards the EU and continued to cooperate effectively with its neighbours and EU Member States. Serbia, supported by the EU, continued to host and accommodate substantial numbers of third-country nationals.

According to the Commissariat for Refugees and Migration (KIRS), in 2022 a total of 124 127 migrants passed through the reception and asylum centres in 2022 which represents a sharp increase in comparison with 2021 (68 308). The length of the average stay went down to 16 days (30 in 2021) and the average number of people hosted in government centres on any one day increased from 4 684 in 2021 to 4 809 in 2022. For the same period, the Ministry of the

Interior reported that 12 852 irregular migrants had been apprehended within Serbia in 2022, of which 36% originated from Afghanistan and 29% from Syria.

In 2022, 51 017 migrants were prevented from entering at the border and 182 criminal charges (129 in 2021) were filed against 249 people (190 in 2021). This includes 6 criminal charges against 52 members of organised criminal groups, suspected of smuggling irregular migrants to Bosnia and Herzegovina, Croatia and Hungary.

Daily cooperation with Europol's European Migrant Smuggling Centre takes place at several levels, including through EMPACT (European Multidisciplinary Platform Against Criminal Threats). Serbia participated in several international operations aimed at combating both irregular migration and trafficking in human beings. Serbia has also established together with Hungary and Austria the operational task force "ladder" targeting violent migrant smuggling at the Hungarian-Serbian border.

As regards accommodation in open centres for irregular migrants, there are 11 reception/transit centres with a total capacity of 2 800 places in solid buildings; an additional 1 500 places for short stay could be made available in Rubb Halls. Including the 2 500 beds in asylum centres, the total number of available places amounts to 6 800. Since the number of migrants hosted in government centres in 2023 fell to 2 200 on average, two reception centres (Divlijana and Bogovadza) were closed and two centres temporarily shut down.

The Commissariat for Refugees and Migration is operating without a full complement of staff, while staffing in the reception centres remains fully dependent on external (EU) funding.

As regards detention capacities, the extension of the centre for foreigners in Padinska Skela is ongoing. It will provide an additional 60 places (bringing the total capacity to 110 places). In 2022, a total of 272 foreign nationals were placed in the detention centre for foreigners in Padinska Skela, mostly citizens of Afghanistan, Syria, Türkiye and India. The mobile centres in Dimitrovgrad and Plandiste for short-term detention, with a capacity of 100 places each, are used mainly in the context of readmission. In 2022, these facilities accommodated a total of 303 foreign nationals, mostly citizens from Afghanistan, Syria and Morocco.

In 2022, Serbia increased by 72 the number of police officers engaged to provide personal and facility security in detention centres.

The age and gender structure of irregular migrants is similar to previous years with a majority of young adult single males. The top three nationalities are Afghan, Syrian and Pakistani, representing 77% of accommodated individuals in 2022.

One of the most vulnerable groups of children are unaccompanied and separated children travelling alone or in a group of adults and often staying outside of the centres; they are the hardest to reach and link with needed services and resources. For those unaccompanied children accommodated in the asylum or reception centres, presence of adult beneficiaries in the same facilities poses additional protection risks. Appropriate accommodation and protection arrangements, especially in cases of unaccompanied and separated children, are exclusively dependent on external funding.

On average, in 2022, 126 unaccompanied and separated children were present on the territory of Serbia per month (5% more than in 2021), and a total of 2 688 (100% more than in 2021) throughout the year. In 2022, the Centres for Social Work issued a total of 1 048 decisions on guardianship. State-run social protection institutions accommodated 72 unaccompanied children while 22 unaccompanied asylum-seeking children were accommodated in NGO shelters.

Although the legislative framework for protecting refugee/migrant children is mostly in line with international standards, limited resources and implementation within the social welfare system create protection gaps. These include an overstretched guardianship institution, overstrained case management capacity dependent on external funding, and poor application of best interest assessment/determination procedures.

Serbia has continued to satisfactorily implement the EU-Serbia readmission agreement, which is facilitated by implementing protocols concluded with 21 EU Member States. However, Serbia should continue cooperating on readmitting irregularly staying third country nationals that reached the EU via Serbia, in application of the EU-Serbia readmission agreement. In 2022, 5 710 Serbian nationals were ordered to leave and 3 190 were effectively returned.

An assisted voluntary return and reintegration programme continues in Serbia, offering support to those migrants wishing to return to their countries of origin. With the support of the EU and EU Member States, the International Organization for Migration (IOM) is implementing the assisted voluntary return and reintegration (AVRR) programme, building the capacity of Serbia's return system and facilitating access to assisted voluntary return. In 2022, 130 people were returned to their country of origin, of which 53 to India, 13 to Cuba, 10 to Tunisia, 10 to Jordan, 8 to Pakistan and 6 to Iraq.

The Ministry of the Interior is in charge of forced return. Non-voluntary returns are sporadic and ad hoc. Comprehensive return management is still lacking in Serbia; this is a combination of several factors, including lack of cooperation with key countries of origin for non-voluntary returns/readmission, as well as institutional and operational gaps preventing the operation of non-voluntary returns. Serbia should resume systematic registration of migrants. As part of the registration process, screening for nationality, vulnerability and need for international protection should be carried out, as well as collecting information for risk analysis, on irregular migration and on other cross-border crime including trafficking in human beings and terrorism. The registration data should also include data to enable the authorities to potentially process individuals for voluntary and forced return in line with the national legal framework. Out of 3 286 requests, 1 754 were approved and 679 third-country nationals were returned to Serbia. The largest numbers of requests were submitted by Croatian and Romanian authorities for readmission of nationals from Burundi, Afghanistan, India and Cuba.

In 2022, Serbia submitted 1 657 requests to foreign authorities for the readmission of third-country nationals, of which 1 585 requests were approved and 191 individuals were returned from Serbia. The lack of enforceable bilateral readmission agreements with third countries is a serious obstacle, hindering Serbia's ability to manage returns effectively. In line with the EU Action Plan on the Western Balkans, Serbia should pursue its efforts to increase returns to their countries of origins of migrants with no right to stay.

Asylum

Institutional set-up and legal alignment

Serbia has the necessary institutions to manage asylum applications. The Asylum Office (AO), a separate unit within the Border Police Directorate, is in charge of determining status, while appeals against its decisions can be submitted to the Asylum Commission and subsequently to the Administrative Court of Appeal. The Asylum Commission is composed of representatives from different line ministries, including an independent expert and chaired by a representative of the Ministry of the Interior.

In 2022, the Asylum Commission rendered 62 decisions, but none of them granted international protection and only 10 appeals were upheld (i.e. the cases were referred back to the AO). The

third appeal authority, the Administrative Court, rejected all complaints. No applicants were heard by the appeal authorities. The Asylum Commission and the Administrative Court did not exert corrective influence over the decisions of the AO.

The Commissariat for Refugees and Migration is responsible for the reception of asylum seekers and integration of people granted international protection.

Serbia's legal framework is largely aligned with the EU *acquis*. Serbia needs to further adapt its legislation, notably as regards effective 'access to the procedure' (Article 36 of the Law on asylum and temporary protection), 'appeal bodies' (Article 21), 'rights and obligations of applicants/persons under international protection' (Articles 48-73), 'free legal aid' (Article 56), and 'safe third-country procedure' (Article 45). Amendments to the Law on asylum and temporary protection are under consultation.

Implementation and enforcement capacity

The number of asylum seekers remained very low in 2022. Serbia is still a transit country. Out of the 4 243 individuals who expressed the intention to seek asylum and obtained a registration certificate, only 320 officially lodged an asylum application. The absconding rate remains higher than 50%, while subsidiary statuses are accorded more extensively than refugee statuses.

In 2022, decisions were made on a total of 2 302 individuals. Only 10 asylum seekers received refugee status, 20 received subsidiary protection, while 62 had their asylum request denied. In 257 cases, the procedure was discontinued because the applicant absconded. For 1 164 citizens of Ukraine a certificate on registration of intention for temporary protection was issued and 1115 decisions on granting temporary protection were delivered.

Further alignment with the EU *acquis* and international standards, as well as more effective implementation, is still needed to ensure fair and fast asylum processing, especially regarding the length of the asylum procedure and an increase of the refugee recognition rate. Prompt identification of vulnerable asylum seekers needs to be continuously ensured by the competent authorities and at the earliest reasonable time; manifestly unfounded and founded claims need to be promptly processed.

The provision of information and access to legal counselling for asylum seekers at Nikola Tesla airport has improved. Sufficient safeguards to prevent refoulement should be included in the operating procedures of the border police. Independent monitoring could further ensure that border authorities are acting in line with the principle of non-refoulement and the prohibition of collective expulsion.

The quality of asylum decisions needs to be further improved through sustainable quality assurance mechanisms and harmonisation of the decision-making process. The AO needs to increase its capacity for actual handling of asylum applications. The Asylum Commission and the Administrative Court need to apply their corrective influence over the decisions of the Asylum Office more effectively and review cases on merits. Further advanced training is needed, including for adjudicators at the second and third instances, as well as ensuring standardised and sustainable training resources.

Additional capacity building for the Asylum Commission and the specialisation of judges in the administrative court could improve legal certainty. There is no state-funded free legal aid in the asylum procedure.

Serbia has a fully functioning biometrics database and a system for automated fingerprint identification, used within the Ministry of the Interior; both of these are used for registering asylum seekers. Irregular migrants who are not declaring their intention to seek asylum are not

registered and no status determination takes place. This contributes to the vulnerability of migrants transiting the country. Currently all police stations, but not all border crossing points, in Serbia have access to the automated fingerprint identification system. Serbia has developed a roadmap for enabling future operations in relation to the Eurodac and Dublin Regulations, containing steps on legal, strategic, technical and training-related preparations.

In accordance with the Law on asylum and temporary protection, the Commissariat for Refugees and Migration takes care of the material conditions for receiving asylum seekers. There are six centres for asylum with a total capacity of 2 500 places.

The basic legal framework for integration exists, including good practices of individual integration plans. However, major obstacles to integration in practice remain the quality of ID documents to facilitate their access to socio-economic rights and services, and the lack of issuance of travel documents. Also, the relevant legislation needs to be amended to provide refugees with access to permanent residency and citizenship. The funds needed for integration programmes for people granted asylum are provided in the budget on an annual basis. The funds provided for in the 2022 budget were sufficient to cover the current needs.

Serbia proposed amendments to the Law on citizenship according to which a foreigner may be granted Serbian citizenship after living in Serbia for only a short period of time. The applicant had to have a Serbian secondary school diploma or a recognised higher education diploma from a third country, be self-employed or employed by a Serbian company. Applicants with an approved right to asylum fulfilling the same criteria could apply for citizenship after three years of residence in Serbia.

While the EU respects the sovereign right of Serbia to decide on its citizenship and naturalisation policies, the Commission has expressed its concerns to the competent Serbian authorities as regards the possible security risks for the EU linked to the fast-track acquisition of visa-free travel rights for nationals of countries that would be otherwise visa required. Serbia should refrain from any amendment of its citizenship law that would provide the possibility of a fast-track acquisition of Serbian citizenship for third-country nationals who have resided for only a very short period in Serbia. Such a possibility risks undermining the EU visa policy since Serbian citizens are allowed to travel visa-free to the EU. Following the concerns raised by the EU the Government has withdrawn the proposal.

An updated roadmap for cooperation with the European Union Agency for Asylum (EUAA) is being implemented. Serbia participated as an observer in the reception network organised by the EUAA. A European migration liaison officer, responsible for the entire region, operates from Belgrade.

Visa policy

Serbia's visa policy is not yet fully aligned with the list of third countries whose nationals are subject to a visa for short stays in the EU. Nationals of the following countries that are on the EU visa-required list can still travel visa-free to Serbia: Armenia, Azerbaijan, Bahrain, Belarus, China, Indonesia, Jamaica, Kyrgyzstan, Kuwait, Kazakhstan, Mongolia, Oman, Qatar, Russia, Suriname and Türkiye.

In 2022, nationals of Burundi, Tunisia, India, Cuba and Türkiye in particular were using Serbian territory to undertake irregular migration towards EU Member States along the Western Balkans route. By September 2022, some 15% of all irregular border crossings in 2022 (compared with 4% in 2021) were accounted for by nationals who could travel visa-free to at least one Western Balkan partner.

In October 2022, the Serbian government decided to abolish the visa exemptions for Tunisia and Burundi nationals and, in December 2022, this was likewise decided for Guinea Bissau, India, Cuba and Bolivia. The President of India visited Serbia in June 2023 and a visa simplification mechanism was announced. In June 2023, the President of Cuba visited Serbia and an agreement on a visa-free regime for holders of official and diplomatic passports was signed.

The sixth report under the visa suspension mechanism (October 2023) noted that Serbia has taken action to address the Commission's previous recommendations. However, further efforts are needed on visa policy, border management, the fight against corruption and organised crime, and preventing and countering all forms of violent extremism.

The visa-free regime with the EU continued to be smoothly implemented. The number of first-time asylum applications from Serbia in the EU was 2 390 in 2022 (2 055 in 2021; 1 770 in 2020). In the first 5 months of 2023, the number of first-time applicants was 1 355.

The Serbian visa issuing system is partially in line with the EU visa code. For further compliance, Serbia has to adjust visa procedures and visa regimes to bring them into line with relevant EU regulations. The Serbian visa information system is operational in all diplomatic missions and consular posts. The issuing of visas at national border crossing points is exceptional. The Commission's sixth report under the visa suspension mechanism of October 2023 concluded that Serbia continues to meet the visa liberalisation benchmarks.

Schengen and external borders

Institutional set-up and legal alignment

The border police is a specialised civilian body and is part of the General Police Directorate within the Ministry of the Interior. The legal framework for border control is largely aligned with the EU *acquis* (latest changes in 2018). Continued efforts are needed on further legal alignment and implementation of EU requirements. Issues relating to national borders are regulated in the Law on border control.

In July 2023, the government adopted the Schengen action plan. The new 2022-2027 integrated border management (IBM) strategy and its action plan were adopted in August 2022. The strategy defines a new concept of integrated border management in light of the new EU policy on IBM and includes border control and border checks and State border surveillance (green border surveillance). Following adoption, the new Coordination Body for monitoring the IBM strategy and action plan was appointed in June 2023. Consistency between strategic documents in the border control area needs to be achieved.

Implementation and enforcement capacity

In 2022, 261 graduates from the Centre for Basic Police Training were admitted to the Border Police Directorate. The Border Police Administration is regularly planning professional training for border police officers, who, after successful completion of the training, are assigned to its organisational units. A common training programme and common risk analysis, in accordance with the common integrated risk analysis model (CIRAM) methodology, is implemented at national level. Further efforts are needed at regional and local level regarding the staffing and training of risk analysts.

The implementation of the IBM action plan is delayed.

Significant investment is needed in human, financial and technical resources for border control (second-line checks, border surveillance and equipment for the detection of forged documents), and in infrastructure at border crossing points, in line with Schengen requirements. Serbia

should also increase the capacity of all stakeholders in IBM to achieve interoperability with EU border management information systems. Serbia needs to intensify its efforts to implement the Directive on the obligation of carriers to communicate advance passenger data, and the use of passenger name record (PNR) data for the prevention, detection, investigation and prosecution of terrorist offences and serious crime.

Inter-agency cooperation is satisfactory, e.g. between border police and customs at border crossing points. Further improvements are needed on information exchange through mutual access to databases and a formalised and secure information exchange system. An anti-corruption preventive mechanism for Authorities involved in IBM (the Border Police, Custom Service, Veterinary Directorate and Directorate of Plant Protection) has been adopted, but further efforts are needed at regional and local level.

Serbian authorities have established solid cooperation links with the European Border and Coast Guard Agency (Frontex). The joint operation with the Serbian border police at the Serbian-Bulgarian border that started in 2021 was extended to include the Serbian-Hungarian border. The aim of this cooperation is to control irregular immigration flows, to tackle cross-border crime and to strengthen European cooperation. Progress has been made in the negotiations on the new status agreement between the EU and Serbia. Its conclusion will, in line with the new mandate of Frontex, enable deployment also at third-country borders, such as at the border with North Macedonia.

Based on the Police Cooperation Convention for Southeast Europe (PCC SEE), the Ministry of the Interior established a cooperation with all neighbouring countries. Joint patrols with neighbouring countries are ongoing with Hungary, North Macedonia and Romania. Information exchange takes place through joint contact centres. Serbia receives capacity building and border management assistance from EU Member States.

In 2022, a total of 23 control activities were carried out in the organisational units of the Border Police Administration. Disciplinary proceedings for serious violations were initiated against 121 police officers. The Internal Control Sector filed criminal charges against police officers suspected of the criminal offence of abuse of official position under Article 359 of the criminal code. A new preventive anti-corruption mechanism was adopted and training courses for participants of all IBM agencies were held. Leaflets on anti-corruption awareness were distributed at all border crossing points (including the airport).

The Interim Common Crossing-Points (CCPs) between Kosovo and Serbia continue to be operational. Only two of the six permanent CCPs have been established (Merdare and Mutivodë/Mutivode). Serbia still has not established permanent CCPs to be hosted by their side (Jarinje/Rudnica, Končulj/Dheu i Bardhë and Depce/Muçibabë), which led to a suspension of EU funds for this project in July 2018. In addition, Serbia needs to engage constructively to enable the construction of the third CCP hosted by Kosovo in the north of Kosovo at Tabavije/Bërnjak-Tabalije/Brnjak. Additional efforts are required from Serbia to close illegal roads and bypasses to ensure exclusive use of official crossing points for goods and persons entering into or leaving Kosovo.

2.3. ECONOMIC CRITERIA

Table 4.1: Serbia - Key economic figures	2014-19 average	2020	2021	2022
GDP per capita (% of EU-27 in PPS) ¹⁾	40	43	44	44
Real GDP growth	2.4	-0.9	7.5	2.3
Economic activity rate of the population aged 15-64 (%) , total	64.9	66.4	70.3	71.4
<i>female</i>	57.1	59.2	63.0	64.4
<i>male</i>	72.7	73.6	77.5	78.3
Unemployment rate of the population aged 15-64 (%) , total ¹⁾	15.4	9.5	11.4	9.7
<i>female</i>	16.2	9.9	12.4	10.1
<i>male</i>	14.7	9.2	10.6	9.4
Employment of the population aged 15-64 (annual growth %)	3.8	-0.2	2.6	2.3
Nominal wages (annual growth %)	3.9	9.4	9.4	13.8
Consumer price index (annual growth %)	1.9	1.6	4.1	12.0
Exchange rate against EUR	119.8	117.6	117.6	117.5
Current account balance (% of GDP)	-4.8	-4.1	-4.2	-6.9
Net foreign direct investment, FDI (% of GDP)	5.8	6.3	6.9	7.1
General government balance (% of GDP)	-1.6	-8.0	-4.1	-3.1
General government debt (% of GDP)	61.0	57.8	57.1	55.6

Notes :

1) Eurostat

Source: national sources

In line with the conclusions of the European Council in Copenhagen in June 1993, EU accession requires the existence of a functioning market economy and the capacity to cope with competitive pressure and market forces within the Union.

2.3.1. The existence of a functioning market economy

Serbia is **at a good level of preparation** and has made **some progress** in developing a functioning market economy. After a strong rebound in 2021 from the contraction induced by COVID-19, the Serbian economy decelerated substantially in 2022 impacted by the economic fallout from Russia's war of aggression against Ukraine, in particular as regards rising inflation via soaring energy and food prices. Consumer price inflation surged in 2022 and continued to rise in early 2023, reaching a peak of 16.2% in March 2023, which led the central bank to steadily tighten its policy stance. After widening sharply in 2022, the current account deficit decreased in the first half of 2023, in particular due to the lower cost and the lower volume of energy imports. Banking sector stability was maintained while lending growth decelerated substantially. High inflation helped improve the budget balance in 2022, despite very substantial capital transfers to state-owned energy utilities and further ad hoc fiscal support measures that were not always well targeted. Budget revenues also benefited from progress with tax administration reforms. The public debt ratio fell and public finances are expected to be anchored by a new set of fiscal rules. The unemployment rate decreased in 2022 and vulnerable categories of workers benefited from the recovery. However, structural problems persist, including a labour supply impacted by outward migration, persistent skills mismatches, and a gender employment gap. Ensuring timely implementation of the youth guarantee plan is expected to contribute to addressing the skills mismatch.

Major reforms of public administration (such as the wage system reform) and of the governance of state-owned enterprises (SOEs) continued to advance slowly, prolonging long-standing

inefficiencies. However, in 2023, there has been some acceleration of governance reforms, in particular in the energy sector. The regulatory and administrative burden for doing business has been reduced, but the private sector continues to be affected by a lack of transparency and predictability in the way business-related legislation is adopted. Structural challenges remain for State aid, competition and public procurement. The State retains a strong footprint in the economy and the private sector is underdeveloped and hampered by weaknesses in the rule of law, in particular regarding the tackling of corruption and judicial inefficiency. Last year's recommendations have been partially implemented and remain partly valid.

In the coming year, Serbia should in particular:

- plan a gradual deficit reduction in the 2024 budget and in the medium-term fiscal framework in line with Serbia's commitments in its Stand-by Arrangement (SBA) with the IMF and the new fiscal rules;
- continue the preparatory steps towards an appropriately designed public sector wage system reform; and
- continue the deployment of the SOE ownership and management strategy for 2021-2027 by implementing the remaining steps of the 2021-2023 action plan and by preparing a new time-bound action plan for 2024-2027.

Economic governance

The authorities have remained committed to macroeconomic stability and economic reforms. Reacting to lower domestic energy production and higher energy import costs in the context of Russia's war of aggression against Ukraine, the government provided very significant budget support to state-owned energy utilities in 2022 to mitigate the effects on domestic households and enterprises. To address steadily rising inflation rates throughout 2022, the National Bank of Serbia (NBS) tightened monetary policy by gradually raising its key policy rate from 1% in March 2022 to 6.2% in June 2023. Good progress has been made as regards the adoption of new fiscal rules and the e-invoicing reforms. Structural weaknesses remain in fiscal governance, in particular concerning the unreformed wage system and fiscal risk assessment, the business environment, public and tax administration, and in the way the State intervenes and manages its presence in the economy, in particular concerning state-owned enterprises (SOEs). Serbia has started the implementation of a new SBA with the International Monetary Fund (IMF) running from December 2022 to December 2024, worth approximately EUR 2.4 billion conditioned on the implementation of important economic reforms. The SBA replaced the non-disbursing Policy Coordination Instrument.

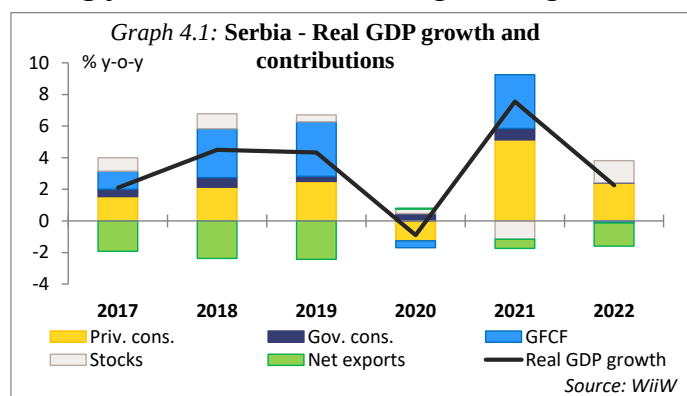
The policy guidance jointly agreed at the May 2022 Economic and Financial Dialogue between the EU and the Western Balkans and Türkiye has been partially implemented.

The authorities provided very substantial fiscal support in 2022 to mitigate the energy crisis and effectively planned further gradual fiscal consolidation. A new set of fiscal rules with debt-level-dependent deficit ceilings as a cornerstone was adopted. A new model of electronic fiscalisation and the transition to electronic invoicing have been successfully completed. The first steps in the action plan for the new state-owned enterprise ownership and management strategy have been substantially implemented. However, Serbia is still not prioritising investments in a harmonised manner based on relevant assessments, and issues remain in the areas of competition and State aid, as well as in the area of public procurement (see also Chapter 5 on public procurement and Chapter 8 on competition policy). The long-term energy and climate strategy is yet to be adopted in the course of 2023. The first auction on renewable energy was launched in June 2023. There was no measure to increase the adequacy of benefits

under the financial social assistance scheme to reduce poverty, while partial progress was made to facilitate school-to-work transitions. Implementation of structural reforms should be speeded up with the help of well-designed measures broken down into clear activities and timelines.

Macroeconomic stability

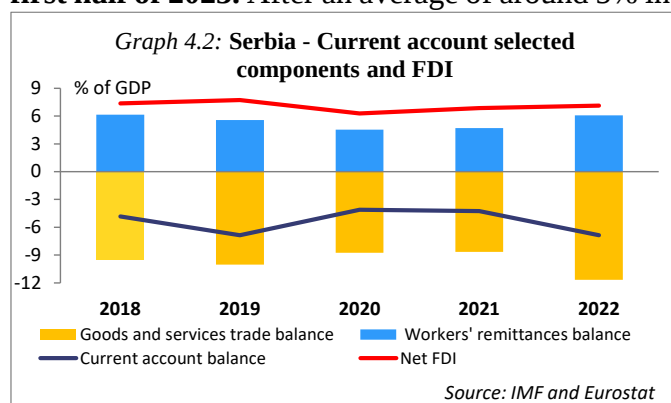
Economic activity remained relatively resilient through successive crises but decelerated strongly in 2022. After an average GDP growth rate of 3.6% in 2016-2019, a relatively mild



contraction by 0.9 % in 2020 and a strong rebound by 7.5% in 2021, output growth decelerated to 2.3% in 2022. The slowdown was especially strong in the second half of the year due the economic fallout from Russia's war of aggression against Ukraine, in particular on inflation via soaring energy and food prices. Growth was also impacted by reduced production capacity of electric utility

Elektroprivreda Srbije, dampening industrial output and increasing imports of electricity and coal. GDP growth in 2022 was mostly driven by private consumption and inventories, which were partially offset by negative contributions to growth of net exports and gross fixed capital formation. On the supply side, the services sector accounted for the bulk of annual growth, while agriculture and construction contributed negatively, primarily due to the drought and base effects from high construction activity in 2021. In the first half of 2023, real GDP expanded by 1.3% year-on-year, mostly driven by net exports and gross fixed capital formation, largely offset by negative contributions to growth from inventories, and from government and private consumption due to high inflation. After remaining broadly unchanged for most of the last decade, the income gap with the EU slightly narrowed in recent years as per capita GDP in purchasing power standards rose from 40% in 2018 to 44% of the EU average in 2021, remaining stable at 44% in 2022.

After a sharp widening in 2022, the current account deficit narrowed substantially in the first half of 2023. After an average of around 5% in the period from 2018 to 2020, the external



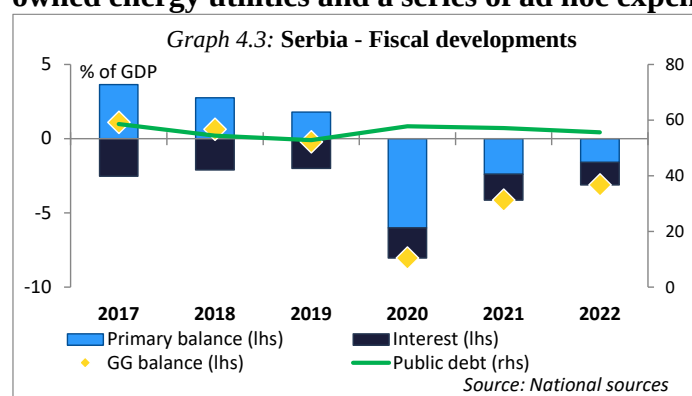
deficit widened sharply to 6.9% of GDP in 2022, from 4.2% in 2021. A substantial increase in the merchandise trade deficit (particularly due to high energy imports) and a higher primary income deficit (mainly reflecting increases in reinvested earnings and dividends) were only partially offset by a higher surplus on the secondary income balance (reflecting in particular increased worker remittances) and on

the services trade balance. The deficit was more than fully covered by net inflows of foreign direct investment that reached 7.1% of GDP in 2022 (after 6.9% of GDP in 2021). Decreased energy imports, partly related to higher domestic electricity production following the partial recovery of domestic production capacity, and the decrease in energy prices were among the main drivers of a sharp narrowing of the current account deficit by 82% year-on-year in the first half of 2023. After a gradual decline from 73.4% in 2015 to 61.4% in 2019, external debt

to GDP increased to 69.4% in 2022, reflecting in particular high public financing needs in 2020-2022. Official foreign exchange reserves have remained at more than twice the level of short-term external debt and solidly covered more than 5 months of imports of goods and services at the end of 2022 and early 2023.

Consumer price inflation surged in 2022 and continued to rise in early 2023 before starting a gradual decline in the second quarter of 2023. Following low and rather stable inflation for 7 consecutive years, and a pick-up to an annual average of 4% in 2021, consumer price inflation surged further to an annual average rate of 11.9% in 2022. This was the result of a steady increase throughout the year, reaching a level of 15.1% in November and December followed by a further increase to a peak of 16.2% in March 2023, well above the upper end of the central bank's target tolerance band of 3% $\pm$ 1.5 pps. Inflation started to decline in the second quarter of 2023, down to 12.5% year-on-year in July. The strong increase in headline inflation continued to be driven by food and energy prices while core inflation also picked up steadily throughout 2022 and early 2023, peaking at 11.3% in March 2023. The NBS started to gradually raise its key policy rate in April 2022, bringing it up (in monthly steps of either 50 or 25 basis points) from 1.0% in March 2022 to 6.0% in April 2023, before pausing its tightening cycle in May 2023 ahead of further increases to 6.25% in June 2023. To stabilise the exchange rate in the face of alternating appreciation and depreciation pressures, the central bank continued to apply its policy of frequent interventions on both sides of the foreign exchange market.

The general government deficit decreased in 2022 as a high level of fiscal support to state-owned energy utilities and a series of ad hoc expenditure measures were largely offset by



the balance-improving effects of high inflation. Following prudent fiscal policies with budget surpluses in 2017 and 2018 and a balanced budget in 2019, sizeable COVID-19 crisis mitigation measures contributed to deficits of 8.0% of GDP in 2020 and 4.1% of GDP in 2021. The general government deficit decreased to 3.2% of GDP in 2022, helped by the effects of high inflation in terms of boosting

revenue and keeping spending increases below the rate of nominal GDP growth. The deficit thus turned out substantially below the revised target of 3.8% of GDP in the November 2022 amending budget, despite very substantial liquidity support to the state-owned energy utilities *Elektroprivreda Srbije* (EPS) and *Srbijagas* (amounting to a total of around 2.7% of GDP) and a series of ad hoc support measures to the private sector implemented throughout the year. This concerned in particular direct lump sum cash payments to young people aged between 16 and 30 (0.4% of GDP), increased family allowances and assistance for mothers to buy real estate (0.2% of GDP) and increased agricultural subsidies (0.2% of GDP). However, while this had been stipulated in the jointly agreed policy guidance in May 2022, no measure was taken to increase the coverage and adequacy of benefits for individuals and families under the financial social assistance scheme to reduce poverty. At the same time, the phasing-out in 2022 of the COVID-19-related 2021 fiscal support measures helped contain overall expenditure growth in 2022 at 11% year-on-year, which was lower than the 13.4% increase in revenue. Expressed as a share of GDP, total revenue increased by 0.1 pps, while total spending decreased by 0.9 pps due to very high nominal GDP growth. Part of the fiscal support could have been better targeted to the most vulnerable households and firms, also in view of the inflationary effect of non-

targeted transfers. Notwithstanding the crisis context, capital spending decreased only slightly from a record level of 7.5% of GDP in 2021 to 7.2% of GDP in 2022 and was budgeted at 6.8% of GDP for 2023. The 2023 budget targets a further 0.5 pps reduction of the fiscal deficit to 3.3% of GDP (as compared to the projected 2022 out-turn of the November 2022 amending budget) which would however correspond to a slight increase as compared with the 2022 out-turn of 3.2% of GDP. The September 2023 amending budget revised downwards the 2023 fiscal deficit target to 2.8% of GDP, using the fiscal space from reduced support to state-owned energy utilities and increased excise duties for a series of expenditure measures, including higher subsidies for agriculture, a one-off lump-sum payment to children and extraordinary pension and wage increases for teachers and nurses. Two days after the adoption of the amending budget, a new one-off payment to pensioners was announced.

Following a crisis-induced increase in 2020 and a moderate fall in 2021, public debt continued on a downward path in 2022. The general government debt-to-GDP ratio had fallen from a peak of over 70% in 2015 to 53% in 2019 and thus moved closer to the ceiling of 45% laid down in the fiscal rules of the budget system law. After an increase to 57.8% in 2020, as a result of the high COVID-19 crisis-induced deficit, and broad stabilisation at 57.1% in 2021, the debt ratio fell to 55.6% in 2022, particularly supported by high inflation. Due to less favourable conditions on international and domestic financial markets, Serbia did not issue any Eurobonds in 2022 to cover the increased financing needs related to costly energy imports, but concluded the EUR 2.4 billion 2-year SBA with the IMF with an immediate disbursement of EUR 1 billion in December 2022 and secured a bilateral loan from the United Arab Emirates of USD 1 billion, which was also disbursed in December 2022. On 19 January 2023, in view of some stabilisation of financing conditions on international markets, Serbia issued a USD 1 billion 10-year Eurobond and a USD 750 million 5-year Eurobond at coupon rates of 6.25% and 6.5%, respectively.

Fiscal governance reforms have progressed well, particularly as regards the adoption of revised fiscal rules. Revenue collection surpassed expectations in the 2 years preceding the COVID-19 crisis and performed well throughout 2020-2022, supported by increasing inflation and continuous improvements in the tax administration. Following a delay of several years (due in part to the COVID-19 crisis), a new system of fiscal rules was adopted in December 2022. The central rule consists of a general government deficit ceiling depending on the level of debt⁷. The deficit rule will however only enter into force in 2025 because specific deficit targets for 2023 and 2024 had already been agreed in the SBA with the IMF. The new rules also include a cap on the general government wage bill at 10% of GDP and a modified rule for pension indexation for which the calculation methodology will vary according to the ratio of pension expenditure to GDP. While their enforcement mechanism may need to be strengthened, the new rules are reasonably credible and binding due to their relative flexibility at lower debt levels / lower shares of pensions/salaries relative to GDP. However the announcement in June 2023 of an extraordinary pension increase in October 2023 going beyond the new indexation formula seriously weakens the credibility of the new pension indexation rule already in its first year of application. The public sector wage system reform has been postponed to 2025, but the new central electronic public wage and employment registry (Iskra) became operational for some sectors in 2022 and is planned to be rolled out to most of the public sector (except military, security and higher education institutions) by the end of 2023 as an important preparation for the reform. In the absence of a comprehensive wage system reform, another ad hoc extraordinary increase (25% as against the 12.5% general

⁷ 3% of GDP if debt is below 45% of GDP; 1.5% of GDP if debt is below 55% of GDP; 0.5% if debt is below 60% of GDP and 0% if debt is above 60% of GDP.

increase of public sector wages) has been implemented for military personnel as of January 2023 and a further ad hoc 5.5% extraordinary increase for some categories of workers in education and health as of September 2023 has been included in the September 2023 amending budget. Progress in addressing weaknesses in budget planning and implementation has been slow. The November 2022 amending budget was adopted using the urgent procedure, but the 2023 budget adoption was broadly in line with the normal legislative procedure (albeit with some delay). The September 2023 amending budget was again adopted under urgent procedure. Neither the 2022 amending budget nor the 2023 budget provided an adequate level of transparency regarding the breakdown of capital transfers and guarantees to SOEs, in particular to EPS and *Srbijagas*. The Fiscal Strategies are subject to frequent changes, sometimes within weeks after their adoption, thereby undermining the credibility of these strategic fiscal documents. There was a meaningful parliamentary debate on the 2023 budget and the government also submitted to Parliament the final annual budget execution report for 2021. The well-established Fiscal Council has continued to function properly and produce independent fiscal assessments and recommendations.

The macroeconomic policy mix has remained overall appropriate. It helped sustain macroeconomic stability and supported the resilience of economic activity in the face of successive shocks. Prudent fiscal policy before the COVID-19 crisis created the policy space for sizeable fiscal support to mitigate the impact of the COVID-19 and energy crises while maintaining macroeconomic stability. Monetary policy reacted to surging inflation via steady gradual monetary tightening. The acceleration of economic reforms and their full implementation remain key to ensure a sustainable recovery and further strengthen the economy's potential in terms of competitiveness and inclusive growth, thereby supporting real convergence with the EU.

Functioning of product markets

Business environment

Serbia has in recent years reduced the regulatory and administrative burden on businesses, but some weaknesses remain. Some business procedures have been significantly simplified and their cost reduced, but many burdensome administrative procedures remain, especially for small and medium-sized enterprises (SMEs). Local firms have to make 33 tax payments per year, twice as many as in the regional peers. The many parafiscal charges remain high and non-transparent, lacking rationalisation, thus undermining the predictability and stability of Serbia's tax system and hampering economic development. The business community generally considers the Law on foreign exchange transactions to be too restrictive in its design and unpredictable in its application. In 2022, the number of registrations of new legal business entities rose by 16.7%, while the registrations of solo entrepreneurs rose by 21.8%. In 2022, 19.4% more legal entities and 4.8% more entrepreneurs were deleted from the register than in 2021. The implementation of the action plan for the simplification of administrative procedures further advanced through the optimisation, digitalisation or discontinuation of administrative procedures as well as the establishment of a single public register of administrative procedures. In May 2023, Serbia introduced mandatory online company registration, which should contribute to reduce the costs and the time of setting up a company.

The legal framework is prone to unexpected and significant changes, which can be detrimental to business. Business predictability is negatively affected by the lack of full transparency in the adoption of legislation. Government decisions in a number of business-relevant areas are still often taken without proper consultation with businesses and social partners and under too short time constraints. This includes numerous temporary trade

restrictions and price caps introduced by Serbia throughout 2022 (*see also Chapter 30 on external relations*) with little or no notice, thus negatively impacting the stability of supply-chains, and further hampering the predictability for businesses and investors.

Further efforts are needed to improve the quality, independence and efficiency of the justice system. An efficient and independent judicial system is a prerequisite for a predictable investment- and business-friendly environment, and is necessary in order to encourage innovation, attract additional foreign direct investment, and secure tax revenues. Businesses also raise the issue of the lack of reliability in contract enforcement, as well as lack of expertise among judges, particularly in complex areas of law such as competition, intellectual property, or taxation, which leads to inconsistency in rulings. Moreover, the business environment remains hampered by red tape, political interference and limited public administration efficiency. Serbia ranked 101st out of 180 countries in the 2022 corruption perception index compiled by Transparency International, thus continuing the negative trend of rankings that have been steadily deteriorating since 2018 when Serbia ranked 87th.

Despite some progress, the widespread informal economy remains a major impediment to the development of a strong corporate sector and the consolidation of a functioning market economy. Driving forces behind the informal economy include high taxes and social security contributions on the lowest salaries leading to a notably regressive tax wedge, a lack of financial resources and favourable loans, parafiscal charges, hidden tax fees and red tape. The consequences are tax evasion, market distortion, unfair competition and inefficient resource allocation. Notable investment has been made to reduce the size of the informal sector, but the pace of reform is slow. The full entry into force of the Law on fiscalisation and amendments adopted in December 2022, as well as the full implementation of the Law on electronic invoicing as of January 2023, has finalised the introduction of the e-fiscalisation and e-invoicing systems, which provide for real-time tracking of the issuance of fiscal receipts, thereby enabling the Tax Administration to better monitor and counter tax evasion. Taxpayers fully adopted the e-fiscalisation system by 1 May 2022. The new Law on e-invoicing entered into force on 1 January 2022 and after phased introduction achieved full enforcement of electronic invoicing on 1 January 2023. In March 2023, the government adopted the 2023-2025 Programme for Combating the Grey Economy. The Programme encompasses 23 measures aimed at strengthening the capacity of inspections and misdemeanour courts, improving tax supervision and reporting procedures and fiscal and administrative relief of legal businesses. Further improvements in anti-money laundering/combating the financing of terrorism are ongoing.

State influence on product markets

The legal framework in competition and State aid is largely in line with the EU *acquis*, but implementation needs to be improved. The Commission for Protection of Competition and the Commission for State aid control are operating as legally independent bodies. However, the Commission for State aid control has yet to be substantiated by a consistent and transparent track record. In the area of State aid, well-defined rules are not always implemented due to strong political pressure for financial assistance, channelled to SOEs and large foreign investors. These resources are often substantial and may have a significant impact on competition. State support is not sufficiently transparent, including in the 2023 budget. After a strong growth of reported State aid from 2% of GDP in 2019 to 5% of GDP in 2020, the share of State aid dropped to 3.5% of GDP in 2021. The share of COVID-19-related State aid dropped from 54.4% in 2020 to 28.7% in 2021. In view of strongly rising food and energy prices, the government has maintained a series of temporary price caps for basic food and fuel prices, as well as trade restrictions, since the end of 2021/early 2022, which were regularly prolonged or

adjusted throughout 2022 until the end of April 2023 with some exemptions (*see also Chapter 30 on external relations*).

Privatisation and restructuring

Albeit shrinking, the role of the State in the economy remains large and hampers competition while the governance of SOEs recorded limited progress and the restructuring of key utility companies is advancing only slowly. SOEs continue to dominate many sectors, including energy, transport, utilities, telecommunications, infrastructure, mining and extraction of natural resources. Their outsized presence deters private investment and innovation and impedes overall competitiveness. Furthermore, many of Serbia's SOEs do not apply adequate corporate governance rules and operate with low efficiency and high costs. Most public companies continue to rely on direct or indirect State subsidies, and their governance remains under strong political influence. The irregular appointment of acting managers for extended periods, instead of using the standard nomination process, which requires a public competition and certain minimum qualifications criteria, has yet to be addressed. The government continued the implementation of the 2021-2027 strategy on state ownership and management of SOEs, which aims at more sustainable and efficient management of these enterprises, albeit with significant delays. As part of the strategy and the ongoing IMF SBA, the government has committed to improve governance practices in SOEs. This is in particular expected to be tackled through the new Law on SOE management adopted in September 2023. The law has been developed in agreement with the IMF and based on OECD guidelines. The financial performance of SOEs has led to the build-up and materialisation of fiscal risks, particularly in the energy sector. *Srbijagas* is estimated to have received around EUR 1.3 billion in budget support in late 2021 and in 2022, while EPS reported to have suffered losses of up to EUR 630 million in 2022. Overall, SOEs still account for around a sixth of value added and formal employment in Serbia. In 2022, the number of SOEs yet to be addressed through either bankruptcy or privatisation was brought down from 62 to 60⁸. The implementation of the strategy for banks with state ownership continued. The State remains in control of key entities in the insurance sector. Serbia has yet to implement its action plan on gas unbundling adopted in May 2021 and to finalise the certification of *Transportgas Srbija* and *Yugorosgaz Transport* to open the wholesale gas market and third-party access to the gas transmission system.

Functioning of the financial market

Financial stability

Financial stability has been maintained and macro-prudential indicators remained sound. The banking sector's aggregate capital adequacy (regulatory capital to risk-weighted assets) stood at 20.2% at the end of 2022, well above the minimum of 8% set by the central bank. Liquidity remained high. The profitability of the banking system increased with improved returns on assets (1.9% at the end of 2022 compared with 1.2% at the end of 2021) and a jump in return on equity (13.9% at the end of 2022, compared with 7.8% at the end of 2021). The non-performing loan ratio further decreased by 0.6pps year-on-year to 3.0% by the final quarter of 2022 before moving up slightly to 3.2% by the end of the second quarter of 2023. The broad stability of the NPL ratio was also supported by regulatory changes in December 2022 to support the restructuring of debt, i.e. to extend the maturity of loans, for those impacted by the economic crisis. The authorities have continued to address legacy non-performing loans in the portfolio of the Deposit Insurance Agency. The central bank and the

⁸ A Strategic Partnership Agreement between the Serbian Government, majority Russian-owned NIS, and HIP-Petrohemija was signed in December 2021 and the transaction was finalised in June 2023.

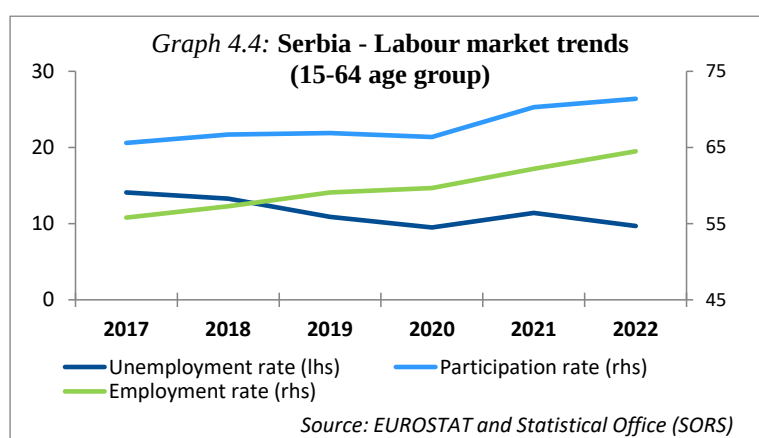
government continued to implement the 'dinarisation' strategy to boost the use of the local currency in the banking system. However, reflecting some remaining uncertainties related to the crisis, the share of dinar-denominated loans and deposits of both households and firms fell somewhat in 2022. While the share of dinar-denominated loans continued to decline in the first half 2023 (to 34.0% in June), the share of dinar-denominated deposits rose to 41.1%, thereby more than recovering from the temporary fall in 2022.

Access to finance

Impacted by monetary tightening, credit activity has slowed down. Credit activity expanded by 7.3% in 2022, but loan growth has been gradually slowing down to a year-on-year rate of 0.8% in June 2023, partly due to the significant increases in the key policy rates by the NBS and the ECB. Credit growth was mostly due to liquidity and working capital loans and housing loans respectively. Foreign-owned (EU-based) banks continued to dominate the financial system, holding around 85% of banking system assets. The continuing consolidation of the banking system via mergers and acquisitions has further reduced the number of banks from 22 at the end of June 2022 to 20 at the end of June 2023. Non-banking financial institutions continue to be largely absent, the legal framework for the leasing sector has still not been reformed, and there was no progress in establishing the legal framework for microfinance institutions.

Functioning of the labour market

The labour market confirmed its post-pandemic recovery, but outward migration and a steady population decline continue to weigh on labour supply. Following the detrimental impact of the COVID-19 pandemic, the labour market recovery continued in 2022, although at a decelerating pace. The unemployment rate decreased by 0.6 pps. year-on-year to 9.2% in Q4-



2022. This marks a return to the long-term trend of gradually falling unemployment. Several categories of vulnerable workers benefited from the recovery. Thus, the long-term unemployment rate was down by 0.6pps year-on-year to 3.9% in the fourth quarter of 2022, the youth unemployment rate decreased by 4.4 pps year-on-year to 24.3% in Q4-2022. The share of young people aged 15 to

24 not in employment nor in education or training (NEET) dropped to 11.9% in Q4-2022 (-3.7pps year-on-year) while in the population aged 15-29 the NEET rate decreased to 15.2% (-2.2pps year-on-year). The youth employment-related active labour market policy programme "My first salary" continued for a third cycle starting in late 2022 with around 9,000 participants. Women benefited most from improvements on the labour market (with unemployment rates standing at 8.8% for women against 9.5% for men in Q4-2022) yet continued to be far less active than their male counterparts (47.6% participation rate for women compared with 63.2% for men in the last quarter of 2022). In parallel, the rate of total informal employment in the fourth quarter of 2022 was down 0.9 pps year-on-year to 12.8%. Total registered employment in Serbia increased by 1.6% year-on-year, also supported by the issuance of work permits to foreign workers. However, in structural terms, the labour force may have peaked as the declining working age population is taking its toll on labour supply. A steady population

decline of around 0.5% every year, along with large-scale emigration across the occupational spectrum remains a key medium- to long-term challenge for economic development. In addition, persistent skills mismatches, the gender employment gap, inadequate activation of young people, and large regional disparities have continued to weigh on the functioning of the labour market. An evaluation of the strategy on economic migration for 2021-2027 and its corresponding action plan for the period 2021-2023 is needed to assess its impact on returnees and circular migration and to identify and take appropriate action.

Real wages have stagnated, mostly due to high inflation. The average real net wage decreased by 1.5% year-on-year in March 2023 as the average nominal net wage increase of 14.5% year-on-year was more than offset by high inflation. The authorities have continued to gradually reduce the overall tax wedge by increasing the non-taxable part of salaries from RSD 19 300 to RSD 21 712 as of 2023. However, the tax wedge is still disproportionately high for people with low salaries and therefore aggravates in-work-poverty. It also continues to be an impediment for the formalisation of labour. In line with expectations for the overall increase in wages, the government increased the minimum hourly wage by 14.3% in 2023, to RSD 40 020. Around one in six registered employees receives the minimum wage.

2.3.2. The capacity to cope with competitive pressure and market forces within the Union

Serbia is **moderately prepared** and has made **some progress** in coping with competitive pressures and market forces within the EU. The structure of the economy improved further and economic integration with the EU remained high. However, the quality and relevance of education and training does not fully meet labour market needs. Public investment has remained at a high level with the aim to address serious infrastructure gaps after years of underinvestment. SMEs still face a number of challenges, including an uneven playing field as compared with large companies and foreign investors. Last year's recommendations have been partially implemented and remain partly valid.

In the coming year, Serbia should in particular:

- further tailor education and training to labour market needs, in particular in the area of vocational education and training;
- ensure a harmonised approach for prioritising and monitoring all investments and basing investment decisions on feasibility studies, cost-benefit analysis and environmental impact assessments, and apply to all projects the principles of competition, equal treatment, non-discrimination and transparency in public procurement and State aid procedures in line with the EU *acquis*; and
- advance on the green energy transition in particular through decarbonising the industry especially in the energy sector; increase investments into renewables and energy efficiency supported by cost-recovering tariffs; accelerate implementation of the action plan on gas unbundling and decrease its energy dependence on Russia.

Education and innovation

Despite some progress, the quality and relevance of education and training does not sufficiently meet labour market needs. Public spending on education stood at around 3.3% of GDP in 2021, below the EU average of 4.7%. Pre-primary school enrolment (age 0 to 5 years) was at 47% in 2021, while compulsory education is almost universal although showing downward trends. The high proportion of early school leavers (young people aged 18-24 who at best completed primary education and did not pursue further education) continues to be a problem and amounted to 5.1% in the third quarter of 2022. Lower secondary school education

results for 15-year-olds lag behind the EU average, although Serbia's PISA rating is the best in the Western Balkans and its average scores are close to those of some EU Member States (Bulgaria, Greece and Romania). Higher education attainment in the population aged 25-34 (ISCED levels 5-8) stood at 33.9% in 2021. The authorities are gradually updating both the general and vocational pre-university curricula to make them more relevant to labour market needs, at the same time consolidating the national qualification framework set-up. The adoption of new qualification standards and/or modernisation thereof has continued at a slow pace, with a strong focus on higher education. Efforts have been made to expose students to work-based learning under both upper secondary and higher vocational education and training. As participation rates in lifelong learning are traditionally low (4.8 % in 2021), the offer of formal and informal learning would usefully be further diversified and promoted among both the working and non-working adult population.

Serbia has a relatively good scientific base but research and development spending remains low at around 1% of GDP. Government funding was stable at around 0.4 % of GDP. The lack of human resources for research and development and weak cooperation between businesses and academia continue to present problems. To increase innovation and scientific research, Serbia continues to support the Innovation fund and the Science fund that are running numerous specialised financing instruments and grant schemes. Five years after a science and technology park was established in Belgrade, three additional ones have been established in Novi Sad, Čačak and Niš but further support services for these institutions are still needed. The smart specialisation strategy, the industrial policy strategy, the strategy for the development of start-up ecosystems and the strategy for the development of artificial intelligence are all being implemented.

Physical capital and quality of infrastructure

Investment has remained high, with significant emphasis on road and rail infrastructure, but infrastructure gaps remain. Public investment decreased slightly from a record level while private investment broadly stagnated in 2022. The economy is attracting significant net foreign direct investment flows which stood at 6.9% of GDP in 2021 and 7.1% of GDP in 2022. Outward investments of Serbian companies abroad remained very modest. The share of total investment in the economy increased to 22.8% of GDP in 2022, up from 17.7% of GDP in 2017. However, physical infrastructure needs further upgrading and expansion. A continued high level of public investments is planned in 2023, particularly in railways, roads, including local and regional roads, energy infrastructure, and also environmental investments.

The institutional framework for public investment is weak. The 'user pays' principle is not sufficiently applied when it comes to maintaining existing infrastructure and implementing new infrastructure investment plans. The legislative framework for public investment management put in place in July 2019 provides a basis for a sounder project selection process, better prioritisation and more comprehensive planning across different tiers of the government. However, the framework allows too many exemptions to the rule, which significantly reduces its effective impact. Public procurement rules are not always fully compatible with EU standards, particularly in the case of intergovernmental agreements. Moreover, the existing public procurement rules are not always fully complied with, as also evidenced by an increasing number of irregularities.

The energy sector remains largely inefficient and highly polluting; the regulatory and green transition reforms are progressing slowly. Energy infrastructure is largely outdated and many individual heating systems use wood and coal as fuel, contributing to the energy sector being the main source of air pollution in Serbia. The decarbonisation of the energy sector, the need to increase the use of more renewable sources, and restructuring of SOEs

dominating the sector remain a big challenge, and investments in the green energy transition are progressing too slowly. In June, Serbia adopted amendments to the Law on renewables and launched the first call for auctioning of new renewable sources. Serbia has yet to adopt its national integrated energy and climate plan and an energy strategy. Electricity tariffs for households have been gradually increased including under the SBA agreed with the IMF. However, prices remain below market prices and should increase in line with the SBA to cover costs, and subsequently to support the necessary investment in infrastructure. Serbia remains dependent on its single gas supplier Gazprom and the Russian majority control of Serbia's gas infrastructure and oil industry continued. However, in order to reduce the dependence on Russian gas, work on the gas interconnector between Serbia and Bulgaria has advanced and construction of an interconnector with North Macedonia is under preparation. Implementation of the action plan for the unbundling of state-owned enterprise *Srbijagas* is still pending. The Balkan stream gas pipeline section in Serbia is operational but there is no third-party access.

Serbia has made good progress on digital transformation across the economy. Digitalisation remains a key priority for the government. The action plan under the 2023-2025 e-government development programme was adopted in April 2023, with the objective to improve the quality of public services by ensuring interoperability, efficient coordination, project management and legal certainty over e-government use, and to foster the use of open data. The e-government national portal is continuously upgraded with new services, serving as a one-stop shop for e-government services and as a central point of access for businesses and citizens. Serbia's communications infrastructure still requires systematic improvement of both regulation and investment. Broadband roll-out is too slow, preventing the uptake of e-government and business services, and slowing down the digital transformation of the economy. There was some progress with the connection of public institutions and 150 000 households to fast broadband and speeds of 100Mbps. Supported by the inflow of Russian citizens to Serbia, the robust growth of the information and communication sector continued, with exports of ICT services in 2022 valued at EUR 2.7 billion, an increase of 45% compared with 2021.

Sectoral and enterprise structure

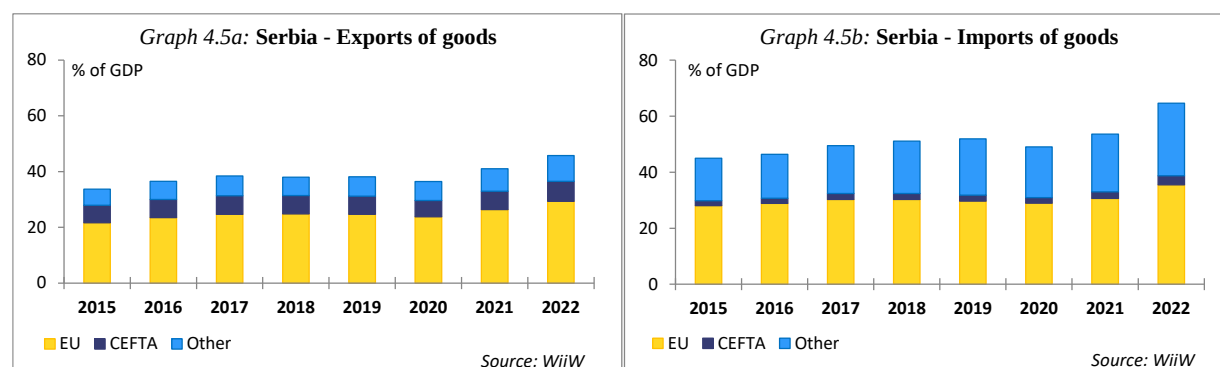
Manufacturing has decreased its weight in the economy over recent years while the share of construction and some services has risen and the share of agriculture has broadly stabilised. The manufacturing industry continues to be the single largest sector in terms of its share of GDP, at 13% in 2021, although on a declining trend over the years. It is followed by wholesale, retail and vehicle repair accounting for 11.8% of GDP in 2021, on an increasing trend. Services sectors dominate the economy, together providing more than 60% of total value added. Reflecting a new investment cycle, the construction sector increased its share in GDP from 3.0% in 2013 to 6.0% in 2021 (up from 5.4% in 2020), strongly supported by capital investments in infrastructure. The weight of the agricultural sector has broadly stabilised at around 6.3% of GDP since 2017 after a downward trend over the previous few years. The share of agriculture in total employment continued to fall steadily from about 20% in 2014 to around 17% in 2017 and further to around 15% in 2021. In 2022, construction and the agriculture sector had a negative impact on GDP growth, impacted in particular by increased costs of inputs, lower credit activity and the drought.

Small and medium-sized enterprises (SMEs) are the backbone of the Serbian economy. The SME sector provides close to 60% of total employment and turnover in the economy, and around 50% of the value added. SMEs are particularly active in construction, accommodation and food services, retail, and real estate. The authorities are implementing several programmes to support SME development, focusing on boosting innovation, finance, and

internationalisation. Loans to SMEs accounted for about 60% of total corporate loans in December 2022. Their cost of borrowing has increased significantly due to increases in the key policy rates to combat inflation, and remains significantly higher than that of large companies. SMEs still face a number of challenges, including an unpredictable business environment, a lack of non-bank financing and high tax compliance costs. SMEs often face an uneven playing field as large enterprises and foreign investors often have direct lines of communication to the government and benefit much more from state subsidies, thus enjoying an advantage over domestic SMEs.

Economic integration with the EU and price competitiveness

Economic integration with the EU remained high. The EU remains Serbia's biggest trading and investment partner, accounting for 58.7% of its total trade and for 32.9% of foreign direct investment inflows in 2022. Total bilateral trade between the EU and Serbia increased significantly, by 27.7% year-on-year, from EUR 30.6 billion in 2021 to EUR 39.1 billion in 2022. Serbian imports from the EU grew at a somewhat faster pace than exports to the EU, with the EU registering a surplus of EUR 3.7 billion in 2022. After the EU, Serbia's main trading partners in 2022 were the signatories of the Central European Free Trade Agreement (10.3% of total trade), China (8.7%), Russia (5.8%) and Bosnia and Herzegovina (5.3%). Foreign direct investment inflows, of which typically around two thirds originated from the EU in 2010-2020 (and close to 90% from Europe), have partially shifted towards growing inflows of around one quarter from China in 2021-2022. Notwithstanding ongoing remedy efforts via online health and customs clearance, transit facilitation through international cooperation agreements and the regional green corridor (EU, CEFTA, Western Balkans and Türkiye), there are still significant bottlenecks at border crossing points with neighbouring EU countries; these hamper the potential for deeper trade relations and economic integration with the EU. Trade openness, after a steady increase from 92% of GDP in 2014 to 111.5% in 2019, decreased to 103.9% in 2020 due to the COVID-19 crisis, before rebounding strongly to 115.6 % in 2021 and 137.6% in 2022.



The real effective exchange rate has been on an appreciating trend in recent years. The dinar-euro nominal exchange rate remained broadly stable in 2022 and the first half of 2023, as pressures on the dinar were successfully neutralised by the central bank. As regards the CPI-based real effective exchange rate REER, after a depreciation in the period 2014-2016 cumulatively by almost 9%, 2017-2018 saw an REER appreciation of around 7%. After depreciating slightly in real terms in 2019 (0.2%), the dinar continued to appreciate, by 3.5% cumulatively in 2020-2021 (almost in equal amounts in both years). The appreciation trend continued in 2022 (1.1%) and accelerated strongly in the first half of 2023 due to the significant inflation differential with main trading partners. The unit labour cost (ULC)-based REER depreciated cumulatively by around 8% in the period 2014-2016, while in the period 2017-2019 REER appreciated by around 17% cumulatively, mostly due to wage growth in the private

sector. The trend has continued in recent years, resulting in ULC-based REER appreciation of almost 8% in 2020, 4% in 2021 and 9% in 2022. According to the latest IMF external sustainability assessment (done in June 2023), the exchange rate was considered broadly consistent with the fundamentals.

2.4. PUBLIC PROCUREMENT, STATISTICS FINANCIAL CONTROL

Chapter 5: Public procurement

EU rules ensure that the public procurement of goods, services and works in any Member State is transparent and open to all EU companies on the basis of non-discrimination and equal treatment.

Serbia is **moderately prepared** in the area of public procurement. **Some progress** was made with the repeal of the Law on special procedures for linear infrastructure projects, which seriously undermined the effective implementation of the Law on public procurement. Serbia needs to ensure that exemptions from the Law on public procurement are in line with the EU *acquis* and the Stabilisation and Association Agreement, including notably in the context of intergovernmental agreements. The capacity of the Public Procurement Office, the Commission for Public-Private Partnerships and Concessions, the Republic Commission for Protection of Rights in Public Procurement Procedures and the Administrative Court needs to be further strengthened.

In the coming year, Serbia should in particular:

- further align with the 2014 EU Directives on public procurement, in particular by adopting amendments to the Law on public-private partnerships and concessions and by ensuring that projects financed from public funds are subject to public procurement procedures; and
- ensure that procurement rules under intergovernmental agreements concluded with third countries comply with the public procurement principles, in line with the EU *acquis*.

Institutional set-up and legal alignment

Serbia's **legal and institutional frameworks** on public procurement are broadly aligned with the EU *acquis*. The adoption of amendments to the Law on public-private partnerships and concessions to align with the EU Directive on concessions is still pending. In July 2023, the Parliament enacted the Law repealing the Law on special procedures for linear infrastructure projects from 2020, which provided for the exemption of linear infrastructure projects of 'special importance for the Republic of Serbia' from the application of the Law on public procurement. In July 2023, the Serbian government adopted a Decree on the selection of a strategic partner for the implementation of a project of construction without management and maintenance of self-balanced large-scale solar power plants with battery systems for electrical energy storage in the Republic of Serbia, which introduces derogations from the Law on public procurement and the Law on public-private partnerships and concessions. Additionally, in October 2023, Parliament adopted the Law on special procedures for the implementation of the international specialised exhibition EXPO Belgrade 2027, which exempts projects from the application of the Law on public procurement.

The public procurement development programme for 2019-2023 was implemented through the action plan for 2022. A new action plan for 2023 was adopted.

The **Public Procurement Office** (PPO) conducts compliance supervision of the Law on public procurement and maintains the public procurement portal. The PPO is also in charge of proposing implementing legislation.

Implementation and enforcement capacity

In 2022, the **public procurement market** increased by around 18% in terms of total value of concluded contracts, from EUR 4.75 billion in 2021 to EUR 5.6 billion. Its share in GDP also grew from 8.9% in 2021 to 9.3% in 2022. The average number of bids per tender remained at 2.5. The share of tenders with only one submitted bid remained very high, falling slightly from 52.6% in 2021 to 51.6% in 2022. The Serbian government committed to reduce this share to 47% by 2024. The share of contracts awarded to foreign bidders remained particularly low at 1% of the total value of contracts.

Regarding **monitoring of contract award and implementation**, the proportion of negotiated procedures without prior publication of a notice fell significantly from 7.7% in 2021 to 0.97% in 2022. The share of open procedures increased from 91.3% in 2021 to 98.8% in 2022. The use of the best price-quality ratio criterion remained low at 4% in 2022, while the lowest price criterion remained dominant in 96% of conducted public procurement procedures. New functionalities of the public procurement portal were introduced in 2022, with the aim to increase transparency and efficiency. Workshops and webinars have been organised to train bidders and contracting authorities to use the e-procurement portal. The number of requests submitted by the PPO to the relevant courts to initiate misdemeanour procedures increased significantly from 143 in 2021 to 429 in 2022.

The exemptions from the Law on public procurement on the basis of intergovernmental agreements fell significantly to 0.5% of the total value of exemptions in 2022, or EUR 33 million, compared with EUR 735 million reported in 2021. However, given the large volume of big infrastructure projects that have been concluded on the basis of intergovernmental agreements, the reported total value of exemptions is low. The State Audit Institution found irregularities in cases covering 18.88% of the value of public procurement contracts inspected in 2022. These findings raise concerns and need to be closely followed.

The **capacity to manage public procurement processes** remained stable. The PPO had 42 employees in 2022, down from 44 in 2021. A total of 398 public procurement officers were certified on the basis of the Law on public procurement.

The Commission for Public-Private Partnerships and Concessions approved a total of 253 public-private partnership project proposals, including 86 with concession elements, mostly in the urban transport, sanitation and urban planning sectors. The Commission remains understaffed.

Efficient remedy system

Legislation on the **right to legal remedy** is broadly in line with the EU *acquis* and is enforced by the Republic Commission for Protection of Rights in Public Procurement Procedures, an independent state body. The Republic Commission solved 709 cases on requests for the protection of rights in 2022. Public procurement procedures were partially or fully annulled in 349 cases (49% of all solved cases). The number of contracting authorities not complying with decisions of the Republic Commission remains stable at below 1% of the overall decisions taken. The Republic Commission took decisions in 52 cases on complaints about decisions of contracting authorities in 2022. It imposed one financial fine on contracting authorities not complying with its decisions while annulling two contracts in 2022.

Regarding the Republic Commission's **implementation capacity**, the number of staff decreased from 52 in 2021 to 46 in 2022, nine of whom are elected officials. Due to limited specialisation and training, the Administrative Court's capacity to deal with the complexity, diversity, and overall quantity of cases and lengthy legal proceedings, remains weak.

Cooperation between the PPO and the Republic Commission with the Administrative Court on exchange of knowledge and information needs to be strengthened.

Chapter 18: Statistics

EU rules require Member States to produce statistics based on professional independence, impartiality, reliability, transparency and confidentiality. Common rules are in place for the methodology, production and dissemination of statistical information.

Serbia is **moderately prepared** in the area of statistics. **Good progress** was made during the reporting period with the population and housing census in October 2022 and preparations for the next census on agriculture, planned to start in October 2023, in line with EU and international standards. Overall, Serbia continued to submit statistical data to Eurostat. The compilation of macroeconomic statistics in line with the European System of Accounts (ESA) 2010 continued to improve. However, a new statistical law has still not been adopted. Last year's recommendations remain largely valid.

In the coming year, Serbia should in particular:

- adopt a new statistical law to increase the independence of the statistical office;
- continue preparations and carry out the census on agriculture in line with the relevant EU legislation and international standards; and
- continue to improve the compilation of macroeconomic statistics in line with ESA 2010.

The legal framework for **statistical infrastructure** is largely in line with the European Statistics Code of Practice. A new law on official statistics, which should enhance the professional independence of the Statistical Office of the Republic of Serbia (SORS) and improve the alignment of the Statistical System with the Regulation (EC) No 223/2009, still needs to be adopted. The National Coordination Board of Official Statistics includes representatives of all responsible producers of official statistics. Serbia continued to integrate systems for administrative data through cooperation agreements and database linkages with a number of Serbian institutions and registers. The administrative capacity of SORS still needs to be strengthened, as its operations remain hampered by the lack of sufficient and adequately skilled staff. SORS continued to increase submission of data to Eurostat, but the coverage of data submission needs to be further expanded. The main classifications (NACE Rev. 2, ISCO-08) are aligned with the EU *acquis*. Registers are updated regularly.

Concerning **territorial classification**, Serbia continued to compile regional accounts and submit them to Eurostat, including the 2022 transmission. Serbia provided regional accounts data at statistical level 2 and 3 but the number of years is not yet uniform across variables.

Regarding **macroeconomic statistics**, SORS continued to compile data on quarterly and annual GDP at current and constant prices, and in chain-linked volumes. Seasonally adjusted quarterly national accounts are sent to Eurostat. Quarterly non-financial sector accounts have yet to be compiled; only non-financial annual sector accounts are transmitted to Eurostat and published. Serbia has further advanced work on compiling supply-use and input-output tables; the country delivered all relevant ESA 2010 tables in this area. SORS sends good-quality monthly data on international trade in goods, in accordance with the required breakdown by mandatory partner country. The compilation of data on trade by enterprise characteristics was submitted to Eurostat but more work is needed to meet all requirements set out in the compilers guide on trade by enterprise characteristics. The National Bank of Serbia (NBS) compiles the monthly and quarterly balance of payments, as well as data on the quarterly international investment position. As regards government finance statistics (GFS) and excessive deficit

procedure (EDP), Serbia should continue efforts to further adhere to ESA 2010. SORS continues to provide EDP on regular basis twice a year. Progress was observed in coverage of the questionnaire related to the excessive deficit procedure notification tables. In particular, Serbia should intensify efforts to improve the data quality of the EDP table 2. SORS still considers the non-financial accounts of government finance statistics as provided to Eurostat as experimental and not fit for publication. Despite this, other Serbian non-financial accounts of general government data, less aligned with international standards, is being published nationally and internationally. Quick progress in publishing the data being provided to Eurostat is strongly encouraged in order to establish fiscal transparency. The NBS set up the system for compiling annual financial sector accounts statistics. Progress was made by SORS and the NBS in providing quarterly non-financial accounts of general government and quarterly general government gross debt. Continued efforts are needed to produce the complete data required by the ESA 2010 transmission programme, notably by developing quarterly financial accounts and financial balance sheets.

With regard to structural **business statistics** (SBS), Serbia has implemented the EU *acquis* to a great – but not yet fully – extend. Serbia transmits SBS data and metadata to Eurostat in good quality and in the required technical format. More work is needed to achieve full coverage and punctuality. Most of the data on internal tourism and some data on national tourism are collected and transmitted. For inland waterway, road and railway transport, data is collected but needs to be further aligned with the EU *acquis*. A few test datasets for road freight transport have been transmitted and Serbia is currently designing their complete road freight transport survey. Serbia continued to communicate some figures on all six datasets of the Eurostat/ITF/UNECE Common Questionnaire. In 2023, Serbia for the first time transmitted transport statistics at regional level, providing a significant set of data. Air transport statistics are highly compliant and a few improvements need to be made to reach full compliance. Serbia continued to provide in a timely manner the mandatory research and development (R&D) data and statistics on the government budget allocation for R&D, for some of which transmission is voluntary. Serbia also continued to provide the regional data. The Community Innovation Survey is conducted regularly every 2 years and the data is sent to Eurostat. The annual surveys on information and communication technology (ICT) fully meet EU standards and are carried out regularly, covering households/individuals and businesses. Serbia is fully compliant for most of the short-term business statistics indicators.

Serbia partially complies with the EU *acquis* on **social statistics**. The survey on income and living conditions is carried out regularly, in compliance with EU standards, and data is sent to Eurostat. Serbia is fully compliant in social protection statistics and provides Eurostat with European system of integrated social protection statistics (ESSPROS) data and metadata of good quality and coverage, in accordance with the legal deadlines. Labour market earnings and labour cost statistics are broadly in line with the EU *acquis*. Serbia carries out the labour force survey (LFS) in accordance with the regulations and sends good-quality micro data to Eurostat (annual and quarterly), and LFS quality reports based on the new LFS questionnaire. Further progress is still needed to produce good statistics on job vacancies. Concerning the healthcare expenditure statistics, Serbia provided compliant data for reference year 2021 for the first time in 2023. Serbia is fully compliant as regards the European health interview survey. Statistics on external migration and asylum are collected by the Ministry of the Interior. They are only partly aligned with the relevant EU requirements so further alignment is needed. Serbia provides most of the required education statistics. The population and housing census, postponed from 2021 due to the COVID-19 pandemic, took place successfully in October 2022 without major incidents. The dissemination of results from the census started in December 2022. Final results were published in May 2023.

Regarding **agricultural statistics**, Serbia is highly compliant in producing crop statistics. Animal production statistics, including milk and milk product statistics are fully compliant with applicable EU regulations. Serbia continued the preparatory work for the agriculture census which is planned to take place from October to December 2023 (postponed due to the COVID-19 pandemic). SORS still needs to develop, produce and submit to Eurostat supply balance sheets, economic accounts for agriculture and agriculture price statistics in line with the Eurostat methodology.

Annual and monthly **energy statistics** are produced and sent for all relevant energy sources. Serbia transmits good-quality data on **waste statistics** to Eurostat. Only the dataset on number and capacity of disposal landfills is yet to be completed. Some **environmental accounts data** is produced. transmits complete data on physical energy flow accounts , albeit quality can further improve. Serbia transmits complete data on **environmental taxes accounts** with good quality, and should continue to work to improve the quality of **environmental goods and services sector accounts**. Serbia transmits incomplete data on **air emissions accounts** and the quality needs improvement. In general, the quality of environmental accounts data improved, but further efforts are needed in this area. Serbia reports some **water statistics** and those statistics do not have legal basis. Serbia is also making progress in the area of pesticide statistics but does not yet deliver data on pesticide statistics, fertiliser consumption or gross nutrient balances.

Chapter 32: Financial control

The EU promotes the reform of national governance systems to improve managerial accountability, sound financial management of income and expenditure and external audit of public funds. The financial control rules further protect the EU's financial interests against fraud in the management of EU funds and protect the euro against counterfeiting.

Serbia is **moderately prepared** in the area of financial control. **Limited progress** was made in the reporting period, notably with the continued implementation of public internal financial control (PIFC). However, last year's recommendations have not been met. Therefore, these remain valid. A midterm approach on PIFC, consistent with the Law on the planning system, is being implemented. Overall, additional efforts are needed to embed managerial accountability in the administrative culture and to strengthen the functioning of internal control and internal audit. High-level political support remains critical for the required shift to performance management and implementation of PIFC reforms in entire public sectors.

In the coming year, Serbia should in particular:

- ensure full coherence of the PIFC legal basis with the general legal framework;
- establish an effective internal audit function in all central budget institutions; and
- adopt a managerial accountability roadmap and ensure its effective implementation.

Public internal financial control (PIFC)

A **strategic framework** for PIFC is broadly in place, under the 2021-2030 PAR strategy and the 2021-2025 public financial management (PFM) reform programme. PIFC is comprehensively covered as a separate pillar embedded in the PFM reform programme. In addition, further PIFC measures are envisaged by the local self-government system reform programme for 2021-2025 and the public policy management and regulatory reform programme for 2021-2025. The development of managerial accountability is included in the accountability and transparency pillar of the PAR strategy and the public policy management and regulatory reform programme. The full establishment of analytical units in ministries and

proper implementation of midterm planning must foster effective consolidation of strategic, operational and financial management functions and increase managerial accountability. In 2022, a total of 22 institutions adopted and published their medium-term plans for the period 2022-2024, in line with the Law on the planning system.

In the reporting period, Serbia continued to focus on operationalising the principle of **managerial accountability** through the preparation of a draft managerial accountability roadmap. Weaknesses in performance management and lines of accountability between independent bodies and their parent institutions persist.

The capacities to implement **internal control** standards, including risk management, have to be further increased at both central and local government level and be integrated in the administrative culture. Serbia has continued to implement the obligation for heads of institutions using public funds to sign an annual statement on the status of their internal control systems. The establishment of an irregularity reporting system for budget beneficiaries in line with the guidelines on irregularity management needs to be ensured in practice. The Ministry of Finance has a centralised budget inspection function that needs to be strengthened. Mapping the entire national inspection environment and ensuring its proper role and scope remains a priority.

Internal audit practice is broadly in line with international standards. However, not all institutions that are required to establish an internal audit unit have done so and many internal audit units do not have a sufficient number of auditors. Most central institutions carry out audits according to strategic and annual audit plans. Internal audit recommendations need to be implemented in a timely manner and the quality assurance of internal audit further developed.

The **central harmonisation unit** continued to focus on system development and dissemination of methodological guidance. It has continued to conduct internal audit and internal control quality reviews. The quality of the unit's annual report on the state of PIFC implementation is improving. However, its use as a tool to improve PIFC needs to be enhanced, and timely publication needs to be ensured.

External audit

Serbia's **constitutional and legal framework** provides for the independence of the State Audit Institution (SAI) in line with the standards of the International Organization of Supreme Audit Institutions. The SAI's financial independence was respected during the 2022 budget approval.

The SAI's **institutional capacity** to carry out its core audit tasks is adversely affected by the continued focus on the detection of errors and filing of misdemeanour and economic offence and criminal charges against individuals. This affects its capacity to undertake its core audit task. The appropriateness of this requirement in the SAI law should be reviewed in the medium term. The long-standing issue of not having suitable business premises is yet to be resolved.

The **quality of audit work** is constantly improving with the support of the dedicated sector for audit methodology and quality control. In 2022, the SAI continued to improve its working methodology. It has maintained focus and improved capacity for performance audits with 14 performance audits carried out in 2022. In 2022, the SAI produced 284 audit reports, including 98 compliance audit reports, 93 financial statement reports, 24 financial statement and compliance audit reports, 24 compliance and performance audit reports, 14 performance audit reports, and 31 reports on the audit of response reports. Since 2019, the SAI has been publishing responses to the audit reports and post-audit reports.

The SAI increased the **impact of its audit work** by monitoring the implementation of its recommendations and cooperation with stakeholders, improving the overall transparency of its

work, and increasing its communication with the media. The SAI activity report was discussed both in the relevant parliamentary committee and in the plenary. The SAI's internal audit unit has only one employee and is still to be properly staffed.

Protection of the EU's financial interests

Serbia has achieved a high degree of **EU *acquis* alignment**, but full alignment with the EU Directive on the fight against fraud to the EU's financial interests by means of criminal law still needs to be ensured. The strategic plan for combatting fraud and managing irregularities in handling financial resources of the European Union in the Republic of Serbia for the period 2021-2023 is in place. The **anti-fraud coordination service (AFCOS)** in the Ministry of Finance has eight employees, falling short of the planned 13. In 2022, AFCOS conducted three administrative checks, compared with seven in 2021 and eight in 2020.

In January 2023, the Serbian government adopted a Decision on the establishment of the network for combatting fraud and for managing irregularities in handling financial resources of the EU, to reflect changes within the institutions represented in the AFCOS Network. Serbia continued its **good cooperation with the European Commission** during investigations, including the follow-up of recommendations. During the reporting period, Serbia reported 12 irregularities via the irregularity management system, of which seven were classified as suspected fraud. Serbia should maintain its efforts in further developing a solid track record on cooperation in investigations and reporting of irregularities.

Protection of the euro against counterfeiting

In this area, Serbia has achieved a high degree of **EU *acquis* alignment**. The legislation foresees that the National Bank of Serbia carries out the **technical analysis** and provides specialised training for the licensed entities that authenticate euro coins and process euro banknotes. The central bank has formal **cooperation agreements** with the European Commission on coins and with the European Central Bank on banknotes. Regional cooperation with other central banks is ongoing. The central bank continued to develop its administrative capacities by participating in several international and domestic seminars, conferences and workshops, primarily as a follow-up to the Pericles 2020 programme.

3. GOOD NEIGHBOURLY RELATIONS AND REGIONAL COOPERATION

Good neighbourly relations and regional cooperation form an essential part of Serbia's European integration process. They contribute to stability, reconciliation and a climate conducive to addressing open bilateral issues and the legacies of the past.

Serbia maintained its engagement in a number of regional cooperation initiatives, such as the Central European Free Trade Agreement (CEFTA), the Energy Community, the Transport Community, the South-East European Cooperation Process (SEECP) and the Regional Cooperation Council. During the reporting period, disagreements with Kosovo over the implementation of the Dialogue agreement on Kosovo's representation and denomination in regional cooperation initiatives have hampered the smooth functioning of these initiatives. In December 2022, Serbia hosted the biannual General Assembly of the Parliamentary Assembly of the Black Sea Economic Cooperation⁹.

⁹Serbia also actively participates in the Adriatic-Ionian Initiative, the European Union Macro-Regional Strategies for the Danube Region, the Adriatic and Ionian Region, the Regional School of Public Administration (ReSPA) and the Brdo-Brijuni process.

The **EU-Western Balkans Summit** in December 2022 took place, for the first time in the region, in Tirana. The summit focused on support to the region in the fields of energy and migration, and on youth cooperation, roaming, green lanes and overall progress on implementing the Economic and Investment Plan.

On the **Common Regional Market**, a political breakthrough was achieved at the Berlin Process Summit in November 2022, where leaders from the Western Balkans adopted the three mobility agreements on higher education qualifications, on professional qualifications and on free movement with identity cards. Serbia ratified all three mobility agreements in April 2023 and deposited the related ratification notifications. A number of important decisions agreed at technical level within CEFTA remain blocked.

There are no outstanding issues concerning Serbia's respect for the **Dayton/Paris Peace Agreement**. Serbia continues to support Bosnia and Herzegovina's territorial integrity and its path to joining the EU. As envisaged by the Dayton agreement, Serbia continues to develop special relations with *Republika Srpska* entity, as well as to publicly promote such relations. Regular and frequent meetings were held between the Serbian leadership (President, Prime Minister, Speaker, Ministers, including the Minister for European Integration) and the leadership of *Republika Srpska*. In August 2023, a session of two governments and of the Cooperation Council was held in Banjaluka. Serbian authorities also met the new High Representative for Bosnia and Herzegovina who visited Belgrade in October 2022 and February 2023.

Serbia has continued to closely cooperate with Bosnia and Herzegovina, Croatia, Montenegro and Serbia under the **Sarajevo Declaration Process**, which aims to find sustainable solutions to refugees and displaced persons as a result of the armed conflicts in ex-Yugoslavia during the 1990s. Within the framework of the Regional Housing Programme, 6 894 housing units had been built, purchased or reconstructed by end of August 2023 in Serbia, able to accommodate about 20 680 individuals. Significant challenges remain regarding the economic and social integration and well-being of many families, which is required to ensure the sustainability of return, but also to ensure adequate protection and opportunity in cases of no return.

The unresolved fate of **missing persons** who disappeared during the conflicts in the 1990s remains a key issue to be solved in the Western Balkans. In July 2023, there were still 9 781 missing persons as a legacy of the conflicts. Serbia participated in the work of the Missing Persons Group (MPG) under the framework plan, and the Serbian government Commission on the Missing Persons also engaged in activities with the International Committee of the Red Cross (ICRC) and the International Commission on Missing Persons (ICMP) to promote bilateral cooperation with Croatia, Bosnia and Herzegovina and Montenegro in the resolution of missing person cases. In June 2023, rules of procedure for cooperation between Montenegro and Serbia were formally signed with a view to implement the bilateral cooperation protocol. Bilateral cooperation with Croatia on these issues resumed on an informal basis, with a number of meetings in January and March 2023, as part of broader efforts to improve bilateral relations. The Belgrade delegation to the ICRC-chaired working group on missing persons remained engaged in 2022 and 2023, including in assessing possible gravesites in Serbia and Kosovo. No session of the working group took place after April 2021 as the Kosovo delegation refuses to hold new meetings until the Serbian delegation changes its head. Nonetheless, lower levels of the mechanism (sub-working group on forensic issues and analytical team) continued to work on concrete cases and sites. In May 2023, the leaders of Serbia and Kosovo, in the context of the EU-Facilitated Dialogue, endorsed the Declaration on Missing Persons committing to

full implementation of respective commitments in this area, and improving their cooperation under the ICRC-chaired working group.

Serbia remained overall committed to maintaining good **bilateral relations** with other enlargement countries and neighbouring EU Member States.

Relations with **Albania** remained good overall. In September 2022, a memorandum of understanding on cooperation in the energy sector was signed. In July 2023, Albanian Prime Minister visited Belgrade and Serbian Prime Minister visited Tirana for a regional meeting.

Relations with **Bosnia and Herzegovina** are good and overall stable. The new Minister of Foreign Affairs of Bosnia and Herzegovina visited Serbia in February 2023 and met all Serbian leaders. Border demarcation issues need to be resolved and the countries still need to reach an agreement on two dams on the Drina River and a part of the Belgrade-Bar railway, which crosses into Bosnia and Herzegovina.

Relations with **Montenegro** are overall stable. The Serbian President attended the inauguration ceremony of the new Montenegrin President, who visited Serbia in July 2023. In September 2022, the Prime Minister of Montenegro visited Serbia. Serbian media outlets have a strong footprint in Montenegro's media landscape. The participation of mayors and heads of local assemblies of six municipalities from Montenegro and representatives of the former Democratic Front at the Serbian Parliament's Committee for Diaspora and Serbs in the region sparked controversy in Montenegro. In August 2023, Serbia banned the entry of a former Montenegrin Deputy Prime Minister on alleged security grounds.

Relations with **North Macedonia** are good. In March 2023, the Prime Minister of North Macedonia visited Belgrade and three memorandums of understanding were signed. They concern measures promoting the movement of people and goods, cooperation in the mining and energy sector, and a project to establish an interoperable electronic tolling system. In April 2023, a memorandum of understanding on cooperation in EU integration was signed.

Relations with **Türkiye** are very good. In January 2023, the Serbian Minister of Foreign Affairs visited Ankara. In December 2022, a Turkish parliamentary delegation was in Belgrade. In March 2023, Serbia donated EUR 1.5 million of assistance to Türkiye and Syria following the devastating earthquake. In June 2023, the Serbian First Deputy Prime Minister and the Minister for Foreign Affairs, in the capacity of special envoy of the Serbian President, attended the inauguration of the Turkish President. In August 2023, the two Presidents met in Hungary in the margins of a wider event.

Serbia has not joined the sanctions against the Russian Federation, but it supports the territorial integrity and sovereignty of **Ukraine** (for more details see Chapter 31). Serbia provided humanitarian assistance and energy equipment to Ukraine. In August 2023, Serbian President had the first official bilateral meeting with his Ukrainian counterpart in Athens, following a brief and informal meeting between the two in the margins of the European Political Community summit in the **Republic of Moldova** in June 2023. In February 2023, allegations of Serbian football fans' involvement in an attempted *coup d'état* or destabilising activities promoted by Russia in Moldova created short-lived tensions that were quickly resolved at the highest bilateral level. Serbia's relations with **Georgia** are overall good. A memorandum of understanding between Serbia and Georgia is in place on cooperation in the area of European integration. Trade exchanges with the three countries are underdeveloped.

Relations with neighbouring **EU Member States Romania** and **Bulgaria** are overall good and with **Hungary** very good. In June 2023, a Strategic Cooperation Council with Hungary was established and held its first session; 12 agreements were signed. Relations with **Croatia**

improved. In January 2023, the Ministers of Foreign Affairs of the two countries met twice, and Serbia appointed a State Secretary in the Ministry of Foreign Affairs as the national coordinator for addressing open issues with Zagreb. The Croatian and Serbian Prime Ministers met twice, in January 2023 in Croatia and in June 2023 in Serbia, in the margins of their informal visits to the other country to meet representatives of their respective national minority.

4. NORMALISATION OF RELATIONS BETWEEN SERBIA AND KOSOVO

The EU-facilitated Dialogue on normalisation of relations between Kosovo and Serbia continued in the reporting period with regular meetings at the level of Leaders and Chief Negotiators. After months of intense negotiations and with the support of key partners, the Parties reached an Agreement on the Path to Normalisation in Brussels on 27 February 2023, and agreed on its Implementation Annex in Ohrid, North Macedonia, on 18 March 2023. As part of the Agreement, the Parties took note that the Agreement and the Implementation Annex will become integral parts of the respective EU accession processes of Kosovo and Serbia.¹⁰

Both Kosovo and Serbia are yet to start implementation of their respective obligations stemming from the Agreement, which are valid and binding for the Parties and part of their European paths. The Parties are urged to start engaging more constructively and start implementation without further delay or precondition. This includes the establishment of the Association/Community of Serb Majority Municipalities (A/CSM). Kosovo is expected to start the process leading to the establishment of the A/CSM based on the European proposal presented to the Parties on 21 October 2023 and Serbia is expected to support this process and start delivering on their key obligations from the Agreement in parallel. Formalities, including related to adoption, should not stand in the way of making progress in implementation. The Parties further have an obligation to fully implement all past Dialogue Agreements. The constructiveness of the Parties is assessed based on their implementation performance. The European Council on 26 October 2023 regretted the lack of implementation by both Parties of the Agreement on the path to normalisation and its Implementation Annex as well as other agreements reached in the EU facilitated dialogue, led by the High Representative and supported by the EU Special Representative.¹¹ Normalisation of relations is an essential condition on the European path of both Parties and both risk losing important opportunities in the absence of progress. Despite the conclusion of the Agreement on the Path to Normalisation, the Dialogue has been hampered throughout the reporting period by a number of negative developments and crises in the north of Kosovo triggered by actions of one or both Parties. Kosovo has executed a number of such actions in the north of Kosovo, including the increased presence of Kosovo's special police and expropriation of land, which have created widespread

¹⁰ Implementation Annex to the Agreement on the Path to Normalisation of Relations between Kosovo and Serbia: This Annex constitutes an integral part of the Agreement. Kosovo and Serbia fully commit to honour all Articles of the Agreement and this Annex, and implement all their respective obligations stemming from the Agreement and this Annex expediently and in good faith. The Parties take note that the Agreement and the Implementation Annex will become integral parts of the respective EU accession processes of Kosovo and Serbia. The Parties note that immediately after the adoption of the Agreement and this Annex, the EU Facilitator will start the process to amend the Chapter 35 benchmarks for Serbia to reflect Serbia's new obligations stemming from the Agreement and this Annex. The agenda of Kosovo's Special Group on Normalisation will equally reflect Kosovo's new obligations stemming from the Agreement and this Annex. The Parties agree to endorse the Declaration on Missing Persons, as negotiated under the EU-facilitated Dialogue, as a matter of urgency. To implement Article 7, Kosovo launches immediately negotiations within the EU-facilitated Dialogue on establishing specific arrangements and guarantees to ensure an appropriate level of self-management for the Serbian community in Kosovo, in compliance with relevant previous Dialogue agreements as determined by the EU Facilitator. The Parties agree to set up a Joint Monitoring Committee, chaired by the EU, within 30 days. The implementation of all provisions shall be ensured and supervised by the Joint Monitoring Committee. To implement Article 9, the EU will organise a donor conference within 150 days to set up an investment and financial aid package for Kosovo and Serbia. No disbursement will happen before the EU determines that all provisions of the Agreement have been fully implemented. Kosovo and Serbia agree that all Articles will be implemented independently of each other. The order of the paragraphs of this Annex is without prejudice to the order of their implementation. Kosovo and Serbia agree not to block implementation of any of the Articles. All discussions related to implementation of the Agreement will take place under the EU-facilitated Dialogue. Kosovo and Serbia recognise that any failure to honour their obligations from the Agreement, this Annex or the past Dialogue Agreements may have direct negative consequences for their respective EU accession processes and the financial aid they receive from the EU.

¹¹ <https://www.consilium.europa.eu/media/67627/20241027-european-council-conclusions.pdf>

discontent among the local Kosovo Serb population and negatively affected the Dialogue. The mass resignation of Kosovo Serbs from Kosovo institutions – police, judiciary, and administration – in November 2022, roadblocks in the north of Kosovo in reaction to arrests of Kosovo Serbs in December 2022, as well as the boycott of early local by-elections in April 2023 by Kosovo Serbs further damaged the Dialogue and exacerbated the negative atmosphere around it. As a result of the Kosovo Serbs leaving all Kosovo institutions in November 2022, by-elections took place in the four Kosovo Serb majority municipalities in the north of Kosovo on 23 April 2023. While the elections were held in line with the legal framework of Kosovo, not all parties and communities made use of their democratic right to participate and vote in the elections, resulting in a record low turnout, which does not offer a long-term political solution for these municipalities.

While there had been no progress in the implementation of the Energy Roadmap adopted in June 2022, the tentative agreement in August 2023 between the commercial companies KEDS and Elektrosever on the scope of functions potentially marks a significant step forward in the implementation of the Roadmap. The Parties are now expected to quickly enable the signing of the outstanding commercial and technical agreements between the two companies to ensure that people living in the four Kosovo Serb-majority municipalities in the north start paying for the electricity they consume.

During the reporting period, the Parties agreed on and endorsed the political declaration on Missing Persons in May 2023. The Parties are encouraged to start implementation of the declaration immediately and, as the first step, agree to the Terms of Reference for the Joint Commission that is to be established as per the declaration.

When it comes to the state of play on implementation of past Dialogue agreements:

- The withdrawal of Kosovo Serbs from Kosovo institutions in November 2022 and the boycott of local elections in the north of Kosovo in April 2023 violate Serbia's Dialogue obligations and they constitute severe backsliding in Serbia's compliance to the April 2013 "First agreement of principles governing the normalisation of relations" and direct violation of the Justice Agreement of 2015. Serbia is urged to encourage Kosovo Serbs to return to the institutions immediately and Kosovo to enable this return to happen. Since November 2022, neither Party has taken any steps in this regard. The recruitment of new Kosovo Serb police cadets undertaken by the Kosovo Police while welcomed, did not follow the procedures in line with Dialogue agreements.
- There has still been no further progress on the implementation of the August 2015 Agreement. While the EU welcomes the presentation of a first draft Statute of the A/CSM to the High-level Dialogue in May 2023, the draft presented is not in line with the relevant Dialogue Agreements. A European proposal for the establishment of the A/CSM in Kosovo was presented to the Parties on 21 October 2023. Formalities, including related to adoption should not stand in the way of making progress in implementation. Kosovo and Serbia are now urged to engage constructively on the establishment of the A/CSM with no further delay, conditions or obstructions. This obligation forms a part of the implementation of the Agreement on the Path to Normalisation of Relations, which the Parties are expected advance on, without delay or precondition, as recalled by the European Council in October 2023. The issue of Serbia-run structures needs to be addressed in this same context.
- The works on the Mitrovica Bridge have long been completed and Serbia is expected to engage constructive to allow the bridge to be opened to vehicle traffic without obstruction. Any decision on opening of the Bridge has to be agreed and coordinated in the Dialogue.

- As regards the technical Dialogue agreements (2011-2012), some are not or only partially being implemented. Until sustainable solutions are found, both Parties need to remain committed to the continued implementation of the agreement on representation and participation of Kosovo in regional forums and not block the work of regional forums over bilateral disputes. The implementation of the cadastre and acceptance of university diplomas agreements is still pending due to non-implementation by Serbia. Serbia also has yet to address the issue of re-located Serbian administrative customs structures with Kosovo denomination that operate from within Serbia, and to cease the issuance of documentation or affixing of stamps with denomination that contravenes the related agreement.
- On IBM, the Interim Common Crossing-Points (CCPs) between Kosovo and Serbia continue to be operational. Only two of the six permanent CCPs have been established (Merdare and Mutivodë/Mutivode). Serbia still has not established permanent CCPs to be hosted by their side (Jarinje/Rudnica, Končulj/Dheu i Bardhë and Depce/Muçibabë), which led to a suspension of EU funds for this project in July 2018. In addition, Serbia needs to engage constructively to enable the construction of the third CCP hosted by Kosovo in the north of Kosovo at Tabavije/Bërnjak-Tabalijs/Brnjak. Additional efforts are required from Serbia to close illegal roads and bypasses to ensure exclusive use of official crossing points for goods and persons entering into or leaving Kosovo. Serbia also must allow resumption of the joint technical IBM meetings at all levels.
- On Freedom of Movement, after months of tensions, Kosovo and Serbia agreed in November 2022 that Serbia will stop issuing new licence plates with Kosovo cities' denominations, and that Kosovo will suspend any further actions related to re-registration of vehicles. The full implementation of the Freedom of Movement agreements is still pending. This also requires the Parties to find a permanent solution to the issue of licence plates in compliance with the relevant Dialogue agreements. Lack of such solution has continued to cause tensions in the north of Kosovo during the reporting period.
- Both Parties need to fully respect the Telecoms Agreement and not put its hitherto successful implementation at risk. Kosovo needs to ensure that MTS d.o.o has a business licence for the functions that have been agreed as part of the Agreement to enable the company to continue providing mobile and landline telephony services. MTS d.o.o needs to engage constructively and in line with the Kosovo law to enable this to happen.
- The processing of the Mutual legal assistance requests has been stopped by Serbia. Serbia needs to resume the processing immediately, in line with the relevant Dialogue Agreement.
- Both Parties need to respect the Arrangements for Official Visits more consistently. Kosovo needs to allow the visits of the Serbian Chief Negotiator and other Serbian government officials when they are announced and conducted in line with the Arrangements, which has not always been the case during the reporting period.

Overall, Serbia has remained engaged in the Dialogue, but it needs to demonstrate more serious commitment, invest more efforts and make compromises to take the normalisation process forward. Serbia needs to uphold its Dialogue commitments and commit to the full implementation of all past Dialogue agreements and the Agreement on the Path to Normalisation of Relations. Moving forward, Serbia also needs to make further substantial efforts to avoid actions that undermine stability and rhetoric that is not conducive to dialogue. Serbia also needs to create a conducive environment for the conclusion of the legally-binding normalisation Agreement with Kosovo, including in its international relations. Serbia is expected to engage more constructively to enable negotiations on the comprehensive legally-

binding normalisation Agreement to start and show flexibility in order to make rapid and concrete progress. Reaching such an Agreement is urgent and crucial so that Kosovo and Serbia can advance on their respective European paths. An important requirement for negotiations on the comprehensive legally-binding Agreement is for the Parties to implement the Agreement on the Path to Normalisation swiftly and efficiently and without any conditions or obstructions.

The reporting period was marked by multiple crises and violent incidents in the north of Kosovo. The most serious crisis during the reporting period occurred on 24 September 2023, when Kosovo Police was attacked by heavily armed individuals, who were surprised in the midst of a major weapons' smuggling operation, leaving one police officer dead and three wounded. During the operation the attackers had taken several pilgrims hostage while barricading themselves in the Serbian Orthodox Monastery of Banjska/Banjskë, which they left behind when fleeing. During the ongoing investigation into the events large amounts of military-grade weapons were seized. In the following days the Deputy Leader of Srpska Lista, through his lawyer, announced that he prepared and coordinated the attack. He was questioned by Serbian authorities, shortly detained and released with his passport confiscated. The Serbian government pronounced a day of mourning "over tragic events", which was largely observed as commemoration of the attackers. In the days following the attack, Serbia increased its military presence in the vicinity of Kosovo, which was subsequently reduced. The perpetrators of the attack need to be apprehended and swiftly brought to justice and Serbia is expected to fully cooperate and take all the necessary steps in this regard. The attack should not serve as an excuse for either side to divert attention from the EU-facilitated Dialogue. Kosovo and Serbia must pursue sustained de-escalation efforts, as well as ensure the holding of new elections in the north of Kosovo as soon as possible, with the active participation of Kosovo Serbs.

Prior to it, another serious escalation took place in May 2023, when the newly elected Kosovo Albanian mayors were installed in the municipal buildings in the north of Kosovo, against the clear recommendation of the international community, which triggered protests by Kosovo Serbs. Some turned violent and led to unacceptable and unprovoked attacks against citizens, KFOR soldiers, law enforcement and representatives of media, which are yet to be condemned, investigated, prosecuted and acted upon by Serbia. Several arrests of Kosovo Serbs by Kosovo Police in relation to their alleged involvement in the violence of 29 May in Zvečan/Zvečan, which did not systematically and fully adhere to the legal requirements, are of concern.

To find a way out of the cycle of crises, the Parties are expected to meet the requests of the EU, as per the statements by the High Representative on behalf of the EU from 3 June 2023¹² and 19 September¹³ related to de-escalation on the situation on the ground, enabling new early elections with unconditional participation of Kosovo Serbs, return to the Dialogue and implementation of all Agreements. The European Council expressed on 26 October 2023 that failure to de-escalate the tensions will have consequences.¹⁴

5. ABILITY TO ASSUME THE OBLIGATIONS OF MEMBERSHIP

¹² <https://www.consilium.europa.eu/en/press/press-releases/2023/06/03/statement-by-the-high-representative-on-behalf-of-the-eu-on-kosovo-and-latest-developments/>

¹³ <https://www.consilium.europa.eu/en/press/press-releases/2023/09/19/belgrade-pristina-dialogue-statement-by-the-high-representative-on-behalf-of-the-european-union-on-expectations-from-serbia-and-kosovo/>

¹⁴ <https://www.consilium.europa.eu/media/67627/20241027-european-council-conclusions.pdf>

CLUSTER 2: INTERNAL MARKET

This cluster covers free movement of goods (Chapter 1), freedom of movement for workers (Chapter 2), right of establishment and freedom to provide services (Chapter 3), free movement of capital (Chapter 4), company law (Chapter 6), intellectual property law (Chapter 7), competition policy (Chapter 8), financial services (Chapter 9), and consumer and health protection (Chapter 28). Four chapters have been opened, namely chapters 4, 6, 7 and 9. Opening benchmarks are yet to be met on chapters 1 and 8. This cluster is key for Serbia's preparations for the requirements of the EU's internal market and is of high relevance for early integration and the development of the Common Regional Market.

Progress was limited in most areas within the cluster. No progress was registered in the area of free movement of capital.

In the coming period, Serbia is invited to focus on the following areas: adopting an action plan to ensure compliance with Articles 34-36 of the Treaty on the Functioning of the European Union and a strategy and action plan for implementing the *acquis* on free movement of goods; enhancing cooperation with EU Member States on coordination of social security systems; adopting the Law on services; liberalising capital movements in line with obligations under the Stabilisation and Association Agreement (SAA); aligning with the *acquis* on company law, particularly on takeover bids; aligning the copyright and related rights legislation with the EU directives on collective rights management and on orphan works; aligning the existing fiscal State aid schemes with the EU *acquis* and improving the track record in the area of competition and State aid; continue to align the banking regulation with the revised versions of the Capital Requirements Regulation and the Capital Requirements Directive (CRR/CRD); and further aligning with the EU consumer protection and health protection *acquis*, including on substances of human origin, tobacco and medicines for human and veterinary use.

Chapter 1: Free movement of goods

The free movement of goods ensures that many products can be traded freely across the EU based on common rules and procedures. Where products are governed by national rules, the principle of the free movement of goods prevents these rules creating unjustified barriers to trade.

Serbia is **moderately prepared** in the area of free movement of goods. **Limited progress** was made on last year's recommendations by adopting implementing legislation on the classification, labelling and packaging of chemicals (CLP), and by further aligning with the EU *acquis* on eco-design. Other recommendations from last year's report remain valid.

In the coming year Serbia should in particular:

- finalise and adopt an action plan to ensure compliance with Articles 34-36 of the Treaty on the Functioning of the European Union (TFEU), and a strategy and action plan for implementing the EU *acquis* in this chapter for sectoral ('new approach' and 'old approach') and horizontal legislation and relevant organisations;
- align with the latest market surveillance *acquis* by adopting the law on market surveillance;
- provide adequate administrative, financial and human resources capacity for market surveillance, the agency for the homologation of vehicles, and for implementation of the European Regulation on Registration, Evaluation, Authorisation and Restriction of Chemicals (REACH).

General principles

On the **general principles**, Serbia still needs to adopt a strategy and an action plan to implement the EU *acquis* related to this chapter for sectoral ('new approach' and 'old approach') and horizontal legislation, and for relevant organisations.

Non-harmonised area

On **horizontal measures**, Serbia still needs to adopt, and then start to implement, an action plan ensuring compliance with **Articles 34-36** of the Treaty on the Functioning of the European Union (TFEU). Serbia partly aligned with the EU *acquis* on mutual recognition.

Harmonised area: quality infrastructure

The quality council, an expert advisory body established to further promote and improve quality infrastructure, did not provide recommendations on quality infrastructure-related activities during the reporting period. Shortages in human resources for the quality infrastructure institutions dealing with standardisation have been addressed, while the Accreditation Body of Serbia (ATS), market surveillance, the agency for homologation of vehicles and REACH would benefit from further strengthening.

In 2022, the government adopted the Regulation on notification and information of technical regulations, conformity assessment and standards, aiming to fully align with the EU *acquis* on information in the field of technical regulations. Overall, further efforts need to be made to raise awareness and understanding of quality infrastructure among business and consumers in Serbia.

On **standardisation**, there are 176 active national standardisation technical committees in the Institute for Standardisation of Serbia. In the reporting period, the Institute adopted 99.39% of the European Committee for Standardisation (CEN) standards, 97.33% of the European Committee for Electrotechnical Standardisation (CENELEC) standards, and 100% of the European Telecommunications Standards Institute (ETSI) standards. 8.3% of European standards and deliverables were adopted by the 'translation method'.

The number of **conformity assessment** bodies in Serbia is currently 774. Out of these, 19 are designated and registered for carrying out conformity assessment in accordance with technical legislation. Although the obligations regarding certificates of conformity were repealed by Serbia in February 2022, by amending the Law on products for general use, a small number of certificates of conformity continue to apply to imports of goods such as drones, construction products such as cement, steel for the reinforcement of concrete, and for screws. During the reporting period, the Accreditation Body of Serbia (ATS) awarded 28 new accreditations, revoked eight and suspended four.

Serbian legislation remains partly aligned with the EU *acquis* on **accreditation**. In October 2022, the European co-operation for Accreditation formally confirmed that the ATS remains a signatory in the field of calibration, testing including medical testing, inspection, certification of management systems, certification of products, processes and services, and certification of persons, and confirmed that the ATS is compliant with requirements in the field of proficiency testing providers.

In the field of **metrology**, Serbian legislation remains partly aligned with the EU *acquis*. During the reporting period, the Directorate of Measures and Precious Metals (DMDM) published 172 new calibration and measurement capabilities in various fields. The number of internationally recognised standards for calibration and measurement stands at 34.

On **market surveillance**, Serbia's legislation remains to be aligned with the latest EU *acquis*. Although aided by its IT platform (e-Inspektor), the market surveillance inspectorate, which has 458 systemised positions, has reduced the number of staff to 322 employees. Its financing and budget still require additional resources. In the reporting period, the market surveillance and inspection authorities carried out 5 825 inspections and ordered 627 corrective and restrictive measures for non-compliant or unsafe products. The sanitary inspection has removed approximately 34 tonnes of unsafe imported products off the market.

Harmonised area: sectoral legislation

In the area of '**new and global approach**' **product legislation**, Serbia adopted implementing legislation designed to fully align with the EU *acquis* on eco-design. Serbian legislation on cableways, radio equipment, gas appliances, construction products, civil explosives, pyrotechnic articles, medical devices and *in vitro* medical devices remains partially aligned with the EU *acquis*.

In the area of '**old approach product legislation**', some progress was made on alignment with the Classification, Labelling and Packaging Regulation (CLP), through the adoption of implementing legislation. The administrative and inspection capacity for implementing the EU *acquis* for vehicle homologation requires strengthening. Serbia is partly aligned with the EU *acquis* on detergents. It is not aligned with the EU *acquis* on motor vehicles, two or three wheeled vehicles, tractors, non-road mobile machinery emissions, fertilisers, and drug precursors.

On **procedural measures**, in May 2023 Serbia adopted a national control list for **dual-use goods** designed to be aligned with the EU *acquis*, and in May 2023 published a national control list of **weapons**. Serbian legislation on firearms and medicinal products pricing remains to be aligned with the EU *acquis*.

Chapter 2: Freedom of movement for workers

Citizens of one Member State have the right to work in another Member State and must be given the same working and social conditions as other workers.

Serbia is **moderately prepared** in the area of freedom of movement for workers. Serbia made **limited progress** in this area by continuing to carry out preparations for joining the European network of employment services (EURES).

No new bilateral agreements with EU Member States on coordination of social security systems have been concluded. Therefore, last year's recommendation remains valid.

In the coming year, Serbia should in particular:

- step up cooperation with EU Member States on coordination of social security systems;
- initiate preparations for joining the European Labour Authority.

Regarding **access to the labour market**, the procedures for issuing work permits to EU citizens, who are currently covered by rules for third-country nationals, need to be further simplified. In 2022, a total of 35 173 work permits were issued, of which 2 101 to EU citizens.

Serbia's National Employment Service (NES) has continued to carry out preparations for joining the European network of employment services (**EURES**), notably by initiating preparations for adapting the work processes of NES to EURES requirements. Two new migration service centres were opened in Subotica and Vranje, in addition to the seven existing ones. NES organised EURES-related training sessions for the staff of its migration services centres and completed the reengineering of its information system.

Serbia needs to initiate preparations for joining the **European Labour Authority**.

Regarding the **coordination of social security systems**, bilateral agreements are in place with 20 EU Member States. No new bilateral agreements were concluded. Overall, legislative, technical and administrative conditions for social security institutions to cooperate with their counterparts in EU Member States need to be further improved.

There were no developments on the **European Health Insurance Card**.

Chapter 3: Right of establishment and freedom to provide services

EU natural and legal persons have the right to establish themselves in any Member State and to provide cross-border services. For certain regulated professions, there are rules on mutual recognition of qualifications. EU rules on postal services focus on improving the quality of universal service, gradual market opening to competition, and the establishment of an independent regulator.

Serbia is **moderately prepared** in these areas. **Limited progress** was made on the right of establishment and freedom to provide services, with the continued screening and alignment of sectoral laws with the EU *acquis* and the further strengthening of the capacity of the postal services inspectorate. Nevertheless, last year's recommendations remain valid.

In the coming year, Serbia should in particular:

- adopt the horizontal Law on services, complete alignment of sectoral laws with the horizontal law and the EU *acquis*, and establish a point of single contact via a portal that offers online information to service providers, including on all relevant administrative procedures;
- complete alignment with the EU postal *acquis*; and
- continue alignment with the EU *acquis* on mutual recognition of professional qualifications, including on the directives on recognition of professional qualifications and on a proportionality test before adoption of new regulation of professions.

In the areas of the **right of establishment** and **freedom to provide cross-border services**, the horizontal Law on services, aiming to align with the EU Services Directive, remains to be adopted. Serbia has continued with the screening and alignment of sectoral laws with the draft horizontal law and the EU Services Directive. During the reporting period, Serbia concluded the screening process of 15 laws, 15 implementing laws and 8 regulations in the field of environmental protection. No point of single contact has been established; its establishment and functioning are dependent on the adoption of the horizontal Law on services.

The Law on **postal services** is aligned with the 1997 and 2002 Postal Services Directives and partially with the 2008 Postal Services Directive, as it maintains a reserved area for the provision of universal service. Serbia is currently preparing to complete the alignment of its national legislation with the 2008 Postal Services Directive and the Regulation on cross-border parcel delivery services. In 2022, Serbia also concluded an analysis for the implementation of the Regulation on cross-border parcel delivery services, as envisaged under the action plan of the strategy for the development of postal services for the period 2021-2025, which will inform preparations for amending the Law on postal services. The Regulatory Agency for Electronic Communications and Postal Services is the independent national regulatory authority in the field of postal services. In October 2022, a new Ministry of Information and Telecommunications was formed, including a department for postal inspection. The upgraded administrative capacity of the postal services inspectorate is sufficient to ensure compliance with the current Law on postal services and monitor the national postal market. Serbia should

complete the regulatory alignment with the EU postal *acquis* and continue preparing for implementing the new postal market rules, in view of amending the postal law.

In the field of **mutual recognition of professional qualifications**, national legislation is largely aligned with the EU *acquis*. A preliminary list of 50 regulated professions, drafted with EU support, is still pending adoption. Serbia has adopted the three agreements, reached in 2022 in the framework of the Berlin Process, on recognition of professional and academic qualifications. Further alignment is still needed on the relevant sectoral legislation.

Chapter 4: Free movement of capital

In the EU, capital and investments must be able to move without restrictions, with common rules for cross-border payments. Banks and other economic operators apply certain rules to support the fight against money laundering and terrorist financing.

Serbia is **moderately prepared** on free movement of capital. **No progress** was made during the reporting period. Last year's recommendations remain valid.

In the coming year, Serbia should in particular:

- liberalise capital movements in line with its obligations under the Stabilisation and Association Agreement, in particular by removing the remaining restrictions on the acquisition of agricultural land by EU nationals, and by adopting amendments to the Law on the elements of property law relations, to ensure equal treatment on the acquisition of property rights; and
- demonstrate, through a track record, increasing effectiveness in monitoring, supervision, financial intelligence, investigation and reporting.

In the field of **capital movements and payments**, Serbia has liberalised many capital transactions. Certain restrictions on capital movements remain for reasons of public policy and macro-financial stability. These must be justified, targeted and proportionate and should be gradually lifted. There are still some restrictions and authorisation requirements regarding the possibility of residents to engage in deposit operations abroad. The agricultural law still does not provide EU citizens and Serbian citizens with the same conditions in terms of acquiring agricultural land. Amendments to the legislation on elements of property law relations, which will aim at providing EU citizens with the same treatment as Serbian nationals regarding the acquisition of real estate, are still being drafted. Against this background, Serbia is not complying with its obligations under the SAA.

On **payment systems**, no changes were made to align the Law on multilateral interchange fees and special operating rules for card-based payment transactions with the EU *acquis* and SAA obligations (See Chapter 8 – Competition policy). The National Bank of Serbia continued with the preparatory activities to fully align the Law on payment services and relevant by-laws with the Payment Service Directive 2 (PSD 2). Serbia has currently 12 licensed payment institutions and 4 electronic money institutions providing payment services.

On the **fight against money laundering and terrorism financing**, Serbia is still reporting to MONEYVAL about the implementation of the outstanding 2016 mutual evaluation report recommendations. Serbia will remain in enhanced follow-up and is expected in 2023 to report back to MONEYVAL on progress to strengthen its implementation of anti-money laundering and counter-terrorist financing measures. The 2022-2024 action plan accompanying the national anti-money laundering/countering the financing of terrorism strategy is being implemented.

The rulebook on internal organisation and job classification in the Administration for the Prevention of Money Laundering (APML) was amended in December 2022 to reflect internal organisational changes. Its administrative capacity decreased further to 28 employees against the envisaged 42 members. In 2022, 1 563 suspicious transactions were reported.

Chapter 6: Company law

The EU has common rules on the formation, registration and disclosure requirements of a company, with complementary rules for accounting and financial reporting, and statutory audit.

Serbia has a **good level of preparation** in company law. **Limited progress** was made with the mandatory electronic filing of applications for incorporation for joint-stock and limited liability companies, and for limited and general partnerships. Further alignment is needed in the company law area. Therefore, last year's recommendation remains valid.

In the coming year, Serbia should in particular:

- further align with the EU *acquis* on company law, particularly on takeover bids; and
- start working on aligning national legislation with the EU *acquis* on cross-border conversions, mergers and divisions and on the use of digital tools and processes in company law.

As regards **company law and corporate governance**, Serbia's legislation is largely aligned with the EU *acquis*. Adoption of a new law on takeovers of joint-stock companies and related legislation to align with the *acquis* on company takeovers is still pending. Further alignment is needed with the directives on the use of digital tools, the directive on cross-border operations (mergers, divisions, conversions), and the directive on gender equality on boards of directors.

Serbia's Corporate Governance Code is based on EU best practice and OECD principles. The Serbian Business Registers Agency acts as a one-stop shop where companies obtain a unique registration and tax identification number and online access to company information. It also provides for electronic registration of the formation of limited liability companies. In May 2023, the electronic filing of applications for incorporation became mandatory for joint-stock and limited liability companies, and for limited and general partnerships. Company information in the business register is stored electronically in a database, which should be technically ready to interconnect with the EU Business Registers Interconnection System upon EU accession. Serbia's Law on companies defines the formation of a European Company and European Economic Interest Grouping; as yet there are no plans for alignment regarding the statute for a European cooperative society.

Regarding **company reporting**, under the Law on accounting and related financial reporting rules, companies must compile financial statements and submit them to the Serbian Business Register Agency. More than 5 400 accounting services providers have been registered in the new Register of Accounting Services Providers, in compliance with the Law on accounting. There are sanctions for the non-publication of individual and consolidated financial statements. Moving forward, Serbia will need to harmonise its legislation to align with the 2022 EU Directive on corporate sustainability reporting. Implementation of the 2021 Law on capital market began in January 2023, following adoption by the Securities Commission, in July 2022, of a set of implementing legislation. The Law is partially aligned with the EU Transparency Directive for listed companies. The Securities Commission is the Officially Appointed Mechanism for the central storage of regulated information. It is also the body responsible for quality assurance and public audit oversight. Implementation of the Law on auditing is

discussed by the audit public oversight board and relevant action plans are revised on an annual basis.

Chapter 7: Intellectual property law

The EU has harmonised rules for the legal protection of intellectual property rights (IPR), copyright and related rights. Rules for the legal protection of IPR cover, for instance, patents and trade marks, designs, biotechnological inventions and pharmaceuticals. Rules for the legal protection of copyright and related rights cover, for instance, books, films, software and broadcasting.

Serbia has a **good level of preparation** on intellectual property rights. **Limited progress** was made with slightly improved statistics on enforcement and the launching of an electronic interface for the submission of requests for the protection of intellectual property rights to the Market Inspectorate. Last year's recommendations remain valid.

In the coming year, Serbia should in particular:

- align the copyright and related rights legislation with the EU directives on collective rights management, on orphan works and on certain permitted uses of certain works and other subject matter protected by copyright and related rights, for the benefit of persons who are blind, visually impaired or otherwise print-disabled; and
- strengthen enforcement by improving capacities and further increasing the coordination of different stakeholders.

Preparations of a new Law on **copyright and related rights** continued, with the aim to ensure full alignment with the *acquis* on collective rights management and orphan works. The new law also aims to fully implement the Marrakesh Directive. Serbia has yet to align with the EU Directives on copyright and related rights in the Digital Single Market (DSM Directive) and on online transmissions of broadcasting organisations and retransmissions of television and radio programmes (SatCab II Directive).

On **industrial property rights**, the supplementary protection certificate manufacturing waiver started to apply from 2 July 2022. The Intellectual Property Office remains relatively well staffed and efficient in registering trademarks.

On **enforcement**, the number of employees in the Market Inspectorate specialising in the field of intellectual property remained unchanged at 40 inspectors. In October 2022, their area of work expanded to include identification of infringements in computer software, taking over the competence from the Tax Administration, which employed four inspectors for these tasks. To strengthen the capacity of the Market Inspectorate, a department for IPR enforcement and prevention of illegal trade and a special unit for IPR enforcement were created. The number of software legality checks carried out by the Tax Administration slightly decreased in 2022. The overall amount of counterfeit and pirated goods confiscated and destroyed by the Market Inspectorate increased significantly in 2022 (321 362, compared with 61 747 in 2021). The number of procedures carried out by the Market Inspectorate, both *ex officio* and following requests submitted by economic operators, increased year-on-year. The number of customs officers specialised in intellectual property protection remained stable at 12 employees in 2022. The number of items detained by the Customs Administration increased substantially in 2022 (1 134 213, compared with 145 866 in 2021), as well as the number of destroyed items (159, compared with 48 in 2021). The latest amendments to the Regulation on the conditions and method of implementation of measures for the protection of intellectual property rights at the border entered into force in January 2023. Due to inadequate specialisation and the increasing

number of incoming cases, the capacity of the judiciary to handle intellectual property rights cases remained limited.

Work to further align with the EU Directive on the enforcement of IPR is ongoing. The coordination body for the enforcement of intellectual property rights held one meeting in 2022, while the working groups established informal cooperation, notably in testing the electronic platform for information exchange among IPR enforcement institutions. However, the platform remains to be launched. The Market Inspectorate launched an interface for electronic submission of requests for protection of intellectual property rights.

Chapter 8: Competition policy

EU rules protect free competition. They include antitrust rules against restrictive agreements between companies and abuse of a dominant position, and rules on concentrations between companies which would significantly impede effective competition. EU rules also set out a system of State aid control. Governments are only allowed to grant State aid if restrictive conditions are met, with a view to preventing distortion of competition.

Serbia is **moderately prepared** in the area of competition policy. **Limited progress** was made on legislative alignment of State aid rules with the EU *acquis*, in the form of the adoption of implementing legislation. However, last year's recommendations on the alignment with the EU *acquis* and obligations under SAA of the fiscal State aid schemes and the Law on multilateral fees and special operating rules for card-based payment transactions have not been met.

In the coming year, Serbia should in particular:

- align the existing fiscal State aid schemes and work towards aligning the Law on multilateral interchange fees and special operating rules for card-based payment transactions with the EU *acquis* and SAA obligations;
- ensure that the notification and standstill obligations are systematically respected for all State aid measures and establish a solid track record in the implementation of laws on protection of competition and State aid control; and
- finalise the inventory and define an action plan for the alignment of all existing State aid schemes identified as incompatible with the SAA obligations.

Antitrust and mergers

The **legislative framework** is broadly in line with Articles 101 and 102 TFEU and related provisions of the SAA. The current Law on protection of competition provides for an *ex ante* control of mergers. Three block exemption regulations providing further alignment with the EU *acquis* remain to be adopted. The legislative framework is yet to be fully brought in line with EU guidelines and communications in this area. No progress was made in aligning Article 9 of the Law on multilateral interchange fees and special operating rules for card-based payment transactions with the EU *acquis* and the relevant provisions of the SAA.

Regarding the **institutional framework**, the Commission for Protection of Competition (CPC) is the independent authority responsible for implementing the legal framework. Over the past years, the CPC has built a reputation as an operationally independent institution. However, the transparency of the institution's work needs to be strengthened and decisions should be systematically published.

The **enforcement capacity** of the CPC is adequate with 59 employees, of whom 33 are case handlers with an appropriate level of expertise. On **implementation**, the CPC has continued to

investigate a significant number of antitrust cases. In 2022, the CPC adopted 3 decisions on restrictive agreements and 2 on abuse of dominant position. A total of 8 dawn raids in the context of 3 cases were conducted in 2022. The leniency programme was not used. The level of imposed fines remained stable at around EUR 1 million in 2022. There were no mergers prohibited and no merger decisions with remedies in 2022. The CPC published 2 sector enquiries in 2022 concerning the markets of online food delivery platforms and other postal services. The CPC issued 10 opinions on draft legislation in 2022. The practice of consulting the CPC on all relevant legislation should continue and its opinions should be systematically taken into account. In 2022, the number of CPC decisions upheld by appeal courts dropped to 9, down from 14 in 2021. The capacity and specialisation of the judiciary to deal with complex competition cases remains modest and needs to be improved significantly. Advocacy activities picked up in the reporting period with promotion of the CPC's competition compliance programme, but they still need to be further stepped up.

State aid

Regarding the **legislative framework**, the Law on State aid control is broadly in line with the EU *acquis* and the relevant provisions of the SAA. Five new decrees were adopted during the reporting period, on the content and form of State aid notifications, on conditions and criteria for compliance of State aid granted to undertakings operating in the railway sector, on conditions and criteria for compliance of state aid to undertakings operating in the air transport sector, on conditions and criteria for compliance of aid for accelerated investments in sectors strategic for the transition towards a net-zero economy and on conditions and criteria for the compliance of state aid granted in the form of guarantees. The temporary framework on State support to the economy in the context of the COVID-19 crisis partially expired on 30 June 2022. Remaining provisions in force are broadly in line with the EU temporary framework.

During the reporting period, the Commission for State Aid Control (CSAC) adopted four guidelines on assessing the compliance of state aid for research, development and innovation, on assessing whether the transaction constitutes state aid, on assessing the compliance of state aid for environmental protection and energy sector and on assessing the compliance of special cases of state aid to undertakings operating in the air transport sector. However, implementing legislation should be further aligned with the EU *acquis*. The existing State aid schemes, most notably the fiscal State aid schemes established by the Laws on corporate income tax, on personal income tax and on free zones, are not yet aligned with the EU *acquis*. CSAC prepared its 2022 annual report on the inventory of State aid schemes. It also submitted to the Commission an updated inventory of State aid schemes not aligned with the *acquis*. However, the Commission's comments on the inventory are yet to be fully taken on board and an action plan with a clear timetable for alignment of the schemes identified as incompatible remains to be adopted by the government. Furthermore, the regional aid map is yet to be drafted.

On the **institutional framework**, CSAC is responsible for implementing the Law on State aid control. The law provides that CSAC is accountable to the Parliament and secures its legal independence. However, the operational independence of CSAC needs to be demonstrated by establishing a transparent track record that shows consistent and satisfactory implementation of the law.

CSAC's **enforcement capacity** should be further strengthened. It has only 20 full-time employees from a total of 23 members of staff including the president, 4 council members and 11 case handlers; this is significantly fewer than the 27 budgeted employees.

The **implementation** of the Law on State aid control should be further strengthened. In particular, the notification and the standstill obligations are still not respected systematically,

and State aid is occasionally provided to economic operators, particularly foreign investors, without prior approval by CSAC. The number of decisions taken upon notification dropped to 105 in 2022, from 139 in 2021. The number of decisions adopted in *ex post* procedure increased to 7 in 2022, from 2 in 2021. CSAC significantly increased the number of negative decisions to 6 in 2022, from 1 in 2021. The number of conditional decisions increased to 3 in 2022, from 1 in 2021. There were no appeals of CSAC's decisions in the reporting period. The electronic platform to help monitor compliance regarding the cumulation of aid has yet to be completed. The Government adopted CSAC's reports on State aid granted in 2020 and 2021 with delay, whereas the 2022 report has yet to be adopted. CSAC should ensure the strict enforcement of its State aid rules, also with regard to the implementation of State aid rules in large projects carried out in cooperation with third countries. Advocacy activities among aid-granting authorities need to continue as awareness of State aid rules remains to be addressed systematically.

Liberalisation

Provisions on financing of services of general economic interest are included in two decrees adopted in October 2021, one on public service compensation to undertakings entrusted with responsibility for the provision of services of general economic interest and one on *de minimis* aid for provision of services of general economic interest. Enforcement of competition rules for public companies needs to be intensified. There is no evidence of the existence of commercial monopolies within the meaning of Article 37 TFEU.

Chapter 9: Financial services

EU rules aim to ensure fair competition among, and the stability of, financial institutions, namely banking, insurance, supplementary pensions, investment services and securities markets. They include rules on authorisation, operation and supervision of these institutions.

Serbia remains **moderately prepared** in the area of financial services. **Limited progress** was made with the start of the application of the Law on capital market, following the adoption of a set of implementing legislation. The country should make further efforts to align with the financial services *acquis*, focusing on the priorities identified based on the current state of play. Last year's recommendations remain valid.

In the coming year, Serbia should in particular:

- continue to align the banking regulation with the revised versions of the Capital Requirements Regulation and the Capital Requirements Directive (CRR/CRD);
- align national legislation with the revised version of the EU Bank Recovery and Resolution Directive (BRRD); and
- continue to work towards full alignment with the Solvency II Directive.

On **banking and financial conglomerates**, Serbia has largely implemented the Basel III standards. The banking sector's prudential ratios are regularly monitored by the National Bank of Serbia (NBS), following adoption in 2016 of amendments to the decision on reporting requirements for banks. Alignment of national legislation with the revised version of the EU Bank Recovery and Resolution Directive (BRRD) and with parts of BRRD 1 (notably on the establishment and use of a dedicated resolution fund financed with contributions from banks) is still to be completed. The gap analysis regarding alignment of the national legal framework with the relevant EU banking *acquis* is still ongoing overall.

The current administrative capacity of the NBS in this area is adequate.

Regarding **insurance and occupational pensions**, the drafting of the new Law on compulsory traffic insurance is still under way. Preparatory work continues in the context of aligning with the Solvency II Directive, in line with the strategy for implementation. Certain provisions were already implemented regarding qualitative requirements under pillar 2, but further work is still to be carried out to ensure full alignment with the EU *acquis*. Alignment is still to be completed as regards the Directive on the activities and supervision of institutions for occupational retirement provision in the areas of cross-border activities, investment rules and regulation of technical provisions.

In the area of **financial market infrastructure**, Serbia has focused on the implementation of its Capital Market Development Strategy 2021-2026. The 2021 Law on capital market has been applied since January 2023, following adoption by the Securities Commission, in July 2022, of a set of implementing legislation. With its implementation, Serbia aims to align with the Directive on settlement finality in payment and securities settlement systems.

On **securities markets and investment services**, the Law on capital market aims at aligning the Serbian regulatory framework with the Markets in Financial Instruments Directive (MiFID II). Serbia's legal framework has a high level of alignment with MiFID II, Prospectus Regulation and Market Abuse Regulation and a low level of alignment with the MiFIR framework. The administrative capacity of the Securities Commission in this area remains weak. On investment funds, the Law on open-ended investment funds with public offering is partially aligned with the Directive relating to undertakings for collective investment in transferable securities (UCITS). The 2020 Law on alternative investment funds is largely aligned with the Directive on alternative investment fund managers, although further work is needed towards full alignment.

In the area of **sustainable and digital finance**, the Law on digital assets has been in force since 2021. The NBS and the Securities Commission are the two competent authorities for licensing services related to digital currencies and tokens. Serbia is not currently developing a national sustainable finance strategy, but the NBS monitors the developments in the field of ESG.

Chapter 28: Consumer and health protection

EU rules protect consumers' economic interests and in relation to product safety, dangerous imitations and liability for defective products. The EU also ensures high common standards for tobacco control, blood, tissues, cells and organs, as well as medicines for human and veterinary use. The EU also has rules for upholding patients' rights in cross-border healthcare and in preparing for and responding to cross-border health threats including communicable diseases.

Serbia is **moderately prepared** in consumer and health protection. **Limited progress** was made concerning the use of the newly established online platform for alternative dispute resolution, awareness-raising on consumer rights, and the quality control of medicines. The recommendations of the previous report remain valid.

In the coming year, Serbia should in particular:

- strengthen the overall managerial capacity, human resources and financial sustainability of the public health insurance fund, and of the relevant authorities for consumer protection, market surveillance and sanitary inspection;
- further align its legislation with the *acquis* on substances of human origin, on patients' rights in cross-border healthcare, on tobacco control, and on medicines for human and for veterinary use.

Consumer protection

On general aspects of **consumer protection**, Serbia now has two ministries dealing with this area: the Ministry of Internal and Foreign Trade and the Ministry of Youth and Tourism. The amended Law on consumer protection, adopted in September 2021, has contributed to a higher number of out-of-court procedures and mediation between traders and consumers. The newly established national council for consumer protection provided opinions and suggestions on the 2023-2024 Action Plan of the Strategy for Consumer Protection but did not hold any sessions in the reporting period. Serbia initiated 806 misdemeanour orders based on violations of the Law on consumer protection.

There are 12 registered consumer organisations in the national registry. In 2022, 10 consumer organisations' projects were selected to receive financing in four administrative regions, with various programmes to be implemented in the field of consumer protection. At the end of the reporting period, Serbia had 35 alternative dispute resolution (ADR) bodies. An ADR online platform launched on the website of the Ministry of Internal and Foreign Trade considerably helped with the resolution of ADR cases.

In March 2023, the National Bank of Serbia became a full member of the International Financial Consumer Protection Organisation FinCoNet. In 2022 and 2023, in its capacity as an ADR body in charge of financial institutions, the National Bank of Serbia (NBS) resolved a total of 4 783 complaints, of which 3 714 related to banks and payment service providers and 1 069 to insurance companies, while in the case of individual consumer complaints related to banks as service providers, the NBS resolved 1 413 complaints. The NBS resolved 23 mediation proceedings resulting in agreement among parties.

There was no change in the mode of cooperation between ministries and consumer organisations. Consumer protection organisations would benefit from further promotion to the general public of their work on the protection of consumer interests and rights. The authorities' administrative capacity still needs strengthening for consumer protection, inspection services for consumer protection and for product safety issues. Serbia's legislation is designed to be aligned with the *acquis* on consumers rights, while further legislative alignment is required with the Consumer Protection Cooperation Regulation.

There were no developments in the reporting period regarding **product safety-related issues**. On market surveillance, the sanitary inspection's administrative capacities need to be strengthened. The product safety council did not hold any sessions. In the reporting period, the market surveillance and inspection authorities conducted 5 825 inspections and ordered 627 measures for non-compliant or unsafe products. In the reporting period, the National Register of Consumer Complaints registered 22 216 complaints, of which 68% related to goods and 32% to services. The sanitary inspection has removed approximately 34 tonnes of unsafe imported products off the market.

On **non-safety-related issues**, Serbia's legislation remains partly aligned with the *acquis* on consumer protection. Further alignment with the EU *acquis* is needed regarding package travel and linked travel arrangements, the sale of goods, cooperation between national authorities responsible for enforcing consumer protection laws; multiannual consumer programmes; online resolution of consumer disputes; contracts for the supply of digital content and services; and alternative resolution of consumer disputes. Furthermore, the latest changes to EU consumer legislation introduced by the Directive on better enforcement and modernisation of Union consumer protection law and mortgage credit directive have yet to be implemented.

Public health

In the area of **public health**, Serbia's healthcare legislation is partly aligned with the EU *acquis*. The sustainability of the public health insurance fund still needs to be ensured. The national plan for human resources in the health sector has still not been fully implemented. Compliance with EU health indicators is not yet achieved and the EU-funded centralised electronic health record system, completed in 2015, is still not being used.

Tobacco control legislation remains partly aligned with the EU *acquis*. A strategy on tobacco control remains to be adopted, including an action plan on alignment with the EU *acquis* in this field and with the World Health Organisation Framework Convention on Tobacco control. Serbia should intensify inspections in this area.

Serbia is partly aligned with the *acquis* on **blood, tissues, cells and organs** in regard to transplantation of cells and tissues, and on human organ transplantation. EU-level quality, safety standards and inspection services remain to be fully developed. The ongoing strengthening of the administrative capacity in the Directorate of Biomedicine is a welcome development, and the recruitment process should be swiftly completed.

On **cross-border healthcare**, Serbia is partly aligned with the *acquis* on the application of patients' rights. Surveillance and response capacity for **serious cross-border health threats, including communicable diseases**, remains limited and requires modernisation. Serbia reports surveillance data on several communicable diseases to the European Centre for Disease Prevention and Control (ECDC) surveillance system according to the EU surveillance standards (EpiPulSe / TESSy). While Serbia adopted a new digital health programme in 2022, a centralised health information and communication system remains to be implemented.

In the area of **communicable diseases**, further attention is needed on effective and sustainable financing of disease-specific strategies, including the national HIV/AIDS strategy. Awareness-raising, particularly on the importance of child vaccination, is also needed. While Serbia has a national surveillance system for anti-microbial resistance in humans, the prescription of antibiotics needs to be more strictly controlled to strengthen the fight against anti-microbial resistance. Ongoing work on upgrading the quality control and standardisation of laboratories needs to be completed.

Health promotion necessary to help prevent **non-communicable diseases** remains limited. **Cancer screening** for colorectal, breast and cervical cancers continues to progress at a slow pace and is not performed in a systematic manner in many regions of the country. The national institute for radiology and oncology maintains the cancer register.

Community-based **mental health** services remain underdeveloped, with low accessibility. While Serbia has a 2019-2026 programme for mental health protection, it remains to be costed and fully implemented. There has not been any progress on **nutrition and physical activity**.

Serbia's legislation is still only partly aligned with the *acquis* on **medicines for human and veterinary use**, and on **preventing drug abuse**. Serbian legislation on pricing of **medicinal products** is still not aligned with the EU *acquis*. While a national programme to reduce the harmful effects of alcohol and alcohol-induced disorders was adopted in 2017, it remains to be implemented. In September 2022, Serbia adopted implementing legislation aiming to improve the quality control of medicines and medical devices.

On **health inequalities**, access to healthcare services remains an issue for persons with disabilities, persons living with HIV, children and adults who use drugs, prisoners, women involved in prostitution, LGBTIQ persons, internally displaced persons and Roma.

Serbia needs to fully implement the specific Operational plan for **prevention of corruption** in the areas of health. This includes the adoption of amendments to the legislation in the health

sector in accordance with the analysis of risks to corruption in the Law on medicines and medical devices.

CLUSTER 3: COMPETITIVENESS AND INCLUSIVE GROWTH

This cluster covers chapters 10 (Digital Transformation and media), 16 (Taxation), 17 (Economic and monetary policy), 19 (Social policy and employment), 20 (Industrial policy), 25 (Science and research), 26 (Education and culture), and 29 (Customs). Five chapters are open (chapters 17, 20, 25, 26 and 29) and two are provisionally closed (chapters 25 and 26). No opening benchmarks are left to be met on any of the chapters within this cluster. This cluster and the reforms concerned have significant links to Serbia's Economic Reform Programme.

Progress was achieved in all of the areas under this cluster, particularly in the areas of: social policy and employment through the adoption of a new law on health and safety at work; digital transformation and media through further alignment with the European Electronic Communications Code; economic and monetary policy through the adoption of a new set of fiscal rules to anchor fiscal policy; taxation through developments in the areas of e-fiscalisation, e-invoicing and excises; enterprise industrial policy through adoption of strategy new law on state ownership and management of business entities owned by the Republic of Serbia and education, through taking continued steps towards ensuring compliance of the quality assurance system in higher education with the recommendations of the European Association for Quality Assurance in Higher Education (ENQA).

In the coming period, Serbia is invited to particularly focus on the following areas: adopt legislation in line with the media strategy; further align its electronic communications legislation with the updated EU regulatory framework; ensure full financial and operational independence of the regulators for electronic communication and postal services (RATEL) and for electronic media (REM); make progress towards alignment in the areas of VAT, excise duties and direct taxation; increase the level of transparency for capital transfers and guarantees to state-owned enterprises in the State budget; ensure adequate financial and institutional resources for employment and social policies; make further efforts to improve the predictability of the business environment; increase national funding for research and innovation; ensure full compliance of the policy and institutional framework for quality assurance in higher education with the recommendations of the ENQA; and further upgrade relevant IT systems.

Chapter 10: Digital transformation and media

The EU supports the proper functioning of the internal market for electronic communications, electronic commerce and audiovisual services. The rules protect consumers and support the universal availability of modern services.

Serbia is **moderately prepared** in the field of digital transformation and media. **Limited progress** was made by means of the adoption of the Law on electronic communications, digitalisation in the area of e-government, and in aligning with EU digital Single Market objectives. Construction of ultra-fast broadband infrastructure in rural areas and support to the digitalisation of schools continued. Serbia joined the Digital Europe Programme in June 2023. The recommendations of the last report remain largely valid.

In the coming year, Serbia should:

- further align its electronic communications legislation with the updated EU regulatory framework, including the Broadband Cost Reduction Directive;
- ensure full financial and operational independence of the regulators for electronic communication and postal services (RATEL) and for electronic media (REM) in

compliance with the EU *acquis*, and urgently encourage the regulators to work proactively and fully carry out their mandates;

→ adopt the Law on electronic media, in line with the EU's Audiovisual and Media Services Directive, and in consultation with the relevant stakeholders.

In the field of **electronic communications and information technology**, the Law on electronic communications, aiming to align with the European Electronic Communications Code, was adopted in April 2023. Changes to the election of management board members for the Regulatory Agency for Electronic Communications and Postal Services (RATEL) aim to provide an additional degree of independence; however, the regulator's operational and financial independence remains to be ensured. Some steps were taken to improve the regulator's administrative capacity, but further efforts are needed, including through staff retention measures. Serbia maintains a salary cap for RATEL employees.

The first phase of the EU-funded ultra-fast broadband communication infrastructure roll-out in rural areas, aiming to connect around 90 000 households and 600 schools with fast broadband, is ongoing, while the second phase has been signed and a third phase is under consideration. The working group for drafting the Law on broadband in alignment with the Broadband Cost Reduction Directive was set up; however, the law remains to be adopted.

No progress has been noted concerning the implementation of **competitive safeguards**. Ongoing issues remain to be addressed, including access for users and operators to infrastructure including optical fibres, ducts and public operators' infrastructure and dark fibres, and remaining restrictions imposed by environmental and municipal planning legislation, in particular at local government level. The working group tasked with identifying and providing recommendations to remove these obstacles has not provided any output to date. Several legal disputes and proceedings are ongoing involving **Telekom Srbija** – whose majority stakeholder is the State – and private companies, both in Serbia and abroad.

Serbia is yet to adopt secondary legislation on minimum conditions for issuing individual operator licences for spectrum use for the **5G frequency auction**. The date of the auction was postponed to the fourth quarter of 2023.

The 112 European emergency number calling system, developed through a donation from the Chinese government and operational as of July 2023, remains to be fully implemented according to EU standards.

In the field of **cybersecurity**, Serbia possesses the relevant legal framework and has a functioning national computer emergency response team (nCERT); however, capacities should be strengthened and upgraded. Work is under way to further align Serbia's legislation with the EU *acquis* on cybersecurity, including with the NIS2 Directive.

On **regional integration**, Serbia continued to pursue the Western Balkans digital agenda policy priorities. Serbia participated in the 2nd Ministerial EU-Western Balkans Regulatory Dialogue held in June 2023, signing the Digital Europe Programme association agreement on the occasion. In June 2023, Serbia took part in a High-Level Cybersecurity Conference organised by the Regional Cooperation Council, as part of an EU cyber capacity building regional project for the Western Balkans. It is important that Serbia now signs and implements the Memorandum of Understanding on a 5G roadmap for digital transformation, taking into account the EU toolbox of risk mitigation measures on the security of 5G networks. Following the introduction of the Roam Like at Home regime in the region in July 2021, in December 2022 a Roaming Declaration was signed, which enabled the first reduction of roaming charges

between the EU and Western Balkans as of 1 October 2023. The glidepath for the reduction of data roaming price caps was announced in May 2023.

In the field of **digital transformation**, Serbia adopted the e-Government Development Programme with the implementing 2023-2025 Action Plan in April 2023. The number of databases connected to the new government service information system has increased, as has the number of services at the upgraded national e-government portal, now featuring approximately 340. The uptake in the number of e-citizens amounts to approximately two million. As for open data, Serbia has significantly improved the number of datasets available by the Statistics Office and on the country's open data portal in machine-readable formats. Serbia has not yet aligned with the EU's Open Data Directive. However, Serbia has an open data policy in place with an action plan for measures to support the publication and reuse of open data. Serbia is encouraged to remain aligned with the European Interoperability Framework.

Regulation of the broader digital economy environment continued. The Laws on e-fiscalisation and e-invoicing are being implemented, **e-commerce** increased further with the number of online transactions growing by 25.76% year-on-year, while cases of various forms of electronic platform, SMS or email abuse are handled by the Supreme Public Prosecution and Special Prosecution Office for High Tech Crime. In the e-commerce domain, alignment with the Digital Services Act and Digital Markets Act needs to be stepped up, to provide predictability for the business community. The ICT sector has continued its rapid growth, with exports in 2022 totalling EUR 2.7 billion, which constitutes an increase of 45% year-on-year.

In April 2023, Serbia adopted the Ethics Guidelines for the Development, Implementation and Use of Reliable and Responsible AI, based on UNESCO's recommendation on the ethics of artificial intelligence, which aim to align with EU guidelines on the ethical use of **artificial intelligence**.

In **audiovisual policy** after increasing delays, Serbia relaunched media legislation reforms as part of the media strategy implementation. In January 2023, work started on drafting amendments to the Law on electronic media, which must strengthen the independence and transparency in the work of the Regulatory Authority for Electronic Media (REM), effectively safeguard media pluralism, and clarify the procedure for issuing licences for the provision of audio-visual media services. Public consultations on the draft law were launched in September 2023. Overall, positive steps were taken to strengthen the independence the regulatory body for electronic media (REM). However, the legislative process was not finalised fully in line with the EU *acquis* and European standards. Full alignment with the revised European Audiovisual and Media Services Directive within the required timeline is needed to ensure continued participation in the MEDIA and cross-sectoral strands of the Creative Europe programme.

The **Regulatory Authority for Electronic Media** (REM) fails to demonstrate its independence in a consistent manner and to exercise its mandate to the full in safeguarding media pluralism and professional standards, which is an essential element of the Audiovisual and Media Services Directive. In August 2022, following the allocation of the four media service licences for television broadcasting with national frequency to their previous holders, despite receiving warnings from REM for violating their legal obligations during the previous period, REM published a call for the allocation of a fifth license. However, the deadline as provided for in the published call has long passed and the fifth license has still not been awarded, with no credible justification given.

In May 2023, in the context of the tragic mass shootings, REM appeared before the Parliament's Committee for Culture and Information to present its report on media monitoring for the period October 2022 to March 2023, reflecting also on the topic of violence in media. REM concluded that all of the media, except one, overall met the provisions set out in the Law on electronic media. During the reporting period, several TV channels with national frequencies, including TV Pink and Happy TV, fell short of their own commitments and obligations on programming for children, culture and education, based on which they had obtained a (renewed) national frequency. In May 2023, REM awarded cable and IPTV licence to the publisher of a print tabloid, which frequently breaches the ethical code of conduct, according to the Press Council. In June 2023, one member of the REM Council resigned due to disagreements with the work and conduct of the regulator.

The Law on **public broadcasters** is yet to be amended, as required by the media strategy. Radio Television Serbia (RTS) was again not included in state budget funding for 2022, in line with the media strategy, while Radio Television Vojvodina (RTV) received state budget support, enabled through the amended Law on temporary financing of public media services. The position of RTV managing director was filled in October 2023 following a lengthy appointment process. Some RTS employees held a strike demanding better employment conditions, while the president of the management board filed a criminal complaint against the director and another editor, under suspicion of fraud.

On **media literacy**, Serbia organised and participated in a number of activities as part of the media strategy, including workshops for public administration institutions, as well as producing guidelines for the business community.

Chapter 16: Taxation

EU rules on taxation cover value-added tax, excise duties and aspects of corporate taxation. They also cover cooperation between tax administrations, including the exchange of information to prevent tax evasion.

Serbia is **moderately prepared** in the area of taxation. **Limited progress** was made with further activities in the implementation of the Tax Administration transformation programme and developments in the areas of e-fiscalisation, e-invoicing and excises. Last year's recommendations remain valid.

In the coming year, Serbia should in particular:

- continue with the implementation of the Tax Administration transformation programme, notably procuring and starting the implementation of an integrated information system to support the Tax Administration's new business model, and increase its human resources; and
- further align with the EU *acquis* in the areas of VAT, excise duties and direct taxation.

In the area of **indirect taxation**, in December 2022, the Law on fiscalisation was amended. This aims at modernising the process of **VAT** collection and increasing the efficiency of the control and fight against the informal economy, to ensure better implementation and alignment with the wider legal framework. Amendments to the Law on tax procedure and tax administration harmonised the laws with the provisions of the Law on personal income tax, the Law on fiscalisation and the provisions of the Criminal Procedure Code, combatting tax evasion. Amendments to the Law on VAT harmonised processes with the Law on fiscalisation and the Law on electronic invoicing. The Law on electronic invoicing was extended and became mandatory for all business-to-business transactions in January 2023. **Excise duties** on alcohol and tobacco remain under the EU minima, though the latter is updated twice a year.

Unlike in the EU, Serbia's excise duty on energy does not apply to gas, oil, coke or coal. The Law on excise duties has yet to be fully aligned with the EU *acquis*. In September 2023, Serbia adopted a law amending the Law on excise duties to update the rates and include natural gas in its scope. An effective system to control and monitor the movement of excisable products is not yet fully in place.

With regard to **direct taxation**, in December 2022, amendments were adopted to the Law on personal income tax, the Law on contributions for compulsory social insurance and the Law on corporate income tax. Financial intermediaries are required to report to the Tax Administration regarding recipients of savings income. The changes aim to further improve the business environment and to reduce the informal economy. Business associations continue to emphasise the need for further improving processes for public consultations, including on specific fiscal secondary legislation. Parafiscal charges remain numerous, high and non-transparent, lack rationalisation and thus undermine the predictability and stability of Serbia's tax system.

Regarding **administrative cooperation and mutual assistance**, Serbia has double taxation agreements with 26 EU Member States (no agreement with Portugal). Serbia remains committed to apply OECD base erosion and profit shifting minimum standards. While it has signed the Convention on Mutual Administrative Assistance in Tax Matters, Serbia has not yet committed to automatically exchange financial account information based on the OECD Global Standard, although it has chosen to do so on a bilateral basis with one third country.

Efforts to improve **operational capacity and computerisation** of the Tax Administration and to fight tax evasion, notably on VAT and excise duties, resulted in better tax collection. This included the continuation of efforts to improve business processes, improved risk assessment practices, and better capacity-building for existing staff. The Tax Administration still lacks administrative capacity and adequate staffing. However, three public competitions were organised and a total of 77 employees were recruited in 2022. Given the high number of retirees and competitive pressure from the private sector, recruiting and retaining qualified staff remains an important issue. The Tax Administration transformation programme for the period 2021-2025 is being implemented, with the adoption of a change management plan and a general business model for the Tax Administration (including improving its IT systems and infrastructure), as well as a range of other activities. Further efforts are needed to improve the predictability and consistency of tax decisions and to provide timely, high-quality services to taxpayers. Appeal procedures against Tax Administration decisions remain lengthy.

Chapter 17: Economic and monetary policy

EU rules require the independence of central banks and prohibit them from directly financing the public sector. Member States coordinate their economic policies and are subject to fiscal, economic and financial surveillance.

Serbia is **in between a moderate and a good level of preparation** in the area of economic and monetary policy. **Some progress** was made on last year's recommendations with the adoption of a new set of fiscal rules to anchor fiscal policy.

In the coming year, Serbia should in particular:

- further align the legislation on the National Bank of Serbia (NBS) with the EU *acquis* to ensure its full independence;
- further align the budget system law with Directive 85/2011 in the field of macroeconomic and fiscal projections, a three-year expenditure perspective, transparency, and accounting and statistical reporting;
- increase the level of transparency for capital transfers and guarantees to state-owned enterprises in the State budget.

On **monetary policy**, the legal framework for the NBS is well developed. Under applicable law, price stability is the NBS's principal objective, fully in line with the primary objective of the European System of Central Banks. Serbia's legislation does not contain provisions that can be regarded as establishing privileged access of the public sector to financial institutions. However, further amendments to the Law on the NBS and the Law on public property are required in order to ensure the full functional, institutional, personal and financial independence of the NBS and the prohibition of monetary financing, in line with the EU *acquis*.

Regarding **economic policy**, further alignment with the Directive on Requirements for budgetary frameworks is needed through amendments to the Law on the budget system regarding macroeconomic and fiscal projections, a three-year expenditure perspective, transparency, and accounting and statistical reporting. The implementation of the budget process remained broadly unchanged as the 2023 budget was adopted in line with the budget calendar. However, the parliamentary debate on the draft budget was called under urgent procedure, having a negative impact on the quality of the debate (*see also Public financial management under the political criteria*). In addition, amending budgets were adopted in November 2022 and September 2023, both under urgent procedure. Moreover, neither the amending budget nor the 2023 budget provided an adequate level of transparency regarding the breakdown of capital transfers and guarantees to state-owned enterprises. The government continued to frequently introduce *ad-hoc* measures with an additional fiscal impact not included in the regular budgetary planning framework, such as extraordinary pension and wage increases and one-off payments to certain categories of the population.

The alignment of fiscal reporting with the European system of national and regional accounts (ESA 2010) continued to improve but has yet to be completed. Programme budgeting needs to be strengthened and administrative and IT capacity bolstered. In December 2022, Serbia adopted a new system of fiscal rules through amendments to the Law on the budget system. The revised law defines a general government deficit ceiling as a share in GDP, includes a cap on the public wage bill at 10% of GDP, and has a modified rule for pension indexation. However, in June 2023, the government announced an extraordinary pension increase in September 2023 outside the new rule for pension indexation which seriously affects the credibility of the new pension indexation mechanism. While the deficit correction enforcement mechanism may need to be further strengthened, the new deficit rule can be considered reasonably credible and binding. The deficit rules is expected to effectively enter into force in 2025, as deficit targets for 2023 and 2024 have been defined under Serbia's Stand-by Arrangement with the International Monetary Fund agreed in December 2022. The Fiscal Council is an independent institution, which continued to provide independent fiscal

assessments and recommendations and to actively participate in debates on economic and fiscal policy.

The 2023-2025 **Economic Reform Programme** (ERP) was submitted on time. As in previous years, its analytical diagnostics were solid. The ERP is broadly aligned with the reform priorities identified by the Commission and its structural reform part remains largely unchanged from the previous year, reflecting delays in implementation. The ERP still fails to effectively address underlying structural weaknesses in the rule of law, which continue to negatively impact the business environment. The macroeconomic and fiscal frameworks are sufficiently comprehensive and integrated with the overall policy objectives, providing an adequate basis for policy discussions.

Chapter 19: Social policy and employment

EU rules in the social field include minimum standards for labour law, equality, health and safety at work and non-discrimination. They also promote social inclusion and social protection, and social dialogue at EU level.

Serbia is **moderately prepared** in the area of social policy and employment. Serbia made **some progress** on last year's recommendations by adopting a new law on health and safety at work. The new law is partially aligned with the EU *acquis*. However, a Youth Guarantee coordinator was lacking for part of the reporting period and the Youth Guarantee implementation plan was not yet adopted. Budget allocations for active labour market policies (ALMP) as a percentage of GDP did not increase in 2023. The drafting of a new labour law has yet to be initiated. There was no measure to increase the coverage and adequacy of benefits for individuals and families under the financial social assistance scheme, which aims to reduce poverty.

Most of last year's recommendations have not yet been implemented and remain valid. In the coming period, Serbia should in particular:

- conduct a functional review of ALMP and of the workload of National Employment Service advisers to ensure adequate financial and institutional resources for employment and social policies and target more systematically the young, women and long-term unemployed, and start piloting the Youth Guarantee in Serbia;
- initiate consultations on a new labour law, including provisions on foreign seconded workers in line with the EU *acquis*, and avoid further delays in implementing the action plan for Chapter 19;
- improve the coverage and adequacy of social benefits for people below the poverty threshold, including financial social assistance and child allowance, and address the issue of the high caseload of social welfare centres.

In the field of **labour law**, the 2014 law remains only partially aligned with the EU *acquis* and the drafting of a new law has yet to be initiated. The proportion of undeclared work was stable (13.2% in 2021; 13.6% in 2022). There are currently 230 labour inspectors. The recruitment of additional labour inspectors to reach the target of 360 inspectors by Q4 2020, in line with the Chapter 19 action plan, is delayed and postponed to Q4 2025. In 2022, 16 cases of child labour were identified by labour inspectors, down from 39 in 2021. According to the latest child labour survey (2021 data) from the International Labour Organization (ILO), the child labour prevalence rate stands at 9.5% for 5–17-year-olds and 9.3% for 5–14-year-olds. Boys (11.7%) are more likely to be involved in child labour and in hazardous work than girls (7.2%), and most child labour is found in agriculture. Most children report to be involved in child labour to contribute to family income, to acquire skills or to help in family business. Serbia needs to

address the recommendations of the Council of Europe Group of Experts on Action against Trafficking in Human Beings (GRETA) who urged the authorities, in its report published in June 2023, ‘to intensify their efforts to prevent and combat trafficking for the purpose of labour exploitation, including by strengthening the capacity of labour inspectors, proactively and thoroughly investigating allegations of trafficking for labour exploitation involving foreign workers’. The law on inspection oversight does not comply with the relevant ILO conventions that were ratified by Serbia, notably to ensure that labour inspectors are empowered to enter workplaces freely and without giving notice.

In the area of **health and safety at work**, a new law adopted in April 2023 is partially aligned with the EU *acquis*. The number of workplace fatalities decreased slightly in 2022 (56 casualties, down from 61 in 2021), with most cases occurring in the construction industry.

Social dialogue remains weak, in particular regarding the involvement of social partners in policy developments relevant to them. A new law on the right to strike has yet to be adopted; the current law of 1996 is not in line with international standards. Serbia still needs to adjust the legal framework and strengthen the capacity of social partners to foster collective bargaining. Sectoral collective agreements are typical in the public sector, with 12 currently concluded agreements. However, hardly any have been concluded in the private sector, with only two sectoral collective agreements. The minimum hourly wage was increased by 14.3% in January 2023 by means of a government decision, as consensus could not be reached within Serbia’s Economic and Social Council. The latter needs to be consulted in due time on new policy initiatives and draft laws in order to be able to fulfil its statutory role.

On **employment policy**, the employment rate (20-64-year-olds) rose from 66.7% in 2021 to 69.3% in 2022. Youth unemployment (15-24-year-olds) decreased from 26.4% in 2021 to 24.4% in 2022 but remains high. The share of young people not in employment, education or training (NEET 15-29-year-olds) also decreased from 18.8% in 2021 to 15.1% in 2022. The introduction of the Youth Guarantee in Serbia aims to address youth unemployment, support labour market integration and ensure that no young person is left behind. A Youth Guarantee coordinator was lacking for part of the reporting period and the Youth Guarantee implementation plan was not yet adopted. Serbia continued to implement the My First Salary programme, which aims at activating young people without prior work experience. The two previous cycles of this programme covered over 17 000 young people and the new cycle reached over 9 000 people in 2022, a majority of whom had secondary education (76%). Since the entry into force of the law on social entrepreneurship, the Council for Social Entrepreneurship has met on a regular basis. As of June 2023, 11 social enterprises had registered. Budget allocations for active labour market policies did not increase in 2023 and continued to be far too low to cover the number of jobseekers, with spending around 0.1% of GDP. As a result, only 23.5% of the registered unemployed benefitted from active labour market policies in 2022 and fewer than 5% overall had access to subsidised activation measures. Workers from across the occupational spectrum continued to emigrate, contributing to, among other factors, a 1.3% decrease in working age population in 2022. Serbia continued to implement the 2021-2027 economic migration strategy to encourage the return of expatriated workers and attract foreign experts. According to the data of the National Employment Service, the largest workforce deficits are in the fields of economy, law and administration, trade, catering and tourism, geodesy and construction, mechanical engineering, and metal processing.

There were no developments as regards preparations for the **European Social Fund** (*see also Chapter 22 - Regional policy and coordination of structural instruments*).

In the area of **social inclusion and social protection**, in 2022, according to the latest survey on income and living conditions (SILC), the at-risk-of-poverty or social exclusion rate was

28.4% (EU-27 21.7%). As in previous years, there is more poverty in rural than in urban areas. The at-risk-of-poverty rate shows that individuals aged 18-24 were the most exposed to this risk (27.7%), and individuals aged 65 and over (22.7%). The at-risk-of-poverty-rate for children (0-17) was 20.8% in 2021. Only 2.7% of the population were covered by financial social assistance (FSA) benefits. Serbia adopted a support package to help vulnerable families and businesses cope with the energy crisis. However, there was no measure to increase the coverage and adequacy of FSA benefits for individuals and families to reduce poverty. Monthly financial social assistance for three-member households was RSD 15 806 (about EUR 136) while the minimal average basket and at-risk-of-poverty threshold were RSD 39 623 (EUR 337) and RSD 43 315 (EUR 368) respectively. Therefore, the benefit accounted for around 40% of the minimal basket and was far below the at-risk-of-poverty threshold of 60% of the median income. Public expenditure on social protection and budget transfers as a share of GDP have been gradually decreasing in recent years. In 2022, out of total public expenditure of 46.8% of GDP (47.4% in 2021), social transfers accounted for 13.0% of GDP (13.6% in 2021), of which pensions accounted for 9.0% of GDP (9.7% in 2021). Furthermore, the number of beneficiaries of poverty-targeted programmes decreased while those of categorical programmes increased. According to the authorities' ex post analysis of the first year of functioning of the social card register, in use since April 2022, this register has helped social welfare staff identify both 'errors of inclusion' and 'errors of exclusion' in individuals' eligibility to social assistance benefits. However, CSOs raised concerns on the risks of Roma and other vulnerable individuals – such as individuals performing seasonal or part-time work - being unduly excluded from the benefits if their specific circumstances, in addition to the data automatically processed by the social card register, are not sufficiently assessed by social welfare staff prior to a decision being made. In addition, it could be challenging for these vulnerable individuals to exercise their right to appeal an exclusion decision.

A new strategy for social protection and amendments to the law on social welfare are still pending. The quality and coverage of social services need to improve, and oversight and regulatory mechanisms, monitoring and evaluation need to be strengthened. Means-tested social assistance programmes, with strict eligibility criteria, do not sufficiently reach the poor. There are significant regional variations in coverage, and a large share of children living in poverty are not covered by any benefit. The capacities of the social protection system were slightly increased by recruiting 230 new staff in 2022; however, according to the estimate of authorities, an additional 700-1 000 staff are lacking. The system of earmarked transfers to the local level, introduced in 2016 by the Law on social welfare, is still not implemented systematically and transparently.

In the area of **deinstitutionalisation**; an action plan and funding, to accompany the strategy adopted in January 2022, is significantly overdue. In the field of **non-discrimination in employment and social policy**, most complaints received by Serbia's Commissioner for Equality are still related to the area of employment. Measures aimed at promoting the employment of Roma have yet to deliver results (*see also Chapter 23 – Judiciary and fundamental rights*).

In the area of **equal opportunities for women and men in employment and social policy**, the position of women on the labour market in Serbia remains unfavourable in comparison with the position of men. The employment rate for men (20-64-year-olds) and their activity rate are both 13.9 percentage points higher than those for women. The gender pay gap is 8.8% in Serbia. A pay gap also exists in modern occupations, such as the ICT field where the gap is even higher at 9.1%. The economic analysis of the monetary value of unpaid care work shows that its contribution to the national GDP is about 21.5%. Only 25% of women in Serbia are real estate

owners. Although the legislation grants both maternity and paternity leaves, gender-based stereotypical preconceptions persist about childcare and household work being a woman's responsibility. Women worked 2.5 hours more per day than men on care work for children and older people. This is one of the largest gaps in the field of time (16.2 points) between the EU-27 and Serbia in the 2021 gender equality index. The legislation is not fully aligned with the EU *acquis* with regards to maternity, paternity and parental leave rights. This includes further defining these rights in Serbian legislation in line with their definitions and purpose in the EU *acquis*. The lack of state services for childcare in rural areas also increases the amount of unpaid household work for women.

Chapter 20: Enterprise and industrial policy

EU industrial policy strengthens competitiveness, facilitates structural change and encourages a business-friendly environment that stimulates small and medium-sized enterprises (SMEs).

Serbia is **moderately prepared** on enterprise and industrial policy. **Limited progress** was made with the adoption of a new law on the governance of state-owned enterprises.

Last year's recommendations nonetheless remain largely valid.

In the coming year, Serbia should in particular:

- further improve the predictability of the business environment, with the emphasis on ensuring direct involvement of businesses in the process of regulation;
- adopt a new action plan for the implementation of the industrial strategy; and
- reallocate budgetary resources for foreign direct investment incentives to financial and technical support to SMEs.

With regard to **industrial policy**, Serbia has been implementing the strategy for industrial development 2021-2030, together with the related action plan for 2021-2023. Serbia has yet to adopt its annual report on the implementation of the industrial strategy covering 2022. The conclusions of this report should feed into Serbia's new action plan for the subsequent period. The action plan should also take into account new circumstances relevant to industry, for example the EU Carbon Border Adjustment Mechanism and ensure a solid system of evaluation indicators and benchmarks to support the strategy's implementation.

On **enterprise policy**, Serbia adopted in October 2023 a new strategy and action plan to support the development of SMEs, entrepreneurship and competitiveness, replacing the strategy for 2015-2020. Serbia should initiate its implementation in line with the related action plan. Serbia's legislation is largely aligned with the EU *acquis* on combatting late payments in commercial transactions. However, work needs to continue towards full alignment, as Serbia is still to align its rules on payments, indemnity interest rates, expedited recovery procedures and compensation with the EU Directive in this area. In September 2023, Serbia adopted a new Law on the management of companies owned by the Republic of Serbia, as part of the implementation of the strategy on state ownership and management of business entities owned by the Republic of Serbia. Progress on governance reform and the restructuring of industrial state-owned enterprises is lagging. The privatisation of Petrohemija was finalised in June 2023. Two companies were dissolved, bringing the number of companies in the privatisation portfolio down from 62 in June 2021 to 60 in June 2023 (*see also The existence of a functioning market economy*).

Businesses in Serbia continue to identify corruption and issues in the upholding of rule of law as key obstacles to **investment** and economic development. Serbia should continue to increase predictability in the business and administrative environment, in particular for SMEs.

Performance measurement for policymaking activities should be developed, and more emphasis should be put on implementing the ‘think small first’ principle. The regulatory impact assessment with the SME test needs to be systematically carried out when drafting laws and implementing legislation. Implementation of the multiannual administrative reform is ongoing, which aims to optimise and improve the transparency of all administrative procedures. The digital e-consultation portal for public participation in legislative processes is increasingly used. However, considerable scope remains to mainstream its use among public institutions, particularly at the local level. Continued and effective communication on this tool is crucial to ensure that businesses are properly consulted and informed about regulatory changes in a timely manner.

On **enterprise and industrial instruments**, Serbia continues to use budgetary subsidies for newly created jobs as an incentive for foreign direct investments. This approach is not consistent with its industrial policy goal of privileging value added over labour cost, and with the continued need to better integrate SMEs into domestic and international supply chains. The budget for SME measures is growing but remains modest compared to the amounts of State aid and tailor-made services offered to large investors. The lack of specialised support and advisory services for businesses limits the possibilities of domestic companies to modernise and qualify as suppliers to multinational enterprises. Favourable loans and guarantees for SMEs are provided by the Ministry of Economy and the Development Fund through joint programmes with commercial banks. These programmes provide financial support for the purchase of equipment, financial support to start-ups, and financial support for development projects. Nevertheless, access to finance by start-ups remains an impediment to their growth. On 21 September, Serbia signed the association agreement on its participation in the Single Market Programme.

In **sectoral policies**, current support for investment continues to prioritise manufacturing.

Chapter 25: Science and research

The EU provides significant support to research and innovation. All Member States can participate in the EU’s research and innovation programmes and benefit from them, especially where there is scientific excellence and solid investment in research and innovation.

Serbia is at a **good level of preparation** in the area of science and research. **Limited progress** was made with an increase in efforts to support cooperation between businesses and academia. The national level of investment in research remains low. Last year’s recommendations remain valid.

In the coming year, Serbia should in particular:

- increase its national funding for research and innovation;
- align with the European Research Infrastructure Consortium Regulation; and
- follow up on the actions of the new European Research Area.

On **research and innovation policy**, the main priorities of the European Research Area are implemented through the 2021-2025 strategy for development of a start-up ecosystem and its action plan for 2021-2023. Measures introduced to increase the number of start-ups and opportunities for private investors, technology transfer and economic growth include improvement of tax laws for start-ups and creation of a start-up portal aimed at facilitating

business and providing access to potential investors and funds. With the implementation of the Law on innovation activity, the register of subjects of the national innovation system is now managed under the Innovation Fund. This enables companies to register easily and obtain better access to funding sources. The Science Fund is fully operational as a funding mechanism.

The national level of investment in research remains low at 0.99% of GDP in 2021 (0.91% in 2020), with only one third of this amount coming from the private sector. Serbia should continue to integrate into the new European Research Area in accordance with its plan to increase investment into research and innovation by 50% over the next five years. Serbia has a smart specialisation strategy in place for the period of 2020-2027. However, it needs to adopt and implement the related action plan for 2023-2025.

Regarding EU **framework programmes** and international cooperation, Serbia has been successfully participating in Horizon Europe, EUREKA and the European Cooperation in Science and Technology (COST). In February 2023, Serbia completed the national ratification process of the Horizon Europe Association Agreement. With support from Horizon 2020, a new building of the BioSense Institute was opened to serve as a regional centre of excellence in the field of nanotechnologies, biosensors and digital agriculture.

Regarding innovation measures, the Serbian Innovation Fund and the science and technology parks continue to be active with increasing financial contributions. The Innovation Fund's Katapult Accelerator for start-ups currently supports 39 companies. Further integration into the new European Innovation Agenda and activities of the European Innovation Council is strongly encouraged.

Serbia is an emerging innovator in the European innovation scoreboard. However, private sector research and innovation expenditure remains too low. While public support for cooperation between businesses and academia has improved, further efforts are needed.

Chapter 26: Education and culture

The EU supports cooperation in education and culture through funding programmes and the coordination of Member State policies through the 'open method of coordination'. The EU and the Member States must also prevent discrimination and ensure quality education for children of migrant workers, including those from disadvantaged backgrounds.

Serbia is at a **good level of preparation** in the area of education and culture. **Some progress** was made on implementing last year's recommendations, by consolidating the national qualifications framework (NQF) system and taking some steps to ensure compliance of the quality assurance system in higher education with the recommendations of the European Association for Quality Assurance in Higher Education (ENQA), and by amending a number of laws in the field of education. Last year's recommendations remain largely valid.

In the coming year, Serbia should in particular:

- increase participation in early childhood education and care, in particular of children from disadvantaged backgrounds;
- continue with the operationalisation of the NQF system, with additional focus on the quality and scope of non-formal education, as well as higher education; and
- ensure full compliance of the policy and institutional framework for quality assurance in higher education with the recommendations of the ENQA.

In the area of **education and training**, Serbia has yet to adopt a new action plan for 2024-2026 on the implementation of the 2030 education strategy. In September 2023, Serbia adopted

amendments to three framework laws in the area of education: the Law on the national qualifications framework, the Law on secondary education, and the Law on higher education. Amendments to the Law on educational inspection were also adopted.

The level of spending on education in Serbia was 3.3 % of GDP in 2021, below the EU average of 5 %. The student population has continued to decrease due to negative demographic trends and emigration. Enrolment and completion rates in pre-university education remained high, whereas enrolment in secondary education lagged behind that of primary education. The coverage of children with preschool education slightly increased in 2021 to 65.5 %, down from 63.7 % in 2020. The enrolment rate in mandatory preschool education remained stable at 97.3 % in 2022 as compared to 97.8% in 2021. Further efforts are needed to achieve equitable preschool education for the most disadvantaged children, by strengthening governance and expanding the scope and quality of infrastructure and services. In 2022, the rate of early school leavers decreased to 5 %, down from 6.3 % in 2021, while lifelong learning participation in 2022 dropped further to 3 %, down from 4.8 % in 2021.

The digital transformation of the education system continued, including in developing infrastructure and teacher digital competencies. In higher education, ICT programmes exist in 51 institutions that in total result in 1 000 graduates from these programmes annually. The pre-university level curricula includes to mandatory subject to develop digital skills and competencies, including computer science. However, while the development of the education management information system has progressed, it requires further consolidation, including capacity-building of staff to use data for policymaking and monitoring purposes. Serbia has yet to incorporate green and environmental topics into its curricula. Work to reform the general secondary education curriculum continued with the completion of the fourth year of elective programmes, including for classes with a stronger focus on specific fields. No significant change took place as regards the low take-up of vocational education and training (VET). Serbia should continue modernising and streamlining qualifications standards to improve VET relevance and further develop the national work-based learning model for VET. The share of recent graduates from VET benefitting from exposure to work-based learning during their vocational education and training was 17.1 % in 2022. The number of secondary VET graduates who entered higher education dropped slightly in 2022 to 73.8 % (85.5 % boys, 64.9 % girls) , down from 75 % in 2021. The employment rate of VET graduates (aged 20-34) remained low at 66.6 % in 2022 (58.4 % girls, 72.9 % boys). Regional training centres for training, reskilling and upskilling in the context of lifelong learning have started to be set up. However they are yet to become operational and capacities need to be strengthened. In November 2022, Serbia established an Office for Dual Education and a National Qualifications Framework tasked with coordinating and monitoring policies. Serbia remains committed to the Osnabruck Declaration on VET as an enabler of recovery and just transitions to digital and green economies.

Concrete operational steps are still pending to strengthen the policy and institutional framework for quality assurance in higher education, in line with the recommendations of the European Association for Quality Assurance in Higher Education (ENQA) on better governance and quality assurance principles. The Serbian national accreditation body has yet to apply for renewed membership of ENQA, following its suspension in early 2020. The attainment of tertiary level qualifications for persons aged 25-34 (ISCED levels 5-8) slightly decreased to 33.4% in 2022, down from 33.9 % in 2021, remaining significantly below the 2030 EU target of 45%. The sector, higher education in particular, remains vulnerable to corruption.

The institutional set-up under the NQF should be further strengthened. There is a slow increase in the number of developed qualification standards in secondary VET. Higher education is yet

to see the development of qualification standards and the way it will link with quality assurance procedures in higher education. In order to have a meaningful impact on students' skills development, and in order to address the continued broad skills mismatch on the labour market, this must be followed by the development of modernised curricula, teacher training and delivery in classrooms. The lack of opportunities for reskilling and upskilling in Serbia is a key obstacle to higher youth and adult employment and activity rates. The introduction of the validation system of non-formal and informal learning is progressing slowly and is yet to be scaled up systematically. Efforts to create a more favourable environment for standardising and expanding career guidance and counselling services should be intensified.

Progress was made in increasing the participation of disadvantaged students at all levels of education. The implementation of measures to reduce drop-out rates and segregation needs to be strengthened, especially at local level. The set-up of assistive technology resource centres needs to become functional to provide relevant additional support services for inclusive education. It is necessary to remove obstacles to the engagement of teaching assistants for children with disabilities as a new service in the education system. As required by Serbia's Law on gender equality, efforts should be intensified to develop teaching materials and empower teachers to build student competencies related to gender equality, health, reproductive health, mental health, sex education, and prevention of, and response to, all forms of gender-based violence, including sexual abuse. Serbia needs to make further efforts, including through legislative amendments, to strengthen local mechanisms for prevention of, and protection against, violence and discrimination. In the education system, there is also a need to address the many underlying factors contributing to the criminal behaviour of children, including mental health issues, traumatic experiences, or the availability of specific services for vulnerable children, including the availability of services for mental health issues.

Serbia continued to participate in several international assessments, by conducting a Trends in International Mathematics and Science Study (TIMSS) and an International Computer and Information Literacy Study (ICILS) in 2023, as well as piloting a Teaching and Learning International Survey (TALIS). The introduction of final examinations in secondary education has been postponed for the 2025-2026 school year. The institutional, financial and logistical preparations for its introduction should be accelerated and the reform should be timely communicated to stakeholders.

In 2022, Serbia continued its participation in the Erasmus+ programme as an associated country for the period 2021-2027. Overall, Serbian institutions are participating in almost 800 projects (decentralised actions) with 430 Serbian organisations involved. In addition, Serbia participated in various initiatives such as the Erasmus Days and the European Youth Week. Serbia is successfully implementing the new cycle of the Erasmus+ programme, including the new DiscoverEU component, and the first call for proposals for mobility projects in the field of sport. Serbia is participating in the European Education Area working groups 2021-2025.

In the area of **culture**, Serbia's cultural policy is implemented under the 'Strategic priorities for the development of culture of the Republic of Serbia from 2021 to 2025'.

Serbia has yet to adopt a Strategy of Cultural Development of the Republic of Serbia, pursuant to Article 19 of the Law on culture and in accordance with the guidelines of the Secretariat for Public Policies.

Serbia is implementing measures under the UNESCO Convention on the protection and promotion of the diversity of cultural expressions and is also member of the Convention's Intergovernmental Committee.

In April 2023, the watermills of Bistrica in Petrovac na Mlavi were listed as one of the top seven most endangered cultural heritage sites in Europe for 2023.

Serbia actively participates in the Creative Europe programme. Serbia's Creative Europe Desk successfully implements activities, in line with the 2022-2024 action plan, through providing information and advisory assistance to the institutions and organisations that plan to apply for funds across Serbia. In June 2023, the Ministry of Culture notified the European Commission of the immediate replacement of the Head of the Creative Europe Desk for Serbia.

In December 2022, Novi Sad completed its activities under the European Capital of Culture (ECOC) programme, which included the restoration of five landmark cultural heritage sites. As a follow-up exercise, the Serbian Ministry of Culture launched the 'National Capital of Culture', which will last for 4 years. It aims at decentralising the cultural offer and instigating local cultural development, and mainstreaming culture in local strategic development programmes. The project has identified the city of Čačak as the national capital of culture in 2023.

In February 2023, Serbia adopted a youth strategy to 2030 and in July an action plan on its implementation until 2025. Serbia has yet to adopt the delayed action plan for the implementation of the youth guarantee mechanism. The national youth council was revived and involves youth representatives that advocate for the rights of the young generation in Serbia. However, despite increased efforts, youth policy and support mechanisms remain unevenly developed at local level. The revision and/or preparation of local youth action plans in line with the provisions of the planning system law should be accelerated. The trend of emigrating young and skilled people continued. Unemployment and inactivity rates among young people remain high.

Serbia actively participates in the Erasmus+ for sport programme.

Chapter 29: Customs union

All Member States are part of the EU customs union and follow the same customs rules and procedures. This requires legislative alignment as well as adequate implementing and enforcement capacity, and access to the common computerised customs systems.

Serbia has a **good level of preparation** in the area of customs union. **Limited progress** was made with the adoption of further amendments to existing legislation aimed at further alignment with the EU *acquis*. No progress was made on last year's recommendations, which therefore remain valid.

In the coming year, Serbia should in particular:

- further upgrade the customs processing system by integrating risk management; and
- further develop the national customs IT system to enable integration with the EU systems.

Serbia's **customs legislation** remains largely aligned with the EU *acquis*. In December 2022, Serbia adopted amendments to the customs law and to two regulations, one on customs procedures and customs formalities, and one on customs enforcement of intellectual property rights. These amendments aim at further alignment with the relevant *acquis*. Serbia is a party to the Common Transit Convention, applying EU rules on transit movements. Serbia should play a constructive role under this Convention. Rules on customs enforcement of intellectual property rights remain broadly in line with the EU *acquis*. The Regional Convention on pan-Euro-Mediterranean (PEM) preferential rules of origin is applied in Serbia. Serbia's customs tariff nomenclature for 2023 was harmonised with the EU combined nomenclature in

November 2022. During the reporting period, Serbia issued 11 new certificates for authorized economic operators, bringing the total number to 51.

Legislation on free zones and security aspects still needs to be aligned with the EU *acquis*. Fees are still charged at some border-crossing points on lorries entering customs terminals to discharge customs obligations, which is not in line with Serbia's SAA obligations.

For **administrative and operational capacity**, total customs and **value added tax** revenues collected by the customs administration in 2022 increased by 19% year-on-year.

Work is still ongoing on strengthening the risk management system. Serbia should consistently carry out pre-arrival/pre-departure risk-based analysis, in line with the EU Customs Code. The customs laboratory remain under-equipped.

In terms of the fight against tobacco smuggling, Serbia has been a party to the Protocol to Eliminate Illicit Trade in Tobacco Products since 2017. However, Serbia should continue to strengthen its work, in particular efforts to establish a track and trace system of tobacco products, as provided for by the Protocol. Furthermore, the administrative capacity for the control of illicit tobacco trade is still insufficient.

Furthermore, Serbia agreed in April 2022 to accept requests for assistance from EU Member States and OLAF under Protocol 6 of the SAA on mutual administrative assistance in customs matters in order to investigate suspected cases of circumvention via its territory and/or by legal entities registered in Serbia of EU sanctions introduced in the context of Russia's war of aggression against Ukraine. This allows EU customs authorities to, where appropriate, seek assistance from the Serbian customs authority to investigate EU import or export transactions that may have breached any of the EU sanctions packages (*see also Chapter 30 on external relations, and Chapter 31 on the common foreign and security policy*).

CLUSTER 4: THE GREEN AGENDA AND SUSTAINABLE CONNECTIVITY

This cluster covers four chapters: 14 (Transport policy), 15 (Energy), 21 (Trans-European networks) and 27 (Environment and climate change). The cluster and all chapters were opened in December 2021, after Serbia had fulfilled the remaining requirements, namely an action plan on oil stocks and an action plan on gas unbundling. This cluster is at the heart of the Green Agenda for the Western Balkans and closely linked to Serbia's Economic Reform Programme and the Commission's Economic and Investment Plan.

Some progress was achieved particularly on trans-European networks, where Serbia advanced on upgrading its infrastructure, with works progressing on the Serbia-Bulgaria gas interconnector, and on climate change with the adoption of the Low Carbon Development Strategy 2023-2030. In the coming period, Serbia is invited to focus on the following areas: improve investment prioritisation, planning and management across all areas; continue rail reform and improve the strategic transport framework in line with the EU's and the Western Balkans sustainable and smart mobility strategies; urgently implement its action plan on gas unbundling and further diversify gas routes and supplies to decrease dependence on Russia; adopt an ambitious national energy and climate plan (NECP) consistent with the European Green Deal's zero emission target for 2050 and step up efforts on implementing and enforcing environment and climate legislation, in particular on environmental impact assessment, waste management, air and water quality, transboundary cooperation and law enforcement by inspectorates.

Chapter 14: Transport

The EU has common rules for technical and safety standards, security, social standards, State aid and market liberalisation in road transport, railways, inland waterways, combined transport, aviation and maritime transport.

Serbia has a **good level of preparation** in this field. **Limited progress** was made with the amendments to the laws related to railways and accelerated preparation of the national transport strategy. Investments in railway infrastructure modernisation are getting closer to EU practices, as financing for works has been secured through blending EIB and EBRD loans with EU grant funds.

The recommendations from last year remain valid. In the coming year, Serbia, should in particular:

- on rail reform: strengthen the railway safety system and certification processes, and implement a public service obligation contract and a multiannual infrastructure contract in an evidence-based manner;
- on the transport sector in general: accelerate the preparation of the strategic framework (finalise and adopt a national transport strategy, update the general transport master plan, adopt the strategic direction for intelligent transport systems) and implement it (adopt credible and costed rail and road maintenance plans, align and simplify road and rail border crossing procedures and improve road safety at national and local level, strengthen inspection services to progress on the social *acquis* in road transport, improve safety of transport systems and improve passenger rights in all modes of transport);
- on investment: prioritise investment that is relevant for Serbia's economic development and EU integration, in line with targets of the EU and Western Balkans sustainable and smart mobility strategy and the European Green Deal, base all investment decisions on feasibility studies conducted in accordance with EU best practices and apply transparent procurement procedures.

For the **general transport *acquis***, an update of Serbia's strategic framework remains overdue. Work on the new national transport strategy started in June 2022. Serbia needs to prioritise its finalisation and adoption in line with the agreed sustainable and smart mobility strategy targets. Strategic documents should be based on option analyses, consider regional aspects and be properly costed. For larger transport agglomerations, sustainable urban mobility plans that respect environmental and social standards should be developed following EU practice.

Serbia actively participates in the work of the Transport Community and moderate progress was made on implementation of the five TCT action plans. Serbia needs to demonstrate effective implementation of the Transport Community Treaty and the smart and sustainable mobility strategy.

Serbia's framework for future investment planning should be updated accordingly. Investments in transport infrastructure should be prioritised through a single mechanism, ranked according to relevance for Serbia's economic development and EU integration. Decisions need to be based on feasibility studies and technical designs in line with EU best practice. Procurement procedures need to follow EU standards, respect principles of equal treatment, open competition and transparency, and ensure best value for investment. Investment planning and the financial structuring of railway projects need to be improved. Agencies implementing transport investment projects need to have sufficient capacity and a clear mandate to perform and deliver.

Overall, administrative capacity in the road and rail sector continued to improve. However, it still needs further strengthening, including for the transport of dangerous goods, road safety, intelligent transport systems and rail, the railway regulatory body on technical specifications for interoperability, and the centre for investigation of rail accidents. Regarding public services, Serbia has a high level of alignment with the EU *acquis* on rail transport, but it is only partially aligned on road transport. Serbia is progressing slowly on implementing a methodology for track access charges and a new pricing model for access to railway infrastructure, the capacities should be further strengthened in respect to that.

On **road transport**, Serbia has a good level of alignment with the EU *acquis*. Alignment with EU legislation is still a priority on road charging, the social *acquis* in road transport, the weight and dimensions of vehicles and on access to the profession of road transport operator, to the international road haulage market and to the international market for coach and bus services. The new Law on road traffic safety has been pending for three years, inspection capacity remains insufficient and the number of road deaths in Serbia exceeds the EU average by more than 33%. However, Serbia has already implemented a number of measures from the TCT Road Safety Action Plan. This includes the collection of road safety KPIs, the alignment of national road safety data to the EU CADaS model and strengthened coordination among all relevant actors concerning the roads safety matter. A Road Safety Strategy for 2023-2030 has been drafted but needs to be adopted. In 2022, Serbia started issuing smart tachograph cards. Legislation on transport of dangerous goods is mostly aligned with the EU *acquis* and also covers transport of hazardous substances.

Improving the road maintenance system remains a priority. Work needs to accelerate on service level agreements, performance-based maintenance contracting, and road asset management. Responsibilities in road maintenance need to be further clarified and capacity increased. Serbia needs to address the issue of potentially discriminatory road charges against foreign operators and the country should decide on its strategic direction for implementing intelligent transport systems. Amendments to the Law on roads are pending.

On **rail transport**, investment in infrastructure increased and overall reform efforts also increased. Licensing requirements for design and construction of railway infrastructure projects, under the Law on planning and construction, delay project preparation and limit competition. In July 2023, the Law on Interoperability of the railway system and the Law on Railways were enacted by the Parliament. Serbia needs to continue its work on full alignment with the fourth EU railway package. The operational and financial sustainability of independent railway services and infrastructure operators remains on track. Serbia regularly updates its railway network statement, but it is not yet fully compliant with the EU *acquis* and the country's negotiating framework. Serbia made progress, with EU-funded technical assistance, on its deployment plan for the European railway traffic management system.

In 2023, 16 private freight companies operated on the market, two more than in the year before. However, to ensure full opening of the market, further efforts are required, including on train driver licences, safety certificates and mutual recognition of rolling stock. Serbia needs to continue improving its railway safety system, certification procedures, and its administrative capacity regarding training facilities and training programmes. Formal adoption of the provisionally published working versions of 11 technical specifications for interoperability has been pending for four years. Serbia needs to ensure that its railway infrastructure is built in line with these technical specifications and focus on improving human resource management in the railway field (development plans for all rail authorities should be incorporating technological, legal and administrative developments). Progress was made on strengthening the role and capacity of the Railway Directorate following amendments to the Law on railways.

Taking into account Serbia's geographical position as a landlocked country, legislation on **maritime transport** is well aligned with the EU *acquis*. Serbia should continue implementing international conventions.

Regarding **inland waterway transport**, Serbia continues to invest in its inland waterway infrastructure. Such investment needs to be done in line with environmental standards and the cost-effectiveness principle. Serbia's operational river information services system is highly interoperable with those of EU Member States. Serbia took steps to fulfil the preconditions for recognition of navigation certificates in the EU, in accordance with Directive (EU) 2017/2397. While Serbia continued improving its infrastructure for inland waterway transport services, it did not progress on the river ports network statement or on strengthening its administrative capacity.

Serbia has a good level of alignment with the EU *acquis* on **aviation**. During the reporting period, Serbia adopted several regulations on aerodrome certificates, rules of the air and provision of air traffic control, alerting and flight information services, conditions for performing air operations, and common basic standards on civil aviation security. Regarding aviation regulations, Serbia is close to fulfilling all obligations stipulated in the first transitional period of the European Common Aviation Area Agreement. However, Serbia still needs to further align its secondary legislation on State aid with the *acquis* and provide a solid track record in the implementation of laws on protection of competition and State aid control. In the domain of aviation safety, the European Union Aviation Safety Agency continues monitoring the implementation of EU safety standards.

On the Single European Sky, Serbia completed its alignment process. No progress was made regarding lifting the suspension of articles on the licensing of air carriers and the normalisation of the lower airspace regime over Kosovo, which remain important priorities. Serbia needs to apply Regulation (EC) No 1008/2008 on common rules for the operation of air services in the Community, as incorporated into the European Common Aviation Area Agreement.

There is no specific legislation on **combined transport**. Serbia regularly allocates budget funds to promote combined transport, but combined transport should be promoted in a more systemic and strategic manner. The construction of the first modern intermodal terminal in Belgrade was completed in November 2022 and is currently still in the defects notification period. Serbia needs to fulfil its obligations related to procurement of equipment and machinery needed for effective functioning of the intermodal terminal. The company for managing the terminal is yet to become operational.

Serbia should increase its efforts to align with EU legislation on **passenger rights** in all modes of transport.

Chapter 15: Energy

EU energy policy covers energy supply, infrastructure, the internal energy market, consumers, renewable energy, energy efficiency, nuclear energy, nuclear safety, radiation protection and nuclear safeguards.

Serbia is **moderately prepared** in energy. **Some progress** has been made with the drafting of the national energy and climate plan (NECP), adopting the law on energy laying the foundations for the gas unbundling, advancing the works on the gas interconnector between Serbia and Bulgaria, and opening the intraday electricity market. Last year's recommendations remain valid.

In the coming year, Serbia, should in particular:

- finalise and adopt the national energy and climate plan (NECP), in line with the Energy Community 2030 energy and climate targets, taking due account of recommendations issued by the Energy Community Secretariat, and energy sector development strategy, implement measures envisaged in the Roadmap for the EU Energy Support Package and the obligations from the Energy Community Treaty;
- implement overdue action plans, significantly accelerate implementation and finalise the unbundling of the gas system operators; certify Transportgas Srbija and Yugorosgaz and provide effective third-party access at all gas entry points; reduce vulnerability to Russian ownership of key energy assets; certify UGS Banatski Dvor in line with the Gas Storage Regulation;
- align with and implement the Electricity Integration Package adopted by the Energy Community Ministerial Council in December 2022; determine net transmission capacities and capacity allocation on all cross-border interconnections in the context of establishing an integrated electricity market.

The lack of gas market opening and third-party access to the gas network continue to hamper Serbia's security of supply. Works on the EU-funded gas interconnector between Serbia and Bulgaria have advanced. It is important to ensure that the interconnector becomes operational upon completion, without delay. Serbia subscribed to the joint regional gas purchase platform under the REPowerEU mechanism. Serbia's dependence on its single gas supplier Gazprom and Russian majority ownership of Serbia's gas infrastructure and oil industry continued. Serbia must take further steps to reduce this dependency on Russian fossil fuel. Serbia is encouraged to initiate the needed steps to align with the EU Gas Storage Regulation and comply with the obligation to certify gas storage operators by Q1 2024. In the second half of 2022, Electric Power Industry of Serbia (EPS) continued with high imports of electricity due to difficulties in coal production. The problems were partially offset by coal imports. Despite coal shortages which continued in 2023, due to mild winter conditions and winter rainfall, electricity imports ceased. Significant investments in new renewable capacities are needed in order to take forward the decarbonisation of the Serbian economy. In April 2023, EPS became a joint-stock company.

In December 2022, Serbia adopted a Roadmap for the EU Energy Support Package. The Roadmap envisages the finalisation of the unbundling of gas sector utilities only by Q4 2024, which constitutes a significant and regrettable delay in the commitment given to the EU and prolongs the long standing breach of the gas legislation. Serbia should take immediate and concrete steps to accelerate and implement its significantly delayed action plan on gas unbundling; this is a matter of credibility for Serbia in the accession negotiations. In July 2023, the amendments to the Energy Law allowing for the establishment of the Republic Commission for Energy Networks and thus starting the unbundling process were adopted by the parliament.

In December 2022, in line with the Roadmap, Serbia adopted a Decree on energy vulnerable customers. Work on the adoption of a Just Transition action plan is ongoing. It needs to be adopted by December 2023 in line with the Roadmap. The preparation of a plan to implement the Green Agenda is underway. The list of energy infrastructure and energy efficiency projects was adopted in July 2023 in line with the Roadmap.

Although Elektrosever received a supply license in June 2022, following the adoption of the Energy Roadmap as part of the EU-facilitated Dialogue, the conclusion of a commercial contract between the distribution company KEDS and Elektrosever remains pending. Following the separation of the Kosovo transmission system operator KOSTT from the Serbia control block, the Serbian electricity transmission system operator EMS did not determine net

transmission capacities and capacity allocation at the interconnection with Kosovo. Serbia did not make progress in setting up regionally coordinated auctions with its Western Balkan neighbours.

Serbia maintained a high level of alignment with the EU *acquis* on emergency oil stocks. Oil stocks continue to increase and corresponded to 35 days of average daily inland consumption in March 2023. In Smederevo, construction of four oil storage capacity units of 20 000 m³ continued and should be finalised by December 2023, allowing a further increase of oil stocks. A joint public-private partnership is planned to provide additional storage capacity.

Concerning the **internal energy market**, Serbia has to align with and implement Electricity Integration Package adopted at the Energy Community Ministerial Council in December 2022. Trading volumes on the organised day-ahead market decreased by 3% in 2022. An intraday electricity market was opened in July 2023. A balancing energy market is operational, but prices for balancing services are still regulated.

The unbundling of the electricity transmission system operator EMS is still not compliant with the Energy Community rules. The certification and unbundling of gas companies envisaged in Serbia's action plan for unbundling the gas sector continued to be delayed. There is no third-party access in line with the Energy Community rules to the gas system infrastructure of Transportgas Srbija, Gastrans and YugoRosGaz. The Balkan Stream pipeline section in Serbia is operational but there is no third-party access. Regarding the regulatory regime for this project, Serbia recognises the need for a tailor-made solution for the Gastrans company that will comply with EU legislation.

During the reporting period, several decrees were adopted regarding the electricity and gas network codes. Electricity and gas supply prices are deregulated for all customers, however, households and small customers have the right to be supplied under regulated prices. In 2022, the non-regulated market slightly increased and accounted for 51.2% of total end-user electricity consumption and 81.3% of total end-user gas consumption. Due to high electricity prices on the open market, the government introduced a price cap for the non-regulated market, i.e. industry. The regulated electricity price of universal supply to small customers and households is still significantly below the market price, which impedes competition. The International Monetary Fund stand-by arrangement agreed in December 2022 set targets for price increases in 2023. In line with this arrangement, Serbia's electricity and gas suppliers increased prices of electricity and gas in January and May 2023.

The Serbian energy agency is legally and functionally independent from any other public entity, but it has no legal enforcement power to ensure compliance of regulated companies. An increased staffing level is necessary to allow the agency to implement all regulatory responsibilities under the third energy package, the new electricity framework and the new Law on renewable energy.

On **hydrocarbons**, Serbia is implementing its mining law, adopted in April 2021. However, full alignment with the EU Hydrocarbons Directive is pending.

On **renewable energy sources (RES)**, Serbia made some progress on further alignment with the EU *acquis*. In April 2023, Serbia amended the 2021 Law on RES, paving the way to launch the delayed first RES auctions. In June 2023, the Government approved a three-year auction plan 2023 - 2025 with a total capacity of 1 300 MW. First auctions for producers of electricity from renewable energy sources were conducted in July 2023 and results were published. EPS progressed with the preparation of investments for higher capacity RES installations, including a windfarm in Kostolac and solar parks at the ash disposal sites of coal thermal power plants,

thereby pursuing the objectives of the European Green Deal and the Economic and Investment Plan for the Western Balkans.

For full transposition of the Renewable Energy Directive (RED II, Directive (EU) 2018/2001), Serbia should ensure a simplified and swift permit-granting process by designating one or more contact points to provide guidance to applicants. Serbia made no progress in introducing a national scheme to verify the sustainability criteria for biofuels, bioliquids and biomass fuels. The share of RES in the transport sector is still below 1% while the target for 2020 was 10%.

Overall, Serbia's share of RES in gross final energy consumption also decreased by 1% year-on-year and was at 25.28% in 2021. Serbia should set new ambitious annual targets for RES up to 2030 in its NECP, in accordance with the December 2022 Decision of the Ministerial Council of the Energy Community. Serbia has submitted its draft NECP to the Energy Community Secretariat on 29 June 2023, in line with the deadline, and plans to adopt its integrated NECP in autumn 2023, ahead of the deadline of 30 June 2024. The final NECP shall be in line with the Energy Community 2030 energy and climate targets and take due account of any recommendations from the Energy Community Secretariat. The lack of human resource capacity in the Ministry of Mining and Energy's Department for green energy hampers the implementation of RES support schemes. The total capacity of installed RES power slightly increased compared with the previous reporting period. The total capacity of wind power remained the same, while the total capacity of other RES used for electricity generation (not including big hydropower plants) increased to 190 MW.

Serbia continued to progress in aligning with the EU *acquis* on **energy efficiency** by adopting 22 acts of implementing legislation under the new Law on energy efficiency and rational use of energy, these focused on energy savings, eco-design and energy labelling frameworks. The first comprehensive assessment of the potential of high-efficiency cogeneration and district heating, in line with obligation under the Energy Efficiency Directive is under preparation. Nevertheless, only limited progress was made in aligning with the Energy Performance of Buildings Directive (Directive (EU) 2018/844) and setting up an implementing legislation framework for the renovation of building stock. Serbia is missing a national calculation methodology for energy performance of buildings, nearly zero-energy buildings standards for all new public and commercial buildings, and a legislative framework for the increased use of renewable energy, such as an electric vehicle charging infrastructure. Serbia still did not roll out consumption-based metering and billing in district heating, which is a precondition to attract large-scale investments to retrofit the building stock. In its NECP, Serbia should set ambitious targets for energy efficiency and the annual rate of building renovation. The human resource capacity in the Energy Efficiency Administration (EEA) needs to increase, its institutional role must be strengthened, and energy efficiency financing must be increased to take the sector decisively towards the 'energy efficiency first principle'. The EEA still cannot manage energy efficiency measures for individuals without the intermediary role of local self-governments, nor can it run multiannual programmes. In 2023, Serbia continued to expand its housing renovation programme and increased funding for this.

On **nuclear energy, nuclear safety and radiation protection**, Serbia's legislation is partially in line with the EU *acquis*. In the reporting period, a Rulebook on Categorisation of Radiation Practices was adopted. An EU-funded project is being implemented to strengthen Serbia's capacity in the fields of nuclear energy, radiation safety, and radioactive waste management. In May 2023, Serbia signed the European Community Urgent Radiological Information Exchange (ECURIE) Agreement. Serbia can be considered a full member of the ECURIE community upon implementing the required technical arrangements, which is expected to happen in the coming months. Serbia is also a member of the EURDEP community. The

Serbian public utility ‘Nuclear Objects’ has yet to finalise licensing of two old storage facilities, which expired in November 2019, two nuclear research reactors and an abandoned uranium mine. The new radioactive waste processing facility received the trial run licence. The Serbian Radiation and Nuclear Safety and Security Directorate will need to increase its number of employees in order to fulfil its future obligations.

On nuclear safeguards, Serbia would need to start adapting the existing systems of accountancy and control of nuclear materials in order to accommodate for the safeguards provisions (Chapter 7) of the Euratom Treaty.

Chapter 21: Trans-European networks

The EU promotes trans-European networks (TENs) in the areas of transport, telecommunications and energy to strengthen the internal market and contribute to growth and employment.

Serbia is **moderately prepared** for trans-European networks. **Some progress** was made overall, including on infrastructure upgrading, transport projects, the construction of the gas interconnector with Bulgaria and on last year’s recommendation on Serbia’s strategic framework for the transport sector.

In the coming year, Serbia should in particular:

- continue to modernise its transport and energy infrastructure connections in line with the EU’s and the Western Balkans’ sustainable and smart mobility strategies;
- conclude a contract for sections III and IV of the Trans-Balkan electricity corridor, finalise the construction of the Serbia-Bulgaria gas interconnector and put it into operation;
- improve the quality of design and tender documents for transport infrastructure projects to accelerate their effective implementation and contribute to open competition during tendering.

On **transport networks**, challenges in the sector remain: decarbonisation, digitalisation and resilience of transport infrastructure; multiannual maintenance planning and implementation in road and rail; alignment with the TEN-T regulatory framework; and compliance with EU laws and standards on public procurement, State aid and environmental impact assessments. Rail infrastructure needs to comply with the EU’s technical specifications for interoperability. Serbia continues to invest substantial funds in the upgrading of its transport infrastructure. However, Serbia should ensure that investments in its infrastructure from third countries are in line with the EU framework for the screening of foreign direct investments. Investment needs to be designed and implemented in full respect of environmental standards and based on cost-benefit analyses following EU best practice. The legal framework defining the planning, design and construction needs to reflect the principles of transparency and equal treatment. The capacities of agencies responsible for the implementation of investment projects need to be strengthened. Proper financial structuring of projects remains a priority, also for Serbia’s absorption of EU funds.

Serbia is encouraged to remain committed to transport facilitation, focusing on rail and road border crossings. The Serbian authorities are committed to implement the ‘green lanes’ and are encouraged to take steps in this field.

In May 2023, Serbia signed a high-level understanding on the revision of the indicative maps for TEN-T in the Western Balkans. Regarding roads, works on the Niš-Merdare highway with the support of EU funds need to accelerate. So far only around 10% of approved EU grant funds have been used and the tendering of the sections between Niš and Pločnik is delayed.

The preparation of missing project documentation on the section Pločnik-Merdare, for which EU funds have also been secured, is also pending. Regarding rail infrastructure, works on the remaining part of the Budapest-Belgrade line (the Novi Sad-Subotica sub-section) are progressing and are planned to be completed by the end of 2024. Serbian Railways Infrastructure signed a first works contract related to the modernisation of the Niš–Dimitrovgrad railway line. Works are expected to start in November 2023 thus unblocking the long-delayed project. Preparation is progressing, under the EU Economic and Investment Plan, for the modernisation of rail corridor X from Belgrade-Niš to the border with North Macedonia.

The commencement of works on lot 1 of the Stalać-Djunis sub-section funded by the national budget is delayed, although the contract was signed in February 2022. The tendering procedure for the EU-funded lot 2 is underway. Serbia continued implementing its inland waterway programme with delays on some sub-projects. Regarding airport infrastructure, the modernisation of the Nikola Tesla airport in Belgrade advanced considerably.

On trans-European **energy networks**, the administrative capacity for alignment with the EU *acquis* remains insufficient. For further decarbonisation of the electricity sector and an increased share of renewable sources, energy networks need to be upgraded in line with the EU *acquis* on trans-European networks. Regarding the Trans-Balkan electricity corridor, section III from Obrenovac to Bajina Bašta and section IV between Serbia, Bosnia and Herzegovina and Montenegro are in the tendering phase. Work continued on the gas interconnector between Serbia and Bulgaria. The interconnector should be finalised by the end of 2023 and licensing should be completed urgently thereafter to bring it into use as soon as possible.

Chapter 27: Environment and climate change

The EU promotes strong climate action, sustainable development and protection of the environment. EU rules contain provisions addressing climate change, water and air quality, waste management, nature protection, industrial pollution, chemicals, noise and civil protection.

Serbia has achieved **some level of preparation** in the area of environment and climate change. Overall, Serbia made **some progress**, including on last year's recommendations, in particular by adopting the Low Carbon Development Strategy 2023-2030, and drafting its national energy and climate plan (NECP). Serbia also made progress by continuing to increase environmental funding and investments, in particular in the waste management and water quality sectors. The adoption of important legislation and strategic documents is pending.

Last year's recommendations remain largely valid. In the coming year, Serbia should in particular:

- modernise and simplify the overall sector structure and institutions to improve the efficiency and quality of the preparation, implementation and quality control of investments as well as further improve strategic investment planning and management including transparency of procedures;
- align the Law on planning and construction with international standards; adopt EU-compliant Environmental Impact Assessment (EIA) and Strategic Environmental Assessment (SEA) laws; align and adopt the Directive on Environmental Crime;
- implement the Action Plan for Administrative Capacity Development and the Programme of Air Protection; adopt the Decree on appropriate assessment; adopt the Industrial Emissions Directive; resume international cooperation on Transboundary Rivers; implement the Low Carbon Development Plan.

Environment

In the area of **horizontal legislation**, Serbia has a high level of alignment with the EU *acquis*. However, implementation and enforcement need to be further improved, in particular by strengthening administrative capacity at central and local levels, including that of inspectorates and the judiciary, which will require the implementation of structural, cross-sectoral reforms. Legislation on Environmental Impact Assessment (EIA) and Strategic Environmental Assessment (SEA) was drafted but not yet adopted. The SEA of Serbia's Spatial Plan was adopted in March 2023. Serbia should tackle critical deficiencies of the Law on Planning and Construction, including the requirement of public participation and transparency in the issuing of construction permits set out in the EIA. It should also address the practices of issuing construction permits before an EIA procedure and splitting projects into several smaller projects which, taken individually, do not require an EIA process. EIA implementation needs to be considerably strengthened. Serbia needs to carry out SEA for all plans and programmes that fall under the framework for projects listed in the EIA Directive. The quality of public consultations improved marginally during the reporting period. Serbia needs to ensure greater transparency about investments and their environmental effects as well as respect for freedom of expression and assembly in the environmental sector.

In 2022, an inclusive stakeholder process started to support the development of a national Environmental Protection Strategy: Green Agenda for Serbia. In 2023, the Serbian national budget for environment and climate action was increased by 18% compared with 2022. Serbia has increased its budget for environmental programmes and is implementing Calls for Proposals to replace heating equipment, afforestation, and purchase of electric and hybrid vehicles. Although Serbia is substantially increasing investment in environmental protection, it still lacks an effective institutional set-up and transparent procedures. All income generated from environmental fees should be earmarked for environmental purposes.

Transboundary cooperation did not improve during the reporting period. Serbia is encouraged to pursue efforts to improve transboundary cooperation with neighbouring countries. Legislative alignment on environmental liability and environmental crime *acquis* has not progressed. Enforcement remains a key priority including the need to establish a track record on implementing the Environmental Crime Directive.

The Serbian Environmental Protection Agency's (SEPA) annual reports were frequently not published in a timely manner. Under the European Environment Information and Observation Network, Serbia's provisional scores for core data flows in 2022 dropped by 50% compared with 2021, well below the median for EEA-38 countries of 81%.

In the field of **air quality**, Serbia has a good level of alignment with the EU *acquis*, but implementation and enforcement should be further strengthened. In December 2022, following an extensive public consultation, Serbia adopted its first Air Protection Programme for the period 2022-2030 and an action plan. Nevertheless, Serbia continued to exceed EU daily limits of air pollution in 2022. Serbia needs to speed up implementation of air quality plans and further improve air quality monitoring. SEPA improved its communication on air quality. In May 2023, the EU Air Quality Index was proposed by the Ministry of Environment but not yet adopted. The SEPA air quality report for 2021 was published on 21 November 2022. The report listed an increased number of agglomerations with air pollution exceeding EU limits (20) compared with last year (19), meaning that around four million inhabitants are exposed to polluted air. The pollution caused by the Kostolac B thermal power plant needs to be addressed urgently. Serbia has not yet aligned its legislation with the requirements of the EU *acquis* for national emission ceilings. Alignment with the EU *acquis* on volatile organic compound emissions needs to continue. Adequate staffing of SEPA need to be ensured.

Regarding **waste management**, Serbia has a good level of alignment with the EU *acquis*, but implementation should be further strengthened. In April 2023, Serbia amended the Law on waste management. The program for the development of the circular economy was adopted in December 2022. Sorting waste at source rose from 318 tonnes in August 2022 to 762 tonnes in May 2023 in four waste regions, thanks to Team Europe support. Serbia had 12 sanitary landfills at the end of 2022. In 2022, Serbia allocated funds to clean 233 illegal dumpsites, added video monitoring to prevent waste disposal, and improved cooperation with local authorities. About 20% of the municipal waste generated in Serbia is still dumped in illegal dumpsites. The remediation of the Belgrade landfill and the construction of a waste-to-energy facility continued in the reporting period. Serbia's inspection capacity in the waste sector remains insufficient.

The level of alignment with the EU *acquis* on **water quality** is moderate. Overall, Serbia needs to step up its efforts to further align its legislation with the EU *acquis* in this sector, and to strengthen administrative capacity in monitoring, enforcement and interinstitutional coordination. Pollution by nitrogen and phosphorus originates from the energy sector, waste and wastewater public companies, and chemical and mineral industries. Non-compliance with water quality standards remains a serious concern and includes areas where arsenic is present. Belgrade, Niš and Novi Sad do not treat their wastewater; however, works on a wastewater treatment plant and sewage network have started in Niš, with EU and Team Europe funding. In July 2021, Serbia adopted an action plan for implementing its water management strategy, but there is no available monitoring information. Serbia should address river pollution more rigorously and increase cooperation for transboundary rivers such as the Danube, Drina, Dragovištica and Pek rivers. In April 2023, the 1st River Basin Management Plan was adopted. No particular progress has been reported on the implementation of the memorandum of understanding on EIA and SEA signed by Serbia and Bulgaria in May 2022. Improving local governance, in particular for operating and maintaining water and wastewater facilities, remains a priority. Increased transparency on planning, selecting and managing environmental investments must be delivered to ensure better compliance with EU laws and standards in this sector and better value for money. EU-funded work on adequate water fees and tariffs continued with the participation of 33 municipalities. Work on developing flood risk management plans is advancing.

Alignment with the EU *acquis* in the field of **nature protection**, in particular with the Habitats and Birds Directives, is moderate. Serbia needs to address gaps in legislation, which currently allow the hunting of non-hunttable birds, especially the goshawk and the turtle dove. Illegal construction in national parks was reported by the inspectorate but no action was taken. Serbia needs to fully incorporate EU standards on prohibited means of capturing and killing wild animals, including in its legislation on hunting. Authorities need to address illegal hunting and illegal logging more effectively. Preparations for establishing a Natura 2000 network improved thanks to an EU-funded project. Institutional and human resource capacity at national and local levels remains weak, in particular as regards enforcement and wildlife trade. Any further development of hydropower should be in line with EU environmental legislation.

As regards **industrial pollution and risk management**, alignment with most of the EU *acquis* is at an early stage across industry, including as concerns the Industrial Emissions Directive. The Kostolac B thermal power plant is Europe's biggest sulphur dioxide polluter. Its desulphurisation plant started operating in January 2023. Inspection and law enforcement remain areas of concern. Serbia needs to increase its capacity for managing the integrated permitting processes. The quality of Integrated Pollution Prevention and Control permits should be improved. Serbia should enforce the polluter pays principle in order to encourage

industry to invest in green solutions. In 2022, the number of inspections decreased from 4 289 to 3 584 compared with 2021. A new methodology for reporting is in place but should be improved.

Serbia has a high level of alignment with the EU *acquis* on **chemicals**. However, developments on the REACH Regulation and the Classification, Labelling and Packaging Regulation, and on animal experiments and asbestos legislation, continued to be slow. Serbia needs to boost its administrative capacity to implement legislation in these areas and ensure proper monitoring of persistent organic pollutants.

Alignment with the EU *acquis* on **noise** remains at an early stage. Serbia needs to improve its administrative capacity for preparing noise maps and action plans and for enforcing noise legislation.

Regarding **civil protection**, Serbia actively participates in the Union Civil Protection Mechanism (UCPM). In February 2023, Serbia deployed urban search and rescue teams to Türkiye in response to the devastating earthquakes in the region and participated in the work of the operational team for sending humanitarian aid to the citizens of Türkiye and Syria. In March 2023, Serbia sent several energy items via the UCPM to Ukraine to help repair damage caused by Russian attacks on civilian infrastructure. Serbia has a good legal and policy framework for disaster risk management based on the Law on disaster risk reduction and emergency management. Revision of the law is planned in 2023 to address minor shortcomings and introduce new instruments to empower those involved at local level. Serbia improved its preparedness and response capacities. In October 2022, Serbia launched its online disaster risk register (in line with the EU INSPIRE Directive and the EU initiative to enhance data interoperability) which provides real-time data concerning risks in concrete locations. Such data is necessary to take preventive measures and informed decisions in emergency management, post-disaster reconstruction and investment planning. Capacities for response and prevention need to be strengthened through training, particularly for local players involved in emergencies. Serbia is not connected to the Common Emergency Communication and Information System (CECIS) through secure trans-European Services for Telematics between Administrations (sTESTA). Serbia expressed an interest to join the read-only CECIS Civil Protection Lite version available for UCPM participating states that do not yet have the full access to sTESTA and CECIS.

Serbia should inform the EU on the activities of the Niš humanitarian centre, its integration in the emergency management system, and ensure that it does not duplicate the role of the European Commission's Emergency Response Coordination Centre.

Climate change

Serbia has some level of preparation in climate change legislation, but enforcement is at a very early stage. The Low Carbon Development Strategy for 2023-2030 was adopted by the government in June 2023. Serbia adopted three pieces of implementing legislation necessary to implement the climate law. Serbia needs to continue its efforts to integrate climate action into other sectors and ensure policy coordination. Serbia needs to step up efforts to diversify energy sources, develop renewables and decrease energy intensity in order to translate its commitment to the Green Agenda for the Western Balkans into concrete action. This should include the introduction of carbon-pricing instruments and phasing out coal subsidies. Serbia needs to take decisive steps for the establishment of a mechanism on carbon pricing, aligned with the EU Emissions Trading System (EU ETS), to advance the implementation of the EU *acquis* and to adequately prepare for the EU Carbon Border Adjustment Mechanism, that entered into force in its transitional phase as of 1 October 2023.

Serbia's draft national spatial plan, based on its energy strategy, includes new thermal power plants. Serbia should set a coal phase-out date as an effective means to comply with Energy Community law and Serbia's Green Agenda commitments on reaching the EU target of climate neutrality.

In August 2022, Serbia submitted, with some delay, its updated nationally determined contribution to the Paris Agreement, committing to a 33.3% decrease in greenhouse gas emissions by 2030 compared with 1990 levels. Full alignment of legislation on monitoring, reporting and verifying greenhouse gas emissions in line with the EU emissions trading system and the effort-sharing Regulation is still pending. Serbia needs to considerably strengthen its administrative and technical capacity at all levels and further increase investment in its green energy transition.

CLUSTER 5: RESOURCES, AGRICULTURE AND COHESION

This cluster covers chapters 11 (Agriculture and rural development), 12 (Food safety, veterinary and phytosanitary policy), 13 (Fisheries and aquaculture), 22 (Regional policy & coordination of structural instruments) and 33 (Financial & budgetary provisions). Two out of five chapters are open (chapters 13 and 33) with closing benchmarks that remain to be fulfilled in each chapter. The Commission has assessed that opening benchmarks have been met for chapters 11 and 22. Serbia has yet to meet all three opening benchmarks to open Chapter 12.

This cluster comprises policies linked to EU structural funds and developing the capacities to assume responsibilities of a future Member State. It also comprises some of the key policy areas crucial for ensuring sustainable food systems and helping rural communities to develop and diversify economically.

Limited progress was achieved in different areas, e.g. the classification of food establishments and establishments handling animal by-products, and the recruitment of additional staff in the Plant Health Directorate; on financial and budgetary provisions as regards the underlying policy areas affecting the correct functioning of the own resources system; and on regional policy as regards financial management.

In the coming period, Serbia is invited to focus on the following areas: increasing the pace of implementation of the instrument for pre-accession assistance for rural development (IPARD) to ensure a timely use of financial support from the EU so as to avoid further loss of funds; progressing with the revision and implementation of the action plan for *acquis* alignment in agriculture and rural development; adopting a strategy and action plan for alignment with the *acquis* on food safety, veterinary and phytosanitary policy; adopting framework legislation on genetically modified organisms aligned with the *acquis*; adopting the action plan for alignment with the *acquis* on fisheries; implementing the action plan for meeting the requirements of the EU cohesion policy and improving capacity to manage indirect management programmes under EU pre-accession assistance; and drafting an action plan to meet the administrative own resources conditions.

Chapter 11: Agriculture and rural development

The EU's common agricultural policy supports farmers and ensures Europe's food security. It helps tackle climate change and the sustainable management of national resources; maintains rural areas and landscapes across the EU; and keeps the rural economy alive by promoting jobs in farming, agri-food industries and associated sectors. This requires strong management and control systems. There are also common EU rules for marketing standards, quality policy and organic farming.

Serbia has **some level of preparation** in agriculture and rural development. **Limited progress** was made, in particular on recruitment to the IPARD structures and efficiency of processing IPARD applications and payment requests.

Last year's recommendations remain valid. In the coming year, Serbia should in particular:

- take measures to improve implementation and avoid further loss of IPARD funds, ensure the smooth rollover of entrusted IPARD measures to the 2021-2027 period, and prepare new measures for entrustment;
- update and speed up implementation of the action plan for EU *acquis* alignment in agriculture and rural development.

Regarding **horizontal issues**, the adoption of the national programme for agriculture and rural development for the period 2022-2024 is still outstanding. Its complementarity with the IPARD III programme should be ensured. Implementation of the action plan on alignment with the EU *acquis* on agriculture and rural development should continue, with its updating to be finalised in the course of 2023. Serbia should speed up the establishment of the integrated administration and control system (IACS) and the transition from manual to electronic processing of aid applications. The procurement of software for the land parcel identification system (LPIS), a precondition for the start of the IPA 2021 project on the first phase of the establishment of IACS, is still outstanding and should be fulfilled without further delays. Serbia needs to bring its support measures in line with the EU *acquis*. The farm accountancy data network (FADN) is established, but its sample size and the quality of the data needs to be further improved.

In the area of the **common market organisation (CMO)**, the adoption of implementing legislation in the areas of marketing standards, public and private storage, and producer organisations is still pending. A new law on wine has been prepared and should be adopted.

On **rural development**, Serbia is entrusted with budget implementation tasks for four measures under IPARD II. However, delays in payments in 2022 resulted in a loss of EUR 12.8 million of IPARD funds and there is a considerable risk of further losses in 2023. It is important that Serbia fully implements its action plan for better absorption of funds. While a number of staff has been recruited in the IPARD Agency, it is important that Serbia continues filling vacant posts, which is essential for improved and timely implementation of IPARD. Serbia is encouraged to present proposals for credit guarantee schemes, which will assist non-legal entities and small agricultural holdings with access to IPARD funds.

Human resources capacity at the IPARD Agency needs to be secured. A smooth rollover of the entrusted IPARD II measures to IPARD III (2021-2027) is essential and preparation for the implementation of the programme's new measure – *Agri-environment-climate and organic farming; Implementation of local rural development strategies (LEADER); and Investments in rural public infrastructure* – needs to start.

As regards **quality policy**, the continuing delay in the adoption of legislation on quality schemes for agricultural products and foodstuffs is hindering the sector's development.

For **organic farming**, new legislation aligning with the EU *acquis* in the area of organics has been drafted and should be adopted without further delay.

Chapter 12: Food safety, veterinary and phytosanitary policy

EU hygiene rules for foodstuff production ensure a high level of food safety. Animal health and welfare, and the safety of food of animal origin, are safeguarded together with the quality of seeds, plant protection material, the protection against harmful organisms and animal nutrition.

Serbia is **moderately prepared** in the area of food safety, veterinary and phytosanitary policy. **Some progress** was made on last year's recommendations, in particular through recruitment of additional staff in the Plant Health Directorate and the classification of food establishments and establishments handling animal by-products.

In the coming year, Serbia should in particular:

- step up the efforts to strengthen the capacities of the line directorates, in particular the veterinary directorate, through recruitment of new staff, training and staff retention policies;
- prioritise the process of upgrading food establishments to align with the EU *acquis*;
- adopt legislation aligned with the EU *acquis* regulating genetically modified organisms (see also Chapter 30).

In the area of **general food safety**, Serbia presented an advanced draft of a strategy and action plan for alignment with the EU *acquis*, which is yet to be adopted. A number of framework laws still remain to be aligned with the EU *acquis*. Serbia's risk-based approach for imported foods needs to become more transparent and comprehensive. The periodic delays in issuing import certificates or abrupt shortening of their validity (e.g. for meat or dairy products) continued to constitute non-tariff barriers. Serbia still has not introduced an audit of inspection staff.

On **veterinary policy**, annual programmes consisting of animal health protection measures were adopted in March 2023. African swine fever (ASF) continued to spread rapidly, affecting primarily small holdings in rural areas and causing considerable economic damage. No cases of rabies were noted in the reporting period. While the official system to implement animal health controls is generally well organised, Serbia urgently needs to address a long-standing shortage of official veterinarians, fill well over 150 vacant posts in the Veterinary Directorate both in inspection and policy departments, and increase the number of trainings in the Directorate. Serbia also needs to take additional steps to meet the requirements for export of fresh poultry meat and eggs to the EU. Further alignment is required in the area of animal health to comply with the most recent EU *acquis*. Alignment of national legislation on animal welfare with the EU *acquis* remains to be finalised.

As regards the **placing of food, feed and animal by-products on the market**, in the reporting period Serbia finalised the task of categorisation of food establishments for compliance with the EU *acquis*. However, focused efforts are now necessary to upgrade establishments, including the introduction of a monitoring system. IPARD funds could serve as an important source of funding for this process. Significant work is also needed on field and intermediary collection of animal waste and management of animal by-products.

On **food safety rules and specific rules for feed**, Serbia made no progress in improving milk quality and has not adopted a strategy to align with EU *acquis* standards. Substantial work is needed to gradually widen the scope of related laboratory analysis in this area and increase efforts on awareness-raising for improved hygiene during milk production and for prevention of mastitis. The permitted level of aflatoxins in milk remains five times higher than the limit allowed by the EU *acquis*, while necessary measures to reduce the presence of aflatoxins in animal feed (source of aflatoxins in milk) remain to be implemented.

The capacity of the Directorate for national reference laboratories requires further strengthening in terms of specialist staff and the analytical scope of its laboratories, including those for milk testing.

In the area of **phytosanitary policy**, the 2023 annual programme of plant health measures was adopted in February 2023. Implementation of existing national legislation for the sustainable use of pesticides remains low (e.g. on mandatory control of pesticide application devices). Substantial work is still necessary in this area, including targeted awareness-raising about the risks in pesticide misuse. While some progress was noted in staffing of the phytosanitary inspectorate, policy departments of the Plant Health Directorate remain to be strengthened.

Serbia made no progress to align its legislation on **genetically modified organisms** with the EU *acquis*, in order to regulate this area in a more transparent and safe manner. This is crucial for further progress in negotiations for membership of the World Trade Organisation and is a prerequisite for opening this chapter.

Chapter 13: Fisheries and aquaculture

The common fisheries policy lays down rules on fisheries management, protects living resources of the sea and limits the environmental impact of fisheries. This includes setting catch quotas, managing fleet capacity, rules on control and inspection, rules on markets and aquaculture and support for fisheries and coastal communities. Further, it promotes a sustainable aquaculture.

Serbia is **moderately prepared** in the area of fisheries and aquaculture. **No progress** was made during the reporting period. Last year's recommendations still remain valid.

In the coming year, Serbia should:

- adopt an action plan for full compliance with the requirements of the EU *acquis* by the date of accession, in particular regarding organisation of markets, aquaculture, data collection and control measures, and illegal, unreported and unregulated fishing;
- address the severe understaffing of authorities responsible for policy formulation and anti-fraud controls for fisheries (including border controls).

Serbia does not have a coastline, therefore a large part of the EU *acquis* on fisheries is not applicable. The fisheries and aquaculture chapter also consists of inland fisheries and aquaculture operations. Serbia, however, should not neglect its potential for fish farming and processing, and should dedicate necessary efforts to setting up and strengthening administrative and institutional capacities, which is a prerequisite for the successful implementation of fisheries policy. No progress was noted in the reporting period in addressing severe understaffing in the policy formulation area and in **inter-institutional coordination**, including border and other anti-fraud controls.

On **resource and fleet management**, the European eel, a strictly protected species, is covered by a permanent fishing ban. The collection of statistical data on aquaculture for 2022 is yet to be completed. However, further harmonisation of national legislation for data collection is necessary to include the obligation to record European eel catch both in recreational and commercial fishing. The scientific capacity needed to align data collection principles remains to be strengthened. In the field of **structural actions**, the sector was included in the IPARD support programme, but actual implementation in this area is yet to start. Structural measures have not yet been put in place for small-scale or inland fisheries. On **inspections and control**, Serbia needs to improve official controls of fishery products intended for export to the EU and align related laboratory testing with the EU *acquis*. The implementation of the rulebook on catch certification and bringing the legal framework into full alignment with the EU *acquis* on illegal, unreported and unregulated fishing (IUU) has been repeatedly postponed to 2024. This matter should be addressed as soon as a solution has been found for the fish catch certificate. Legislation on **market policy** still needs to be adopted, in line with the EU *acquis*. As for **State**

aid measures, Serbia still needs to ensure their compatibility with the EU *acquis* and the Common Fisheries Policy before accession.

Chapter 22: Regional policy and coordination of structural instruments

*Regional policy is the EU's main tool for reducing regional disparities and investing in sustainable and inclusive socio-economic growth. It is operating through "shared management" between the Commission and EU Member States. The implementation of cohesion policy programmes requires appropriate administrative capacity on programme and project level, the establishment of systems of sound financial management and control and also the fulfilment of other EU *acquis* elements such as environmental or public procurement legislation.*

Serbia is **moderately prepared** in the area of regional policy and coordination of structural instruments. **Limited progress** has been made on last year's recommendations.

In the coming year, Serbia should in particular:

- urgently implement its action plan on cohesion policy and ensure the timely implementation of IPA III multiannual operational programmes under indirect management;
- improve capacity for indirect management of IPA programmes, including operational programmes, and guarantee that key positions are permanently filled and key staff retained; and
- ensure that all instruments are compliant with EU requirements in terms of programming and partnership principles and factor in the requirements of the future structural/cohesion funds in the institutional set-up.

Serbia is yet to adopt a **legal framework** for cohesion policy. Work on the law on cohesion policy has reached an advanced stage. Multiannual budget planning is regulated through the Law on the budget system, and national co-financing for EU pre-accession programmes is ensured at project level. However, Serbia needs to apply a systematic approach to develop, co-finance and implement multiannual operational programmes. The decree providing the legal basis for the functioning of the Audit Authority under IPA III was adopted in September 2023.

Progress has been made with regard to the institutional framework for cohesion policy. The multiannual operational programmes under the Instrument for Pre-accession Assistance (IPA III) identify the institutions and bodies that will manage and implement such programmes. Continuity is expected between these institutions and bodies and those that will be in charge of structural instruments after accession. Serbia should focus on developing the capacity of these institutions and bodies in view of their future role in cohesion policy. Generally, indirect management structures need to keep improving to manage IPA programmes more timely and efficiently and to be able to operate in an ex-post control environment.

Weaknesses persist in the **administrative capacity** of key institutions managing EU funds. Many managerial appointments are in acting functions only and are not confirmed, creating uncertainty. The turnover of staff in key ministries remains a problem, as experienced staff are regularly replaced by newcomers. The institutions and bodies responsible for managing multiannual operational programmes need to be staffed appropriately. A more effective and holistic retention policy in the public sector remains to be adopted. Improvements in administrative capacity are necessary to minimise the risk of losing IPA funds.

Serbia continues to participate in the EU Strategy for the Adriatic and Ionian Region (EUSAIR) and the EU Strategy for the Danube Region (EUSDR) which promote cooperation and synergies among participating EU and non-EU countries.

On **programming**, the adoption of a development plan, which forms the legal basis for Serbia's regional development policy, remains overdue. In 2023, a working group was established, including relevant stakeholders, to draft the national development plan; its first meeting took place in March 2023. The development plan should acknowledge the development potential of all regions in Serbia and reduce regional and local disparities. The investment planning system continues to lack coherence, leading to non-transparent investment planning and financing and varied technical standards that have an impact on interoperability. Investment planning should be organised to bring Serbia closer to the EU.

On **monitoring and evaluation**, the relevant monitoring committees set up under indirect management continued to function. However, the establishment of a monitoring and evaluation system in accordance with the requirements of cohesion policy remains outstanding.

On **financial management, control and audit**, the capacity of the national systems for indirect management of IPA funds, including in the Audit Authority, continued to improve. The resorption of the payments backlog under indirect management is an urgent priority.

Chapter 33: Financial and budgetary provisions

This chapter covers the rules governing the funding of the EU budget ('own resources'). These resources mainly consist of: (i) contributions based on the gross national income of each Member State; (ii) customs duties; (iii) non-recycled plastic; and (iv) a resource based on value-added tax. Member States must have the appropriate administrative capacity to adequately coordinate and ensure the correct calculation, collection, payment and control of own resources.

Serbia has **some level of preparation** in the area of financial and budgetary provisions. **Limited progress** was made on last year's recommendations as Serbia requested and participated in a study visit on the management and coordination of the EU own resources system. Limited to good progress was made within the underlying policy areas affecting the correct functioning of the own resources system. Last year's recommendations remain largely valid.

In the coming year, Serbia should in particular:

- develop organisational and procedural links between the institutions involved in the own resources system; and
- continue preparations to meet the specific administrative conditions for own resources as laid down in the own resources regulations, including, once the Commission-led workshop on the EU own resources system has taken place, draft an action plan with timelines to meet the administrative own resources conditions.

There was limited to good progress in the underlying policy areas indirectly affecting the own resources system (*for progress in these areas, see Chapters 16 – Taxation, 18 – Statistics, 29 – Customs union, and 32 – Financial control*).

Regarding **traditional own resources** (TOR), the customs legislation is largely aligned with the EU *acquis*. Serbia's customs administration procedures ensure that cases of fraud and irregularities are reported to the national authorities. However, reporting is manual and Serbia does not use OWNRES, or any other similar national electronic database, to report on fraud and irregularities for amounts over EUR 10 000. Customs continued the simulation of TOR

accounts in 2022. However, the current accounting system does not use two different accounts, one for collected or secured debts (A account) and the other for uncollected/unsecured debts or secured but appealed debts (B account). Several departments in the customs administration, including its internal audit department, carry out control activities. The state audit institution is in charge of carrying out external audits.

As regards the **value added tax (VAT)-based resource**, sufficient data sources are available for the calculation of the theoretical non-deductible VAT, deriving from the supply and use tables that were published for the first time in 2019.

As regards the **gross national income-based resource**, national accounts are compiled largely in line with the European System of Accounts (ESA 2010). However, continued efforts are needed to produce the complete data required by the ESA 2010 transmission programme. Serbia continued to improve the exhaustiveness of the national accounts and the gross national income (GNI) calculations. Updated GNI data is available for the period 2005-2020. The GNI estimates include those of the non-observed economy. First estimates for VAT fraud were calculated without breakdown by with/without complicity, so a VAT weighted average rate is still not available. The results of tax audits are received from tax authorities and used to improve the exhaustiveness of the national accounts. Available data generally already meet the necessary standards of quality (reliability, comparability and exhaustiveness) to guarantee the legitimacy of GNI as a benchmark aggregate. The statistical office continued to improve its methods and data sources and regularly transmit GNI and GDP data to Eurostat. The work to establish a GNI inventory, based on the already existing description of sources and methods used to compile national accounts, started in 2018 and is to be finalised in 2024, together with the benchmark revision of national accounts data.

Regarding **administrative infrastructure**, the capacity of the institutions in the relevant policy areas needs to be further strengthened. The group for the coordination and management of own resources of the EU, tasked with ensuring correct calculation, accounting, forecasting, collection, payment, control and reporting on the implementation of the EU's own resources policy and rules, has two employees. In May 2023, Serbia participated in a TAIEX-supported study visit which contributed to improving the coordination tasks of the group. Furthermore, the organisational and procedural links between the institutions involved in own resources should still be developed.

CLUSTER 6: EXTERNAL RELATIONS

There are two chapters in this cluster: Chapter 30 External relations, and Chapter 31 Foreign, security and defence policy. Serbia is yet to meet the two opening benchmarks for Chapter 30, which includes finalising the accession to the World Trade Organization (WTO). In this regard, Serbia should adopt a WTO-compliant law on the trade of genetically modified organisms as a matter of urgency.

The screening report on Chapter 31 is still in the Council. Serbia's common foreign and security policy alignment patterns remained largely unchanged. In 2022, Serbia's alignment rate with relevant High Representative statements on behalf of the EU and Council Decisions was 46%, and reached 51 % as of August 2023. Serbia continued to participate in EU crisis management missions and operations under the common security and defence policy.

Serbia is invited to continue legislative alignment where necessary, and is also encouraged to implement actions under the Common Regional Market based on EU rules, including through cooperation with the Central European Free Trade Agreement (CEFTA) and the Regional Cooperation Council.

Serbia should urgently improve its alignment with EU common foreign and security policy, including restrictive measures, avoid actions that go against EU positions on foreign policy, and step up actions to prevent any attempt to use the territory of Serbia for the circumvention of EU restrictive measures.

Chapter 30: External relations

The EU has a common commercial policy towards third countries, based on multilateral and bilateral agreements and autonomous measures. There are also EU rules on humanitarian aid and development policy.

Serbia remains **moderately prepared** in the area of external relations. **Limited progress** was made overall. The capacity to pursue key challenges in trade policy needs to be strengthened, in particular in order to move forward with accession to the World Trade Organization (WTO), where again no progress was made. Serbia has yet to further strengthen the administrative capacity of the Ministry of Internal and Foreign Trade for handling trade with the EU and CEFTA, as well as WTO accession. By the end of October 2023, Serbia had lifted all its trade restrictions that been introduced on a number of products in the agricultural and energy sectors in non-respect of the provisions of the Stabilisation and Association Agreement (SAA). In October 2023, Serbia provided an updated list of actions to be taken in the context of the WTO accession process as part of the action plan on its remaining legislative alignment with the EU *acquis*. No substantial progress was made on development policy and humanitarian aid. Last year's recommendations therefore remain valid.

In the coming year, Serbia should in particular:

- adopt a WTO-compliant law on genetically modified organisms, so as to move forward with remaining bilateral market access negotiations and to move towards finalisation of its accession to the WTO; and
- continue to implement actions within the Common Regional Market action plan 2021-2024; in particular, negotiate and ensure a swift adoption of CEFTA Additional Protocol 7 on dispute settlement.

As regards the **common commercial policy**, no progress was made on Serbia's accession to the World Trade Organization (WTO). This continues to be stalled, primarily due to lack of progress on the adoption of a modified law on trade in genetically modified organisms, and on the completion of market access negotiations with a small number of WTO members. The Regional Convention on pan-Euro-Mediterranean preferential rules of origin is being applied in Serbia. Serbia's customs tariff nomenclature for 2023 was harmonised with the EU combined nomenclature in November 2022.

The administrative capacity of the unit in the Ministry of Internal and Foreign Trade in charge of trade with the EU and EFTA should be strengthened and Serbia's capacity to complete the WTO accession should be further increased through ensuring representation in Geneva. Further work is yet to be done to improve the capacity to collect market statistics through the work of the national coordination body for trade facilitation.

With regard to participation in CEFTA, Serbia has continued the implementation of Additional Protocol (AP) 5 on Trade Facilitation and AP 6 on Trade in Services. Negotiations within CEFTA on AP 7 on Dispute Settlement are ongoing. Serbia should continue to play a constructive role in CEFTA and within the Common Regional Market, in line with commitments taken at the Sofia Summit in November 2020 and the Berlin Process, including during its upcoming role as the chair of CEFTA in 2024.

Serbia should ensure smooth implementation of the SAA and abstain from introducing unilateral trade restrictive measures without prior consultation of the Commission, in line with its SAA obligations. Throughout 2022, Serbia on repeated occasions introduced temporary trade restrictions in the form of export bans or export quotas pertaining to a number of products that were all revoked in the course of 2023: export ban on certain agricultural products (from 10 March 2022 until 11 August 2022); export ban on milk and butter products (from September 2022 until 31 January 2023); export ban on certain raw wood products (from 26 May 2022 until 31 October 2022, and from 5 November 2022 until 31 January 2023); export quotas for different types of raw wood (from 5 August 2022 until 28 February 2023); export restrictions on wood pellets (from 1 December 2022 until 31 January 2023); export ban on Eurodiesel EN 590 (from 30 June 2022 until 31 March 2023); and export ban on natural gas (from 17 October 2022 until 28 February 2023). In February 2023, Serbia introduced changes to the import duties envisaged in the SAA applying to a large number of milk and dairy products. The Commission was not notified or consulted, as provided for in the SAA, until after the measure was taken. Serbia claimed that this measure was justified under Article 32 of the SAA (the safeguard clause concerning agriculture and fisheries) but did not provide sufficient justification despite two consultative meetings with the Commission dedicated to this specific measure. In May 2023, Serbia further extended import duties on concentrated milk and cheese. Serbia requested a consultative meeting with the Commission and shared written data before the decision was formally taken in line with the procedures stipulated by the SAA, but once again failed to justify the measure under the SAA. Without prior consultation or notification, in July 2023, Serbia adopted additional amendments to further increase the level of special import duties for certain groups of dairy products, mainly: milk and sour cream, yoghurt and related products, whey and butter, and in August 2023, Serbia extended the decision for concentrated milk and cheese. These unjustified measures expired on 31 October 2023.

Furthermore, the unilateral measures adopted by Serbia in December 2020, and further adjusted in December 2022, with regard to the management of wine imports from the EU, restricting the allocation per trader, create a less favourable trade environment. As these measures remain in place, Serbia is encouraged to restore the first come, first served arrangement.

Serbia has committed to take appropriate action in order to stop the possibility of circumventing EU restrictive measures introduced in the context of Russia's aggression against Ukraine via Serbian territory and/or by legal entities registered in Serbia, including through monitoring, identifying and inspecting suspicious trade flows of priority battlefield goods and economically critical goods (*see also Chapter 29 on Customs union, and Chapter 31 on Foreign, security and defence policy*).

Serbia's law on **dual-use goods** remains to be aligned with Regulation (EU) 2021/821 of May 2021. In April 2023, Serbia adopted the national control list of dual-use goods aimed at full alignment with the Commission Delegated Regulation (EU) 2023/66 of October 2022. In May 2023, the national control list of arms and military equipment was aligned with the Common Military List of February 2023. Serbia's applications to join the Wassenaar Arrangement and the Australia Group are still under consideration. Serbia is not a signatory of the Kimberly Process on conflict diamonds.

Regarding **bilateral agreements with third countries**, Serbia signed a Memorandum of Understanding with China in April 2023; this formally started the negotiations of a Serbia-China free trade agreement which was signed in October 2023. Serbia announced plans for free trade agreements also with the United Arab Emirates, Egypt and South Korea, but substantial negotiations have yet to begin. All the agreements that Serbia negotiates must ensure compatibility with the EU *acquis* and include sunset clauses, which guarantee that Serbia can

renounce the agreements upon accession to the EU. Serbia should also ensure that proper scoping exercises are conducted before concluding any negotiations in order to minimise the risk of negative effects on specific sectors.

Serbia has 46 bilateral investment treaties in force, 21 of which are with EU Member States. Serbia should develop a strategy for amending or terminating existing treaties that fall short of EU standards and expose the country to risks due to the broad and open language used. Negotiations on new such treaties are ongoing with South Korea, and have been announced for Angola, Bahrain, Uzbekistan, India and the Kyrgyz Republic.

No substantial progress was made on **development policy** and **humanitarian aid**. A new law on development cooperation and humanitarian aid is still being prepared. Development assistance and humanitarian aid are granted on an ad hoc basis.

Chapter 31: Foreign, security and defence policy

Member States must be able to conduct political dialogues under the EU foreign, security and defence policy, align with EU statements, take part in EU actions, and to apply agreed sanctions and restrictive measures.

Serbia is **moderately prepared** in the area of common foreign, security and defence policy (CFSP). **No progress** was made during the reporting period as Serbia's alignment patterns remained unchanged and some of Serbia's actions and statements went against EU positions on foreign policy. Following Russia's war of aggression against Ukraine, Serbia aligned with some EU positions in international fora (including in the UN General Assembly (UNGA)). It has continued not to align with any restrictive measures against the Russian Federation and has not aligned with the majority of High Representative (HR) statements on this matter. It also maintained high level relations with the Russian Federation, raising questions about Serbia's strategic direction. Serbia has also signed a Free Trade Agreement with China in October 2023, which is a strategic concern. Serbia did not make progress in line with the Declaration of the EU – Western Balkans Summit (Tirana, 6 December 2022), to work on closing space for foreign interference and information manipulation, including disinformation. Serbia continued to participate in and contribute substantially to EU crisis management missions and operations under the Common Security and Defence Policy.

In the coming year, Serbia should in particular:

- improve, as a matter of priority, its alignment with EU Common Foreign and Security Policy, including restrictive measures, and avoid actions and statements that go against EU positions on foreign policy;
- continue to step up action to prevent any attempt to use the territory of Serbia and/or legal entities registered in Serbia for the circumvention of EU restrictive measures;
- make credible efforts to close space for foreign interference and information manipulation, including disinformation, and take actions towards building societal resilience against it and other forms of hybrid threats.

The **political dialogue** between the EU and Serbia on foreign and security policy continued. In April 2023, Serbia participated in the ninth EU-Western Balkans meeting of Political Directors. In March 2023, Serbia participated at ministerial level at the first Schuman Security and Defence Forum and in May 2023 in a working lunch with members of the Foreign Affairs Council.

The institutional framework enabling Serbia's participation in the EU CFSP and CSDP is in place. The draft law on Foreign Affairs has been prepared. In September 2023, a law on participations of civilians in international missions and operations was adopted. Serbia appointed a State Secretary who also performs the function of 'political director' and there is a 'European correspondent'. Serbia supports the implementation of the EU Strategic Compass for Security and Defence.

On the **Common Foreign and Security Policy (CFSP)**, in 2022, Serbia's alignment rate with relevant High Representative statements on behalf of the EU and relevant Council Decisions was 46%. As of August 2023 its alignment rate was 51%. Serbia has not aligned with any **restrictive measure** against Russia, nor with the majority of High Representative Statements related to Russia and Ukraine. Serbia failed to align with a number of other HR Statements and EU restrictive measures linked to Russia, China, Belarus and Iran. Serbia has continued to operate flights to Russia. Serbia needs, as a matter of priority, to make serious additional efforts regarding its alignment with the EU CFSP.

In the United Nations General Assembly Serbia mostly aligned with the vast majority of UNGA Members on resolutions related to the Russian war of aggression against Ukraine. Serbia aligned with the EU when voting in UNGA on resolutions regarding Russia's war of aggression against Ukraine, its humanitarian impact, the suspension of the Russian Federation from the UN Human Rights Council, the condemnation of the sham referenda and illegal annexation of Ukrainian territories and on principles underlying a comprehensive, just and lasting peace in Ukraine. It however abstained on the UNGA resolution on Russian reparations for Ukraine in November 2022. The alignment record in other multilateral forums is mixed and Serbia often abstains on positions related to Russia's war of aggression against Ukraine.

Following the visit of the EU Special Envoy for the **implementation of sanctions** in May 2023, which focused on concrete actions aimed at tackling sanctions circumvention, Serbian customs authorities took concrete steps to address the issues raised by the EU Special Envoy, including with concrete actions to step up export controls. Close cooperation and exchange of information between the EU and Serbia authorities is ongoing at technical level. Serbia should continue to step up its efforts to fight sanctions circumvention.

Serbia continued to develop **intense relations and strategic partnerships with a number of countries worldwide**, including maintaining relations with Russia and China. High-level contacts and bilateral visits from Russia were maintained, albeit at reduced frequency, raising questions about Serbia's strategic direction. In October 2022, Russia's Deputy Foreign Minister visited Belgrade, where he hosted a meeting of Russian Ambassadors posted in the region. In April 2023, members of the Russian upper chamber, the Federation Council, who are on the EU sanctions list, were received by Serbian Speaker, MPs and Minister for Public Administration and Local Government. The Russian Ambassador was frequently and regularly received by the President, Speaker, and First Deputy Prime Minister / Minister of Foreign Affairs, and Minister of Energy. In May 2023, the head of the national Security Information Agency attended the 11th Moscow International Security conference. Serbia's First Deputy Prime Minister and Foreign Minister announced that he will visit Moscow by the end of 2023. The Serbian President met briefly with the Russian President in the margins of Belt and Road summit in Beijing in October 2023.

Serbia vocally supported the territorial integrity of Ukraine and it provided humanitarian assistance, including ambulances vehicles, and energy equipment, including through the UCPM. The Serbian President met with the President of Ukraine in August 2023 and, also in August 2023, the Serbian Prime Minister addressed the Crimea Platform meeting, but Serbia has not joined the Crimea Platform Declaration.

Close contacts were also maintained with China. The Serbian President accompanied by a high-level delegation, attended Belt and Road summit in Beijing in October 2023, during which Serbia and China signed a free trade agreement, which is of strategic concern. He also met with the Chinese President on this occasion. Belgrade received visits of the Chinese Special Representative for the China-CEEC cooperation and of the Deputy Head (Vice Minister) of the International Department of the Chinese Communist Party's Central Committee, in November 2022.

Several high-level visits from the United States to Belgrade took place, as well as visits of Belgrade officials to the US. A Memorandum of Understanding for cooperation between the US State Department and the Serbian Ministry of Foreign Affairs was signed in January 2023.

There was an intense agenda of bilateral visits between the Serbian leadership and the one of the United Arab Emirates in 2022 and 2023 (Heads of State and Ministerial visits), with the signature of a number of cooperation agreements and a loan signed in September 2022 during the Serbian President's visit to Abu Dhabi. A free trade agreement has also been announced.

The President of India visited Serbia in June 2023 and a visa simplification mechanism was announced, following the reintroduction of visas for Indian nationals as of January 2023. The President of Cuba visited Serbia in June 2023, witnessing the signing of an agreement waiving visa requirements for holders of official and diplomatic passports.

High-level contacts were also maintained with Iran. In October 2023, the Deputy Foreign Minister of Iran was in Belgrade for political consultations with Serbian MFA. In December 2022, the Iranian Foreign Minister was received by Serbia's President, with Belgrade providing a venue for him to meet all Iranian ambassadors posted in Europe. In August 2023, the State Secretary of the Serbian Ministry of Foreign Affairs travelled to Iran for political consultations. Serbia has also intensified contacts with other members of the Non-Aligned Movement and in March 2023 the Serbian MFA took part in the summit-level meeting of the Non-Aligned Movement Contact Group in Baku.

Serbia continued to engage actively with **international organisations**. Serbia does not have bilateral immunity agreements granting exemption from the jurisdiction of the **International Criminal Court** and complies with the EU common positions on the integrity of the Rome Statute together with the related EU's guiding principles on bilateral immunity agreements. The issuance of arrest warrants by the ICC against Russian President Putin and the Russian Commissioner for Children's Rights in March 2023 was however criticised by the Serbian leadership as being politicised and not conducive to peace.

Serbia continued supporting EU measures and documents on **conflict prevention**.

Serbia has joined almost all key **non-proliferation, disarmament and arms control treaties** promoted by the EU. Serbia should consider ratifying Protocol V on Explosive Remnants of War of the Convention on Certain Conventional Weapons (CCW). Serbia has a transparent reporting system on its strategic exports controls. At the same time, frequent and recurring allegations of corruption in arms trade deals need to be investigated. Serbia is a very active State Party to the Chemical Weapons Convention. However, Serbia has not in recent years (2022 and 2023) aligned with EU statements agreed in The Hague for the Organisation for the Prohibition of Chemical Weapons (OPCW) Conference of States Parties and Executive Council meetings. Serbia adopted a new Action Plan for the implementation of the Strategy for the fight against proliferation of Weapons of Mass Destruction for the period 2023-2025. Serbia is implementing its 2021-2024 strategy and respective action plan for small arms and light weapons control (SALW), with positive results. A new draft action plan (replacing the one of 2019-2020) is in preparation. The authorities took part in regional meetings on

SALW and Serbia is engaging positively on the implementation of the EU Roadmap on SALW and announced a tightening of controls following the mass shootings of May 2023. In Geneva, in the context of the Conference on Disarmament, Serbia did not systematically align with EU statements in 2022 and 2023. At the UN in New York, Serbia occasionally does not align with EU statements and sometimes supports positions at the UN General Assembly.

In terms of **security measures**, Serbia continued implementing its security of information agreement with the EU on procedures for exchanging and protecting classified information.

On **common security and defence policy (CSDP)**, Serbia continued to actively participate and contribute substantially to **EU crisis management missions and operations**, notably the EU training missions in Somalia and Central African Republic, and EU NAVFOR Atalanta. Serbia has expressed interest to contribute to EUTM Mozambique. Serbia is planning to contribute to civilian CSDP missions. The law on participation of civilians in international missions and operations was adopted in September 2023. Serbia continued to participate in the roster of the EU Battle Groups. Serbia also continued to participate in five UN peacekeeping missions. Serbia continued cooperation with NATO and in June 2023, a military exercise “Platinum Wolf” was held. Under the **European Peace Facility**, Serbia takes part in the Balkan Medical Task Force assistance measure.

On **hybrid threats**, in October 2022, the Serbian authorities formally appointed the new National Focal Point for the EU at the CBRN (Chemical, Biological, Radiological and Nuclear Risk Mitigation) Centre of Excellence, after the post remained vacant for over a year. Serbia attended at technical level the CBRN ministerial conference hosted by the EU in May 2023.

ANNEX I – RELATIONS BETWEEN THE EU AND SERBIA

Within the framework of the **accession negotiations**, twenty-two chapters have been opened, two of which have been provisionally closed (chapters 25 and 26). In accordance with the revised enlargement methodology, which Serbia accepted, negotiation chapters are grouped in six thematic clusters and negotiations should be opened for each cluster as a whole – after fulfilling opening benchmarks – rather than on individual chapters. All chapters of cluster 1 (fundamentals) and cluster 4 (green agenda and sustainable connectivity) are opened. Cluster 3 (competitiveness and inclusive growth) is the most advanced cluster to be opened next. Serbia tabled its negotiating positions on chapters 2, 3, 10, and 28.

Serbia is participating in the **Stabilisation and Association Process**. Serbia continued to build a track record in implementing the obligations of the Stabilisation and Association Agreement (SAA). However, Serbian legislation remains noncompliant with the SAA in a number of areas, including on restrictions on the acquisition of real estate and on discriminatory issuance of payment cards by banks. Furthermore, during the reporting period Serbia introduced on repeated occasions temporary trade restrictions on a number of products without presenting sufficient justifications, nor always following the procedures set out in the SAA. As regards public procurement, intergovernmental agreements concluded with third countries and their implementation do not follow the EU principles of equal treatment, transparency, non-discrimination and competition for the majority of the value of public procurement contracts. As a result, EU companies are prevented from participating in large-scale infrastructure projects implemented in the country.

Regular political and economic dialogue between the EU and Serbia continued. Sub-committee meetings were held, together with a meeting of a special group on public administration reform. The Stabilisation and Association Parliamentary Committee met in November 2022 and June 2023. Serbia also participates in the ministerial dialogue between the economic and finance ministers of the EU and the candidate countries, where joint recommendations are adopted. The most recent meeting was held in May 2023.

Economic integration with the EU remained high. The EU remains the main trading partner of Serbia, followed by CEFTA countries. In 2022 Serbia's total trade with the EU accounted for 58.7 % (65.8 % of total exports and 53.9 % of total imports). EU-Serbia trade rose by 27 % in 2022, demonstrating continued recovery from the impacts of the COVID-19 pandemic. Serbia's total trade in 2022 was worth EUR 42.7 billion. The country's trade deficit with the EU amounted to EUR 6.3 billion in 2022. In comparison, Serbia's trade with CEFTA represented around 10.3% of total trade.

The pattern of Serbia's alignment with **EU common foreign and security policy** positions remained unchanged. Serbia continued to participate actively in EU crisis management missions and operations under the common security and defence policy.

Visa-free travel for citizens of Serbia travelling to the Schengen area has been in force since December 2009. A **readmission** agreement between the European Union and Serbia has been in force since 2008. The Commission's October 2023 sixth report under the visa suspension mechanism concluded that Serbia continues to meet the visa liberalisation requirements.

Under the **Instrument for Pre-accession Assistance 2021 – 2027 (IPA III)**¹⁵ a first financing decision of EUR 122.14 million was adopted at the end of 2021, providing support in connectivity and energy efficiency, strengthening private sector development, trade, research and innovation, as well as improving the healthcare system. The second financing decision of

¹⁵ Official Journal L 330, 20.9.2021.

EUR 162 million was adopted at the end of 2022 providing support on fundamental rights, justice reform, public administration reform, the Green Agenda as well as on social cohesion, development, and economic growth.

At the EU-WB Summit in Tirana in December 2022, the Commission put forward an **Energy Support Package** of EUR 1 billion for the Western Balkans to address immediate, short-term, and medium-term needs in the region in the context of the energy crisis and of Russian war of aggression against Ukraine. Following this announcement, a EUR 165 million budget support programme for Serbia was adopted at the end of 2022 to cushion the energy price increase to SMEs and vulnerable households and to accelerate energy diversification. This first set of programmes are complemented by a significant package of multi-country programmes and the rural development programme IPARD III with a total amount of EUR 288 million, provide a significant contribution to kick-start the implementation of the Economic and Investment Plan for the Western Balkans and the Green Agenda. Serbia participates also in cross-border cooperation programmes, transnational cooperation programmes and Union programmes.

The new activities will add to the on-going programmes under **IPA II** (2014-2020), which are still providing significant support for the social and economic development of the country and contribute to key reforms in the rule of law, public administration reform and other sectors. Three important budget support operations on public administration reform, integrated border management and education were finalised.

Serbia continues to benefit from support under the IPA multi-country and regional programmes. Additionally, Serbia participates in three **cross-border cooperation programmes** with neighbouring Western Balkan countries and in transnational cooperation programmes with Member States under the European Regional Development Fund and the IPA Adriatic cross-border programme.

Serbia participates with IPA support in the following Union programmes: Horizon Europe; COSME; Erasmus+ and Creative Europe; The Citizens, Equality, Rights and Values (CERV); Employment and Social Innovation and the Digital Europe Programme. To facilitate the alleviation of the skills mismatch in the country, Serbia is participating, as observer, in a pilot project under the Technical Support Instrument.

STATISTICAL DATA (as of 31/08/2023)
Serbia

Basic data	Note	2010	2017	2018	2019	2020	2021
Population (thousand)		7 307 s	7 040 s	7 001 s	6 964 s	6 927 s	6 872 s
Total area of the country (km ²)	1) 2) 3)	77 453 sw	77 594 sw	77 594 sw	77 594 sw	77 594 sw	77 594 sw

National accounts	Note	2010	2017	2018	2019	2020	2021
Gross domestic product (GDP) (million national currency)		3 250 581	4 760 686	5 072 932	5 421 851	5 504 431	6 270 097
Gross domestic product (GDP) (million euro)		31 546	39 235	42 892	46 005	46 815	53 329
GDP (euro per capita)		4 330	5 590	6 140	6 620	6 790	7 800
GDP per capita (in purchasing power standards (PPS))		9 685	11 409	12 014	12 803	12 812	14 349
GDP per capita (in PPS), relative to the EU average (EU-27 = 100)		38.9	38.9	39.7	40.9	42.6	44.2
Real GDP growth rate: change on previous year of GDP volume (%)		0.7	2.1	4.5	4.3	- 0.9	7.5
Employment growth (national accounts data), relative to the previous year (%)		c	c	c	c	c	c
Labour productivity growth: growth in GDP (in volume) per person employed, relative to the previous year (%)		c	c	c	c	c	c
Unit labour cost growth, relative to the previous year (%)		c	c	c	c	c	c
**3 year change (T/T-3) in the nominal unit labour cost growth index (2015 = 100)		c	c	c	c	c	c
Labour productivity per person employed: GDP (in PPS) per person employed relative to EU average (EU-27 = 100)		c	c	c	c	c	c
Gross value added by main sectors							
Agriculture, forestry and fisheries (%)		7.9	7.2	7.7	7.2	7.6	7.6
Industry (%)		26.2	26.5	25.4	24.0	23.4	23.0
Construction (%)		4.1	5.0	5.4	6.9	6.6	7.3
Services (%)		61.8 s	61.4 s	61.6 s	61.9 s	62.4 s	62.2 s
Final consumption expenditure, as a share of GDP (%)		94.6	87.0	86.0	84.8	84.1	82.8
Gross fixed capital formation, as a share of GDP (%)		17.7	17.7	20.0	22.5	21.4	23.1
Changes in inventories, as a share of GDP (%)		- 0.1	1.8	2.6	2.6	2.7	1.9
Exports of goods and services, relative to GDP (%)		32.3	50.5	50.4	51.0	48.2	54.5
Imports of goods and services, relative to GDP (%)		44.5	57.1	59.1	60.9	56.5	62.3
Gross fixed capital formation by the general government sector, as a percentage of GDP (%)		:	:	:	:	:	:

Business	Note	2010	2017	2018	2019	2020	2021
Industrial production volume index (2015 = 100)		95.0	109.4	110.8	111.2	111.0	118.5
Number of active enterprises (number)	4	83 787 w	85 546 p	87 407	88 224	90 111	:
Birth rate: number of enterprise births in the reference period (t) divided by the number of enterprises active in t (%)	5	10.2 w	11.5 p	10.0	10.1	8.6	8.2 w

Death rate: number of enterprise deaths in the reference period (t) divided by the number of enterprises active in t (%)	5)	9.8 w	6.3 p	6.1	11.5	6.9 p	6.7 w
People employed in SMEs as a share of all persons employed (within the non-financial business economy) (%)	4) 6)	59.7 sw	59.3 sw	59.0 sw	58.5 sw	58.7 sw	:
Value added by SMEs (in the non-financial business economy) (EUR million)		5 751 sw	8 136 sw	9 165 sw	10 540 sw	12 245 sw	:
Total value added (in the non-financial business economy) (EUR million)	4)	11 980 w	16 442 p	18 047	20 093	21 833	:

Inflation rate and house prices	Note	2010	2017	2018	2019	2020	2021
Consumer price index (CPI), change relative to the previous year (%)		6.2 d	3.3 d	2.0 d	1.9 d	1.8 d	4.0 d
**Annual change in the deflated house price index (2015 = 100)		:	:	:	:	:	:

Balance of payments	Note	2010	2017	2018	2019	2020	2021
Balance of payments: current account total (million euro)		:	- 2 049.0	- 2 092.0	- 3 273.0	- 2 034.0	- 2 296.0
Balance of payments current account: trade balance (million euro)		:	- 3 997.0	- 5 244.0	- 5 680.0	- 5 200.0	- 5 923.0
Balance of payments current account: net services (million euro)		:	966.0	1 093.0	1 012.0	1 101.0	1 399.0
Balance of payments current account: net balance for primary income (million euro)		:	- 2 532.0	- 2 067.0	- 2 478.0	- 1 529.0	- 2 059.0
Balance of payments current account: net balance for secondary income (million euro)		:	3 514.0	4 126.0	3 873.0	3 594.0	4 287.0
Net balance for primary and secondary income: of which government transfers (million euro)		:	140.0	251.0	276.0	252.0	294.0
**3 year backward moving average of the current account balance relative to GDP (%)		:	- 4.4	- 4.6	- 5.7	- 5.4	- 5.3
**Five year change in share of world exports of goods and services (%)		:	46.3	26.2	30.9	38.1	30.9
Net balance (inward - outward) of foreign direct investment (FDI) (million euro)		1 133.4 w	2 418.1 w	3 156.5 w	3 551.1 w	2 938.5 w	3 656.9 w
Foreign direct investment (FDI) abroad (million euro)		145.0 w	130.0 w	307.9 w	264.2 w	100.4 w	229.1 w
of which FDI of the reporting economy in the EU-27 countries (million euro)		36.1 w	67.2 w	95.5 w	124.0	c	- 43.0
Foreign direct investment (FDI) in the reporting economy (million euro)		1 278.4 w	2 548.1 w	3 464.5 w	3 815.3 w	3 038.9 w	3 886.0 w
of which FDI of the EU-27 countries in the reporting economy (million euro)		801.8 w	1 701.7 w	1 932.9 w	2 310.0	c	1 758.0
**Net international investment position, relative to GDP (%)		:	90.7 w	87.6 w	88.0 w	90.3 w	83.9 w
Year on year rate of change in gross inflow of remittances (in national currency) from migrant workers (%)		:	7.5 sw	:	:	:	:

Public finance	Note	2010	2017	2018	2019	2020	2021
General government deficit / surplus, relative to GDP (%)		- 4.3 w	1.1 w	0.6 ew	- 0.2 ew	- 8.0 w	- 4.2 ew
General government gross debt relative to GDP (%)		40.8 w	58.7 w	54.4 ew	52.9 ew	57.7 w	57.5 ew
Total government revenues, as a percentage of GDP (%)		39.3 w	41.5 w	41.5 ew	42.1 w	40.9 w	43.4 ew
Total government expenditure, as a percentage of GDP (%)		43.7 w	40.4 w	40.9 ew	42.3 w	48.9 w	47.6 ew

Financial indicators	Note	2010	2017	2018	2019	2020	2021
Gross external debt of the whole economy, relative to GDP (%)	7)	74.5 sw	65.1 sw	62.2 sw	61.4 sw	65.8 sw	68.4 sw
Gross external debt of the whole economy, relative to total exports (%)		247.1 w	132.2 w	126.0 w	121.0 w	138.2 w	127.7 w
Money supply: M1 (banknotes, coins, overnight deposits, million euro)	8)	2 400.9 w	5 652.6 w	6 703.6 w	7 684.2 w	10 376.6 w	11 915.9 w
Money supply: M2 (M1 plus deposits with maturity up to two years, million euro)	9)	3 891.0 w	7 360.4 w	8 611.4 w	10 090.7 w	13 214.8 w	15 036.3 w

Money supply: M3 (M2 plus marketable instruments, million euro)	10)	12 898.6 w	19 206.3 w	22 047.1 w	24 011.2 w	28 361.5 w	32 131.2 w
Total credit by monetary financial institutions to residents (consolidated) (million euro)		17 544.3 w	22 806.4 w	24 605.8 w	26 743.3 w	30 621.0 w	33 158.9 w
**Annual change in financial sector liabilities (%)		:	3.4 pw	12.7 pw	11.2 pw	12.3 pw	11.0 pw
**Private credit flow, consolidated, relative to GDP (%)		:	:	:	:	:	:
**Private debt, consolidated, relative to GDP (%)		:	:	:	:	:	:
Interest rates: day-to-day money rate, per annum (%)		12.02 w	2.27 w	2.43 w	1.06 w	0.08 w	0.23 w
Lending interest rate (one year), per annum (%)		14.00 w	5.00 w	4.25 w	3.50 w	1.90 w	1.90 w
Deposit interest rate (one year), per annum (%)		9.00 w	2.00 w	1.75 w	1.00 w	0.10 w	0.10 w
Euro exchange rates: average of period (1 euro = ... national currency)		103.043	121.337	118.272	117.852	117.578	117.573
Trade-weighted effective exchange rate index, 42 countries (2015 = 100)		:	:	:	:	:	:
**3 year change (T/T-3) in the trade-weighted effective exchange rate index, 42 countries (2015 = 100)		:	:	:	:	:	:
Value of reserve assets (including gold) (million euro)		10 001.6 w	9 961.7 w	11 261.8 w	13 378.5 w	13 491.7 w	16 454.5 w

External trade in goods	Note	2010	2017	2018	2019	2020	2021
Value of imports: all goods, all partners (million euro)		12 475	17 559	20 074	22 216	21 482	27 332
Value of exports: all goods, all partners (million euro)		7 067	14 365	15 650	16 859	16 464	21 053
Trade balance: all goods, all partners (million euro)		- 5 407	- 3 194	- 4 424	- 5 356	- 5 019	- 6 279
Terms of trade (export price index / import price index * 100) (number)		92.8 sw	100.1 sw	98.1 sw	98.9 sw	103.4 sw	106.1 sw
Share of exports to EU-27 countries in value of total exports (%)		60.2 s	65.7 s	67.0 s	66.3 s	66.2 s	65.8 s
Share of imports from EU-27 countries in value of total imports (%)		55.9 s	57.5 s	55.9 s	54.7 s	55.6 s	53.9 s

Demography	Note	2010	2017	2018	2019	2020	2021
Crude rate of natural change of population (natural growth rate): number of births minus deaths (per thousand inhabitants)		- 4.8	- 5.5	- 5.4	- 5.3	- 8.0	- 10.9
Infant mortality rate deaths of children under one year of age (per thousand live births)		6.7	4.7	4.9	4.8	5.0	4.7
Life expectancy at birth: male (years)		71.8	73.1	73.5	73.4	71.6	70.0
Life expectancy at birth: female (years)		77.0	78.1	78.4	78.6	77.5	75.7

Labour market	Note	2010	2017	2018	2019	2020	2021
Economic activity rate for persons aged 20–64: proportion of the population aged 20–64 that is economically active (%)		63.8	71.2	72.5	72.9	72.5	75.0 b
*Employment rate for persons aged 20–64: proportion of the population aged 20–64 that are in employment (%)		51.4	61.4	63.1	65.2	65.9	66.7 b
Male employment rate for persons aged 20–64 (%)		59.5	68.5	70.5	72.1	72.9	74.2 b
Female employment rate for persons aged 20–64 (%)		43.5	54.5	55.8	58.2	58.9	59.3 b
Employment rate for persons aged 55–64: proportion of the population aged 55–64 that are in employment (%)		32.9	45.5	46.5	50.2	52.2	51.4 b
Employment by main sectors							
Agriculture, forestry and fisheries (%)		22.3 s	17.2 s	15.9 s	15.6 s	14.6 s	15.0 bs

Industry (%)		20.5 s	21.2 s	22.5 s	22.6 s	22.6 s	23.7 bs
Construction (%)		5.0 s	4.1 s	4.4 s	4.8 s	5.4 s	6.0 bs
Services (%)		51.9 us	57.5 us	57.2 us	56.9 us	57.5 us	55.3 bus
People employed in the public sector as a share of total employment, persons aged 20–64 (%)		33.1 w	27.8 w	27.3 w	26.6 w	26.4 w	25.8 w
People employed in the private sector as a share of total employment, persons aged 20–64 (%)		66.9 w	72.2 w	72.7 w	73.4 w	73.6 w	74.2 w
Unemployment rate: proportion of the labour force that is unemployed (%)		19.3	13.6	12.8	10.5	9.1	11.1 b
Male unemployment rate (%)		18.5	13.0	12.1	10.0	8.8	10.2 b
Female unemployment rate (%)		20.4	14.4	13.8	11.2	9.5	12.1 b
Youth unemployment rate: proportion of the labour force aged 15–24 that is unemployed (%)		46.3	31.9	29.7	27.5	26.6	26.4 b
Long-term unemployment rate: proportion of the labour force that has been unemployed for 12 months or more (%)		:	7.4	6.7	5.5	4.5	4.9
Unemployment rate for persons (aged 25–64) having completed at most lower secondary education (ISCED levels 0-2) (%)		16.7	12.3	13.4	11.4	9.6	14.0 b
Unemployment rate for persons (aged 25–64) having completed tertiary education (ISCED levels 5-8) (%)		11.9	11.8	10.6	8.1	7.6	8.4 b

Social cohesion	Note	2010	2017	2018	2019	2020	2021
Average nominal monthly wages and salaries (national currency)	11) 12)	47 450 w	65 976 w	68 629 bw	75 814 w	82 984 w	90 784 w
Index of real wages and salaries (index of nominal wages and salaries divided by the inflation index) (2016 = 100)		102 w	101 w	105 w	114 w	123 w	129 w
GINI coefficient		:	38	36	33	33	33
Poverty gap		:	38.8	37.4	32.1	27.1	28.3
*Early leavers from education and training: proportion of the population aged 18–24 with at most lower secondary education who are not in further education or training (%)		8.3	6.2	6.8	6.6	5.6	6.3 b

Standard of living	Note	2010	2017	2018	2019	2020	2021
Number of passenger cars relative to population size (number per thousand population)		216.0	279.6 sw	285.7 sw	299.2 sw	315.0	325.4 sw
Number of mobile phone subscriptions relative to population size (number per thousand population)		1 357.0 w	1 231.4 w	1 207.5 w	1 217.2 w	1 192.6 w	1 250.8 w
Mobile broadband penetration (per 100 inhabitants)		:	:	:	:	:	:
Fixed broadband penetration (per 100 inhabitants)		:	35 w	30 w	28 w	34 w	35 w

Infrastructure	Note	2010	2017	2018	2019	2020	2021
Density of railway network (lines in operation per thousand km ²)		43.2 sw	42.5 sw	42.5 sw	42.5 sw	37.9 sw	38.1 sw
Length of motorways (kilometres)		495 w	963	782 w	928 w	928	928 w

Innovation and research	Note	2010	2017	2018	2019	2020	2021
Public expenditure on education relative to GDP (%)		4.3 sw	3.6 d	3.6 sw	3.6 sw	3.5 sw	3.3 psw
*Gross domestic expenditure on R&D relative to GDP (%)		0.70	0.87	0.92	0.89	0.91	0.99
Government budget appropriations or outlays on R&D (GBAORD), as a percentage of GDP (%)		:	0.38	0.37	0.40	0.46	0.42
Percentage of households who have internet access at home (%)		:	68.0	72.9	80.1	81.0	81.5

Environment	Note	2010	2017	2018	2019	2020	2021
*Index of greenhouse gas emissions, CO ₂ equivalent (1990 = 100)		77.1 w	78.5 w	76.5 w	75.1 w	:	:
Energy intensity of the economy (kg of oil equivalent per 1 000 euro GDP at 2015 constant prices)		456.2	418.0	394.5	375.4	392.1	370.9
Electricity generated from renewable sources relative to gross electricity consumption (%)		28.2	27.4	28.7	30.1	30.7	29.9
Road share of inland freight transport (based on tonne-km) (%)		:	51.5 w	55.5 w	68.0 w	64.9 w	62.0 w

Energy	Note	2010	2017	2018	2019	2020	2021
Primary production of all energy products (thousand TOE)		10 551	10 496	10 025	10 219	10 969	10 187
Primary production of crude oil (thousand TOE)		940	988	976	941	921	894
Primary production of solid fuels (thousand TOE)		7 229	7 216	6 609	6 826	7 205	6 282
Primary production of gas (thousand TOE)		308	389	358	349	325	288
Net imports of all energy products (thousand TOE)		5 231 s	5 330 s	5 385 s	5 497 s	4 795 s	5 652 s
Gross inland energy consumption (thousand TOE)		15 608	15 748	15 528	15 417	15 956	16 238
Gross electricity generation (GWh)		38 103	37 045	37 426	37 600	37 956	38 236

Agriculture	Note	2010	2017	2018	2019	2020	2021
Agricultural production volume index of goods and services (at producer prices) (2010 = 100)		100.0 w	98.9 w	113.3 w	116.8 w	121.2 w	113.6 w
Utilised agricultural area (thousand hectares)		3 541.7	3 438.1	3 486.9	3 481.6	3 506.5	3 506.1
Livestock numbers: live bovine animals (thousand heads, end of period)		938.0	899.0	878.0	898.0	886.0	860.0
Livestock numbers: live swine (thousand heads, end of period)		3 489.0	2 911.0	2 782.0	2 903.0	2 983.0	2 868.0
Livestock numbers: live sheep and live goats (thousand heads, end of period)		1 712.0 s	1 887.0 s	1 908.0 s	1 833.0 s	1 887.0 s	1 890.0 s
Raw milk available on farms (thousand tonnes)		:	1 599.3	1 590.0	1 597.0	1 583.7	1 563.5
Harvested crop production: cereals (including rice) (thousand tonnes)		9 694.4	6 793.3	10 529.1	10 436.4	11 447.6	10 236.4
Harvested crop production: sugar beet (thousand tonnes)		3 551.1	2 513.5	2 325.3	2 305.3	2 018.2	2 048.2
Harvested crop production: vegetables (thousand tonnes)		1 084.5	1 086.6	829.8	738.5	720.1	795.7

Source: Eurostat and/or the statistical authorities in Serbia

: = not available

b = break in series

c = confidential value

d = definition differs

e = estimated value

p = provisional

s = Eurostat estimate

w= data supplied by and under the responsibility of the national statistical authority and published on an "as is" basis and without any assurance as regards their quality and adherence to EU statistical methodology

* = Europe 2020 indicator

Footnotes:

- 1) The total area should be regarded as temporary, and since the cadastral surveys are in progress as well as the development of the digital cadastral map, the areas are still not final.
- 2) Data for 31 December of this year
- 3) The data was taken from the Republic Geodetic Authority.
- 4) Unincorporated enterprises are not included.
- 5) Entrepreneurs are included
- 6) Unincorporated enterprises are not included.
From the reference 2019 NACE S95 activity is included.
- 7) Official external debt of the Republic of Serbia.
- 8) The money supply M1 consists of currency in circulation and funds in giro, current and other accounts belonging to the owners of money balances in banks' liabilities, including money balances in the accounts of local government bodies, i.e. accounts from which payments can be made without any restrictions.
- 9) The money supply M2, in addition to M1, includes other dinar deposits, both short-and long-term.
- 10) The money supply M3, in addition to M2, includes short-and long term foreign currency deposits (without the so-called frozen foreign currency savings).
- 11) Wages and salaries paid to employees of legal entities and of unincorporated enterprises.
- 12) Wages and salaries are obtained from administrative sources (tax administration records). Average earnings are calculated on the basis of the total amount of accrued earnings for the reporting month and the number of full-time equivalent (FTE) employees.

