



Brussels, 6.10.2020
SWD(2020) 352 final

COMMISSION STAFF WORKING DOCUMENT

Serbia 2020 Report

Accompanying the

**Communication from the Commission to the European Parliament, the Council, the
European Economic and Social Committee and the Committee of the Regions**

2020 Communication on EU Enlargement Policy

{COM(2020) 660 final} - {SWD(2020) 350 final} - {SWD(2020) 351 final} -
{SWD(2020) 353 final} - {SWD(2020) 354 final} - {SWD(2020) 355 final} -
{SWD(2020) 356 final}

Table of Contents

1.	Introduction	3
1.1	Context	3
1.2	Summary of the report	4
2.	Fundamentals first: political criteria and rule of law chapters	8
2.1.	Functioning of democratic institutions and public administration reform	8
2.1.1	Democracy	8
2.1.2.	Public administration reform.....	13
2.2.	Rule of law and fundamental rights	18
2.2.1.	Chapter 23: Judiciary and fundamental rights	18
2.2.2	Chapter 24: Justice, freedom and security	40
3.	Fundamentals first: economic development and competitiveness	53
3.1.	The existence of a functioning market economy	53
3.2.	The capacity to cope with competitive pressure and market forces within the EU ...	60
4.	Good neighbourly relations and regional cooperation	64
5.	Normalisation of relations between Serbia and Kosovo	66
6.	Ability to assume the obligations of membership.....	67
6.1.	Chapter 1: Free movement of goods	67
6.2.	Chapter 2: Freedom of movement for workers	70
6.3.	Chapter 3: Right of establishment and freedom to provide services	70
6.4.	Chapter 4: Free movement of capital	71
6.5.	Chapter 5: Public procurement.....	73
6.6.	Chapter 6: Company law.....	75
6.7.	Chapter 7: Intellectual property law	76
6.8.	Chapter 8: Competition policy	77
6.9.	Chapter 9: Financial services	79
6.10.	Chapter 10: Information society and media	81
6.11.	Chapter 11: Agriculture and rural development.....	83
6.12.	Chapter 12: Food safety, veterinary and phytosanitary policy	84
6.13.	Chapter 13: Fisheries.....	85
6.14.	Chapter 14: Transport	86
6.15.	Chapter 15: Energy	88
6.16.	Chapter 16: Taxation.....	90

6.17.	Chapter 17: Economic and monetary policy	91
6.18.	Chapter 18: Statistics.....	92
6.19.	Chapter 19: Social Policy and employment	94
6.20.	Chapter 20: Enterprise and industrial policy.....	97
6.21.	Chapter 21: Trans-European networks.....	98
6.22.	Chapter 22: Regional policy and coordination of structural instruments	99
6.25.	Chapter 25: Science and research	101
6.26.	Chapter 26: Education and culture	102
6.27.	Chapter 27: Environment and climate change	104
6.28.	Chapter 28: Consumer and health protection.....	108
6.29.	Chapter 29: Customs union.....	112
6.30.	Chapter 30: External relations.....	113
6.31.	Chapter 31: Foreign, security and defence policy.....	114
6.32.	Chapter 32: Financial control.....	117
6.33.	Chapter 33: Financial and budgetary provisions.....	119
	Annex I – Relations between the EU and Serbia	121

1. INTRODUCTION

1.1 Context

The European Council granted Serbia the status of candidate country in 2012. Since the opening of Serbia's accession negotiations in January 2014, 18 out of 35 chapters have been opened, two of which provisionally closed. In 2019, two negotiation chapters were opened. The overall pace of negotiations will continue to depend in particular on a more intense pace of rule of law reforms and on the normalisation of Serbia's relations with Kosovo*.

The Stabilisation and Association Agreement (SAA) between Serbia and the EU entered into force in September 2013. Serbia continued to implement the SAA, although a number of compliance issues remain.

The Serbian government continued to declare European integration as its strategic goal. However, several statements were initially made by high-ranking officials in the context of the COVID-19 crisis, which were not in line with this strategic commitment. Notwithstanding its latest more positive signals towards the EU, the Serbian authorities overall need to place more emphasis on objective and unambiguous positive communication on the EU, which is Serbia's main political and economic partner.

The COVID-19 pandemic is a global shock that has not spared the Western Balkans. It represents an unprecedented burden on their health and social protection systems. The final extent of its footprint in terms of loss of human lives and damage to the economies is still difficult to assess, but early estimates foresee a drop of between 4-6% of gross domestic product (GDP) in the region. Thousands of citizens are at risk of losing their jobs, and temporary government support measures (unemployment benefits, deferrals/waivers to tax and social security contributions, etc.) have an important fiscal impact.

While the EU is itself heavily affected by the pandemic, it has spared no time and effort to provide essential and unparalleled support to the Western Balkans. This includes financial support of more than EUR 3.3 billion for countries in the region to address the immediate health crisis and resulting humanitarian needs, as well as longer term and structural impact on their societies and economies. Given the European perspective of the Western Balkans, the EU is also treating the region as privileged partners by associating them with the Union's mechanisms and instruments. These include the Health Security Committee, Joint Procurement Agreements, Union Civil Protection Mechanism, Solidarity Fund, consular assistance in repatriation or exemption from temporary EU export restrictions of medical equipment. These and other measures have provided immediate relief and are a clear message of the EU's political commitment towards the region.

The Serbian government announced two financial packages in the total worth of EUR 5.7 billion to support the economy through the COVID-19 crisis. The packages contained earmarked budget funds for direct cash subsidies to the private sector, for a programme of favourable loans and for state guaranteed loans. Additional financial aid through support schemes was announced for particularly affected sectors, such as tourism and transport. Furthermore, the government paid a minimum salary for employees of small and medium enterprises for three months and deferred the payment of taxes and social security contributions. The latter two measures were prolonged in July 2020 for another month and were complemented by the establishment of a new programme granting state support for each newly created job for the period of nine months. All citizens over 18 were offered a EUR 100

* 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.

cash transfer. Serbia pledged EUR 2 million at the EU's international conference of May 2020 to help develop and ensure equitable access to COVID-19 vaccines, tests and treatments.

The president, prime minister and speaker of parliament declared a state of emergency on 15 March. The authorities aligned their actions to deal with the pandemic with World Health Organisation (WHO) recommendations and imposed wide-ranging temporary measures, including strict curfew hours, closure of schools and universities, bans on public gatherings, freezing of most air traffic and closing of borders.

The parliament only convened just over six weeks after the state of emergency was called, which limited its ability to scrutinise the executive during this period.

After the state of emergency was lifted on 29 April, the country held elections on 21 June and several precautionary measures were lifted. Amid a rising number of coronavirus cases in early July, the President announced the reintroduction of a stricter curfew. This led to protests in Belgrade and several other cities, during which protestors expressed dissatisfaction with the government's handling of the pandemic and wider concerns over the state of democracy in Serbia. Protests turned violent in some places and several clashes erupted between police forces and some of the protestors. The EU reminded the authorities that, while protecting people's lives and health should be the first priority and public order must be guaranteed, any use of force must be measured and proportionate at all times.

1.2 Summary of the report

As regards the **political criteria**, the parliamentary, provincial and municipal elections in Serbia initially foreseen for April were postponed following the outbreak of the COVID-19 pandemic and held on 21 June 2020. While contestants were able to campaign and fundamental freedoms were respected, voter choice was limited by the governing party's overwhelming advantage and the promotion of government policies by most major media outlets, according to the Organisation for Security and Co-operation in Europe/Office for Democratic Institutions and Human Rights (OSCE/ODIHR). Numerous recommendations previously made by ODIHR remain unaddressed. It is crucial that the Serbian authorities address long-standing electoral shortcomings through a transparent and inclusive dialogue with political parties and other relevant stakeholders well ahead of the next elections. A number of opposition parties boycotted the elections.

The newly constituted Serbian parliament is marked by the overwhelming majority of the ruling coalition and the absence of a viable opposition, a situation which is not conducive to political pluralism in the country. During the previous legislature, some steps were taken to address shortcomings in the work of the parliament with the reduction of urgent procedures and previous practices of filibustering. Several opposition parties continued their boycott of parliamentary sessions. Inflammatory language against political opponents and representatives of other institutions expressing diverging political views was used during parliamentary debate. The effectiveness, independence and transparency of the parliament, including the role and prerogatives of the parliamentary opposition, need to be strengthened to ensure the necessary checks and balances indispensable in a democratic parliament. The new parliament and political forces should continue to engage in the inter-party dialogue led by the European Parliament, with a view to improving parliamentary standards and forging broad cross-party and societal consensus on EU-related reforms, which is vital for the country's progress on its EU path.

Serbia is moderately prepared in the area of **public administration reform**. No progress was made overall as the excessive number of acting senior manager positions was not sizeably reduced. Lack of transparency and respect of the merit-based recruitment procedure for senior

civil service positions is an issue of increasingly serious concern. The effective implementation of the law on the planning system needs to be ensured through a strong quality control of the Public Policy Secretariat.

Serbia's **judicial system** has some level of preparation. No progress was made over the reporting period. The constitutional reform on the judiciary was put on hold until after the 2020 parliamentary elections. This delay has repercussions on the adoption of related judicial legislation that is needed to increase safeguards for judicial independence. The scope for continued political influence over the judiciary under the current legislation is a serious concern. Serbia continued its efforts to reduce old enforcement cases and harmonise court practice.

Serbia has some level of preparation in the **fight against corruption**. Limited progress was made over the reporting period. Operational steps have been taken to strengthen the mandate and to ensure the independence of the Anti-Corruption Agency, as well as to enhance its capacities with a view to implementing the law on the prevention of corruption upon its entry into force in September 2020. The changes brought by the law on the organisation and jurisdiction of government authorities in suppression of organised crime, terrorism and corruption, in force since March 2018, produced some results in terms of finalised cases. Overall, corruption remains an issue of concern. There is still no effective prevention coordination mechanism in place. The number of finalised high-level corruption cases has decreased compared with the previous years. Serbia needs to increase its efforts and step up the prevention and repression of corruption.

In the **fight against organised crime**, Serbia has some level of preparation with limited progress over the reporting period related notably to structural reforms and interagency cooperation. Serbia is stepping up its cooperation with Europol. Overall, Serbia has yet to establish a convincing track record of effective investigations, prosecutions and final convictions in serious and organised crime cases, leading to an increased amount of confiscated assets. Serbia needs to increase its efforts in dismantling large and internationally active criminal organisations.

The legislative and institutional framework for upholding **fundamental rights** is broadly in place. However, its consistent and efficient implementation still needs to be ensured. Human rights institutions need to be strengthened and their independence guaranteed, including via the allocation of the necessary financial and human resources. Serbia has adopted a new media strategy, which was drafted in a transparent and inclusive manner and identifies the main challenges related to media freedom in Serbia. However, implementation of the new strategy has not yet started and no progress was made yet on the ground to improve the overall environment for **freedom of expression**. As identified in the media strategy, cases of threats, intimidation and violence against journalists are still a source of serious concern. Transparency of media ownership and of allocation of public funds, especially at local level, has yet to be established. ODIHR found that most TV channels with national coverage and newspapers promoted government policy during the electoral campaign. It also found that the few media outlets which offered alternative views had limited outreach and provided no effective counterbalance, which compromised the diversity of political views available through traditional media, through which most voters receive information.

Serbia continued to significantly contribute to the management of the mixed **migration** flows towards the EU by playing an active and constructive role and cooperating effectively with its neighbours and EU Member States. It also continued to effectively implement the integrated border management strategy and its action plan.

On the **economic criteria**, Serbia made some progress and is moderately prepared/at a good level of preparation in developing a functioning market economy. Prior to the COVID-19 crisis, the pace of GDP growth picked up as domestic demand strengthened. External imbalances widened but their financing remained healthy due to high inflows of foreign direct investment. Price pressures remained subdued and inflation expectations contained. By reducing the budgetary deficit and maintaining a prudent fiscal stance, Serbia has significantly improved debt sustainability. Labour market performance has improved, with the lowest unemployment rates in the last decade; however, this was also due to large-scale emigration. The COVID-19 crisis is however projected to strongly deteriorate the economic outlook in 2020, in particular as regards GDP growth, public finances and employment. While some progress has been made in the reforms of the tax administration and the privatisation of state-owned banks, other structural reforms of public administration and state owned enterprises advanced slowly. Weaknesses in the budgetary framework need to be addressed. There has been no progress in strengthening the fiscal rules. The state retains a strong footprint in the economy and the private sector is hampered by weaknesses in the rule of law.

Serbia made some progress and is moderately prepared to cope 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, despite some progress, the quality and relevance of education and training does not fully meet labour market needs. Investment has continued to increase but, after years of underinvestment, remains insufficient to address serious infrastructure needs. Serbia needs to apply the same rules for prioritising, selecting and monitoring all capital investments regardless of the type of investment or the source of financing, including those under intergovernmental agreements. All investment decisions need to follow EU standards on public procurement, state aid, environmental impact assessments and cost-benefit analysis. Although the cost of borrowing for small and medium-sized enterprises has declined recently, they still face a number of challenges, including a volatile business environment and unfair competition.

Serbia overall remained committed to bilateral relations with other enlargement countries and neighbouring EU Member States and an active participant in **regional cooperation**. Relations with Montenegro have been marked by tensions, including concerning the 30 August parliamentary elections in Montenegro. Serbia demonstrated its commitments to provide a renewed impetus to regional cooperation and enhanced regional ownership at the summits in Novi Sad, Ohrid and Tirana. It is important that regional initiatives include all partners in the Western Balkans and are based on EU rules, building on commitments previously taken in the framework of CEFTA, the Regional Economic Area (REA) or the Transport Community Treaty.

Regarding the **normalisation of relations with Kosovo**, the EU-facilitated dialogue resumed with high-level meetings on 12 and 16 July, and 7 September 2020. A number of expert level meetings took place in Brussels. Serbia needs to make further substantial efforts and contribute to reaching a comprehensive legally binding agreement with Kosovo. Such an agreement is urgent and crucial so that Kosovo and Serbia can advance on their respective European paths.

As regards its **ability to assume the obligations of membership**, Serbia stepped up its work to align legislation with the EU *acquis* in the economic and internal market chapters. The country made good progress in economic areas such as company law, intellectual property law, competition and financial services. However, limited progress was made on public procurement. Even though Serbia aligned significant parts of its public procurement legislation with the *acquis*, a law on special procedures for linear infrastructure projects, adopted in February 2020, allows exemption of infrastructure projects of “special importance”

for Serbia from the application of public procurement rules and, thus, allows for the circumvention of EU rules and standards. Especially the implementation of intergovernmental agreements concluded with third countries do not seem to be systematically in line with the principles of equal treatment, non-discrimination, transparency and competition and neither fully consistent with the relevant EU *acquis* and national legislation. Environment and climate change need to receive adequate political attention, translating into better coordination, stronger institutions, more financing and mainstreaming across all sectors of the economy. Advancing on a green energy transition, away from coal, needs to become a priority, and a part of Serbia redoubling its efforts to fight air pollution. Regarding transport, Serbia continued with rail reforms. Transport investment decisions need to ensure best value for money. Adequate financial and human resources and sound strategic frameworks will be crucial for the pace of reforms, including in particular the appointment of a head of Serbia's EU negotiating team.

Serbia continued to develop intense relations and strategic partnerships with a number of countries worldwide, including Russia, China and the US. Cooperation with China increased during the COVID-19 crisis and was marked by pro-China and EU sceptical rhetoric by high-ranking state officials. Frequent high-level contacts and regular bilateral visits with Russia were maintained as well as military technical cooperation, including joint military drills and arms trade arrangements. The President of Serbia pledged to move the Serbian embassy in Israel to Jerusalem by July 2021. Serbia aligned with 60% of the EU CFSP positions in 2019 and needs to step up its efforts in order to progressively align its foreign and security policy with that of the European Union in the period up to accession.

1.3 State of play of the accession negotiations

9	Remaining chapters without opening benchmarks	
4	Draft EU common position in Council	2 – Freedom of movement for workers 3 – Right of establishment & freedom to provide services 14 – Transport policy 21 – Trans European Networks
1	Serbia presented its Negotiating Position, COM prepares Draft EU common position	27 – Environment
2	Serbia invited to present its Negotiating Position	10 – Information society and media 28 – Consumer and health protection
1	Screening reports still discussed in Council working group	31 – Foreign, Security and Defence Policy
1		34 – Institutions – <i>Currently not applicable for Serbia</i>
8	Remaining chapters with opening benchmarks	
2	Opening benchmarks assessment reports discussed in Council	11 – Agriculture and rural development 22 – Regional policy & coordination of structural

	working group	instruments	
6	Serbia working on fulfilment of opening benchmarks	1 – Free movement of goods 8 – Competition policy 12 – Food safety, veterinary and phytosanitary policy 15 – Energy 16 – Taxation 19 – Social policy and employment	
16 Chapters opened (in total 18) – date			
	Serbia working on fulfilment of interim or closing benchmarks	4 – Free movement of capital – 10/12/19 5 – Public procurement – 13/12/16 6 – Company law – 11/12/17 7 – Intellectual property law – 20/06/17 9 – Financial services – 27/06/19 13 – Fisheries – 25/06/18 17 – Economic and monetary policy – 10/12/18 18 – Statistics – 10/12/18 20 – Enterprise and industrial policy – 27/02/17 23 – Judiciary and fundamental rights – 18/07/16 24 – Justice, freedom, security – 18/07/16 29 – Customs Union – 20/06/17 30 – External relations – 11/12/17 32 – Financial control – 14/12/15 33 – Financial and budgetary provisions – 25/06/18 35 – Other issues / Normalisation with Kosovo – 14/12/15	
+ 2 Chapters opened and provisionally closed			
		25 – Science and research (opened and closed at 13/12/16) 26 – Education and culture (opened and closed at 27/02/17)	

2. FUNDAMENTALS FIRST: POLITICAL CRITERIA AND RULE OF LAW CHAPTERS

2.1. Functioning of democratic institutions and public administration reform

2.1.1 Democracy

The reporting period was marked by deep political polarisation, in particular in the context of parliamentary, provincial and municipal elections on 21 June 2020. While elections were administered efficiently, the dominance of the ruling party, including in the media, was of concern. A number of opposition parties boycotted the elections despite efforts led by the European Parliament to create cross-party consensus on electoral reforms, citing democratic concerns and an uneven playing field. The newly constituted Serbian parliament is marked by

the overwhelming majority of the ruling coalition and the absence of a viable opposition, a situation which is not conducive to political pluralism in the country.

Following the outbreak of the COVID-19 crisis, a state of emergency was declared on 15 March by a joint decision of the president, prime minister and speaker of parliament. The authorities imposed wide-ranging measures restricting fundamental freedoms, including strict curfew hours. The adequacy and proportionality of some of these measures were disputed by several domestic and international organisations. The parliament only convened just over six weeks after the state of emergency was called, which limited its ability to scrutinise the executive during this period. The state of emergency was approved by parliament on 28-29 April and lifted a week later.

Following that, the country held elections on 21 June and several precautionary measures were lifted. Amid a rising number of coronavirus cases in early July, the President announced the reintroduction of a stricter curfew. This led to protests in Belgrade and several other cities, during which protestors expressed dissatisfaction with the government's handling of the pandemic and wider concerns over the state of democracy in Serbia. Protests turned violent in some places and several clashes erupted between police forces and some of the protestors. The EU reminded the authorities that, while protecting people's lives and health should be the first priority and public order must be guaranteed, any use of force must be measured and proportionate at all times.

Elections

The parliamentary, provincial and local elections initially foreseen for April were postponed to 21 June 2020 following the COVID-19 crisis. While contestants were able to campaign and fundamental freedoms were respected, voter choice was limited by the governing party's overwhelming advantage and the promotion of government policies by most major media outlets, according to the Office for Democratic Institutions and Human Rights at the Organisation for Security and Cooperation in Europe (OSCE/ODIHR). Numerous recommendations previously made by ODIHR remain unaddressed. It is crucial that the Serbian authorities address long-standing electoral shortcomings in a transparent and inclusive dialogue with political parties and other relevant stakeholders well ahead of the next elections.

The elections of 21 June were characterised by intense political polarisation, amidst a boycott by most of the opposition. With 48.9%, voter turnout was lower than in previous parliamentary elections (2016: 56%). Only three lists passed the 3% threshold: The Serbian Progressive Party (SNS), led by the Serbian President, with 60.65% of the vote (188 of the 250 seats in parliament); SNS' coalition partner, the Socialist Party of Serbia, with 10.38% (32 seats), and the Patriotic Alliance of Serbia with 3.83% (11 seats). Four parties representing national minorities, which are exempt from the threshold, obtained overall 19 seats.

Despite travel and other restrictions, ODIHR deployed a special election assessment mission, upon the invitation of the Serbian authorities. ODIHR found that parliamentary elections were administered efficiently, despite challenges posed by the COVID-19 pandemic, but the dominance of the ruling party, including in the media, was of concern.

On election day, procedures were generally followed, but ODIHR observers noted cases and received reports of violations of the campaign silence that benefitted the ruling party. Local observers found irregularities and incidents in 8-10% of the polling stations, an increase compared with previous elections.

The official campaign period started on 4 March but was suspended during the state of emergency. The campaign, including calls for a boycott, remained overall low-key and focused on recovery from the COVID-19 pandemic, while EU accession and related reforms did not feature as main topics. Physical campaigning was limited and most of the campaign took place in the traditional media of TV and print, as well as in online media and on social networks. During the electoral campaign, ODIHR found that most TV channels with national coverage and newspapers promoted government policy, and the few media outlets offering alternative views have limited outreach and were therefore unable to provide an effective counterbalance. Another aspect noted by ODIHR was the meshing of the SNS's campaign with media coverage of the president and the government's response to the COVID-19 crisis. The dual role of the president as chairperson of the ruling party and nominal 'bearer' of its electoral list blurred the line between his official duties and the election campaign.

Ahead of the elections, some steps were taken to improve electoral conditions in the context of a European Parliament-led dialogue between the ruling and several opposition parties. Subsequently, the government adopted decisions amongst others aiming to improve the accuracy and transparency of voting lists, to strengthen the work of the electoral administration, and to clarify conditions for the work of election observers. Legislative amendments were adopted in December 2019 to clarify provisions on prohibiting the use of public resources for electoral campaign purposes. This work was taken forward by the government working group on elections, established in August 2019.

A parliamentary supervisory board, charged with the overall monitoring of the campaign, was established. The three vacant posts in the Council of the Regulatory Body for Electronic Media (REM), which has a key role in supervising the electronic media, were filled and two members replaced. REM adopted rules supplementing the legal framework for media conduct during elections, but these rules were not mandatory for private broadcast media, which raised questions given the perceived bias of the broadcast media overall. Despite the availability of a range of media monitoring efforts which would have allowed for scrutiny, ODIHR found that both the parliamentary supervisory board and the REM remained passive in supervising media conduct during the campaign period. In the final phase of the campaign, the REM banned several election-related ads.

In February 2020, the ruling coalition proposed the lowering of the electoral threshold from 5% to 3% and a formula for enhanced representation of national minority lists. These key amendments were passed in parliament in a swift manner and without prior consultations, limiting the inclusiveness of the process. European standards (e.g. the Venice Commission code of good practice) provide that the fundamental elements of electoral law should not be significantly amended less than one year before an election. During the same parliamentary session, at the request of an opposition member, changes were introduced to increase the minimum quota for the less represented gender from 33.3% to 40% on election lists. In May 2020, legislative changes were adopted amending the rules for the certification of signatures necessary to support the election lists.

While the legal framework enables democratic elections to be held, numerous of the recommendations previously made by ODIHR remain unaddressed, including areas such as election administration, media, campaign finance, dispute resolution and sanctions for electoral violations. Amongst other issues, the campaign finance regulatory framework still does not ensure transparency of campaign finance and the effectiveness of oversight. Work on meeting all ODIHR recommendations should start immediately in a transparent and inclusive manner, to make use of the period between elections for a comprehensive and inclusive review of the electoral framework.

Parliament

The newly constituted Serbian parliament is marked by the overwhelming majority of the ruling coalition and the absence of a viable opposition, a situation which is not conducive to political pluralism in the country. Following the outbreak of the COVID-19 pandemic, the parliament only convened just over six weeks after the state of emergency was called, which limited its ability to scrutinise the executive during this period. The new parliament and political forces should continue to engage in the inter-party dialogue led by the European Parliament, with a view to forging broad cross-party and societal consensus on EU-related reforms, which is vital for the country's progress on its EU path.

Overall, parliamentary oversight of the executive remains rather formalistic and, thus, the democratic accountability of the executive branch is weak. This trend was accentuated following the outbreak of the COVID-19 pandemic, which tilted the democratic balance of power further towards the government. The parliament's ability to scrutinise the executive, in particular to oversee the emergency measures introduced by the government, was limited during the state of emergency. Most opposition members continued their boycott of parliament sessions throughout the reporting period, and, in September 2019, announced a boycott of the upcoming parliamentary elections.

Some steps were taken during the previous legislature to address shortcomings in the parliament's work. Urgent parliamentary procedures were used for 19% of legislative procedures between 1 March 2019 and 31 March 2020 compared with 44% during a similar timeframe a year ago. Previous filibustering practices were significantly reduced. The 2020 budget was adopted with more time for debate than in the previous year. For the first time since 2014, the plenary discussed the annual reports of independent bodies and adopted conclusions. Six public hearings were held in 2019 (compared with one in 2018), and five question and answer sessions with the executive were held in 2019 (five in 2018). Committees held regular reviews and hearings on the work of relevant ministries. However, more systematic support for the work of independent regulatory bodies needs to be provided, by regularly monitoring the implementation of their recommendations and holding the executive bodies accountable.

Inflammatory language against political opponents and representatives of other institutions expressing diverging political views was used during parliamentary debates. This included verbal attacks, amplified by some media, against a member of the European Parliament leading the inter-party dialogue. All politicians have a responsibility to avoid inflammatory language and to counter hate speech.

The newly constituted parliament and political forces should continue to engage in the inter-party dialogue, with a view to creating an atmosphere of societal dialogue and cross-party consensus on EU-related reforms. The rules of procedure should be amended and a code of conduct adopted, in line with best practices and with EU expertise. The effectiveness, independence and transparency of the parliament, including the role and prerogatives of the parliamentary opposition, need to be strengthened to ensure the necessary checks and balances indispensable in a democratic parliament. The opposition also has a responsibility to make full use of the inter-party dialogue and put forward constructive proposals, thereby representing the interests of their constituents.

The parliament continued to hold debates on Serbia's negotiating positions as regards EU accession chapters as well as exchanges with the core negotiating team and with the National Convention on the European Union.

Some 97 out of the 250 members of the newly constituted parliament are women. Changes were introduced to increase the quota for the less represented gender from 33.3% to 40% on election lists.

Governance

The Serbian government continued to declare EU membership as its strategic goal. However, several statements were initially made by high-ranking state officials in the context of the COVID-19 crisis, which were not in line with this strategic commitment. Notwithstanding its latest more positive signals towards the EU, the government overall needs to place more emphasis on objective and unambiguous positive communication on the EU, which is Serbia's main political and economic partner. Furthermore, political focus and human and financial resources on EU accession need to increase. A new head of the EU negotiating team should be appointed as a matter of urgency.

The Serbian negotiating team saw substantial turnover of staff, which had a negative impact on its capacity to fulfil its coordinating role. Adequate human and financial resources will need to be allocated across all institutions involved so Serbia can meet its objectives as regards EU accession negotiations. The head of the negotiating team resigned in September 2019 and a new one needs urgently to be appointed.

Consultations continued with relevant stakeholders, including civil society organisations (CSOs), through the National Convention on the EU. However, the inclusiveness and transparency of the reform process, in particular on issues related to EU accession, need to be improved as a matter of priority and public consultations on policies and legislation need to be more substantive.

The role of independent bodies needs to be fully acknowledged and their recommendations followed up promptly. Monitoring of the implementation and impact of the reform processes needs to be further improved. Authorities should put more emphasis on objective communication about the EU, as Serbia's main political and economic partner. Serbia's strategic choice of EU accession needs to be communicated more pro-actively and unambiguously in public debate. Further efforts are needed to promote EU values in Serbian public debate and in education, including readiness for reconciliation.

Regarding local self-government, the law on Vojvodina's financing resources has yet to be adopted as provided for under the Constitution. Local administrative capacity is still weak and significant disparities between municipalities persist. Responsibilities still continue to be borne at local level without proper analysis of the capacity and human/financial resources required. The few local governments which were run by opposition parties have reported continued political pressures by ruling party authorities.

Constitutional changes are still needed in some areas to address issues relevant to the accession negotiations.

Civil society

While some steps were initiated in terms of issuing guidelines and planning of consultations, further efforts are still needed to ensure systematic cooperation between the government and civil society. An enabling environment for the development and financing of civil society still needs to be established on the ground.

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 takes place in an increasingly polarised environment that is not open to criticism, with the authorities making negative statements, echoed by some media, about CSOs in general and on the funding of certain associations in particular. These statements are made, for example, in the context of smear campaigns or in parliamentary debates. Organisations and individuals that criticise the authorities in developments related to the rule of law are under particular pressure. Harsh criticism against human rights defenders has continued in tabloid newspapers and intensified in the period preceding the parliamentary elections. In July 2020, a list containing the names of CSOs and media reportedly subject to a risk assessment by the Administration for the Prevention of Money Laundering (APML) was leaked to the public. The applicable legal basis for the APML's actions, and the compliance of the APML with the recommendations of the FATF will need to be clarified (*See Chapter 4 – Free Movement of Capital and Chapter 24 – Justice, Freedom and Security*).

A national strategy and action plan to help create a positive environment for CSOs have still not been adopted. A council for civil society cooperation has yet to be set up.

The National Convention on the EU (composed of representatives of governmental bodies, political parties, non-governmental organisations, experts, trade unions, private sector organisations and representatives of professional organisations), whose goal is to contribute to a structured debate on Serbia's accession to the EU, has continued to monitor and assess the progress of accession negotiations. The authorities should use its expertise more systematically, in order to benefit from the full potential of the Convention and its working groups.

In January 2020, the government adopted guidelines on the inclusion of CSOs in working groups for drafting regulations and public policies. The government's office for cooperation with civil society created a database of 'CSO focal points' in public institutions and local self-governments. The use of the urgent procedure for adopting laws was reduced, potentially allowing for more time for consultations in the law-making process. However, a number of CSOs have reported that the time given for public consultations was still too short, or that their comments on draft laws were not given sufficient consideration and follow-up.

For the first time, all public administration bodies were obliged in 2019 to submit an annual plan as regards public calls for financing CSOs to the office for cooperation with civil society, which then published an e-calendar of public calls. The implementation in practice of such annual plans needs to be monitored. The criteria for public financial support for CSOs need to be better defined and implemented to ensure overall transparency, especially at local level. Due to the COVID-19 pandemic and reallocation of funds under the state of emergency, several grant procedures for CSOs, at state and local level, have been suspended.

2.1.2. Public administration reform

Serbia is **moderately prepared** with the reform of its public administration. It has developed further e-services delivery. However, **no progress** was made on the three Commission recommendations of last year, which therefore remain valid. There was no sizeable reduction of the excessive number of acting senior manager positions. The law on the planning system and its implementing legislation started being applied. However, line institutions need to further take into account the quality control role of the Public Policy Secretariat, whose opinions are mandatory – meaning that the Secretariat must be consulted – but not legally binding, as there is no mechanism to verify that the Secretariat's comments have been incorporated and that the final draft versions of laws and policy documents are compliant with the legislation. Despite the adoption of a decree on capital projects management, the recommendation to develop a single mechanism for prioritising all investments regardless of

the type and source of financing still needs to be fully addressed. There is an urgent need to address all those persisting shortcomings.

In the coming year, Serbia should in particular:

- start recruiting senior civil servants effectively through a merit-based procedure and reduce the excessive number of acting positions;
- ensure a strong quality control role of the Public Policy Secretariat to allow for the effective implementation of 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

Serbia continued implementing its **public administration reform (PAR) strategy** and action plan as well as its **public financial management (PFM) reform programme**. A new PAR strategy, for 2021–2030, is being prepared and aims to further streamline the sector strategic framework, including the public financial management programme, and multiple underlying strategic documents. The government ensures regular monitoring and reporting on the implementation of reforms, but a coordinated monitoring and reporting system, which also covers managerial accountability, is yet to be set up (*see Chapter 32 – Financial Control*). CSOs continue to take part in the monitoring of reforms. **Political support** for public administration reform is in place through the PAR Council, chaired by the Prime Minister. However, only two meetings of the PAR Council were held during the reporting period. Consistency between appropriations in the budget, the medium-term expenditure framework and costing of the overall PAR strategic framework improved. **Financial sustainability** is still a concern due to reliance on donor funding.

Policy development and coordination

Institutions remain in place for a central government **policy-making system**, including for the European integration process, but weaknesses persist due to the continuing focus on formal and procedural issues. The strategic planning system, regulated through the law on the planning system, sets out clear rules for developing, monitoring and reporting on sector strategies. In that context, the effectiveness of quality control by the Public Policy Secretariat, including on the costing of strategies and their links to medium-term fiscal planning, has yet to be demonstrated. This is because the Secretariat's opinions addressed to line institutions are mandatory – meaning that the Secretariat must be consulted – but not legally binding. There is no mechanism to verify that the Secretariat's comments have been incorporated and that the final draft versions of laws and policy documents are compliant with the legislation. The full implementation of the law on the planning system will be further assessed when the majority of the current strategic documents expire, and new ones will need to be prepared under the new methodology described in the law. A unified information system, envisaged by the law on the planning system, has yet to carry out its intended function in the overall policy planning system. Namely, all new – since the entry into force of the above law - policy documents and their monitoring indicators will need to be entered in the unified information system, and subsequent reporting will also need to be carried out in that system. Mid-term plans for 2020, which were legally required to be adopted by all institutions by the end of January 2020, were only adopted by three institutions. The national plan for the adoption of the *acquis* (NPAA) and the government annual work programme need to be better synchronised.

The capacity for **inclusive and evidence-based policy and legislative development**, including when aligning with the EU *acquis*, still needs strengthening. Administrative data collection and its systematic use for policy and law-making has yet to improve across the administration. The methodology on impact assessments, as well as the obligation for line institutions to take into account the Public Policy Secretariat's opinion prior to submitting documents to the government, have yet to be consistently applied in practice. Regulatory impact assessments need to be systematically submitted to the parliament together with legislative proposals. Better coordination between the Ministry of Finance and the Public Policy Secretariat has yet to be established to ensure that there are no discrepancies between financial impact assessments, which the Ministry of Finance coordinates, and financial information in the regulatory impact assessments. Regarding inter-ministerial consultations, official high-level mechanisms still do not exist for resolving possible conflicts between services. The regulatory framework for **public consultations** requires that such consultations are organised early in the policy-making process, and sets detailed instructions on reporting publically on the outcome of the consultations. The scope of public consultations has improved. However, their impact and consistent application will need to be assessed in practice (*See Civil society*).

As regards **public scrutiny of government work**, planning system regulations require the government and ministries to prepare and publish monitoring reports on the implementation of strategic documents. Measuring achievements against stated objectives rather than reporting on implemented activities has yet to be achieved. Quarterly reports on the implementation of the NPAA continue to be published regularly. The government's website includes the annual government work plan. However, it still does not provide access to the rest of the government's main public policy documents, such as action plans for implementing the government programme or monitoring reports of key government work plans. Minutes and conclusions of government sessions are not published either.

Public financial management

The 2016-2020 **PFM** reform programme is being implemented with delays. The future programme needs to ensure more realistic planning, costing and sequencing, better links with sector strategic framework and an increased focus on performance indicators and results.

The government managed to keep the public finances on a sustainable path to more realistically planned revenue and expenditure projections. Final accounts as regards implementation of the budget 2002-2018, a legal obligation, have been adopted by the parliament after several years of non-compliance. The capital budget execution level continued its upward trend but a unified, comprehensive, effective and transparent system for planning and management of capital investments is yet to be put in place. The adopted decree on capital projects management and related rulebooks represent a step in the right direction. However, Serbia needs to apply the full methodology of the decree and public procurement procedures to all capital investments regardless of the type of investment or the source of financing, and ensure that procedures are in place to guarantee the integration of capital projects' planning and appraisal in the budget process. Furthermore, the government's investment planning and management capacity needs to be improved, including the capacity to control public assets funded by loans from third countries.

Although the budget is structured by programmes, the link between the government programme and sector strategies and operational plans of budget beneficiaries is still weak. The legislative framework for public procurement and the strategic and legislative framework for conducting financial control was strengthened. The State Audit Institution has continued to increase both the coverage and quality of their audits of public funds, most prominently by

multiplying the number of performance audits conducted within a year (*See Chapters 5 – Public procurement, and 32 – Financial control*).

Serbia did not progress in improving **budget transparency**. A transparency roadmap, a pre-budget statement, and a mid-year report are still to be produced and published. The Ministry of Finance does not publish the budget execution profile at the beginning of the year, preventing any analysis of deviations from targets. Budget execution reports contain only basic elements but specify expenditure amounts for individual budget organisations. Public participation in the budget process and budget oversight by the legislature needs to be improved. The 2020 budget was adopted in line with the budget calendar, after a series of parliamentary debates, thus ending the lack of compliance with the budget system law. However, assessment and debate among the stakeholders need to be further improved.

Public service and human resources management

The civil service legislation provides for **merit-based recruitment and dismissal procedures**. Under the law on civil servants last amended in December 2018, the heads of institutions still have too much discretion in setting up selection committees. The possibility to convert certain categories of temporary contracts into permanent civil service contracts needs to be considered carefully in order to avoid possible abuse. With regard to the dismissal process, the revised performance appraisal procedure provides for a longer timeframe for improving performance. Grades received by civil servants during performance appraisal remain inflated. The new performance assessment system reflecting the policy priorities of institutions will need to be assessed in practice.

The lack of transparency in, and respect for, the merit-based recruitment procedure provided for under the Serbian legislation for **senior civil service positions** is an issue of increasingly serious concern. The legal provision allowing for appointments to ‘acting positions’ for 6 months (with a maximum extension of 3 months) continues being often misused. This has contributed to high staff turnover and loss of institutional memory in some cases, and in violation of the legal time limit in others. As of June 2020, 56% (March 2019: 63%) of filled senior positions are held on an acting basis. The amendments to the law on civil servants in December 2018 had aimed to address these shortcomings by means of restricting the appointments to already existing civil servants as of 1 July 2019. However, the government continues to appoint non-civil servants on an acting basis despite the deadline of 1 July 2019, which is in breach of the law. The limited capacity of the High Civil Service Council is of concern as regards the need to organise a large number of competitions in order to replace at a reasonable speed all the existing acting managers. The phasing out of the current acting positions needs to be addressed urgently and with more political will, and be effectively monitored by the institutions responsible. Current practices, where appointment decisions for management positions can be overthrown by a personnel committee of the government after the selection process has been finalised at the institutional level, lack transparency. This affects the proper functioning of the selection procedures embedded in the legislative framework.

The effectiveness of the competency-based **human resources management** system, which was introduced by the amendments to the law on civil servants in December 2018, will need to be assessed in practice. The Human Resources Management Service needs to strengthen its capacity to coordinate and harmonise the work of human resources units of the line institutions. The ongoing development of a new human resources management information system is delayed and the current system does not interact with other national databases such as the treasury payroll registry. No progress was made regarding **remuneration** of civil servants. The implementation of the 2016 law on the salary system in the public sector, which

introduces the principle of equal pay for equal work for all public sector employees, is seriously delayed as it was again postponed for another year, to 2021. Serbia's Commissioner for Equality reported on the adverse effect that the law on the maximum number of employees in the public sector had on female staff, as it increased the likelihood that women retire earlier and that women under 30 become unemployed.

With regard to **professional development**, the National Training Academy for Public Administration continued developing a national training framework and organising training for all public officials, including at local level. A comprehensive professional development programme for senior civil servants was adopted as part of the training programme for 2020.

A code of ethics for civil servants aims to ensure **integrity in public service**. Further efforts are needed to ensure the existing integrity plans in the judiciary and in the public administration are fully implemented. The integrity of the civil service is undermined by the aforementioned excessive number of acting senior manager posts. There are no tangible improvements in relation to anti-corruption efforts at local level and the impact of the local anti-corruption plans has yet to be assessed.

Accountability of administration

The structure of the public administration has yet to be streamlined. The **lines of accountability** between agencies and their parent institutions remain blurred, contributing to overlapping functions, fragmentation, and unclear reporting lines. Political commitment to managerial accountability and systematic delegation of responsibilities is still needed. Institutions still have a bureaucratic and process-oriented approach to planning, budgeting and the reporting of their activities (*See Chapter 32 – Financial control*).

The Ombudsman has a key role in ensuring **citizens' rights to good administration**. Public authorities are obliged to report on the implementation of the Ombudsman's recommendations. For the first time since 2014, the Ombudsman's annual report was discussed in a parliament plenary session and conclusions were adopted in July 2019 (*See Governance*). **Citizens' right to access public information** is regulated in the law on access to information of public importance, which has yet to be amended. Administrative silence, whereby public authorities fail to properly act on the citizens' information requests, remains a major issue. Enforcement of the decisions taken by the Commissioner for Information of Public Importance has yet to be ensured (*See Chapter 23 – Fight against corruption*).

On **citizens' right to administrative justice**, the administrative court continues to operate with an insufficient number of judges. At the same time this court is coping with broadening responsibilities and a high number of pending cases, especially in relation to labour disputes including at local self-government level, which affects its efficiency. The appointment of new judges in 2019 is a positive step. It is too early to assess the impact of the new law on free legal aid, applied as of October 2019. While the **citizens' right to seek compensation** is regulated, no statistical data is collected to monitor its implementation.

Service delivery to citizens and businesses

Creating a more **user-oriented administration** remains a government's priority. Progress in developing e-services continued, although there is still no central policy ensuring access to services for the public. A law on the central population registry, as well as some of the implementing legislation on the e-government law, were adopted. The government adopted a new e-government programme in June 2020. There is strong coordination and leadership in this area from the e-government office and the Prime Minister's Delivery Unit. Digital signatures are being used but the percentage (7% compared with 5% in 2018) of the

population who avail of this service is still limited. A more modern e-government portal was rolled out in February 2020.

The legal framework for **simplification of administrative procedures** has been in place since the 2016 law on general administrative procedures. However, regulatory uncertainty for individuals and businesses remains due to continuous delays with aligning the sector legislation with this law. People are still not aware of their improved rights, allowing the administration to apply old cumbersome procedures. The capacity of the Ministry of Public Administration and Local Self-Government to efficiently oversee the implementation of this law remains limited. Overlaps in coordination with the Public Policy Secretariat have yet to be addressed.

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, 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** to apply the EU *acquis* and the European standards in this area. **Very limited progress** was made overall. The constitutional reform aimed at strengthening the independence of the judiciary has been put on hold until after the parliamentary elections in spring 2020. The first step of the parliamentary procedure took place in June 2019 when the parliamentary committee approved the government's initiative. The next required step, the vote in the plenary to approve this initiative, has yet to take place. Revision of the related judicial legislation started. Overall, corruption remains an issue of concern. The legal framework on fundamental rights is broadly in place but its implementation is inconsistent. Regarding freedom of expression, Serbia has adopted a new media strategy, which was drafted in a transparent and inclusive manner and identifies the main challenges related to media freedom in Serbia. However, implementation of the new strategy has not yet started and no progress was made yet on the ground to improve the overall environment for freedom of expression. The role of independent and regulatory bodies needs to be recognised, their capacities strengthened, including their budgets and skilled staff, and their functional independence must be guaranteed in practice.

Serbia continued implementing the action plan which was adopted prior to the opening of the accession negotiations on this chapter in July 2016. It adopted a revised action plan in July 2020. The revised plan is oriented towards meeting the interim benchmarks of the EU common position.

Functioning of the judiciary

Serbia has some level of preparation in the area of judiciary. **No progress** was made in addressing last year's recommendations which therefore remain valid. Efforts continued to reduce old enforcement cases and harmonise court practice. The system for judicial appointments and for evaluating the work of judges and prosecutors needs to be thoroughly revised following the adoption of the constitutional amendments to allow for merit-based judicial recruitments and careers. The scope for political influence over the judiciary is a continuous and serious concern. The delay in the adoption of the constitutional amendments has repercussions on the adoption of related judicial legislation that is needed to increase safeguards for judicial independence.

In the coming year, Serbia needs in particular to:

→ strengthen the independence of the judiciary and the autonomy of the prosecution,

including through amendments to constitutional and legislative provisions related to the appointment, career management and disciplinary proceedings of judges and prosecutors;

- amend the laws on High Judicial Council and the State Prosecutorial Council so that they are empowered to fully assume their independent role to proactively defend judicial independence and prosecutorial autonomy in practice in line with European standards;
- adopt and implement a human resources strategy for the entire justice sector together with establishing a uniform and centralised case management system, necessary for a measurable improvement in efficiency and effectiveness of the justice system.

Following the declaration of the state of emergency, the work of the courts was limited to processing urgent cases according to a list adopted by the High Judicial Council, mainly related to violations of the emergency measures. Furthermore, case-related time limits and the statute of limitation were suspended for the duration of the state of emergency. Some of the urgent hearings were held via Skype despite this modality lacking the necessary legal basis, as based only on an instruction by the Ministry of Justice. In some instances, these proceedings resulted in several years of imprisonment. On 1 April 2020, the government issued a decree, providing that it was for the judge to decide whether to hold distance hearings for the accused in detention, whenever it was difficult to secure his/her presence due to the risk of spreading the virus. Following the lifting of the state of emergency, the High Judicial Council instructed the Serbian courts to re-open under detailed health safety instructions as of 11 May.

The Constitutional Court received some 66 initiatives for assessing the constitutionality of the emergency measures and 10 appeals over possible violations of human rights. So far, the court has taken only one decision. On 21 May, it decided to dismiss the request to review the constitutionality of the procedure by which the state of emergency was introduced on procedural grounds. In the explanatory part of the decision, the court elaborated on the facts related to the epidemic situation, and did not assess the state of emergency decision in light of the Serbian Constitution and other legislation.

Strategic documents

Serbia's main strategic document, together with the action plan for Chapter 23, was the national judicial reform strategy (2013-2018). It expired in December 2018. The follow-up strategy (the national judicial development strategy) was adopted in July 2020 without a comprehensive impact assessment having been carried out. A revised action plan for Chapter 23 was also adopted in July 2020. These strategic documents are not underpinned by a clear financial analysis of the overall costs of the reform. A human resource strategy has also not yet been adopted. The World Bank completed a prosecution functional review and is updating its court functional review. Serbia needs to ensure that recommendations from the functional reviews are followed up on.

Management bodies

The High Judicial Council (HJC) and the State Prosecutorial Council (SPC) decide on the required number of judges and prosecutors, on appointments, evaluation, transfers and assignments, on disciplinary liability and dismissals of judges and prosecutors. They are responsible for initial and in-service training of the judiciary. In addition, the HJC is in charge of judicial administration and the management of budgetary funds for salaries of judges and related overhead expenses, including costs related to providing expert witnesses. The SPC is responsible for executing the budget as regards salaries of public prosecutors and deputy public prosecutors and for the costs of criminal procedures including related investigations.

As regards the organisation of the courts and prosecution offices, responsibilities remain divided between the Ministry of Justice and the councils. The judicial institutions would benefit from an overall clearer system of governance which would lead to the entire judicial system's independence, accountability and effectiveness being improved. Notably as regards the budget for the judiciary and the prosecution, divided responsibilities continue to adversely affect budgetary planning, resource allocation and execution. The workload of courts and prosecution offices should be taken into account in budgetary planning, as well as the number of court staff and their responsibilities. The new judicial strategy and the revised action plan for Chapter 23 do not clearly determine the next steps in addressing this and do not decide upon the Serbian authority responsible for the residual judiciary budget, which includes salaries of court and prosecution support staff. Some steps were taken to improve the transparency of the councils' work, by including the minutes of their sessions and certain decisions on their websites. The councils' professional and administrative capacities still need to be further strengthened. Long-term training plans for the councils' members and support staff are needed.

Independence and impartiality

The current constitutional and legislative framework continues to leave room for undue political influence over the judiciary. Future legislative changes will need to increase the safeguards for judicial independence. A fully objective, transparent and merit-based system for appointing, transferring and promoting judges and prosecutors in line with European standards will need to be put in place also to promote professionalism and improve quality.

The constitutional reform which aims to strengthen the judiciary's independence and accountability has been put on hold until after the parliamentary elections in spring 2020. After the government had submitted to parliament an initiative to change the Constitution in November 2018, the first step of the parliamentary procedure took place in June 2019: the parliamentary committee approved the government's initiative to change the Constitution. However, the next step, the vote in the plenary to approve this initiative, has yet to take place. Once approved, the parliamentary committee should start its technical work in drafting the text of the constitutional amendments, taking into account the draft text of the Ministry of Justice which took on board the Venice Commission recommendations. The latter also include a reference to 'creating a constructive and positive environment around the public consultations to be held when the parliament will examine the draft amendments'. In January 2019, the authorities set up five working groups to revise the necessary implementing legislation, including legislation on the jurisdiction and organisation of courts and prosecution offices, on judges and on prosecutors, on the responsibilities and functioning of the judicial and prosecutorial councils and on the Judicial Academy. However, the delay in the adoption of the constitutional amendments has repercussions on the drafting and the adoption of the implementing legislation as clarity on the constitutional basis is still lacking. The Minister of Justice committed to consulting the Venice Commission on mature drafts of the legislation aimed at implementing the new constitutional provisions.

Pressure on the judiciary still remains high. Government officials, some at the highest level, as well as members of parliament, continue to comment publicly on a regular basis ongoing investigations or court proceedings, and on individual judges and prosecutors. Articles in tabloid newspapers target and seek to discredit members of the judiciary. In some cases, judges have asked to be excused from adjudicating on cases involving local politicians, referring to pressure exercised on them and their families. The HJC and the SPC continued to monitor complaints by judges and prosecutors. In 2019, the HJC issued two public statements condemning public commenting. The SPC processed 18 complaints in 2019, and recommended measures in three cases. In one case, it justified the concern over influence by

means of public comments and media campaigns. The codes of conduct for members of the government and parliament prohibit such behaviour. However, the ongoing undue pressure and comments on the work of the judiciary show that effective sanctions for undue influence of the judicial office holders or public comments that undermine their independence are not available or implemented efficiently.

The HJC proposal for the election of court presidents was rejected by the relevant parliamentary committee in February 2020, and it was removed from the agenda amid allegations that individual candidates had criminal connections and political party memberships. Some 74 courts in Serbia thus continue to have acting presidents for an undefined period.

Accountability

A revision of the **disciplinary rules** and **ethical codes** is ongoing for both councils. This revision is needed in order to, among other things, better define the offences, strengthen the capacity of the disciplinary bodies and clarify which provision in the codes should entail disciplinary liability for their non-compliance. It needs to be ensured in line with European standards that only serious misconduct and not mere incompetence gives rise to disciplinary proceedings.

Steps were taken to establish the ethical boards as permanent bodies of the councils. The members of the boards still need to be re-appointed since 2018. In order to improve the transparency of the disciplinary bodies' work, the HJC posted 43 anonymised disciplinary decisions on its website, after adopting a rulebook on data anonymisation in June 2019.

In 2019, the HJC disciplinary prosecutor received 491 complaints against judges, mostly from members of the public. In seven cases, it initiated a disciplinary procedure. The HJC's disciplinary commission dealt with 31 cases, 25 cases were solved. A dismissal procedure was initiated in one case, and sentences with public warnings and salary reductions were issued. The SPC disciplinary prosecutor rejected complaints in 113 cases as unfounded and forwarded 7 cases to the disciplinary commission, the second instance. In three cases sanctions were issued including a public warning, prohibition of advancement in career and decrease in salary. The mandate of the SPC's Commissioner for Autonomy expired in March 2020. During his three-year tenure, the Commissioner raised awareness about the pressure exercised on prosecutors in concrete cases, endangering their autonomy. Once the state of emergency was lifted, several requests for scheduling a session to discuss the end of the mandate the Commissioner as well as issues related to the state of emergency were not responded to.

Professionalism and competence

In 2019, the HJC elected 108 judges to permanent positions (2018: 51), promoted 68 judges to higher-level courts (2018: 42) and proposed to parliament 221 candidates for first-time judges (2018: 187). The mandate of the President of the Supreme Court of Cassation expired in December 2019. The HJC has yet to publish a call for candidates. The SPC elected 45 deputy prosecutors and proposed to parliament 19 candidates for first time deputy prosecutors.

In the context of the constitutional amendments which aim to strengthen the judiciary's independence and accountability, there is a need to revise the current system of recruitment, transfer and promotion of judges and prosecutors, in order to ensure that their careers are fully based on merit, with a clear link between performance evaluation and career advancement and that final decisions are taken by the councils and not by the parliament. Participation in continuous training (but not the evaluation of such participation) should become a mandatory part of professional performance evaluation for judges. In addition, the professional

evaluation of judges should be based not only on quantitative criteria but also on qualitative criteria. At present, Serbia still has two categories of eligible candidates for the judicial profession: graduates of the Judicial Academy, and judicial and prosecutorial assistants. No progress was made in addressing the Venice Commission's advice on how to effectively 'protect the Academy from possible undue influence'. Strengthening its independence and professionalism therefore remains a prerequisite for becoming a sole nationwide entry point to the profession at basic courts' level.

Quality of justice

The Judicial Academy is mandated to provide both initial training for qualified law graduates who aspire to work in the judicial profession and in-service training for judges, prosecutors and court staff. The Judicial Academy operates under the supervision of the Ministry of Justice. There is still an urgent need to improve the academy's professionalism, notably as regards its internal capacity and organisation. In addition, its cooperation with the councils needs to be strengthened. The academy's internal organisation reflects the composition of the HJC and SPC. This should improve the quality of the analysis of training gaps and needs. While manuals and guidelines for evaluating the training provided were developed, there is no regular and effective quality control mechanism applied consistently. Impact assessments of training provided should demonstrate that the skills acquired are effectively applied in practice. The development of a multiannual work programme based on a thorough needs assessment has been delayed. A systematic approach to the training of judiciary staff is still lacking. Continuous training activities, which also require coordination efforts in order to avoid overlapping, continue to be highly dependent on different donors. The academy is an observer to the European Judicial Training Network (EJTN) but is not proactively benefiting from the expertise within the network.

Further steps were taken to improve transparency by publishing some 4 000 anonymised judgments of the four appellate courts. In line with the previous 2018 agreement between four Serbian appellate courts and the plan of activities to harmonise court practice, the regular joint sessions and meetings with lower courts with the aim of harmonising court practice continued. A number of appellate court and misdemeanour court decisions have been uploaded onto the online database and are available to judges. Efforts need to continue to link the various existing databases, including the one on the judgments of the European Court of Human Rights, and to broaden their scope. Harmonising court practice in the present court system with over 20 courts, where judgments become final remains difficult to achieve. Structural shortcomings should be analysed in the context of a comprehensive assessment of the system's court and prosecution network, and the role of the Supreme Court of Cassation in effectively orienting jurisprudence should be considered.

As of June 2020, there are 2 703 full time judges, i.e. 38.81 per 100 000 inhabitants. There are in total 786 public prosecutors, i.e. 8.9 per 100 000 inhabitants. The European average is 21 judges and 11 prosecutors per 100 000 inhabitants. The average age for judges in Serbia is 52. The court and prosecution network is highly complex in terms of structure (160 courts and 90 prosecution offices) and overly complex in the aspect of financing, procurement and court payments for services. The deployment of non-judicial staff is fragmented. Due to drop in the number of judicial assistants (due to an employment ban in public administration) courts became dependent on part-time and volunteer work.

The Serbian justice system continues to rely on several different case management applications that are not interconnected. There is still an increasingly urgent need for a comprehensive **information and communication technology strategy** with clear timelines and related financial commitments. A comprehensive **countrywide system to process and**

interlink cases across courts and prosecutorial networks, with adequate technological support has yet to be put in place. The technical work for the national roll-out of case management systems for the prosecution and for the prison administration started in early October 2019. However, further work is required on fulfilling the necessary preconditions such as legislative changes, adequate staffing and budget as well as upgraded communication infrastructure to ensure that all of the case management systems can perform including the one for the courts.

Once in place, such a comprehensive, centralised and country-wide court case (and document) management system should ensure a more efficient processing of cases. It should also provide the necessary statistical data in line with the methodology of the Council of Europe's commission for the efficiency of justice. It could also support an automatic case allocation system which should take into account the case weighting criteria for more balanced distribution of workload. A case weighting formula has been piloted in 20 basic and higher courts, and should be rolled out at the national level.

There are currently 198 public notaries in Serbia covering almost the entire country. Newly adopted bylaws have improved the management of documents while better access to different databases allows for electronic issuance of certificates and filing of property tax applications. Notaries have successfully processed inheritance cases. The notary chamber continued its efforts in improving training and standardisation of practice.

In the area of **alternative dispute resolution/mediation** the working group on the revision of the law on mediation adopted an analysis on how to increase the use of mediation. This analysis and possible subsequent legal changes were discussed in four public debates among lawyers, judges, mediators, legal professionals, NGO representatives and the media in July 2019 but further steps are yet to be taken.

There are 1 349 certified mediators (277 of which are attorneys), but only 124 declared themselves as active in mediation in 2019 (9%). Based on their reports, 569 mediations were conducted in 2019. This represents a slight drop compared with 638 mediations in 2018 and 619 in 2017. Out of 569 mediated cases in 2019, 403 were concluded with a settlement agreement. In 266 proceedings, cases were referred to mediation by the court. The number of mediations compared with the number of pending civil court proceedings thus remains below 1%. Additional incentives for mediation, including legislative amendments to increase the scope of cases referable to mediation should be considered.

The system and criteria for certification of mediators and licensing of trainers should be further improved. The revised law on amendments and supplements to the law on court fees applicable from January 2019 has further encouraged parties to resolve their disputes by amicable means, including mediation, negotiated settlement, and court settlement.

Efficiency

The implementation of the national backlog reduction programme (for 2016–2020) continued under the supervision of the Supreme Court of Cassation. It continues to have a positive, although more reduced, impact on the courts' efficiency with the backlog of old enforcement cases shrinking. The definition of 'old' cases has also been altered and now only includes cases that are more than 3 years old, rather than those over 2 years old. In 2019 some 214 234 old cases were resolved (out of which 112 473 were enforcement cases), which is lower than in 2018 (311 018 out of which 140 452 were enforcement cases). There are also cases more than 10 years old and their number remains high with 1 184 in second instance courts and 252 210 in basic courts, mostly dealing with civil matters. The number of cases alleging

violations of the right to a trial within reasonable time was higher in 2019 (100 600) than it was in 2018 (68 720).

The overall high number of pending backlog cases continues to be a concern (685 456 cases more than 2 years old at the end of 2019 compared with 781 137 at the end of 2018). The highest number of pending backlog cases (approx. 86.6% of the total) is in basic courts. While the overall clearance rate dropped from 139.87% to 106.04% between 2016 and 2017, it increased again in 2018 to 110.03% before dropping again in 2019 to 102.01%. In 2019, the average duration for cases to be resolved was 267 days, compared with 270 days in 2018. Thus, for the fourth year in a row, the Serbian judicial system was able to process more cases than it received. At the same time, the courts in 2019 received a higher number of cases in 2019 (2 224 102) than it did in 2018 (2 089 237) – a trend which continued from 2017 (2 202 692).

The jurisdiction of the Constitutional Court covers assessing compliance of laws and other general acts with the Constitution as well as deciding upon constitutional complaints over potential violations of human or minority rights and freedoms. In 2019, 36 892 cases were pending cases (22 473 from previous years). There are almost 1 300 cases older than 2017, and almost 21 000 from the years 2017 and 2018. The constitutional appeals account for around 98% of the total number (36 291). Only a very small percentage (around 6%) of them were resolved in merits. There is a need for more transparency in the work of the court, including as regards accessibility for the public.

There are still significant differences in workload between the courts across the country. In the first half of 2019, a higher number of cases was registered in the Belgrade courts in particular, where judges already have the biggest workload in civil cases. Lengthy proceedings, the absence of comprehensive and effective free legal aid system and the slow pace of processing indemnity claims continue to hamper the quality of justice and people's access to justice (*See Procedural rights*). The impact of the new free legal aid law, implemented only as of October 2019 is yet to be assessed.

Amendments to the law on enforcement and security of July 2019 (in force since January 2020) envisage the transfer of additional types of enforcement cases from courts to public enforcement agents. Secondly, the law introduces a new appeal system to better protect individual debtors and strengthen court control over public enforcement agents. However, this has not yet been matched with additional human resources in courts. The fees for enforcement procedures were lowered. Furthermore, the law introduced an e-auction platform to increase access to information and improve transparency.

Domestic handling of war crime cases

Serbia needs to fully cooperate with the International Residual Mechanism for Criminal Tribunals (IRMCT), including by fully accepting and implementing its rulings and decisions. As in previous years, Serbia has repeatedly and publicly challenged the judgments of the International Criminal Tribunal for the former Yugoslavia (ICTY), including at the highest levels. Serbia's non-cooperation in relation to the arrest of people indicted for contempt of court had not been resolved by the time of the ICTY's closure, and the case was then transferred to the IRMCT. In February 2020, the IRMCT's Appeals Chamber confirmed that the IRMCT has to hear the contempt of court case and it is not to be referred to Serbia. This decision is final.

Regarding judicial cooperation issues, the bilateral agreements between the prosecutor's office of Serbia and its counterparts in Bosnia and Herzegovina, Croatia and Montenegro on cooperation related to the investigation of war crimes, crimes against humanity and genocide

have not been used to their full extent. In 2019, the cooperation with Bosnia and Herzegovina has led to indictments being issued in Serbia. Cooperation with Croatia has continued to face a number of impediments and has not led to tangible results. Mutual legal cooperation continues to be extremely limited in war crimes cases. Serbia has not yet enforced the judgment of Bosnia and Herzegovina in the case of General Djukić. The latter resides in Serbia. Basic legal and procedural issues remain between the countries, which impede proper regional cooperation.

The implementation of the 2016 national strategy for the investigation and prosecution of war crimes has continued at a very slow pace. Although this strategy expires at the end of 2020, no preparations are underway for a new strategy. A multi-institutional monitoring mechanism is in place. It has issued seven reports, which fail to include recommendations on how to address the challenges in implementing the strategy. The Office of the War Crimes Prosecutor (OWCP) has not issued a report on its work since December 2018. The level of access and the prompt release of information on the website of the OWCP have deteriorated over the past three years.

The OWCP filed four indictments against four individuals in 2019, of which three cases were transferred from Bosnia and Herzegovina. Two of the above-mentioned indictments were dismissed as the two defendants were found permanently incapable of following the proceedings, while after confirmation by the court, one of the above-mentioned indictments was merged with another case.

At the end of 2019, there were 16 **cases ongoing** at first instance, and one case at appeal level against a total of 44 defendants, most of whom are low-ranking staff (three mid-ranked and 41 low-ranking members of the police, the military, and also of paramilitary groups. Several cases have been ongoing for over 5 years or more. Serbia continues to have more than 2 500 cases at the pre-investigation phase.

Seven first-instance judgments were handed down, whereby 15 defendants were convicted and sentenced to prison terms ranging from 2 to 15 years, while one defendant was acquitted. Two of the above-mentioned judgments involve war-related criminal acts of sexual violence. In one of the above-mentioned cases, the first instance court accepted a plea agreement and sentenced the defendant to a one and a half year imprisonment. At second instance, four final judgements were handed down, convicting seven defendants and sentencing them to prison terms from 3 to 12 years.

Serbian authorities continue to provide public space to convicted war criminals, and permit hate speech. Denial of the Srebrenica genocide by certain members of parliament continued without sanctions. The parliament in 2019, as in previous years, has not taken a final decision regarding the termination of the mandate of one of its members who was convicted by the ICTY at final instance. Overall, Serbia should show a genuine commitment for investigating and adjudicating war crimes cases. This is also needed for effectively dealing with the legacy of the past and for fostering reconciliation. Serbia should prioritise complex cases and those involving senior ranking officials as regards command responsibility.

Fight against corruption

Serbia has **some level of preparation** in the fight against corruption. **Limited progress** has been made in implementing last year's recommendations. Operational steps have been taken to strengthen the mandate and to ensure the independence of the Anti-Corruption Agency, as well as to enhance its capacities with a view to implementing the law on the prevention of corruption upon its entry into force in September 2020. Legislative amendments were adopted in December 2019 to clarify provisions on the prohibition of use of public resources for the

purposes of electoral campaigns, following the recommendations of ODIHR. As regards repression of corruption, the changes brought by the law on the organisation and jurisdiction of government authorities in suppression of organised crime, terrorism and corruption, in force since March 2018, produced some results in terms of finalised cases. Overall, corruption remains an issue of concern. There is still no effective coordination mechanism in place to operationalise prevention policy goals and effectively address corruption. Furthermore, the number of finalised high-level corruption cases has decreased compared with the previous years.

Serbia should increase its efforts in addressing these shortcomings and step up the prevention and repression of corruption. It should:

- improve its track record on investigations, indictments and final convictions in high-level corruption cases, including the seizure and confiscation of criminal assets;
- effectively implement the law on the prevention of corruption in line with the EU *acquis*, international agreements and Council of Europe's Group of States against Corruption (GRECO) recommendations, in order to strengthen the agency's role as a key institution in a more effective fight against corruption;
- adopt a new anti-corruption strategy underpinned by a credible and realistic action plan as well as an effective coordination mechanism.

Track record

Serbia continued to implement the law on the organisation and jurisdiction of government authorities in suppression of organised crime, terrorism and corruption. The changes brought by this law produced some results in terms of finalised cases for combating corruption in the special departments for suppression of corruption in the higher prosecutors' offices and special court departments. In 2019, criminal complaints were filed against 3 577 individuals. Indictments were filed against 583 individuals. The courts convicted 399 individuals at first instance based on indictments by these special departments (2018: 332), out of which there were court-accepted plea agreements for 304 defendants (2018: 294).

In relation to high level corruption, based on indictments from the Prosecutor's Office for Organised Crime, the courts rendered first instance judgements against 30 individuals in 2019 (compared with 41 in 2018 and 50 in 2017). Of these, 10 were based on plea agreements (compared with 13 in 2018). Confiscation of assets was imposed in 3 of these cases (compared with 2 in 2018). The Prosecutor's Office for Organised Crime indicted 20 individuals (in comparison to 21 in 2018). Serbia still needs to show a convincing track record of confiscating assets in corruption cases.

In relation to preventing corruption, the Anti-Corruption Agency issued 63 opinions related to requests on conflicts of interest in 2019 (2018: 77). It filed 10 requests for misdemeanour proceedings. The agency initiated 159 procedures (15 based on reports and 144 *ex officio*) (151 for 2018: 37 based on complaints and 114 *ex officio*) on grounds related to accumulation of functions without the agency's prior approval, and 151 procedures for other situations related to conflict of interest or nepotism (131 based on reports and 20 *ex officio*) (166 for 2018: 145 based on complaints and 21 *ex officio*). In 2019, the misdemeanour courts issued 27 first instance judgments, based on requests filed by the agency during that year.

The agency submitted 76 requests related to a failure to promptly submit asset declarations for misdemeanour proceedings in 2019 (2018: 45). Based on the agency's work in previous years, misdemeanour courts issued 65 convictions in 2019 (2018: 49). The agency filed 25 criminal charges in 2019 (2018: 16) due to reasonable suspicion that a public official had not reported

assets or had given false information about assets intending to conceal the facts. Based on the agency's previous work, 19 final judgments were issued.

The agency also performs checks on the funding of political activities and of elections, and has conducted selections and trained 144 election campaign observers.

It submitted 96 requests for misdemeanour proceedings for violations of the law on political activities financing in 2019 (2018: 90). In the same period, courts rendered 175 final verdicts. Based on final sentences, in 2019, the agency published 59 decisions on political entities losing the right to use public funds for their regular work during 2019 (2018: 33). The agency signed two misdemeanour plea agreements in 2019.

A comprehensive and evidence-based assessment of **access to information** is not possible, as the majority of public authorities do not comply with the obligation to provide data to the Commissioner for Information of Public Importance regarding citizens' requests for information. The Commissioner established that 4 321 or 83% (2018: 3 444 or 87%) of citizens' complaints – most of them concerning administrative silence – were well-founded, meaning that the authorities should have provided the information requested by citizens according to the law on access to information of public importance. In 1 786 or 41% (2018: 1 889 or 55%) of these 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, which would indicate that there was no reason not to disclose the requested information in the first place. Administrative enforcement of the decisions taken by the Commissioner has yet to be ensured.

In 2019, courts in Serbia received 152 new cases based on the law on whistle-blower protection (2018: 122) and out of the total caseload of 220 cases, 160 cases were finalised (2018: 124). The protection of whistle-blowers in high corruption cases needs to be ensured, including in order to strengthening trust in the institutions. Whistle-blower reports should be investigated in accordance with the law, such as in the case of Krusik.

The new law on public procurement (*see Chapter 5 – Public procurement*) contains provisions for detection and prevention of corruption during the procurement process. The public procurement rules continue to apply and provide for flexibility in case of extreme emergency situations, like the COVID-19 crisis. However, the more flexible procedure still requires abiding by the principle of transparency.

Institutional framework

Prevention measures

The revised law on the prevention of corruption, previously known as the law on the **Anti-Corruption Agency**, was adopted in May 2019. It provides for, among other things, an increase in the agency's powers and an improvement in how it operates in order to meet the GRECO recommendations. GRECO has yet to assess this law as it has yet to issue its next compliance report on the implementation of recommendations on the prevention of corruption in respect of members of parliament, judges and prosecutors.

The gradual strengthening of the agency's resources and capacity is ongoing in order to empower it to implement the law as from September 2020. The new law should be implemented along the lines of the GRECO recommendations, and ensure that there is increased independence, credibility and priority-setting in the agency's work. A public competition is ongoing, and the agency had, as of June 2020, 87 permanent positions filled (compared with 80 in 2018). Improvements to the agency's ICT systems have been put in

place to allow it to step up data collection and analysis. Furthermore, regular training sessions have been provided to ensure the new law on prevention of corruption is implemented.

The annual **report of the Anti-Corruption Agency** for 2018 was presented in May 2019 to parliament, which adopted conclusions. However, the workshops with the relevant parliamentary committee in order to implement the agency's recommendations were not held. The annual report for 2019 was adopted by the Anti-Corruption Agency in March 2020.

The **law on lobbying** entered into force in August 2019. Training sessions on its implementation have been organised, and the agency adopted the necessary bylaws and registers. The agency did not conduct public awareness and citizens' engagement campaigns during 2019.

The situation in the **sectors particularly vulnerable to corruption** (i.e. sectors where there is substantial public expenditure involved, or alternatively sectors where there is direct contact with the public) remains largely unchanged. These include public procurement, infrastructure projects, healthcare, education, construction and spatial planning, and public companies. There are still no tangible improvements in relation to the transparency and corruption risk assessments and mitigation in these fields. The risks of corruption in the implementation of public-private partnerships and in relation to the use of exceptions in large infrastructure projects have been identified. A recently adopted law on special procedures for linear infrastructure projects allowing for the exemption from public procurement rules of projects of 'strategic importance', in particular, raises serious concerns regarding its potential for corruption.

Out of the 102 local self-governments that adopted anti-corruption plans, 28 established a body to monitor their implementation, mostly in line with the Anti-corruption Agency's model. Overall, there were no tangible improvements in relation to anti-corruption efforts at the local level, and the impact of the local anti-corruption plans is yet to be assessed.

The **Anti-Corruption Council**, in its advisory role to the government, remained active in exposing and analysing cases of systemic corruption. It is still not working in full capacity: only 7 out of 13 members are nominated. It issued informative reports in 2019 on enforcement agents, on the science fund, on the lack of transparency as regards signature of contracts by the government and on the rule of law, as well as on public procurement in 2020. The government has yet to start cooperating with this council and does not systematically consult it on draft legislation. The required amendment to the government's rules of procedure for systematic consideration of the Anti-Corruption Council's recommendations has been seriously delayed. The authorities should establish a more constructive relationship with the council.

Law enforcement

Serbia continued to implement the **law on the organisation and jurisdiction of government authorities in suppression of organised crime, terrorism and corruption**. The special departments for combating corruption in the Higher Prosecutors' Offices in Kraljevo, Niš, Novi Sad and Belgrade have a total of 45 deputy public prosecutors (44 in 2018). There are nine new workplaces for deputy prosecutors in the special department in Belgrade, and five in the other three special departments. The Prosecutor's Office for Organised Crime, which has jurisdiction over high-level corruption cases, is understaffed (*see Chapter 24 – Justice, Freedom and Security*). This is also the case for the section of the Higher Court in Belgrade dealing with corruption. Serbia has continued to implement the concept of task forces, composed of representatives of the relevant state authorities to investigate corruption

offences. A total of six task forces were established by the special anti-Corruption departments of the Higher Public Prosecutor's Offices.

There has been some improvement in relation to internal control functions in bodies audited by the **State Audit Institution**. Overall, they still remain weak. The State Audit Institution continued to audit statements from public funds beneficiaries in 2019, and audited 159 out of which for 88 it concluded that the internal control system did not provide reasonable assurance that the goals concerning compliance with regulations and procedures were achieved. Some 57% (2018: 76.5%) of the bodies audited by the State Audit Institution were found not to have appropriately established the internal audit function. The State Audit Institution has carried out financial statement audits and compliance audits on 5 (2018: also 5) political organisations in 2019.

Legal framework

Serbia is a party to all international anti-corruption conventions. The legal framework for the fight against corruption is broadly in place. The **law on the prevention of corruption** enters into force in September 2020. Amendments to the law on the anti-corruption agency, the law on the financing of political activities and the law on public enterprises with a view to clarifying provisions on prohibiting the use of public resources for electoral campaigns were adopted. The **law on the financing of political activities** needs to be further amended to fully comply with all OSCE/ODIHR recommendations.

The **law on free access to information of public importance** still needs to be further amended. The authorities previously drafted amendments including provisions aimed at improving the enforcement of decisions laid down by the Commissioner for Information of Public Importance. They also included provisions limiting access to information of public interest related to equity-based companies with shares owned by the state. While it would be legitimate to ensure the equal position of all companies (companies that are entirely privately funded and companies with shares owned by the state), the drafting of such provisions would leave a loophole to arbitrarily deny requests for access to information of public interest.

The legal framework on **whistle-blower protection** needs to be aligned with the new EU *acquis*.

On **transparency and integrity within the public administration**, there has been no sizeable reduction in the excessive number of acting senior manager posts, and non-civil servants have continued to be appointed on an acting basis after the legal deadline of 1 July 2019, in breach of the law on civil servants. In the area of **public health**, legislation on health care and health insurance entered into force, and a number of bylaws to the law on medical devices were adopted. The recruitment procedure with the aim of improving the capacities of the inspection bodies was finalised.

Serbia adopted a **law on the origin of assets**, which provides for further legal options and human resources for the tax administration to check assets of natural persons, against declared income, and tax any assets that are in discrepancy based on a specific tariff. Its implementation needs to be non-discriminatory and not susceptible to corruption.

Strategic framework

The **national anti-corruption strategy** (2013-2018) has expired, and the follow-up strategic framework and coordination mechanism has yet to be decided upon. A number of steps to effectively implement and monitor this strategy and its follow-up strategy, as well as the relevant sections in the action plan for Chapter 23, have been seriously delayed.

Fundamental rights

The legislative and institutional framework for upholding human rights is broadly in place. However, consistent and efficient implementation of legislation and policies still needs to be ensured. In addition to making substantial efforts to uphold freedom of expression, Serbia needs to address shortcomings that were already identified in the 2019 report. In particular, Serbia needs to:

- strengthen human rights institutions, guarantee their independence, including via the allocation of the necessary financial and human resources, and ensure timely follow-up to their recommendations; in particular, amend the Ombudsman law and the law on access to information of public importance in line with European and international standards and without further delay;
- step up measures – including by adopting and starting to implement a new anti-discrimination strategy – to protect the rights of persons facing discrimination; actively pursue investigation and convictions for hate-motivated crimes;
- ensure a consistent implementation of legislation regarding individuals belonging to national minorities, including Roma¹, leading to a tangible improvement in the effective exercise of their rights across the country that can be monitored through enhanced data collection.

Serbia has ratified eight of the nine **international human rights instruments**. It has yet to become a party to the International Convention on the Protection of the Rights of All Migrant Workers and Members of their Families. Overall, Serbia still needs to improve the implementation of international human rights instruments. Serbia's Office for Human and Minority Rights, together with civil society representatives, developed indicators to monitor the fulfilment of UN Human Rights bodies' recommendations.

When declaring the state of emergency on 15 March 2020, the government adopted a decree restricting, as allowed by the Serbian Constitution, certain human rights and fundamental freedoms, namely freedom of movement – including a quasi-complete restriction of movement for persons over 65 years of age in urban areas and 70 in rural areas-, freedom of assembly, as well as the right to vote. After three weeks, on 6 April, the authorities notified the Council of Europe of a derogation in time of emergency under article 15 of the European Convention on Human Rights, without, however, providing detail about the measures taken as required under that article.

In 2019, the **European Court of Human Rights** delivered 24 (2018: 13) judgments concerning Serbia and found that it violated the European Convention on Human Rights in 22 (2018: 12) cases. This notably included 10 violations related to the length of proceedings, 7 to non-enforcement, 5 to the protection of property, 3 to inhuman or degrading treatment, and 3 to lack of effective investigation. In 2019, there were 57 (2018: 60) cases against Serbia in the enhanced monitoring procedure before the Committee of Ministers of the Council of Europe. In February 2020, Serbia adopted a *lex specialis* setting up a mechanism providing individual redress to parents in cases similar to the case of *Z. Jovanović v. Serbia*. This case involved the continuing failure by the Serbian authorities to provide the applicant with any information about the real fate of her missing baby which had been in the care of a state-run hospital. The Court had found in 2013 a violation of article 8 of the Convention ('right to respect for private and family life'). The implementation of this new mechanism will need to be monitored.

¹ 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.

As regards the **promotion and enforcement of human rights**, the annual reports of independent bodies were discussed in a parliamentary plenary session and conclusions were adopted for the first time since 2014. Compared with 2018, a similar number of citizens' complaints were submitted to the Ombudsman in 2019 (2018: 3,338; 2019: 3,276), while the number of recommendations from the Ombudsman addressed to the authorities increased (2018: 793; 2019: 934). According to the Ombudsman, the percentage of his recommendations followed up by the authorities remains high (2018: 93.2%; 2019: 95.5%). However, certain recommendations related to 'public interest' have still not been addressed. Three new deputy Ombudspersons were appointed a year after the expiration of the previous mandates, and one deputy has yet to be appointed. There is a serious delay in filling the posts in the Ombudsman's Office provided for under the relevant rulebook. In addition, staff turnover is a concern for the Office's efficiency, which still lacks appropriate premises. There has been a serious delay in amending the law on the Ombudsman.

In the field of **prevention of torture and ill-treatment**, the capacity of the Ombudsman, in its role of National Preventive Mechanism against Torture, to ensure cooperation with civil society, as provided for under Serbian legislation, was questioned by several NGOs that consequently withdrew from the Mechanism. In June 2020, new NGOs agreed to cooperate with the Ombudsman within the Mechanism. The Ombudsman increased the number of visits to relevant sites, namely police stations, prisons, social welfare institutions, psychiatric hospitals, and to oversee the treatment of refugees and migrants (2017: 61; 2018: 44; 2019: 77). The commission for implementing standards in police conduct related to investigating cases of torture continued its work, in light of the pending recommendations of the European Committee for the Prevention of Torture and Inhuman or Degrading Treatment or Punishment (CPT). Around 190 public prosecutors and police officers have completed training sessions on the methodology for investigations into allegations of torture and other forms of ill-treatment. A rulebook on applying police powers, which regulates the treatment of individuals detained in police custody, was adopted in June 2019. Amendments to the criminal code, which were adopted in May 2019, introduced stiffer penalties for torture committed by staff working to keep public order or in detention facilities. They also introduced life imprisonment without the possibility of conditional release for a number of crimes, which is the subject of two cases filed by NGOs before the Constitutional Court in December 2019. Prior to the adoption in May 2019, the Council of Europe's Commissioner for Human Rights raised concerns on the compliance of these amendments with the European Convention on Human Rights and the case law of the European Court of Human Rights. An independent expert contracted by the authorities has now concluded that the criminal code is not compliant with the European Convention on Human Rights in that regard. A law for the prevention of ill-treatment and abuse in social institutions has yet to be adopted. The UN Committee Against Torture concluded, in a decision on 2 August 2019, that Serbia had violated article 3 of the UN Convention against Torture when a Turkish citizen of Kurdish origin was unlawfully extradited to Turkey in 2017, going against previous interim measures of the Committee.

Regarding the **prison system**, several prisons, including the prison hospital in Belgrade, continued to be renovated and modernised in line with the national strategy for reducing overcrowding in penal institutions. The revision and improvement of treatment programmes in prisons and prison medical facilities is ongoing, in light of the CPT recommendations. The decision of 2018 on reorganising the service for treatment programmes and alternative measures to detention has yet to be fully implemented in practice with adequate human and financial resources. Amendments to the law on enforcement of criminal sanctions, introducing new forms of alternative measures to detention, were adopted in May 2019. The use of alternative measures to detention has increased and a large percentage of convicted persons

are under house detention, although the rate of alternative measures to detention – 26 per 100 000 of the population, including those under electronic monitoring – remains low. The secondary legislation regarding the Centre for Training and Vocational Training was amended to extend the Centre's responsibilities to provide more frequent and advanced training to all prison staff. Shortcomings remain as regards detention conditions and in the provision of legal aid and healthcare. Post-release programmes plan for the national employment services and CSOs to become involved. However, human and financial resources in probation services are insufficient and the rate of recidivism remains high.

The new law on **personal data protection** started to be applied in August 2019. It is mostly aligned with the EU General Data Protection Regulation. The new Commissioner for Information of Public Importance and Personal Data Protection, appointed by the parliament in July 2019 after a six-month delay, requested that the parliament postpone the law's entry into application by 1 year to ensure sufficient capacity building and awareness of public and private stakeholders. This request was made so that the law could be effectively implemented. However, the parliament did not follow up on this request. The Commissioner pointed out that, by the time of entry into application of the law, only a minority of data 'controllers' and 'processors' had designated 'data protection officers', as required by the law. Only 2 323 data controllers were appointed so far out of over 12 000. A new draft rulebook on internal organisation, with additional posts considering the Office of the Commissioner's increased responsibilities under the new law, was adopted; it has yet to translate into new recruitments. In November 2019, Serbia signed the Council of Europe's Protocol of 2018 amending the Convention for the Protection of Individuals with regard to Automatic Processing of Personal Data, and was one of the first countries to ratify the Protocol in May 2020. In September 2019, that is after the setting up of street video-surveillance systems, the Ministry of the Interior submitted an assessment of the impact of processing personal data by using such systems to the Commissioner for Personal Data Protection. In the opinion that he published in response, the Commissioner underlined that such an impact assessment, according to the law on personal data protection, should have been submitted prior to the actual setting up of street video-surveillance. He noted that several elements were lacking in the impact assessment, preventing a proper risk analysis and mitigation of those risks as regards the fundamental rights of the individuals subject to the video-surveillance. The authorities have yet to inform on follow-up measures taken in this regard.

During the COVID-19 related state of emergency, the government established a centralised information system in which health institutions with hospitalised persons suffering from COVID-19 as well as testing laboratories have been keeping personal data. Such data have been regularly transmitted to the Ministry of Health for statistical purposes and to the Ministry of Interior for the supervision of isolation and self-isolation measures. The government crisis team sent an SMS message on the epidemic situation to all users of the state-owned Telekom mobile network, while the message was not sent via the other operators. The authorities announced the tracking of mobile phones of the Serbian diaspora returning to the country. In that overall context, the Commissioner for Personal Data Protection stressed the importance of respecting lawful, limited and proportional processing of health and other sensitive personal data in line with the law on personal data protection.

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 continues to be one of the main obstacles preventing some religious groups from exercising their rights. The law on churches and religious communities has yet to be aligned with international standards.

Freedom of expression

Serbia has **some level of preparation** concerning freedom of expression. Serbia adopted a new media strategy in January 2020, which was drafted in a transparent and inclusive manner and identifies the main challenges related to media freedom in Serbia. However, implementation of the new strategy has not yet started and **no progress** was made yet on the ground to improve the overall environment for freedom of expression. The other recommendations of last year have yet to be addressed and therefore remain valid. Cases of threats and violence against journalists remain a concern and the overall environment for the exercise of freedom of expression without hindrance needs to be further strengthened, including in practice. As a step in that direction, the Ombudsman signed an agreement with the representatives of seven media associations and all three journalists' trade unions on establishing a platform for registering the cases of pressures on journalists and other media actors and endangering of their safety on 22 May 2020. This initiative is based on the previously established practice by media associations of publishing annual statistical reports. Transparency of media ownership and of allocation of budgetary funds, especially at local level, has yet to be established. Serbia's new media strategy has pointed out these issues. As regards the media monitoring of the electoral campaign, ODIHR found in its preliminary report that both the newly established Supervisory Board in the parliament and the Regulatory body for Electronic Media (REM) remained passive, although REM was more active in the final phase of the campaign. ODIHR also found that most TV channels with national coverage and newspapers promoted the government policy and that the few media outlets which offered alternative views had limited outreach and provided no effective counterbalance, which compromised the diversity of political views available through traditional media, through which most voters receive information.

In addressing the persisting shortcomings, Serbia should implement its new media strategy in a transparent and inclusive manner, focusing as a matter of priority on:

- creating an enabling environment in which freedom of expression can be exercised without hindrance and ensuring that threats, physical assaults, violence, and cases of invasion of privacy against journalists and bloggers are properly and swiftly followed up by law enforcement and judicial authorities, as well as publicly condemned by government officials;
- ensuring the full implementation of media laws, and strengthening the independence of the Regulatory Body for Electronic Media and boost its capacity to work proactively;
- ensuring suitable funding of public broadcasting services, transparent and equitable co-funding for media content serving the public interest, and increased transparency in media ownership and advertising.

The new media strategy was drafted in a transparent and inclusive manner by a working group composed of both media associations and public officials. It identifies the main challenges related to media freedom in Serbia and sets out measures to address them. The same working group, which had drafted the strategy, started drafting an action plan covering the first three years of the strategy. The strategy's actual impact on the overall environment for media freedom in Serbia will need to be assessed during its implementation.

Intimidation of journalists

The Standing Working Group on the Safety of Journalists has helped increase the sharing of information between the police, the prosecution and media associations. In May 2020, the Ombudsman signed an agreement with seven media associations and all three journalists' trade unions on establishing a platform for registering cases of pressure on journalists. This

initiative is based on the previously established practice by media associations of publishing annual statistical reports. These reports cover cases of a criminal nature, together with other types of threats and attacks that do not necessarily fall within the criminal code but are still relevant to assess the overall environment for media freedom in Serbia. One of the media associations reported an increase in the total number of threats and attacks, from 30 cases in 2018 to 67 cases in 2019. Following an analysis of the criminal code by the Standing Working Group, the Republic Public Prosecutors' Office (RPPO) drafted a mandatory instruction on the conduct of public prosecutors in criminal cases of violence against journalists. Contact points, within prosecutors' offices, for criminal offences motivated by prejudice or hatred, attended training sessions related to the safety of journalists. A network of those contact points has enabled journalists to establish swifter communication with the authorities for protection-related measures.

However, cases of threats, intimidation and violence against journalists remain a source of serious concern, especially at local level. According to information from RPPO regarding those acts that qualify for criminal prosecution, by the end of December 2019, out of the 59 cases filed by the RPPO in 2019, 47 cases (an increase compared with the 34 cases in 2018) were considered by the RPPO and 12 cases dismissed due to absence of legal grounds for criminal proceedings. Some 5 cases were finalised with a conviction, while criminal proceedings continue for the 42 remaining cases (5 cases before the court, 33 in pre-investigation and 4 without identified perpetrators). Regarding the 57 cases filed by the RPPO in 2018, by the end of December 2019, 34 cases were considered by the RPPO and 23 cases dismissed due to absence of legal grounds for criminal proceedings. Altogether 10 cases – 5 convictions in court, 2 penalties imposed in accordance with the principle of deferred criminal prosecution, 1 acquittal and 2 cases where the prosecution's indictment was dismissed by the court – were finalised, while criminal proceedings continue for the 24 remaining cases (1 case before the court, 17 in pre-investigation and 6 without identified perpetrators).

During the COVID-19 related state of emergency, the government adopted on 28 March 2020 a decree to centralise all information on the pandemic exclusively through the government crisis team, which was then withdrawn on 2 April. A journalist was arrested after having written an article describing lack of COVID-19 protective equipment in a hospital. While the criminal charges against her for causing panic were dropped a month later, the journalist has since then continued to be the victim of smear campaigns, verbal abuse and threats, including by high-level officials. A restriction measure on access of journalists to the daily press conferences on the pandemic was in place for ten days and then withdrawn.

Regarding the commission tasked with looking into three cases involving the murder of journalists from 1999 and 2001, an appeal procedure is ongoing on a sentence issued in April 2019, which had been the first ever in a case involving the murder of a journalist. Investigation is ongoing in the two other cases.

Implementation of legislation / institutions

The independence of the REM needs to be strengthened to enable it to efficiently safeguard media pluralism. As a result of the inter-parliamentary dialogue facilitated by the European Parliament, the three vacant positions in the REM Council were filled in December 2019, after a three-year delay. Two other members resigned in January 2020 and were replaced in February 2020. Other developments of the dialogue have included the eventual establishment, as required by the law on the election of representatives of 2000, of a Supervisory Board at the parliament. Its mandate is, *inter alia*, to monitor electronic and print media during the electoral campaign. REM adopted in February and March 2020 respectively a rulebook on obligation for public media services during the electoral campaign, and a recommendation for

private broadcasters. REM has yet to clarify how such distinction between public and private broadcasters complies with the law on electronic media and with the opinion of the Ministry of Culture and Information of January 2020, which foresees legal obligations also for private media. During the electoral campaign, REM published weekly media monitoring reports, focusing on time allocated to the different lists of candidates. REM's methodology has yet to be clarified as regards its choice to count the airtime presence of "analysts" as a separate category, while at the same time having acknowledged that "analysts" can sometimes be supporting certain political parties. It also has to be clarified how REM counted the airtime presence of public officials when those officials provided explicit support to electoral lists when appearing in the media. Overall, ODIHR found in its preliminary report that both the Supervisory Board and REM remained passive in supervising media conduct during the campaign period, although REM was more active in the final phase of the campaign and banned several election-related ads. ODIHR also found that most TV channels with national coverage and newspapers promoted the government policy and that the few media outlets which offered alternative views had limited outreach and provided no effective counterbalance, which compromised the diversity of political views available through traditional media, through which most voters receive information.

Hate speech and discriminatory terminology are often used and tolerated in the media and are rarely tackled by regulatory authorities or prosecutors. Verbal attacks and smear campaigns against journalists intensified during the period prior to the elections. The Press Council continued to record an increase of breaches of the journalistic code of professional conduct in print media. Recurrent statements by high-ranking state 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. The frequent refusal by public bodies to disclose information, or their administrative silence, following requests submitted under the law on free access to information of public importance, continued to hinder the work of journalists. The number of journalists' appeals to the Commissioner for Information of Public Importance increased in 2019 as compared with 2018.

Public service broadcaster

An unbalanced representation by public service broadcasters of the plurality of political views was observed during the overall reporting period. As regards the period preceding elections, ODIHR found in its preliminary report that the public broadcasters provided contestants with free airtime and equal access to election programming, as required by law. However, the government benefitted from extensive coverage in other editorial programmes. Public broadcasting services in minority languages need to be strengthened, especially as regards Radio Television Serbia. Despite the increase of about 15% of the subscription fee in January 2020, the temporary nature of the funding model – a combination of subscription fees, budget subsidies and commercial contributions – leaves public broadcasters vulnerable to political influence.

Economic factors

Political and economic influence over the media continues to be a source of concern. Serbia's new media strategy identified a lack of transparency in ownership structures and lack of fairness in financing from state resources such as media content co-financing and advertising funds from the state, state-owned companies and local government budgets. The strategy also highlighted the absence of suitable criteria and mechanisms to assess the existence of media pluralism in Serbia, and identified measures aiming at addressing these issues. The reporting period was characterised by a number of sales and acquisitions of media companies. Several companies were purchased by Telekom Srbija, whose majority stakeholder is the state. In one

case, a lack of agreement on the renewal of a distribution contract with a cable television station led to a drop in access to diverse media for the public. The privatisation process of the media sector has yet to be completed. The COVID-19 pandemic resulted in the worsening of the economic situation of media in Serbia, which were hit by a critical reduction of advertising revenues.

Professional organisations and working conditions

Journalists associations have actively participated in the working group which drafted Serbia's new media strategy, and continued to participate in the Standing Working Group on the Safety of Journalists. Overall, journalists have little job security and the editorial environment, which favours 'tabloidism', is not conducive to improving journalistic standards. The new strategy underlined the need to strengthen journalists' job security and the role of press associations in trade union and employment matters.

(See also Chapter 10 – Information society and media)

Freedom of assembly and association is guaranteed by the Constitution and is generally respected. Legislation is generally in line with European standards, but has yet to be aligned with the Guidelines on Freedom of Peaceful Assembly of the ODIHR. Implementing legislation regarding the law on freedom of assembly has yet to be adopted.

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, having adopted a total of around 57 700 opinions and first instance decisions on return of confiscated properties by the end of 2019. This corresponds to around 77% of the 75 400 submitted claims since the agency was established in 2012. As regards compensation, when restitution in kind is not possible, the deadline for the repayment of financial bonds is unchanged (December 2021) after having been extended in 2018. The agency proposed a coefficient for calculating financial compensation but the government has not yet discussed or adopted it. The implementation of the law on the restitution of heirless Jewish property continued despite complaints from some of the Jewish community representatives. The number of restituted properties increased, and so did the return of properties to churches and religious communities.

In the field of **non-discrimination**, legislation is broadly in line with European standards, although the adoption of amendments to the law on anti-discrimination to further align with the EU *acquis* is seriously delayed. The anti-discrimination strategy expired in January 2018 and has not yet been renewed. According to the Equality Commissioner's annual report, the largest number of complaints relate to discrimination on grounds of disability, age and gender. The mandate of the Equality Commissioner expired in May 2020; a new Commissioner has yet to be elected. The 2016 amendments to the criminal code related to prohibition and punishment of criminal racial acts and other acts of discrimination have yet to be fully aligned with the EU *acquis*. Training courses for public prosecutors have been organised in order to improve the prosecution of hate crimes. Four new judgments on hate crime were adopted, bringing to five the total number of final convictions since the introduction of this concept in the Criminal Code in 2012. Human rights defenders, together with LGBTI persons, often face hate speech, threats and violence. These abuses should be promptly and properly investigated and penalised. The Equality Commissioner raised concerns over the increased occurrences of discriminatory and hate speech during the state of emergency, which were targeting in particular women, the elderly, people infected with COVID-19, those returning from abroad, and LGBTI persons.

On **equality between women and men**, the adoption of a new law on gender equality has been seriously delayed. The division of responsibilities between the sector for anti-discrimination policy and improvement of gender equality within the Ministry of Labour, Employment, Veterans and Social Affairs and the coordination body for gender equality still needs to be clarified. Furthermore, an efficient institutional set-up with adequate resources needs to be ensured. The Equality Commissioner assessed in her special report on employment that the socio-economic status of women was significantly worse than that of men. The United Nations Committee on the Elimination of Discrimination against Women recommended to Serbia in March 2019 to take measures to, for example, combat the anti-gender discourse and its adverse impact on women's rights, and strengthen the direct implementation of the said UN Convention and the knowledge of the judiciary, prosecutors and lawyers in this regard.

On **violence against women and domestic violence**, the adoption of the related strategy and action plan has been seriously delayed. The implementation of the law against domestic violence needs to be improved, including for vulnerable women such as women with disabilities and Roma women. The risk of domestic violence increased under the COVID-19 state of emergency due to the imposition of curfews, the potential under-reporting of cases or difficulties with removing perpetrators from their homes. The Ombudsman submitted an initiative to amend the decree on emergency measures in order to allow free movement of victims of domestic violence. The first report on Serbia's implementation of the Istanbul Convention by the Council of Europe's Group of Experts on Action against Violence against Women and Domestic Violence stressed the need for a more comprehensive response to all violence against women covered by the Convention, not only domestic violence. This should also include rape, stalking, sexual harassment and forced marriage. The very few support services for these cases of violence are predominantly run by NGOs. However, they operate on a limited budget. Furthermore, police protocols do not mandate cooperation with specialist support services or the routine referral of victims, resulting in the under-utilisation of existing NGO expertise. An integrated system for collecting and monitoring cases of violence disaggregated by type of violence and by relationship between perpetrator and victim does not exist. An action plan on the national programme for safeguarding and improving sexual and reproductive health has yet to be adopted. Additional funding is needed to ensure it is implemented as regards improving access to quality services in this area.

A new strategy on child protection and preventing **violence against children** was adopted in May 2020. A new national action plan for the **rights of the child** has yet to be adopted, the previous plan having expired in 2015. The adoption of amendments to the law on juvenile offenders and protection of minors in criminal proceedings, has been seriously delayed. Statistical data on vulnerable groups, including Roma children and children with disabilities, is still not disaggregated. Although a relatively small number of children are placed in institutional care, violations of children rights that happen in large-scale institutions for children with disabilities remain a concern. Ensuring sustainable funding for preventive family support services, including appropriate family-based alternatives when separation of a child from its family is in the child's best interest, need to remain the priority. Regarding access to justice for children, prevention programmes and programmes for reintegrating juvenile offenders into the community are still only available in large cities. Mechanisms for protecting child victims/witnesses in justice proceedings need to be made operational and mainstreamed across the country.

In March 2020, Serbia adopted a strategic framework regarding the **rights of persons with disabilities**, while a comprehensive strategy on deinstitutionalisation is still lacking. Serbia also adopted a mental healthcare strategy in November 2019; however, placement and

treatment in social institutions of people with psychosocial and intellectual disabilities is still not regulated in accordance with the UN Convention on the Rights of Persons with Disabilities. Women with disabilities in residential institutions are particularly vulnerable to gender-specific forms of violence – forced contraception, forced sterilisation and forced abortion. There is a lack of funding for developing community-based services, and for supporting licensed service providers and social services. During the first three weeks of the COVID-19 state of emergency, persons with disabilities were lacking home assistance services, since the service providers did not have permits for movement during the curfew. Children with development disabilities and autism also particularly suffered from the curfew. These issues were eventually solved by the authorities following complaints of various CSOs and the Ombudsman’s recommendations.

As regards the **rights of Lesbian, Gay, Bisexual, Transgender and Intersex (LGBTI) persons**, two pride parades, in June and September 2019, took place without any incidents, the latter attended by the Prime Minister and several high-level officials. In May 2019, a public civil society event aimed at marking the International Day against Homophobia, Transphobia and Biphobia was successfully held in Novi Sad, the first time such an event was held outside Belgrade. Amendments to the law on birth registry, which now enable data on gender change to be entered into the registry, came into force in January 2020. Training courses for employees in municipality offices are needed to avoid uneven practices as regards implementing legislation. Overall, the situation of LGBTI persons in Serbia remains broadly the same as in previous years. The implementation of the hate crime legislation, including on grounds of sexual orientation, remains inadequate. Centralised official data on hate crimes broken down by bias motivation is still lacking. Due to lack of trust in institutions and the fear of stigmatisation and victimisation, cases of violence and discrimination towards LGBTI persons are often unreported. Transgender persons are particularly vulnerable to violence, abuse and discrimination. Intersex persons remain invisible both socially and legally. A new rulebook on ‘Closer Conditions, Criteria and Methods for Selection, Testing and Evaluation of Reproductive Cell Providers and Embryos’ includes a provision banning donation of reproductive materials to people who had homosexual relations in the last 5 years.

Concerning **procedural rights**, the legal framework remains only partially aligned with the EU *acquis*. Regarding **access to justice**, a new law on free legal aid started to be applied in October 2019. NGOs without a lawyer registered in the bar are not, under this law, eligible legal aid providers, apart from a few exceptions. At the same time, the Bar Association of Belgrade warned that attorneys who act as statutory representatives for NGOs would be disbarred; some disciplinary procedures are ongoing. Several NGOs expressed concerns that, due to the new law, legal aid may no longer reach some of the most vulnerable individuals. Statistical data on the first 6 months of implementation of the law indicate that 2 019 persons received free legal aid and 8 105 received free legal support; the eligibility criteria being linked to benefiting from social welfare or child allowance, which covers a limited percentage of persons at risk of poverty in Serbia. A national strategy on the rights of victims and witnesses of crime, and the corresponding action plan, were not yet adopted during the reporting period. As regards the right to compensation for victims of crime in criminal proceedings, guidelines for improving first instance court performance were adopted by the Supreme Court of Cassation. Amendments to allow for an urgent procedure within the law on **witness protection** were adopted.

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. In its fourth opinion on the implementation of this Convention, the Council of Europe’s Advisory Committee found a notable discrepancy in the protection of

minority rights between the Autonomous Province of Vojvodina and other regions of Serbia, recommending that protection of national minorities' rights outside Vojvodina be improved. The Advisory Committee also stressed the need for setting up a sustainable data collection framework, and for revitalising inter-ethnic relations, taking into account the need to involve the majority in Serbian society in integrating and including national minorities. The 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. The Fund for the National Minorities was further increased. A catalogue of the most common Albanian names and surnames was created, to enable such names to be accurately entered in registry books. Local councils for inter-ethnic relations have been established 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 do not meet often. Despite the legal obligation to take into account the ethnic composition of the population, national minorities remain underrepresented in the public administration. The authorities started collecting data on the representation of persons belonging to national minorities in the public administration, on the basis of the amended law on civil servants. During the state of emergency, the Office for Human and Minority Rights and the Ministry of Public Administration and Local Self-Government organised an information campaign in 12 minority languages on preventive measures against COVID-19.

There has been further progress in the area of education. The process of preparing and printing textbooks in minority languages continued and produced positive results. An additional nine textbooks in Albanian were provided. The Ministry of Education, Science and Technological Development included 24 new sets of textbooks in Albanian in its catalogue of textbooks for primary school. More work is needed to complete this task. New curricula for teaching Serbian as a non-mother tongue have been adopted. The publication of textbooks in minority languages for use in secondary schools remains limited. Access to religious worship in minority languages has yet to be enabled throughout Serbia. Public broadcasting in minority languages has still not been sufficiently extended outside of Vojvodina. Following the process of media privatisation, the broadcasting of programmes in minority languages remains fragile and dependent on funding.

Regarding **Roma inclusion**, Serbia signed the Western Balkan Partners Roma Integration declaration in Poznan in July 2019, which contained quantifiable commitments in key priority areas. The adoption of an action plan (2019-2020) under the strategy for the social inclusion of the Roma in Serbia has been seriously delayed. The coordination body for monitoring the strategy's implementation, chaired by a Deputy Prime Minister, met three times during the reporting period, not six times a year as previously agreed in the 2017 Roma Seminar conclusions. The Expert Group involving CSOs, mandated to support the coordination body, never met. The fifth Roma Seminar was held in October 2019. The operational conclusions were finalised but their adoption has yet to be formalised and their implementation closely monitored and reported on. The institutional structure dealing with Roma integration remains ineffective and complicated, without a clear distribution of tasks. Coordination between the national and local authorities, as well as Roma-sensitive budgeting, still need to be strengthened. There is a serious delay in establishing the legal basis for local Roma coordinators and pedagogical assistants. Their job descriptions should be uniform throughout Serbia and institutionalised.

Most Roma people in Serbia have civil documentation. The solution planned by the Ministry of the Interior, the Ombudsman and UNHCR to enable the registration of individuals lacking an official address by means of registering at centres for social work led to more Roma people

being registered. However, all births need to be registered immediately after children are born, regardless of their parents' status; related implementing legislation has yet to be amended. There was an increase in the number of Roma students benefiting from scholarships, with a total of 2 220 Roma students enrolled at secondary level in 2018/2019, compared with 1 969 students in 2017/2018. However, school drop-out rates remain high, especially for Roma girls. Segregation in education needs to be addressed. There is still a very low coverage of Roma children in preschool education; only 9% of Roma children attend kindergartens. The percentage of those completing tertiary education remains extremely low, namely 1% compared with 16% of the non-Roma population. Transition from education to the labour market is especially challenging for young Roma people. Local mobile teams continued outreach activities, encouraging unemployed Roma people to register and participate in active employment measures. However, the low level of education remains a key barrier to employment. Informal employment is decreasing but continues to be high among the Roma population and the informality gap is the highest in the Western Balkans region. In addition, Roma are still underrepresented in the public administration.

The adoption of a national housing strategy is pending. Many Roma households have no access to electricity, drinking water or a connection to the sewage system. The legalisation of Roma settlements needs to be tackled as a matter of priority as required by the Poznan declaration. Roma returnees under readmission agreements are in a particularly difficult situation in terms of social and economic inclusion. Mechanisms for addressing their needs has to be strengthened. CSOs and the Ombudsman have warned about the vulnerable situation of Roma living in informal settlements during the COVID-19 pandemic. In the area of health, there is a serious delay in establishing the legal basis for health mediators. Although child marriage is not common in the general population, almost 60% of girls from Roma settlements are married at an early age. Domestic violence also often goes unreported.

There are still 199 584 **internally displaced persons** (IDPs) in Serbia, of whom 68 514 remain vulnerable and with displacement-related needs. All collective centres but one are closed. 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. EU Member States also cooperate with Serbia in the fight against organised crime and terrorism, and judicial, police and customs matters and are supported by the 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 on last year's recommendations, notably as regards the adoption of the strategy and action plan for the control of light and small-calibre weapons. Serbia also continued to improve its international police cooperation. Serbia continued to significantly contribute, as a transit country, to the management of the mixed migration flows towards the EU by playing an active and constructive role and cooperating effectively with its neighbours and EU Member States. It also continued to effectively implement the integrated border management strategy and its action plan.

Serbia has yet to establish a convincing track record of effective investigations, prosecutions and final convictions in serious and organised crime cases, and to further align with the EU visa policy.

In the coming period, Serbia should in particular:

- increase the financial and human resources capacity of the Prosecutor's Office for Organised Crime;
- continue increasing border controls, especially border surveillance including identification and registration measures in full respect of fundamental rights, and increase efforts to detect and prevent smuggling of migrants;
- refrain from further diverging from the EU visa policy and take concrete steps to fully align with it, in particular with regard to the main countries of origin of irregular migration to the EU.

Serbia continued implementing the action plan which was adopted prior to the opening of the accession negotiations on this chapter in July 2016. It adopted a revised action plan in July 2020. The revised plan is oriented towards meeting the interim benchmarks of the EU common position.

Fight against organised crime

Serbia has **some level of preparation** in the fight against organised crime. **Limited progress** was made in fulfilling last year's recommendations, so that they remain largely valid. Serbia signed an inter-ministerial cooperation agreement on the establishment of a National Criminal Intelligence System, as a first step towards improving inter-agency cooperation in the fight against organised crime. Overall, Serbia has yet to establish a convincing track record of effective investigations, prosecutions and final convictions in serious and organised crime cases, including financial investigations leading to a track record of freezing and confiscating criminal assets. The number of final convictions for serious and organised crime slightly increased compared with 2018. It is necessary to switch from an approach on cases to a strategy against organisations, and from the management of cases of low or medium importance to high profile cases aiming at dismantling big and internationally spread organisations and seizing the assets.

Serbia should increase its efforts in addressing the shortcomings and:

- increase the track record of investigation, prosecution, and convictions in serious and organised crime cases, including relevant cases of money laundering;
- systematically increase the freezing and confiscation of criminal assets based on a systematic tracking of money flows, in particular in cases of organised crime and money laundering;
- 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, and put in place a robust oversight mechanism so as to avoid abuses.

Institutional set-up and legal alignment

There were 40 119 police officers in Serbia in April 2020, equivalent to 435 per 100 000 inhabitants, compared with an EU average of 326 (Eurostat, 2017). The Prosecutor's Office for Organised Crime is understaffed with only 21 prosecutors in charge of leading both the pre-investigation and investigation phase in the most complex crimes countrywide.

The Ministry of the Interior's financial investigation unit is designated to carry out the functions of Serbia's **Asset Recovery Office** that are related to the exchange of police data in line with the EU *acquis*. The unit is still being set up in order to be fully operational and to cooperate effectively with the asset recovery offices of the EU Member States. This will require the office's access to all relevant databases in Serbia, which Serbia is currently working on. Agreements, in particular with the customs and tax administrations have to be concluded in this regard.

The establishment of a single centralised criminal intelligence system, advanced further in terms of technical preparations. An inter-institutional cooperation agreement was signed in September 2019. This system will serve as a safe and unified platform for managing and exchanging data in the field of serious and organised crime between law enforcement and judicial authorities and should improve inter-agency cooperation.

The development of a new national serious and organised crime threat assessment (SOCTA) is in its final stage. Once adopted, Serbia should use it to set operational priorities for fighting organised crime. The Fugitive Active Search Team attained important results both in terms of quality of information shared and of fugitives arrested.

The capacity of the internal control sector of the Ministry of the Interior was strengthened both in terms of equipment and human resources. However, the implementation of the anti-corruption measures, including integrity tests, has yet to show concrete results. The operational independence of the sector is still not fully guaranteed.

The legislative reform concerning the human resources management system of the Ministry of the Interior and of the police was completed in June 2019. It provides for adequate staffing in a number of areas, in particular asset recovery and cybercrime. It is too early to assess its full impact. The reform was also relevant for the consistent application of the 'intelligence-led policing model'. The latest amendments to the law on police raise concerns as regards the transparency of recruitment procedures: they give broader discretionary powers to the Minister of the Interior as compared with previous versions of the law.

The Law on police still needs to be harmonised with the criminal procedure code. Furthermore, the **legal framework** is still insufficient to guarantee the operational autonomy of the police from the Ministry of the Interior. Thus, during the pre-investigation and investigation phase, the police continues to report to the Ministry of the Interior and not only to the prosecution office. Media relations, including press releases on ongoing operations, are still managed mainly by the Ministry of the Interior and not by the prosecution and/or the police.

The operational autonomy of the prosecution and police from the security services in criminal investigations is not ensured either in law or in practice. Interception equipment is located only at the Security Intelligence Agency. Serbia is delayed in carrying out an analysis of the roles and practices of security services and the police in implementing special investigative measures, especially interception, in the pre-investigation phase in order to bring them in line with best European practices.

Following the adoption of a number of laws on the fight against money laundering and terrorism financing, Serbia was removed, in June 2019, from the Financial Action Task Force (FATF) list of countries with strategic deficiencies in preventing money laundering and terrorism financing. Serbia remains subject to MONEYVAL's enhanced follow-up procedure until the country is placed back under regular follow up based on an assessment of continued progress. It was further upgraded for three recommendations in the December 2019 MONEYVAL report. Serbia's legislation was further aligned with the recent international

standards and EU *acquis*. In line with the national risk assessment action plan, in May 2019, the Government issued guidelines on the centralised collection of data regarding cases of money laundering and financing of terrorism. A new strategy on anti-money laundering and countering financing of terrorism for the period 2020-2024 was adopted in February 2020. In July 2020, a list containing the names of CSOs and media reportedly subject to a risk assessment by the Administration for the Prevention of Money Laundering (APML) was leaked to the public. The applicable legal basis for the APML's actions, and the compliance of the APML with the recommendations of the FATF will need to be clarified (*See Political Criteria – Civil Society and Chapter 4 – Free Movement of Capital*). The capacities of the bodies that are obliged to report to the APML on suspected cases of money laundering and financing of terrorism was strengthened. The APML staff increased from 33 to 37 employees (full staffing being at 42).

In June 2019, Serbia adopted a strategy for small arms and light weapons control for 2019–2024, with its accompanying action plan. They are being implemented. The strategy defines five strategic goals for improving the control of weapons. It also envisages the establishment of an expert advisory body and Firearms Focal Points. In December 2019, a team for monitoring and exchanging all operational data regarding weapons was formed, and a national coordinator for the control of small arms and light weapons appointed.

Implementation and enforcement capacity

As regards the **track record**, there has still been little progress in dismantling criminal networks and in establishing a track record of proactive investigations, prosecutions and convictions in the fight against organised crime. New investigations into organised criminal groups were initiated in 2019 against 156 individuals (compared with 146 in 2018, and 191 in 2017). Indictments were filed against 65 individuals. The number of convictions in organised crime cases is slightly increasing: convictions (first instance) in 2019 were rendered against 167 individuals (out of which 42 were plea agreements approved by the courts) compared with 155 in 2018.

The use of plea agreements needs to be carefully balanced against the need for justice being seen to be done and avoiding any impression of impunity in cases of serious and organised crime. Considering that the prosecutor, according to the criminal procedure code, has a leading role in the pre-investigation phase, the discrepancy between the large number of arrests carried out by the police, notably during the 'mass arrests', and the much lower number of arrests confirmed by the prosecutor is a matter that needs to be looked at.

There is well-established cooperation with Interpol and Europol. The secure communication channel SIENA is operational, and its use continuously increased since its introduction and remained on a high level from 2018 onwards. The rollout of SIENA to local competent authorities is ongoing. In 2019, the number of new cases increased by 72% compared to 2018. In 2019, the number of messages increased by 16% compared with 2018. Serbia is speeding up its cooperation with Europol. Serbia has further strengthened its participation in the EU policy cycle for serious and international organised crime/EMPACT (European multidisciplinary platform against criminal threats) for 2018–2021. In 2020, Serbia is participating in 15 analysis projects and has made notable advancement in EMPACT projects (out of 249 in total). This includes taking part in EMPACT priority areas such as 'cannabis, cocaine and heroin', 'child sexual exploitation', 'firearms trafficking', 'organised property crime' and 'facilitation of illegal immigration'. Within EMPACT, Serbia also actively participates in joint action days that aim to counter different types of cross-border crime. Serbia is also contributing with information to the EU strategic reports. In November 2019, Serbia ratified an amended agreement with Europol on operational and strategic cooperation,

and on the deployment of a Europol liaison officer. The accreditation of the liaison officer is still pending however which is further delaying the deployment. The level of cooperation through the working arrangement with the European Union Agency for Law Enforcement Training (CEPOL), which entered into force in April 2018, is satisfactory although the number of participants in residential activities decreased from 18 in 2018 to 3 in 2019 due to financial constraints. National contact points, lead managers and exchange coordinators have been appointed.

As regards the **fight against money laundering**, the number of convictions over the reporting period increased compared with 2018. In 2019, there were convictions (first instance) against 71 individuals, out of which 3 were for stand-alone cases of money laundering and 68 were for third-party money laundering, compared with convictions against six individuals in 2018. The understanding of stand-alone and third-party money laundering as well as of independence of the offence of money laundering from a predicate crime seems to have improved but needs to be increased further as results are not yet fully visible. More cases of stand-alone money laundering (based on inexplicable wealth) should be started up.

The number of cases where **seizure and confiscation of assets** occurs is still limited, and the amounts continue to be low. Measures such as confiscating the equivalent value when the proceeds of crime cannot be found in the perpetrator's possession are rarely applied. Extended confiscation is not applied systematically, partially due to an inconsistency between the criminal procedure code and the 2016 law on seizure and confiscation of proceeds of crime. Indirect or circumstantial evidence, especially in cases of inexplicable wealth is rarely gathered or accepted by the courts. Serbia needs to make confiscation of criminal assets a strategic priority in the fight against organised crime, terrorism and high-level corruption, in order to take away the economic basis of criminal networks.

The limited track record on confiscation of assets can also be explained by the fact that there are not enough financial investigations. Serbia needs to step up the application of the concept of **financial investigations**. Currently, financial investigations are mainly aimed at extended confiscation, while the key objective is to identify, document and disrupt money flows that feed activities of criminal networks.

Serbia adopted an action plan for 2019-2020 to implement to implement the strategy for the prevention and suppression of **trafficking in human beings** for 2017-2022., which has a focus on women and children. Standard operating procedures for the treatment of victims of trafficking in human beings were adopted in January 2019 and are currently under revision following their first phase of implementation. There needs to be further cross-sectoral cooperation, coordination and a clearer mutual understanding of roles and responsibilities.

A centre for protection of victims of human trafficking is operating with 16 out of 24 envisaged staff. Its capacities need to be increased. A shelter for female victims was opened in February 2019. Although legally possible, compensation to victims is rarely granted. There is no scheme or fund for compensation. A significant fall in the numbers of formally identified victims was observed in 2019, though an official set of indicators to identify victims is still lacking. Twelve individuals were convicted (at first instance) for trafficking in human beings (with one of them convicted of having committed the offence within the context of organised crime).

On **trafficking in weapons**, the number of convictions is low within the context of organised crime (only one individual convicted). There were 11 individuals convicted at the general competence (first instance). However, the Serbian criminal code has only a single article on weapons-related offences. Hence, it is not possible to distinguish the number of convictions

related to trafficking in weapons compared with the ones related to illegal possession and other less relevant conducts.

Serbia also continues to participate in implementing the action plan on the illicit trafficking in firearms between the EU and the South East Region of Europe (2015-2019). While there was no destruction of weapons during 2018, a total of 15 430 small arms and light weapons, and 54 111 pieces of ammunition were destroyed in December 2019.

On **cybercrime**, convictions were rendered against 49 individuals (first instance). The operational capacity within the police to effectively address cybercrime was strengthened, including through the establishment of special investigative units which deal with abuse of credit cards, e-commerce and e-banking and suppress illegal and harmful content on the internet. Staff in the cybercrime department increased (from 15 to 22). Serbia's **cybercrime** strategy, adopted in late 2018, is being implemented.

Amendments to allow for an urgent procedure within the law on **witness protection** were adopted. The witness protection unit of the Ministry of the Interior – covering organised crime and war crime cases - is operational. One psychologist and one social worker were recruited. Proactively fighting organised crime and corruption remains critical to countering criminal infiltration of the political, legal and economic systems. The criminal procedure code needs to be amended in order to further protect victims and witnesses.

Cooperation in the field of drugs

Institutional set-up and legal alignment

Serbia has a national drugs strategy covering 2014–21. In April 2019, Serbia adopted amendments to the law on substance used in illicit manufacturing of narcotic drugs and psychotropic substances. The National Monitoring Centre for Drugs, located in the Ministry of Health, manages the national early warning system (NEWS). The Serbian NEWS is operational and aligned to some extent with European standards. The first Serbian early warning system profile was published in July 2019 on the website of the European Monitoring Centre for Drugs and Drug Addiction (EMCDDA). It was drafted by Serbian experts who were supported by EMCDDA staff, and presents the structure, objectives and working methods of the Serbian system. Serbia continued to report on first-time detections of new psychoactive substances on its territory during the first half of 2019.

The responsibilities of the National Monitoring Centre for Drugs need to be better delineated from other state bodies, notably as regards coordination vis-à-vis the Office for Combating Drugs, an inter-ministerial coordination office. Both this office and the Serbian national drug observatory (NDO) have received the necessary staff increase. The NDO has achieved a good level of preparation to participate as a full member of the EMCDDA and of the Reitox network (the European information network of drugs and drug addiction).

Serbia is still in the process of aligning its data collection, analysis and reporting with EMCDDA requirements and methodologies. A working arrangement between the EMCDDA and the Office for Combatting Drugs, the Ministry of the Interior and the Ministry of Health was finalised for signature.

Implementation and enforcement capacity

In 2019, 995 individuals were convicted (at first instance) of illegal possession and trafficking of narcotics, 69 of whom had committed the offence within the context of organised crime. During the second half of 2019, a total of 4.5 tons of various substances (including around 109 kg of heroin) were confiscated compared with 2.7 tons, including 59 kg of heroin during

the first half of 2019. The discrepancy between the large quantity of drugs seized and the number of convictions is noteworthy.

According to current legislation, it is not possible to keep only a small sample as material evidence for court proceedings, instead, the entire seized quantity is required. An appropriate process for destroying drugs and drug precursors has yet to be set up. Overall, this policy area would benefit from a more proactive and comprehensive approach.

Fight against terrorism

Institutional set-up and legal alignment

Since 2009, Serbia's national security strategy recognises terrorism and violent extremism as one of the greatest threats to its security. A coordinator for the 2017 national strategy and its corresponding action plan on preventing and fighting terrorism of 2017 was re-appointed in June 2019. There is a need to set up a monitoring mechanism and ensure that there is regular reporting on the implementation of the strategy and the action plan. Also, the strategy has yet to be extended in order to cover all forms of radicalisation and violent extremism. In November 2019, Serbia and the EU signed an arrangement to implement the **joint action plan on counter-terrorism** for the Western Balkans, covering 2019-2020. It outlines concrete actions to be taken. In the field of preventing and fighting radicalisation, all forms of radicalisation and violent extremism, irrespective of their political, religious or ethno-nationalist root causes still need to be included in the national strategy. Serbia has not yet appointed a single point of contact for the implementation of this arrangement.

The national strategy for combating violence and misconduct at sports events 2013–2018 expired without having been replaced. There is a further delay in setting up a single national database on terrorism-related information.

In May 2019, Serbia revised its criminal code criminalising travel for the purpose of the 'perpetration, planning, or preparation of, or participation in, terrorist acts or the providing or receiving of terrorist training', as well as its financing in line with FATF standards.

Implementation and enforcement capacity

In 2019, there were no convictions for terrorist associations or financing of terrorism. There were also no convictions for recruiting and training in order to commit terrorist acts or public inciting to commit terrorist offences.

The national coordination body for the prevention of money laundering and the financing of terrorism set up a platform to improve the dialogue on prevention with civil society and international stakeholders to raise awareness on the risk of terrorism financing.

The taskforce on combatting terrorism cooperates and exchanges information with Europol, Interpol and its regional counterparts. Cooperation at regional level improved. In cooperation with international partners, Serbia thus undertook efforts to address the threat of Islamic extremism. While this is a rather limited phenomenon in Serbia, other forms of violent extremism, including hooliganism, should be addressed.

Serbia is actively participating in the revision process of the Integrative Internal Security Governance mechanism.

Serbia should step up its efforts in various areas and aspects of radicalisation and violent extremism addressed in the counter-terrorism arrangement, including in football hooliganism. Furthermore, research on radicalisation and violent extremism in Serbia is still scarce and fragmented, and there is a need for baseline data in this area

Legal and irregular migration

Institutional set-up and legal alignment

Responsibilities for managing migration are shared between the Ministry of the Interior, the Commissariat for Refugees and Migration, the Ministry for Labour, Employment, Veteran and Social Affairs, the Ministries of Foreign Affairs, of Justice, of Defence and the Ministries of Health and Education, Science and Technological Development. Regarding the fight against smuggling and trafficking in human beings, a new institutional structure was established in 2019 within the Criminal Police Directorate. This structure is led by the deputy prosecutor for organised crime and includes bodies such as the Security Intelligence Agency, which were previously not included. As part of organisational changes within the Border Police Directorate, a new department for suppressing irregular migration within the service for foreigners was established to strengthen the system for preventing and suppressing irregular migration. Within that service, a department for reception and accommodation of foreigners was created. Responsibilities are defined in the existing legal framework and coordination structures exist; however, coordination in practice could be further improved.

The EU-Serbia **readmission agreement**, in force since January 2008, is facilitated by implementing protocols concluded with 21 EU Member States. Serbia has 11 bilateral readmission agreements, including with Bosnia and Herzegovina, North Macedonia and Montenegro. Negotiations to sign readmission agreements with Ukraine, Azerbaijan, Turkey, Georgia, Belarus and Argentina are ongoing. As initiatives to conclude readmission agreements with Afghanistan, Pakistan, Algeria, Morocco, Iran and Iraq that were launched in 2017 remained unanswered, they were relaunched in 2019.

The Government **response plan** to manage mixed migration for 2019 was implemented and the plan for 2020 was adopted by the government.

Implementation and enforcement capacity

The Western Balkan migratory route continues to be firmly established and migrant smuggling networks remain very active as evidenced by reports of increased entries and exits as well as shorter stays of migrants in the reception centres. Most of the migrants currently in Serbia are placed in temporary accommodation facilities and do not have any legal status. During 2019 the number of migrants accommodated in Serbia fluctuated from over 4 000 in January, to 2 300 in the summer and reaching 4 500 by the end of 2019. The main countries of origin are Afghanistan, Syria, Pakistan, Iraq and Bangladesh. Large number of persons have also been registered from Morocco, Algeria, Palestine and Iran, including a significant number of unaccompanied or separated children.

Following the declaration of the state of emergency, migrants, refugees and asylum seekers were prohibited from leaving the reception facilities in order to avoid uncontrolled movements within the country. The number of persons present in these centres reached 9 000 in April 2020, and consequently two new temporary facilities were opened as some facilities had reached 325% of their capacity. The Serbian authorities reacted with a set of measures to prevent the spread of COVID-19 in the reception facilities. A proactive communication policy was put in place aiming to contain and mitigate rising tensions due to prolonged confinement and overcrowded spaces.

In 2019, 4 990 individuals were intercepted at the border (compared with 3 648 in 2018). From January 2019 to beginning of November 2019, 136 criminal charges were filed against 176 individuals suspected of smuggling of migrants. Some 67 individuals were convicted of illegal crossing of state borders and smuggling. Efforts to combat smuggling need to be strengthened.

Serbia has started implementing the **legislation** on state border control, on foreigners and on asylum and temporary protection as well as the relevant implementing legislation, adopted in 2018. Key staff have been trained.

As regards the **accommodation** of migrants, the extension of the detention centre in Padinska Skela is still ongoing. It will provide additional 100 places and thus increase the capacity to 150 places. Mobile centres for irregular migrants for the purposes of registration and short-term accommodation are operational. While being faced with increased mixed migratory movements and a large number of arrivals, Serbia continued to make substantial efforts to meet the essential needs of migrants passing through or remaining on its territory. Altogether, 19 governmental reception facilities (asylum centres, reception and transit centres), two of which have been temporarily put on stand-by, can provide long-term accommodation for up to 6 000 people and temporary shelter for around 1 000 people. Children receive education through their inclusion in the national schooling system. Serbia provides a considerable amount of health services to migrants through the public health system. An information management system for regular monitoring, planning and managing accommodation and reception facilities in accordance with European standards for reception conditions is in place within the Commissariat for Refugees and Migration. The commissariat regularly reviews its contingency plan. The overall staffing situation in the area of migration depends on international funding.

Serbia has put in place a programme for voluntary **return** support to foreigners for 2019-2021 including funding for information and identification of potential returnees. In cooperation with International Organisation for Migration, the Commissariat for Refugees and Migration hold more than 180 information sessions in asylum and reception centres in 2019. In 2019, 288 migrants applied for assisted voluntary return and 193 were returned to their country of origin, among them 103 to Iran, 23 to Algeria, 15 to Iraq, and 15 to Pakistan. The Ministry of the Interior is in charge of forced return and it returned 46 migrants to their country of origin in 2019. The lack of enforceable bilateral readmission agreements with third countries is a serious obstacle for Serbia to manage returns effectively, notably with the main countries of origin including Afghanistan, Pakistan, Iraq and Iran.

The implementation of the **EU-Serbia readmission agreement** is satisfactory. Serbia has considerably improved its implementation of the third country national provision since 2018. 8 375 persons were ordered to leave in 2019 and 7 295 in 2018. 5 270 were returned following an order to leave in 2019 (a return rate of 63%) and 5 895 in 2018 (80%).

Asylum

Institutional set-up and legal alignment

The Asylum Office, the authority that decides on asylum claims at first instance, is a separate unit in the Ministry of the Interior's Border Police Directorate. Appeals against its decisions can be submitted to the Asylum Commission and subsequently to the Administrative Court of Appeal as a final instance. The Asylum Commission is composed of representatives of different line ministries, including an independent expert and chaired by a representative of the Ministry of the Interior. The Commissariat for Refugees and Migration is the state authority responsible for receiving and accommodating asylum seekers, managing asylum centres and integrating people who were 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).

Implementation and enforcement capacity

In 2019, the number of asylum seekers remained approximately the same as in 2018. In 2019, out of 12 930 individuals who expressed an intention to seek asylum (2018: 8 380), 174 lodged an application (2018: 341). In 2019, 219 decisions (2018: 199) were made for a total of 287 asylum seekers (2018: 272). Some 17 asylum seekers received refugee status (2018: 10), 17 received subsidiary protection (2018: 14) and 17 received a negative decision (2018: 25). Some 77 asylum seekers (2018: 45) had their asylum request rejected (i.e. declared inadmissible). In 130 cases (2018: 128) concerning 161 asylum seekers (2018: 178), the procedure was discontinued because the applicant absconded.

With the current numbers of asylum seekers in Serbia, the Asylum Office has sufficient numbers of staff to process all asylum requests. Its capacity to handle cases and assess the merits of applications continues to improve, including information regarding the country of origin. Continuous standardised and sustainable training of the Asylum Office staff is needed. Certain aspects of decision-making improved, such as recognising child specific claims, claims based on sexual orientation and gender-based persecution. The office tried to hire translators for the envisaged translator positions. It was unsuccessful due to limited offering on the labour market. In the medium term, the Ministry of the Interior will need to change its administrative procedures to enable outsourcing of the translation function.

There is a single biometric database used by the police for identifying and registering asylum seekers. An electronic database with personal information of asylum seekers and information on the stage of the asylum proceedings is managed by the Asylum Office. Plans have been made to improve the interconnection of these databases in order to speed up the process of verification of identities. Local police stations sometimes lack capacity to facilitate efficient processing of applications. Preparations for connecting to the EU asylum fingerprint database (Eurodac) are in their initial phase.

Overall, access to and provision of information regarding the asylum procedure needs to be improved at all stages. At Belgrade international airport access to information and legal counselling for asylum seekers needs to be improved. Transit procedures, as envisaged by the law on asylum, are not yet being implemented; adequate premises for accommodation at the airport are lacking. Training on the transit procedures was provided.

Following the declaration of the state of emergency, a government decision was issued which confirmed the validity of legal stays of foreigners and their identity cards as well as those of asylum seekers for the duration of the state of emergency, while registration and taking of biometric data was suspended.

A total of 2 186 unaccompanied or separated children (UASC) were accommodated in Serbian centres in 2019, an increase of around 25% compared with 2018, while the duration of the stay declined. The majority (1 906) were accommodated in centres managed by the Serbian Commissariat for Refugees and Migration while another 198 were accommodated in the three social welfare institutions dedicated to hosting UASC under the responsibility of the Ministry of Labour, Employment, Social and Veterans’ Affairs. In addition, 82 UASC were accommodated in two facilities managed by non-governmental organisations. At the same time, the number UASC staying rough outside government facilities increased in 2019. The accommodation capacity in government centres dedicated to hosting UASC within the social welfare system is limited, and more suitable accommodation for UASC with individualised care is needed.

Programmes for social integration, access to accommodation, language learning and access to the labour market for people granted asylum or subsidiary protection are in place. All individuals who applied for assistance in 2019 received it. 26 received assistance for accommodation, and 43 individuals attended Serbian language classes.

Integration bylaws have been adopted and the basic legal framework for integration exists. However, major obstacles to integration remain. Implementing legislation in different sectors needs to be harmonised with the law on Asylum and Temporary Protection to provide those granted international protection with effective access to socio-economic rights.

The law on asylum and temporary protection provides that people granted international protection have the right to a travel document, but in practice no travel document has been issued so far. The documents provided to people under international protection need to be improved in order to facilitate access to their socio-economic rights.

Serbia signed the Global Compact for Refugees as well as the Global Compact for Safe, Orderly and Regulated Migration. The Ministry of the Interior and the Commissariat for Refugees and Migration cooperate with the European Asylum Support Office (EASO) on the basis of comprehensive roadmaps. A first roadmap was implemented from 2017-2019, a second one is being finalised. Serbia was granted observer status in the reception network organised by EASO. A European migration liaison officer, responsible for the entire region, operates from Belgrade.

Visa policy

The visa system is not fully aligned with the EU list of third countries whose nationals are visa exempt or visa required. In 2019, Serbia further aligned with the EU positive list by granting visa free access to holders of ordinary passports from Georgia, St Kitts and Nevis and the Republic of Palau. However, Serbia moved further away from alignment with the EU negative list by granting visa free access to holders of ordinary passports from Armenia in October 2019. The following countries are blocked from visa free entry to the Schengen area while they enjoy visa freedom in Serbia: Armenia, Azerbaijan, Bahrain, Belarus, Bolivia, Burundi, China, Cuba, Guinea Bissau, India, Indonesia, Jamaica, Kyrgyzstan, Kuwait, Kazakhstan, Mongolia, Oman, Qatar, Russia, Suriname, Tunisia and Turkey.

The European Commission's third report under the visa suspension mechanism² concluded that Serbia continues to meet the visa liberalisation benchmarks. However, in order to ensure a well-managed migration and security environment, Serbia needs to refrain from further diverging from the EU common visa policy and take concrete steps to ensure full alignment with the EU visa policy, in particular with regard to the main countries of origin of irregular migration to the EU.

Serbia's visa issuing system is partially in line with the EU visa code. It has completed the interconnection of the integrated Serbian visa information system with Serbia's diplomatic and consular missions and other relevant databases is complete and is operational in all 91 diplomatic/consular missions. The number of visas issued at borders remained low throughout 2019 and were available only in exceptional humanitarian circumstances.

Serbia continued to implement the relevant measures to prevent the abuse of the visa-free system it has with the EU under the post-visa-liberalisation process.

The number of the first time asylum applications in the EU and Schengen associated countries from the country was 4 060, which was a continuous decrease in comparison to the previous years (4 575 in 2018, 5 300 in 2017).

² COM(2020) 325 final

No progress was observed regarding improvement of the system dealing with the successful reintegration of returnees, especially the most vulnerable such as the Roma representing a large number of returnees. Better communication and coordination is needed between the relevant governments, between governments and local authorities and with international organisations and NGOs active in the reintegration of returnees.

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. Thanks to internal restructuring a new division for integrated border management was established in the department for border checks as well as a department for combatting irregular migration and a department for reception and accommodation of foreigners within the service for foreigners.

Issues related to the state borders are regulated in the law on border control. In 2019, the Ministry of the Interior adopted instructions on record keeping within the scope of the Border Police. A document on standardisation and management of border crossing points as well as staffing needs was prepared but still needs to be adopted.

Several agreements were signed between Serbia and Montenegro regulating the opening of border crossings and the conduct of border traffic. The agreements with Montenegro include arrangements to close 29 routes between Serbia and Montenegro. Preparations for similar agreements with Bosnia and Herzegovina are ongoing.

The agreement on cooperation in the field of integrated border management and the protocol on the exchange of data and information between the services involved in integrated border management (IBM) were signed.

In preparation of the Schengen action plan, relevant assessments and gap analyses were carried out.

Serbia still needs to create a single coordination centre for exchanging police information and start preparations for setting up a SIRENE (supplementary information request at the national entries) office.

Implementation and enforcement capacity

Serbia has made further progress in implementing its IBM strategy and its related action plan. The government provided funding for additional 187 border police staff. A separate budget line for funding of the implementation of the IBM strategy was introduced in the budget law. Amendments to the law on foreigners and the law on employment of foreigners were adopted which facilitate issuing work permits for foreign nationals holding a long-stay visa on the basis of employment. The amendments will also allow speeding up the procedures for obtaining a temporary residence permit. Regulations on entry ban and control of foreigners moving through Serbia and on closer conditions for refusing a foreigner to enter Serbia were adopted as well as on issuing ID cards to foreigners.

Joint controls were introduced at the border crossing point Preševo-Tabanovce at the border with North Macedonia. Equipment and infrastructure at border crossing points was improved in Bajmok, Gostun, Kotroman, Sot, Nakovo and Morava Airport. Video surveillance was improved at some at border crossing points and traffic-monitoring cameras were installed, which provide citizens with real time information on the situation at border crossings.

An electronic information exchange platform to be used by all IBM agencies is being set up.

The status agreement with the EU for the deployment of the European Border and Coast Guard (Frontex) teams with executive powers was signed in November 2019. The EU finalised its ratification procedures. Once Serbia has finalised its procedures, the agreement will enter into force. Joint preparations for the operationalisation of this agreement are ongoing. International border cooperation was further strengthened and joint patrols are operating along the borders with Montenegro, Bulgaria, North Macedonia, Hungary, Bosnia and Herzegovina and Romania. The start of joint patrols with Croatia is still pending. There is regular cooperation and information exchange in joint contact centres. Serbia also participates in the Western Balkans risk analysis network led by Frontex.

Shortly following the declaration of the state of emergency, all border crossings were closed for international road, railway or waterway traffic (including border crossing at airports). Authorisation could be granted on an exceptional basis for humanitarian and national interest reasons.

Interim IBM common crossing points with Kosovo continue to be operational. There was no progress in establishing the six permanent IBM common crossing points between Serbia and Kosovo as stipulated in the IBM agreement in the context of the EU-facilitated Belgrade-Pristina Dialogue (*see under Normalisation of relations between Serbia and Kosovo*). Additional measures need to be taken to prevent irregular crossings and criminal activities, including corruption.

Judicial cooperation in civil, commercial and criminal matters

A cooperation agreement between Eurojust and Serbia entered into force in December 2019. The agreement is a positive step towards more efficient cooperation in the fight against organised crime through sharing of information including personal data between Serbia and Eurojust. Also, following the agreement, a Serbian liaison prosecutor took office on 10 March. Regular cooperation with Eurojust continued through contact points in the Ministry of Justice and the Republic Public Prosecutor's Office. Serbia also took part in three joint investigation teams with Eurojust. Serbia is the most requested country in the region, and the fifth most requested third state in Eurojust's network. Serbia was involved in 41 cases (compared with 34 in 2018 and 28 in 2017).

In 2019, an analysis for IT and statistical gaps and needs in the area of judicial cooperation in civil and criminal matters was finalised while the review of the administrative, budgetary and training has yet to be completed. Serbia started to work on aligning with the *acquis* on judicial cooperation while tangible progress has yet to be made. Serbia is in the process of becoming a party to the 2007 Hague Convention on Child Support.

Judicial cooperation takes place mainly with EU Member States and within the region. During the second half of 2019, Serbia had 3 028 new incoming requests for judicial cooperation (both civil and criminal) and sent out a total of 1 653 requests. By comparison, during the first half of 2019, Serbia had a total of 2 654 new incoming requests, and sent a total of 1 637 requests. In the case of the former President of the State Union of Serbia and Montenegro who was convicted in Montenegro for high-level corruption and is currently staying in Serbia, Montenegro sent an official request to Serbia for his extradition in April 2019. Serbia has not yet formally responded to this request. It needs to be ensured that the judgment is being enforced.

According to the Serbian authorities, Serbia handled 2 970 incoming judicial cooperation requests (both civil and criminal) and 1 796 outgoing requests during the second half of 2019, compared with 3 077 incoming requests during the first half of 2019 and 1 104 outgoing requests. Among those that Serbia dealt with, it replied positively to 2 514 incoming requests

and received positive response on 1 304 outgoing requests and refused 456 incoming requests and received negative response for 492 outgoing requests. At the end of December 2019, the pending cases (both incoming and outgoing requests) remained at 7 445 (compared with 7 168 at the end of June 2019). Serbia continued its regular workflow.

3. FUNDAMENTALS FIRST: ECONOMIC DEVELOPMENT AND COMPETITIVENESS

<i>Table :</i>	2011-16	2017	2018	2019
Serbia - Key economic figures	average			
GDP per capita (% of EU-28 in PPS) ¹⁾	39.2	38.0	39.0	41.0
Real GDP growth	1.3	2.0	4.3	4.3
Economic activity rate of the population aged 15-64 (%) , total ¹⁾	64.2 ²⁾	66.7	67.8	68.1
<i>female</i>	56.4 ²⁾	59.6	60.6	61.3
<i>male</i>	72.1 ²⁾	73.8	75.1	75.0
Unemployment rate (%) , total ¹⁾	20.9	14.1	13.3	10.9
<i>female</i>	21.9	14.8	14.2	11.5
<i>male</i>	20.0	13.5	12.5	10.4
Employment (annual growth %)	2.2	2.8	1.4	2.4
Nominal wages (annual growth %)	5.1	4.0	4.3	10.5
Consumer price index (annual growth %)	5.2	3.1	2.0	1.8
Exchange rate against EUR	114.9	121.4	118.3	117.9
Current account balance (% of GDP)	-6.5	-5.2	-4.8	-6.9
Net foreign direct investment, FDI (% of GDP)	4.8	6.2	7.4	7.8
General government balance (% of GDP)	-4.5	1.1	1.5	-0.2
General government debt (% of GDP)	60.6	57.9	53.7	52.0

Notes :

1) Eurostat

2) 2014-2016

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.

Economic governance has become even more central in the enlargement process in recent years. The Commission's monitoring takes place in two processes: the Economic Reform Programme exercise and the below assessment of compliance with the economic criteria for accession. Each enlargement country prepares an Economic Reform Programme (ERP) annually, setting out a medium-term macro-fiscal policy framework and a structural reform agenda aimed at ensuring competitiveness and inclusive growth. The ERPs are the basis for country-specific policy guidance jointly adopted by the EU and the Western Balkans and Turkey at ministerial level in May each year.

3.1. The existence of a functioning market economy

Serbia has made **some progress** and is **moderately prepared/at a good level of preparation** in developing a functioning market economy. Prior to the COVID-19 crisis, the pace of GDP growth picked up as domestic demand, including investment, strengthened further. External imbalances widened but their financing remained healthy thanks to record-high FDI inflows. Price pressures remained subdued and inflation expectations contained. Serbia's success in reducing the budgetary deficit and maintaining a prudent fiscal stance significantly improved debt sustainability, and created policy space for a sizeable fiscal stimulus to mitigate the

economic impact of the crisis. Banking sector stability was preserved and lending growth was robust. Labour market performance further improved, with the lowest unemployment rates in the last decade, also due to large-scale emigration. The COVID-19 crisis is projected to strongly deteriorate the economic outlook in 2020, in particular as regards GDP growth, public finances and employment.

There has been some progress in the reforms of the tax administration and in the privatisation of state-owned banks. However, other major structural reforms of public administration and state-owned enterprises (SOEs) continued to advance slowly, prolonging long-standing inefficiencies. There has been no progress in strengthening the fiscal rules to anchor fiscal policy. 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 corruption and judicial inefficiency, and in the enforcement of fair competition.

In order to improve the functioning of the market economy, Serbia should in particular:

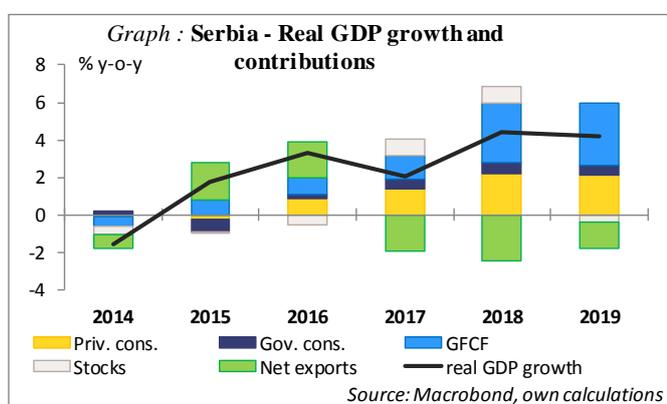
- mitigate crisis-induced economic fall-outs via automatic stabilisers and appropriate discretionary fiscal measures while making the budget composition more growth-friendly;
- strengthen fiscal rules by making them more credible and binding and capable of anchoring fiscal policy;
- take steps to advance the reform of public administration, including the public sector wage system;
- increase the transparency on state-owned enterprises' fiscal impact and improve their governance including via further restructuring;
- increase funding and the implementation of active labour market measures adjusted to the needs of the unemployed.

Economic governance

The authorities have remained committed to macroeconomic stability and economic reforms, even though some structural reforms have stalled. Since July 2018, Serbia has a new non-disbursing policy coordination instrument in place with the International Monetary Fund that runs until January 2021. The policy guidance jointly agreed at the May 2019 Economic and Financial Dialogue between the EU and the Western Balkans and Turkey has been partially implemented. The macroeconomic policy mix has been appropriate, and macroeconomic and fiscal indicators improved until the outbreak of the COVID-19 crisis. However, the record on implementing structural reforms remains mixed. The efficiency and predictability of the institutional environment has yet to be ensured and does not sufficiently support long-term growth. Weaknesses remain in the fiscal governance framework, the business environment, public administration and tax administration, although some progress has been made in the latter area. There also remain weaknesses in the way the state intervenes and manages its presence in the economy, in particular as regards delayed reforms of state-owned enterprises (SOEs). In response to the COVID-19 outbreak, both the government and the central bank reacted swiftly by taking a series of significant fiscal and monetary measures to mitigate the economic effects of the pandemic.

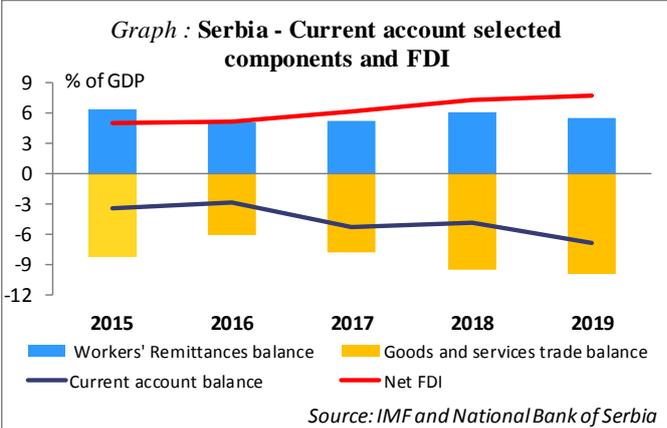
Macroeconomic stability

Economic growth has been robust. Following moderate growth in recent years, annual real GDP growth accelerated significantly to 4.3% in



2018 and retained a solid pace in 2019 (4.3%) and in the first quarter of 2020 (5%). In 2019, robust domestic demand was the main growth driver. Private consumption further increased its contribution to GDP growth, sustained by rising employment and real incomes. Investment activity was also very strong, benefiting from increased capital spending by the government and a stream of foreign direct investments, including some large infrastructure projects, in particular the TurkStream gas pipeline. Rising domestic demand led to strong growth in imports, resulting in a negative contribution of net exports to growth for a third consecutive year. Despite the pace of growth picking up in recent years, the income gap with the EU has remained broadly unchanged over the last decade. Per capita GDP in purchasing power terms was 41% of the EU average in 2019 (compared to 40% in 2018 and 39% in 2009). As a result of the COVID-19 pandemic, GDP is expected to contract significantly in 2020. In addition to the internal impact of pandemic-related restrictions on private consumption and investment, the Serbian economy, due to its relatively high trade openness, is also expected to be strongly hit by the COVID-19 crisis-induced contraction of external demand, particularly from its main trading partners in the EU.

While external imbalances continued to widen, their financing remains healthy. Driven by a growing trade deficit in goods, the current account deficit has broadly doubled as a



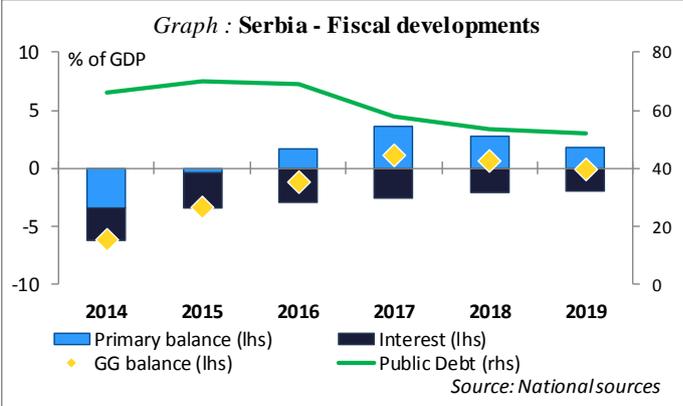
percentage of GDP since 2016, reaching close to 7% in 2019 after hitting around 5% of GDP in 2017 and 2018. The growing economy resulted in double-digit growth in imports of goods; however, this mostly concerned intermediate goods, reflecting expanding investment and exports. Export performance remained robust in 2019. Manufacturing exports, which constitute the bulk of all foreign sales, continued to expand, while exports of agricultural products also rebounded.

The current account deficit was fully covered by record-high net inflows of foreign direct investment in a range of economic sectors. Official foreign exchange reserves have been steadily increasing to around twice the level of short-term external debt, and covered around 6 months of imports of goods and services, providing an adequate safeguard against adverse shocks.

Price pressures remain subdued and inflation expectations contained. Despite robust economic growth and strong wage increases, inflation remained low in 2019, hovering in the lower half of the central bank’s tolerance band of 3% +/-1.5 percentage points, rather close to the lower limit towards the end of the year. Price stability was supported by a continuously strong dinar exchange rate. After a seasonal peak in spring 2019, a decelerating increase in food prices and decreasing energy prices helped to moderate inflation in the third quarter, before picking up again in the fourth quarter. Low and stable core inflation, which hovered around 1.3% for most of 2019, also attested to the absence of inflationary pressures. Monetary policy has cautiously supported economic activity: the key policy rate of the central bank was cut by 25 basis points three times in 2019 – in July, August and November – to 2.25%. The central bank continued its frequent interventions on the foreign exchange market, buying a net EUR 2.7 billion in 2019. In response to the COVID-19 crisis, the central bank has cut its key policy rate by 50 basis points in March 2020, 25 basis points in April and another 25 basis

points in June 2020, bringing the rate to a record low level of 1.25%. It has also taken a series of additional measures to provide dinar and forex liquidity to the market.

After a major fiscal adjustment implemented in previous years, the fiscal stance has become broadly neutral. After 2 years of surpluses in 2017 and 2018, both the 2019 budget (as revised by an amending budget in October 2019) and the initial 2020 budget (adopted on



28 November 2019) targeted small deficits of 0.5% of GDP. In reaction to the COVID-19 pandemic, an amending budget was adopted in April 2020, projecting a 2020 deficit of 6.9% of GDP. Good revenue performance has created room to unwind previous pension cuts, implement large public wage increases in 2 consecutive years, increase capital spending and reduce, albeit only marginally, labour taxation.

The public wage increases were, however, expected to significantly exceed nominal GDP growth even before the crisis, contrary to earlier government commitments. Due to the use of fiscal space mostly for current spending, the expenditure composition remained inadequate: the proportion of capital expenditure remains low compared to public infrastructure needs, in particular in environmental infrastructure. Overall, however, the track record of prudent fiscal policy has played a major role in increasing investor and consumer confidence in the economy, supporting economic growth, and significantly reducing government debt. Due to the COVID-19 crisis, the fiscal position will profoundly deteriorate in 2020. In March, the Government adopted a sizeable package of fiscal measures of around 6% of GDP of direct budgetary impact and another 5% in liquidity-enhancing measures. The package will have an impact on both the revenue (deferred collection of personal income tax, social contributions, corporate income tax) and expenditure side (increased salaries in the health sector, one-off payment to pensioners, direct payment of salaries in micro and SMEs, one-off payment to all adult citizens). As a result the general government deficit is expected to increase strongly to around 7% of GDP in 2020. Government debt fell from a peak of over 70% of GDP in 2015 to around 52% of GDP in 2019, bringing it closer to the ceiling of 45% of GDP laid down in the fiscal rules of the budget system law. As a result of the expected higher deficit and lower GDP induced by the COVID-19 crisis, debt is projected to increase to around 60% of GDP in 2020.

Public sector reforms have progressed unevenly, prolonging long-standing inefficiencies and fiscal governance challenges. Revenue collection has surpassed expectations over the last 2 years, supported also by steps to improve tax administration, in particular by strengthening the Large Taxpayer Office (for the biggest taxpayers) and concentrating core activities in fewer sites. Progress in addressing weaknesses in budget planning and implementation has been slow. While the framework to control general government employment based on the law on the maximum number of public sector employees expired at the end of 2019, continuing with the hiring freeze mechanism undermines the quality of public service. The wage system reform has been postponed by another year. Substantial pay rises across all categories of public sector employees above the growth rate of nominal GDP have reduced the fiscal space for future implementation of the reform. Ad hoc increases in some parts of the public sector also tend to undermine the viability of implementing the reform in the future. A decree on capital investment management was adopted in July 2019 to

establish a single mechanism for national investment prioritisation and planning as of January 2020; however, it introduces a large number of exemptions from the application of the rules, most notably the projects of ‘special importance for the Republic of Serbia’, which are put forward based on a government decision. The method for deciding which projects may fall within this category is not defined in the decree. Projects financed through public-private partnerships or concessions are also exempted from the full application of the decree. The system needs to be applied consistently to all projects regardless of the type of investment or the source of financing, including government-to-government projects that have been a recurring concern in terms of transparency, cost efficiency and conformity with EU standards. However, preparation of the corresponding detailed rulebook and IT systems may lead to delays in effective implementation.

While compliance with budgetary legislative procedures has improved, fiscal rules remained weak and were only partially complied with. The budget for 2020 was adopted broadly in line with the normal legislative procedure, including a series of parliamentary debates on the draft budget. The Fiscal Council was also consulted in the process. After several years of non-compliance with this legal obligation, final annual budget reports for 2002-2018 have been presented to Serbian Parliament. According to the reports, significant amounts of revenue and expenditure of the order of magnitude of 1% of GDP annually had not been covered by previous regular reporting, and amounts of around 2% of GDP were spent differently from what had been planned in the budget. The system of fiscal rules remains weak as it is not sufficiently binding and relevant for policy-making. Work on strengthening them has stalled, although it remains a stated short-term government priority.

The macroeconomic policy mix has remained appropriate. It helped sustain macroeconomic stability and supported the resilience of economic activity. The prudent fiscal policy and cautiously supportive monetary policy helped contain the growing external risks, despite still widening external imbalances, and sustained growth of private and public consumption and investment. As in previous years, the acceleration of economic reforms and their full implementation remain key to further strengthening the economy’s potential and to supporting real convergence with the EU. In the context of the COVID-19 crisis, the macroeconomic policy mix has had to adapt to the new circumstances with prompt reaction on both fiscal and monetary side.

Functioning of product markets

Business environment

The business environment has been slowly improving despite a general slowdown in the reform momentum. Over the last few years, Serbia has improved its standing in various international business rankings mostly due to regulatory improvements, for example in issuing construction permits, registering property, making it easier to pay tax, and better protecting minority investments. In 2019, 36,000 new legal entities were registered. While the overall number of new registrations remained largely unchanged, there were 3.8% more registrations for companies but 1.2% fewer for entrepreneurs compared with 2018. Almost 51,000 companies were deleted from the register (almost double that in 2018) due to the compulsory liquidation of companies that failed to fulfil their financial reporting obligations within a certain timeframe. The law on charges, adopted in December 2018, aimed to reduce complexity and uncertainty by consolidating all parafiscal charges and removing or merging some of them. However, the problem has not been addressed enough as some charges have been reintroduced at a later stage. The law on foreign exchange transactions is widely considered by the business community to be too restrictive in its design and unpredictable in its application.

The institutional and regulatory environment remains weak. While the number of urgent parliamentary procedures decreased, business-related laws and by-laws/decrees are still adopted with very tight consultation deadlines, leaving insufficient time for business to contribute to policy preparation and to prepare for changes affecting their operations. While important steps have been taken in introducing EU-compliant legislation, particularly in the fields of public procurement, state aid rules and taxation, implementation of these policies remains weak. Delays in adopting secondary legislation continue to hamper the implementation of adopted laws. In general, contract enforcement is weak, and the courts that enforce property rights remain overburdened. Moreover, the business environment remains hampered by red tape, political interference and limited public administration efficiency. Fair competition is negatively affected by the large informal economy.

Some measures were taken to fight the informal economy. The authorities have established a working group chaired by the labour inspectorate to combat informal employment. Another tool is a single information system for inspections (eInspector), which aims to ensure better coordination among various inspections, standardisation of their work, and better availability of data. 36 inspection services started using the tool in July 2019, with the remaining services expected to be included in the system by the end of the year. After the Financial Action Task Force on Money Laundering had put Serbia on the list of jurisdictions with strategic deficiencies in early 2018, the authorities addressed the identified technical shortcomings, which resulted in Serbia being taken off the list in June 2019. Further improvements in anti-money laundering/combating the financing of terrorism are ongoing. Serbia ranked 91 out of 180 countries in the 2019 corruption perception index compiled by Transparency International, compared to 87 in 2018.

State influence on product markets

State ownership has continued to gradually decline, but state presence remains large amid persistent governance weaknesses. The financial performance of SOEs improved, helped also by the cyclical economic upswing. However, governance of these enterprises remains under strong political influence. This includes the irregular appointment of acting managers for extended periods instead of using the standard nomination process. Overall, SOEs still account for almost a fifth of value added and formal employment in Serbia. The government published a comprehensive list of SOEs in October 2019. While the state continues to withdraw from direct involvement in the economy in general, its presence is still strong. The share of administered prices remained broadly unchanged, at around 20% of the consumer basket. The new law on state aid control entered into force on 1 January 2020. The law has increased the operational independence of the Commission for State Aid Control, with a separate budget and autonomous spending that will allow it to considerably increase its administrative capacities and improve operations. Although the overall GDP share of state aid has decreased, positive steps that have been taken towards enforcing the state aid rules need to be reaffirmed with a stronger law implementation track record in the coming period.

Privatisation and restructuring

Privatisation of SOEs advanced, while restructuring progressed slowly. Since 2015, when the privatisation law was adopted, more than 310 SOEs, mostly with no employees or only a small number, have been put into bankruptcy procedure, increasing the total number of companies under bankruptcy procedure to 2,000. A smaller number of companies have been privatised, and non-EU investors acquired some of the largest firms in mining, metallurgy, and agriculture. The status of around 70 SOEs employing some 30,000 workers has yet to be addressed with either bankruptcy or privatisation.

Restructuring of key utility companies is still incomplete. The financial performance of these companies, particularly in the energy sector, has improved in recent years, but their restructuring has advanced rather slowly. The state-owned power utility Elektroprivreda Srbije still has to fully address its corporate governance issues. While long overdue, a change in the legal status to a joint stock company is envisaged in 2020. The company also needs to reconsider the practice of giving priority to investments in coal and instead rather invest in environmental protection and securing new production capacities from renewable sources, taking into account the transition from coal-dominated production. The financial consolidation of Srbijagas remains a key aspect of its reorganisation plan. Government support for servicing Srbijagas debt is set to stop by the end of 2020. Serbia did not unbundle Srbijagas and provide non-discriminatory third-party access to its transmission system in line with the Third Energy Package. Finally, awareness regarding state aid rules still remains low among the aid-granting authorities, thus advocacy activities should be continued and intensified in 2020.

Functioning of the financial market

Financial stability

In 2019, the financial sector's performance and financial stability improved. Supported by rising economic activity, the profitability of commercial banks remained high. Other indicators also point to strong performance in the banking system. Capital adequacy was well above the minimum set by the central bank. Liquidity, although declining, remained high. The profitability of the banking system remained broadly stable, recording only a slight decline in return on assets (1.8% at the end of 2019 vs 2.2% at the end of 2018) and in return on equity (9.8% at the end of 2019 compared to 11.3% at the end of 2018). Completion of the implementation of the resolution strategy for non-performing loans (NPLs) in 2015-2018 and the start of implementation of the 2018-2020 NPL resolution programme, focusing on limiting the rise of new NPLs, resulted in a further reduction of NPLs to 4.1% of total gross loans by February 2020. The authorities have started addressing the legacy NPLs in the portfolio of the Deposit Insurance Agency. The government and the agency successfully completed the sale of the first portfolio of NPLs worth EUR 242 million at face value in June 2019. Preparation for the sale of the second portfolio – worth around EUR 1.9 billion – is under way. The central bank and the government continued to implement their dinarisation strategy (updated in December 2018) in order to address the persistently high degree of euroisation in the banking system. The implementation of the strategy for banks with state ownership continued. The privatisation of Komercijalna Banka (the third largest bank by assets and the largest remaining state-owned bank) was completed by signing an agreement on sale in February 2020 while the closure of the transaction is expected in the course of this year. The state remains in control of key entities in the insurance sector.

Access to finance

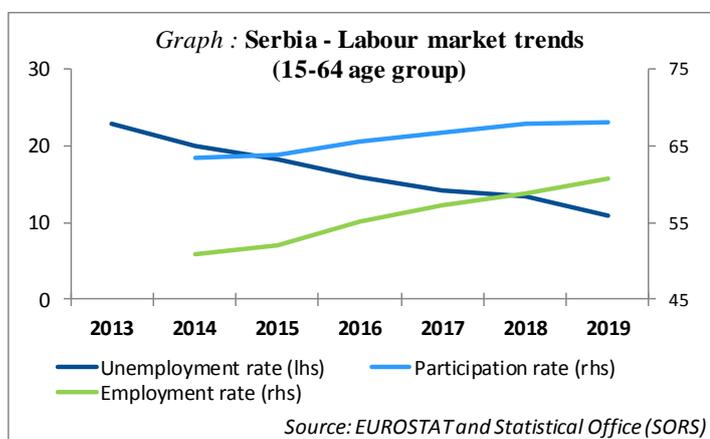
Access to finance improved. Foreign-owned banks continued to dominate the financial system, holding around three quarters of banking system assets. Favourable financing conditions and higher economic activity have supported growth in lending. Credit expanded by double digits for both corporates and households (the latter slowed down in Q-3), excluding the effects from exchange rate changes, NPL sales and write-offs. Despite brisk credit activity, the central bank estimated that the overall credit-to-GDP ratio is still below its long-term trend and, therefore, has kept the countercyclical capital buffer unchanged at 0%. However, the central bank introduced new measures, including a gradual shortening of the repayment period, to curb growing risks from excessive loan growth in some segments, such as cash loans for households with long maturities. As a reaction to the COVID-19 pandemic,

the central bank introduced in spring 2020 a moratorium on loan repayments and secured additional liquidity for banks through additional EUR/RSD swap auctions and purchases of government securities. 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. The ad hoc and urgent adoption of a special law on converting mortgages denominated in Swiss francs into euro, which was adopted in April 2019, came at a significant cost that was shared between banks and the state budget.

Functioning of the labour market

The labour market has seen considerable improvements in recent years, but structural problems, demographic and migration challenges remain. Strong economic growth was reflected in labour market indicators, which have reached record levels since the start of the (revised) labour force survey in 2014. Activity rates and employment rates increased, while the unemployment rate (15-64) fell to 10.9 in the yearly average of 2019. Long-term (6.1%) as well as female (11.5%) and youth unemployment (27.5%) continued their downward trend.

The corresponding activity rate (15-64) increased to 68.1% in 2019. The proportion of young people in the 15-24 age group not in employment, education or training fell further to 15.3% in 2019. The share of informal employment, two-thirds of which was in agriculture, fell to 18.2% of total employment. However, the labour force may have peaked as the declining working age population is taking its toll on labour supply. A steady population decline of 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 and large regional disparities have continued to be a major labour market issue. In February 2020, the government adopted a 2021-2027 strategy on economic migrations aiming to prevent further emigration and encourage professions from the diaspora to return to the country. The government package aimed at mitigating effects of the COVID-19 crisis – with incentives given only to companies that do not reduce their workforce by more than 10% of staff – may contribute to limit the increase in the number of unemployed in the immediate aftermath of the pandemic outbreak.

Real wages have increased. The revival of economic activity and tighter labour conditions pushed up real wages in 2019. The authorities have continued to reduce the overall tax wedge by abolishing the pension contribution paid by employers (0.5% of gross salary) as of January 2020. However, the tax wedge is still disproportionately high for people with low salaries and is therefore an impediment for the formalisation of labour. In line with expectations for the overall increase of wages, the government increased the minimum hourly wage by 11.1% in 2020. Around 1 in 6 registered employees are paid the minimum wage.

3.2. The capacity to cope with competitive pressure and market forces within the EU

Serbia has made **some progress** and is **moderately prepared** to cope 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, despite some progress, the quality

and relevance of education and training does not fully meet labour market needs. Investment has continued to increase but, after years of underinvestment, remains insufficient to address serious infrastructure gaps. Although the cost of borrowing for small and medium-sized enterprises (SMEs) has declined recently, they still face a number of challenges, including a volatile business environment and unfair competition.

In order to improve competitiveness and long-term growth, Serbia should in particular:

- further tailor education and training to labour market needs;
- use the single mechanism for prioritising and monitoring all public investment regardless of the source of financing and apply EU standards to all projects including those based on intergovernmental agreements;
- substantially increase investments into energy efficiency and modernising energy infrastructure duly supported by cost-covering tariffication; complete unbundling Srbijagas and provide third-party access to gas infrastructure.

Education and innovation

Despite some progress, skills mismatches in Serbia remain high. Public spending on education stood at around 3.1% of GDP in 2018, below the EU average of around 5%. The scores achieved by Serbian students in the 2018 Pisa international student assessment were below the OECD average in all areas, while remaining broadly stable compared to Serbia's Pisa results in 2012. Pre-primary school enrolment remains around 60%, while the compulsory six-month pre-school programme is almost universal. Enrolment rates remained high in general in primary and lower secondary education, at some 95%, and at around 90% in upper secondary level. The gross enrolment ratio in tertiary education also increased in recent years to nearly two thirds while attainment increased to 32.8% in 2018. However, employers and recent graduates signal that the country's education institutions do not equip students with key transversal skills, such as problem-solving and decision-making. The authorities are gradually updating pre-university curricula to make them more relevant to labour market needs. In this regard, the establishment of the Agency for Qualifications and Sector Skills Councils in 2018 was a positive stride towards reducing the mismatch between the skills required in the labour market and the education outcomes. Systematic teacher training to support the implementation of new curricula and the development of students' key competencies has been lacking. Vocational education and training (VET) qualifications remain outdated. Efforts to introduce a national work-based VET model still lack a solid monitoring and feedback mechanism. The institutional framework to implement the national qualifications framework for classifying national qualification standards needs to be strengthened, including functional and effective social partnerships. This framework is part of a progressive reform of the education system at all levels, including non-formal and informal learning. Serbia improved slightly in the Human Development Index, moving up two places in the ranking in 2018.

R&D spending remains low at around 0.9% of GDP. Government funding is stable at around 0.4% of GDP, providing close to half of total R&D financing in 2018. The number of scientific research organisations was broadly unchanged. To support innovation, Serbia established an innovation fund and introduced specialised instruments — collaborative grants for joint business-academia projects to promote and support collaboration and innovation vouchers. 4 years after a science and technology park was established in Belgrade, 3 more are being built in other cities. A smart specialisation strategy was adopted by Serbia in February 2020. The country is now working on the Action Plan to this strategy to prepare for the implementation process.

Physical capital and quality of infrastructure

Investment is increasing, but after years of underinvestment its level remains insufficient to effectively address infrastructure gaps. The rise in both public and private investment observed in recent years has continued. The economy is attracting significant foreign direct investment, well above the region's average and gradually rising in the last few years. However, the share of total investment in the economy still stands at or only slightly above 20% of GDP, while physical infrastructure needs further upgrading and expansion. Despite the increase in public investments, particularly in roads and railways, which also contributes to connectivity with neighbouring countries, their level still does not correspond to the needs of the economy. The fiscal space available from favourable revenue developments has mostly been used for increased current spending rather than for higher capital spending in physical infrastructure.

The institutional framework supporting new investment is weak. The 'user pays' principle is not sufficiently applied when it comes to maintaining existing infrastructure and implementing new infrastructure investment plans. Although a new legislative framework for public investment management was put in place in July 2019, issues of transparency, assessment and prioritisation of investment still need to be addressed properly. A preliminary assessment shows that the new arrangement allows too many exceptions to the rule, as demonstrated also by the law on special procedures for linear infrastructure projects adopted in February 2020 that allows linear infrastructure projects of 'special importance for the Republic of Serbia' to be exempted from public procurement rules. Public procurement rules are not always fully complied with, nor are they always fully compatible with EU standards, particularly when it comes to big infrastructure projects financed by loans provided by third countries and as a result of these agreements, directly assigned to companies from these countries, without complying with the requirements of transparency, equal treatment or non-discrimination. It currently appears highly unlikely that the new legal arrangement will duly address the gap in transparency and sound public financial management.

The energy sector remains largely inefficient and highly polluting. Serbia's competitiveness continues to be negatively impacted by an inefficient and highly-polluting energy sector that also lacks proper regulation. The energy infrastructure is largely outdated, and the energy supply is mostly based on heavily-polluting lignite. Low electricity tariffs and inadequate financial management do not allow for the necessary investment in infrastructure, and were only increased slightly in 2019. Most energy companies are state-owned and have still not been reformed.

Digitalisation continues to top the list of government priorities. Sub-legal acts related to the e-government law still need to be completed to ensure its full implementation. The strategic framework for e-government also still needs to be adopted. The government's main objective in this area is to improve the quality of public services by ensuring interoperability, efficient coordination, project management and legal certainty over e-government use and the use of open data. An upgraded e-government national portal is set to be rolled out in 2020, serving as a one-stop shop for e-government services and as a central point of access for business and citizens alike. Some progress has already been made on public access to institutional data thanks to the National Open Data portal (making data available from 22 public institutions so far). The robust growth of the information and communication sector continued, accounting for a 5% share of the economy and a 5% share of total exports, with exports for 2018 valued at EUR 1.1 billion. Statistics on the use of computers, broadband penetration and e-commerce further improved in 2019.

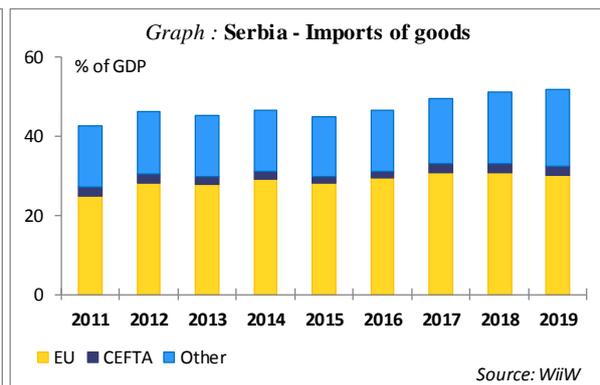
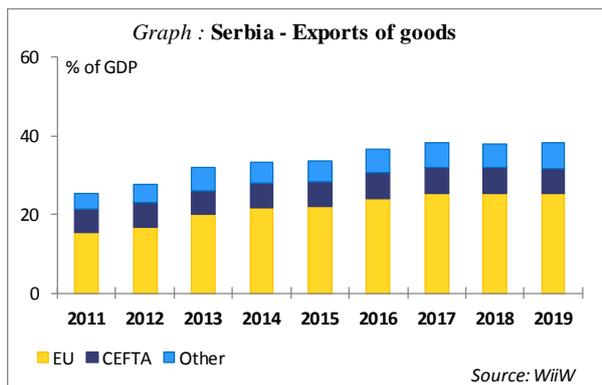
Sectoral and enterprise structure

Construction and some services have increased their weight in the economy. Services dominate the economy, providing more than 60% of total value added. Sectors like transportation, retail trade, and information and communication – the last increasingly geared towards exports – benefited from the revival of domestic economic activity and the steady expansion of foreign sales to increase their economic weight. Reflecting the new investment cycle, the construction sector, which had a share of only 3% in 2013, has gradually recovered, with its output rising to 4.5% of GDP in 2018. It is now one of the main sectors driving economic growth. The agricultural sector rebounded strongly in 2018 after the impact of the drought in 2017, while its economic weight has been on a downward trend over the last few years in line with the growing shares of manufacturing and services. The weight of industry declined slightly in part due to a drop in the energy sector. Changes in the structure of employment reflected these trends: the share of agricultural employment has fallen steadily from nearly 20% in 2014 to around 15% in 2018, while there have been increases in the share of employment in the industry and service sectors.

Small and medium-sized enterprises (SMEs) are the backbone of the economy. They provide 60% of total employment and turnover in the economy, and nearly half 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. SMEs receive up to 70% of new corporate loans. Their cost of borrowing has declined recently, but is still above that of large companies. SMEs however still face a number of challenges, including a volatile business environment and lack of non-bank financing. SMEs have been particularly affected by the COVID-19 outbreak – the March assistance package is particularly aimed at supporting them through deferral of tax and social contributions payment, but also payment of minimum salaries to their employees, and access to loans for liquidity.

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 almost two thirds of its total trade and more than half of net foreign direct investment inflows in 2019. Total bilateral trade between the EU and Serbia grew by 4.8% between 2018 and 2019 to a total of EUR 26.5 billion. Over the last 10 years, bilateral trade has grown by an impressive 156% and the EU remains Serbia's first trading partner accounting for 63% of total trade (68% of total exports and 59% of total imports of goods). Thanks to a greater increase in Serbia's exports to the EU than imports from the EU in 2019, trade is almost in balance, with the EU showing only a slight surplus of EUR 116 million. After the EU, Serbia's main trade partners are Russia (7% of total trade), China (6%) and Bosnia and Herzegovina (5%). Trade with the signatories of the Central European Free Trade Agreement represented 16.1% of total exports and 3.8% of total imports in 2019. The introduction of a 100% tariff by Kosovo in late 2018 on imports from Serbia and Bosnia and Herzegovina continued to affect Serbia's goods exports, with estimated losses of around EUR 400 million, representing around 1% of GDP per year. These tariffs were lifted by Kosovo as of 1 April 2020 and further non-tariff obstacles for imports from Serbia were lifted in early June. There are still significant bottlenecks at border crossing points with neighbouring EU countries; these hamper further trade with the EU and transport facilitation with the EU.



In 2019, trade openness continued to rise, exceeding EUR 40 billion or 112% of GDP, up from 92% of GDP in 2014. Both the dinar nominal and the real effective exchange rates remained broadly stable in 2019.

4. GOOD NEIGHBOURLY RELATIONS AND REGIONAL COOPERATION

Good neighbourly relations and regional cooperation form an essential part of Serbia's European integration process and 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), Energy Community, Transport Community, the South-East European Cooperation Process (SEECPP) and the Regional Cooperation Council.³ The seat of the Transport Community Treaty was inaugurated in Belgrade in September 2019. The new youth representative of Serbia to the Governing Board of Regional Youth Cooperation Office (RYCO) was elected in September 2019. Serbia donated 420 000 EUR to RYCO on top of its regular yearly contribution.

During the COVID-19 crisis, inclusive regional cooperation has proven to be essential. The establishment of green lanes within the region has proven the capacity of the region to address common challenges swiftly and efficiently. Inclusive regional organisations – the Regional Cooperation Council, the Transport Community Treaty, and the CEFTA – have been instrumental in responding to the COVID-19 crisis. These achievements need to be turned into sustainable improvements.

Serbia demonstrated its commitments to provide a renewed impetus to regional cooperation and enhanced regional ownership at the summits in Novi Sad, Ohrid and Tirana. It is important that regional initiatives include all partners in the Western Balkans and are based on EU rules, building on commitments previously taken in the framework of CEFTA, the Regional Economic Area (REA) or the Transport Community Treaty. Many commitments and decisions have already been taken in these regional frameworks and they need to be swiftly implemented. Building on the results of the previous summits with the region, the **Western Balkans summit in Poznan** under the Berlin Process focussed on strengthening regional cooperation in the fields of economy and trade, the digital agenda, connectivity, security, fight against corruption, promoting reconciliation and youth. The summit endorsed a number of achievements in these fields, in particular the Clean Energy Transition Declaration

³ Serbia also participates in the Adriatic-Ionian Initiative, the European Union Macro-Regional Strategies for the Danube Region, the Adriatic and Ionian Region, the Coalition the Commission Tasked with Establishing the Facts about All Victims of War Crimes and Other Serious Human Rights Violations Committed on the Territory of the Former Yugoslavia for Reconciliation Commission (RECOM), the Regional School of Public Administration (ReSPA) and the Brdo-Brijuni process.

signed in Podgorica, the Regional Roaming Agreement signed in Belgrade, a substantial connectivity package and the Roma Integration Declaration. It was also the occasion to kick-start the preparation of a Green Agenda for the Western Balkans.

At the Zagreb Summit on 6 May 2020, EU and Western Balkans leaders agreed that deepening regional economic integration has to be a prominent part of recovery efforts of the Western Balkans. To do so, Serbia needs to play a constructive role in building a common regional market, which will be critical in increasing the attractiveness and competitiveness of the region. It will help Serbia to speed up the recovery from the aftermath of the pandemic – notably to attract investors looking for diversification of supply and shorter value chains. Such a common regional market has to be inclusive, based on EU rules and built on the achievements of the regional economic area multiannual action plan.

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 the *Republika Srpska* entity and it publicly promotes such relations.

Along with Bosnia and Herzegovina, Croatia and Montenegro, Serbia has continued to cooperate closely under the **Sarajevo Declaration Process**, which aims to find sustainable solutions for some 74 000 people who became refugees or displaced persons as a result of the armed conflicts in former Yugoslavia in the 1990s. In Serbia, some progress has been made on implementing the upgraded plan for 6 289 housing units worth EUR 105 million funded by the EU; so far 1 100 housing solutions have been delivered. The implementation is behind schedule but picking up. The issue of refugees' pensions between Croatia and Serbia continues to be unresolved.

The unresolved fate of **missing persons** who disappeared in relation to the conflicts of the 1990s remains a key issue to be solved in the Western Balkans. In April 2020, a total of 10 027 people are still missing as a result of the conflicts in the region. Of these, 6 409 cases are related to the conflict in Bosnia and Herzegovina, 1 974 to the conflict in Croatia and 1 644 to the conflict in Kosovo. 51 cases of missing persons related to the conflict in Croatia were resolved in 2019. The political stalemate between Belgrade and Pristina continued to affect the progress on the resolution of missing cases related to the Kosovo conflict. Only eight cases related to the conflict in Kosovo were resolved in 2019. One session of the Working Group on Missing Persons between Belgrade and Pristina was held in 2019, and one in 2020. No official meetings between the relevant Serbian and Croatian authorities were held since May 2019. Serbia needs to increase its efforts in working with its neighbours in tracing and identifying the fate of missing persons or their remains, including through swift exchange of information. The families of missing persons also still need more comprehensive support than currently available and the capacity of the state mechanism for searching missing persons should be further strengthened. The drafting of a law on missing persons has been initiated in 2019. It should aim to strengthen support to the families of missing persons, and to reinforce the capacity of the state mechanisms for the search of missing persons.

Serbia remained overall committed to **bilateral relations** with other enlargement countries and neighbouring EU Member States. Bilateral conventions on regional cooperation (under Article 15 of the SAA) are in force with Montenegro and North Macedonia. The convention with Bosnia and Herzegovina was signed in January 2018 and is yet to be ratified. Serbia initiated the process of concluding a convention with Albania. In May 2019, a trilateral protocol establishing a demarcation border point shared by Serbia, Bosnia and Herzegovina and Montenegro was signed in Sarajevo.

Relations with *Albania* are good. Leaders of both countries regularly meet in the framework of regional and international events. The two countries signed a Memorandum of Understanding in the field of pre-university education.

Relations with *Bosnia and Herzegovina* are stable. The first visit of the new Presidency of Bosnia and Herzegovina to Serbia took place in October 2019, and a trilateral summit between Turkey, Serbia, and Bosnia and Herzegovina was held. The two countries also signed a cooperation agreement on the construction of the Sarajevo-Belgrade highway. Serbia and Bosnia and Herzegovina need to reach an agreement on two river dams on the Drina river and a portion of the Belgrade-Bar railway which crosses into Bosnia and Herzegovina's territory.

Relations with *North Macedonia* are good. In August 2019, Prime Ministers Zaev and Brnabić inaugurated the Preševo-Tabanovce joint border crossing. President Pendarovski visited Belgrade in November 2019.

Relations with *Montenegro* were marked by tensions during the reporting period. Protests were organised in Belgrade in reaction to Montenegro's adoption in December 2019 of the law on the freedom of religion or belief and the legal status of religious communities. At the Digital Summit in Belgrade in April 2019, the two countries signed several joint agreements. There have been no developments on issues related to citizenship rights in the two countries.

Relations with *Turkey* intensified. President Erdoğan visited Serbia in October 2019. A trilateral summit between Bosnia and Herzegovina, Serbia and Turkey took place in October, during which an official ceremony for the start of construction work of the Sarajevo-Belgrade Highway was held. In January 2020, TurkStream – the new pipeline from Russia to Turkey – was opened in Istanbul in the presence of President Vučić.

Relations with neighbouring *EU Member States Hungary, Romania and Bulgaria* remained good. Relations with *Croatia* continued to be mixed.

5. NORMALISATION OF RELATIONS BETWEEN SERBIA AND KOSOVO

In the framework of the **EU-facilitated dialogue**, the efforts aiming at concluding a fully comprehensive and legally binding agreement between Serbia and Kosovo had been interrupted since November 2018 following the decision by the Kosovo government to impose customs tariffs of 100% on imported goods from Serbia and Bosnia and Herzegovina, citing political and trade related grievances.

The decision taken by the Kosovo government to lift these tariffs and all reciprocity measures by early June 2020 led to a restoration of the flow of goods with both Serbia and Bosnia and Herzegovina. In April 2020, the Council appointed Miroslav Lajčák as EU Special Representative for the Belgrade-Pristina Dialogue and other Western Balkan regional issues, to assist High-Representative/Vice-President Josep Borrell in taking forward the normalisation talks.

When it comes to the state of play on implementation of past agreement: the full implementation of the **justice** agreement drawn from the **April 2013 'First agreement of principles governing the normalisation of relations'** continues to require further efforts by judicial authorities in Pristina.

Implementation of the **25 August 2015 Agreements** has overall remained slow. No progress has been made on the **Association/Community of Serb majority municipalities** and Kosovo has yet to engage constructively in its establishment. Regarding the **energy** agreement between Serbia and Kosovo, a new Connection Agreement between the Kosovo transmission system operator and the European Network of Transmission System Operators (ENTSO-E) has been approved. Serbia has not yet filed for the licensing of Elektroser, but has

submitted a new business registration application that includes additional business activities that it wishes to undertake in Kosovo. The works on the **Mitrovica bridge** are completed and the bridge should be opened to vehicle traffic without further delay or obstructions.

As regards the **Technical Dialogue Agreements (2011-2012)**, some are not or only partially being implemented. Both sides need to remain committed to the continued implementation of the agreement on representation and participation of Kosovo in **regional forums**. The issues of implementation of the **cadastre** and **university diplomas** recognition agreements are yet to be solved as are the **licence plate** related elements of the agreement on freedom of movement. **Serbia** 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 with Kosovo continue to be operational. There has been no progress in establishing the six permanent IBM common crossing points between Serbia and Kosovo as stipulated in the IBM agreement. **Serbia** did not engage constructively in starting the establishment of these crossing points on the Serbian side (in Jarinje, Mucibabe, and Konculj). This led to a suspension of EU funds in July 2018. Additional measures need to be taken by Serbia to close illegal crossings. The parties have continued to largely comply with their respective obligations under the **telecoms** agreement during the reporting period.

Requests for **mutual legal assistance** are in principle being processed.

Overall, **Serbia** has remained engaged in the dialogue. The Serbian government needs to continue to uphold its commitments and continue implementation of past Dialogue agreements. Serbia showed restraint in its response to the customs tariffs, up until their suppression. However, following the Kosovo government's decision to lift the tariffs, Serbia needs to make further substantial efforts and contribute, in particular in its international relations, to the establishment of a conducive environment to the conclusion of a legally binding agreement with Kosovo. The EU-facilitated dialogue resumed with a virtual high-level meeting on 12 July 2020, followed by high-level meetings in Brussels on 16 July and 7 September. A number of expert level meetings took place in Brussels. Reaching a comprehensive, legally binding agreement is urgent and crucial so that Serbia and Kosovo can advance on their respective European paths.

6. ABILITY TO ASSUME THE OBLIGATIONS OF MEMBERSHIP

6.1. 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 creating unjustified barriers to trade.

Serbia is **moderately prepared** in the area of free movement of goods. **Limited progress** was made on implementing recommendations of the previous report, in particular with the removal of 'transitional provisions' regarding the Serbian conformity mark from certain legislation and with preparatory work for an action plan to ensure compliance with Articles 34-36 TFEU and on the strategy and action plan for the alignment with the EU *acquis* in this chapter. Serbia has also taken steps for the partial alignment of the legal framework on product safety with the EU *acquis*. Recommendations from last year's report remain valid.

In the coming year, Serbia should in particular:

→ ensure that all 'transitional provisions' in regard to the use of the Serbian Conformity mark and Certificate of Conformity after accession to the EU are removed;

- adopt an action plan to ensure compliance with Articles 34-36 of the Treaty on the Functioning of the European Union (TFEU) and adopt a strategy and action plan for implementing the EU *acquis* in this chapter for both the sectoral ('new approach' and 'old approach') and horizontal legislation and relevant organisations;
- provide adequate administrative, financial and human resources' capacities for market surveillance, metrology and for the Agency for the Homologation of Vehicles, as well as for the implementation of the European Regulation on Registration, Evaluation, Authorisation and Restriction of Chemicals (REACH).

General principles

On the **general principles**, Serbia has yet to adopt a strategy and an action plan to implement the EU *acquis* in this chapter for both the sectoral ('new approach' and 'old approach') and horizontal legislation as well as for relevant organisations. All 'transitional provisions' in regard to the use of the Serbian conformity mark and certificate of conformity after accession to the EU need to be removed. Serbia's legal framework for product safety (*see Chapter 28 - Consumer and health protection*) has been partly aligned to the EU *acquis* thanks to the adoption of the amended law on general product safety in October 2019. As a response to COVID-19, upon the joint initiative of the Permanent Secretariat of the Transport Community and the CEFTA Secretariat, Serbia, along with the other governments in the Western Balkans, has successfully implemented measures to facilitate the transport and trade of essential goods within the region.

Non-harmonised area

On horizontal measures, the law on technical requirements for products and conformity assessment is not yet aligned to the EU *acquis* with regard to the functioning of the product contact point (PCP). An action plan ensuring **compliance with Articles 34-36** of the Treaty on the Functioning of the European Union (TFEU) has yet to be adopted.

Harmonised area: Quality infrastructure

Administrative structures dealing with the legal bases for, and implementation of, technical regulations, accreditation, metrology and conformity assessment were upgraded but nevertheless require further strengthening.

On standardisation, in the fourth quarter of 2019 the Serbian Institute for Standardisation adopted 99.72% of the European Committee for Standardisation (CEN) standards, 97.68% of the European Committee for Electrotechnical Standardisation (CENELEC) standards and 86.68% of the European Telecommunications Standards Institute (ETSI) standards. It has been a member of both CEN and CENELEC since 2018.

The number of designated **conformity assessment** bodies in Serbia is currently 57 and out of these, a total of 26 are designated and registered for carrying out conformity assessment according to various pieces of technical legislation. The obligations regarding certificates for conformity, which had constituted a technical barrier to trade concerning the European Radio equipment and Telecommunications Terminal Equipment (RTTE) Directive, were removed during the reporting period, except those on drones and on transmitters for radio or television broadcasting. This will facilitate straightforward import procedures and effective implementation of the presumption of conformity for goods imported from the EU. However, there is still a small number of certificates of conformity applying to imports of other type of goods, such as certain types of cement or hot-rolled steel rods. The number of accredited conformity assessment bodies in Serbia totalled 718. During the reporting period,

accreditation was awarded to 130 control bodies, 22 testing laboratories, one medical laboratory, three calibration laboratories, one proficiency testing provider, two certification bodies for management systems, two certification bodies for certification of products and one certification body for certification of persons, while the accreditation was revoked for four testing laboratories, one certification body for certification of products and one control body.

Concerning **accreditation**, the amended law on accreditation has yet to be adopted. The Accreditation Body of Serbia, which is a full member of European Cooperation for Accreditation, prepared and is starting to implement the national plan for the accreditation of conformity assessment bodies, in line with the 2015-2020 strategy for improvement of quality infrastructure. The ATS focused in the reporting period on testing and calibration laboratories, inspection bodies and certification bodies for products. Activities related to the accreditation of inspection/certification bodies for inspection/certification of playgrounds and equipment according to the national regulation on children's playgrounds' safety have been completed, along with the ones related to the accreditation of laboratories in the field of soil testing in accordance with national regulation. The activities aiming to expand the ATS areas of operation were undertaken on accreditation of testing laboratories/inspection/certification bodies in the field covered by the law on construction products, and accreditation of certification bodies in the field covered by law on medical devices.

In the field of **metrology**, the Directorate for Measures and Precious Metals as the National Metrology Body became a full member of Eurachem in May 2019. The amended law on metrology has yet to be adopted. The number of internationally recognised standards for calibration and measurement stands at 38.

The financial and human resources' capacities for **market surveillance** require additional strengthening. In 2019, the market surveillance authorities carried out 7 465 inspections and ordered 486 corrective and restrictive measures for 105 435 non-compliant or unsafe products. There is no data available on relevant initiated or resolved judiciary proceedings.

Harmonised area: sectoral legislation

On '**new and global approach**' **product legislation**, pieces of implementing legislation on toy safety, low voltage and electromagnetic compatibility were adopted in 2019. Several pieces of implementing legislation were adopted during the reporting period to further ensure alignment in the area of construction products.

Old approach legislation

In the area of the '**old approach product legislation**', the implementing legislation on labelling of textile products was adopted in December 2019, designed to ensure further alignment with the EU *acquis*. Implementing legislation designed to ensure further alignment on classification, labelling and packaging (CLP) entered into force as of March 2020. No further progress was made regarding the EU Regulation on the Registration, Evaluation, Authorisation and Restriction of Chemicals (REACH). The administrative and inspection capacity for implementing the REACH, the CLP regulation, and the legislation on vehicle homologation, needs to be strengthened.

On **procedural measures**, in April 2019, Serbia adopted and implemented a national control list for **dual-use goods designed to be aligned** with the EU *acquis*. Furthermore, in May 2019, it adopted the national list of arms and military equipment in order to be aligned with the EU's Common Military List. In June 2019, Serbia adopted the 2019-2024 strategy for control of small and light arms, aiming to align with relevant international and EU *acquis* on control, acquisition and possession of weapons. The amended law on import and export of dual-use goods was adopted in October 2019, abolishing the import controls in line with the

EU *acquis*. There was no progress during the reporting period on the adoption of the EU *acquis* regarding the return of **cultural objects** unlawfully removed from the territory of an EU Member State.

6.2. 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. **Some progress** was made, in particular in relation to last year's recommendation to carry out preparations for joining the European network of employment services (EURES).

In the coming year, Serbia should in particular:

→ continue to enhance cooperation with EU Member States on coordination of social security systems.

Amendments to the legislation on **access to the labour market** adopted in April 2019, and in force since January 2020, further streamlined the procedure for issuing work permits. Foreigners can now obtain a work permit provided that they possess a temporary or permanent residence permit. Procedures for issuing work permits to EU citizens, who are currently covered by rules for third country nationals, need to be further simplified. In 2019, more than 13 800 work permits were issued, of which more than 3 000 went to EU citizens.

Serbia has carried out some preparations for joining **EURES**. In particular, the National Employment Service (NES) strengthened its migration service centres and EURES-related training sessions were organised. Serbia upgraded the information system in NES, which will secure Serbia's access to EURES immediately upon accession to the EU.

Regarding the **coordination of social security systems**, Serbia has continued to take part in ongoing negotiations on agreements on electronic exchange of social security data with Germany, Austria, Italy, Hungary and Poland, and launched an initiative to open negotiations with Bulgaria. Electronic exchange of social security data is operational with Slovenia, Croatia, North Macedonia and Montenegro. Overall, Serbia has bilateral agreements with social security institutions in 19 EU Member States. Legislative and technical conditions for social security institutions to cooperate with their counterparts in EU Member States should be further improved.

There has been no progress on the **European Health Insurance Card**.

6.3. 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. Postal services are gradually being opened up to competition.

Serbia is **moderately prepared** in these areas. **Good progress** was made on the right of establishment and freedom to provide services with the adoption of the law on postal services and the law on the recognition of professional qualifications. The Commission recommendations from 2019 were thus partially implemented.

In the coming year, Serbia should in particular:

→ adopt the horizontal law on services, complete harmonisation 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 all relevant administrative procedures;

- finalise the adoption of secondary legislation in the area of postal services and increase the capacity of the postal services inspectorate;
- continue harmonisation on mutual recognition of professional qualifications.

There were no developments on the **right of establishment**. No point of single contact has been established – its establishment and functioning are dependent on the adoption of the horizontal law on services.

In the area of **freedom to provide cross-border services**, the horizontal law on services, aiming to align with the EU services directive, is still in the process of government adoption. Serbia has continued with the screening and alignment of sectoral laws with the draft horizontal law and the EU services directive.

A new law on **postal services** entered into force in November 2019. It replaced the postal act and is aligned with the provisions of the first and second postal services directives and partly with the third postal services directive. The law contains provisions regarding access to the network, tariff principles for universal postal service, cost accounting and accounting separation, and mediation in out-of-court dispute resolution between users and operators and further liberalisation of the postal market. However, the law is not aligned with the regulation on cross-border parcel delivery services yet. The adoption of the related secondary legislation remains to be completed, with the new postal law stipulating the deadline of November 2020. Two pieces of secondary legislation regulating the licencing process were adopted in March 2020.

In the field of **mutual recognition of professional qualifications**, the Serbian law on the recognition of professional qualification, adopted in September 2019, and the amendments to the law on planning and construction are under review to ensure their full alignment with EU *acquis*.

6.4. Chapter 4: Free movement of capital

In the EU, capital and investments must be able to move without restriction and there are 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 remains **moderately prepared** on free movement of capital. **Limited progress** was made on meeting last year's recommendations. However, Serbia took positive steps on legislative alignment in the fight against money laundering and counter terrorism financing and was subsequently removed from the Financial Action Task Force (FATF) grey list. The Commission recommendations from 2019 were only partially met and thus remain valid.

In the coming year Serbia should in particular:

- liberalise capital movements in line with its obligations under the Stabilisation and Association Agreement (SAA);
- demonstrate through a track record, increasing effectiveness in monitoring, supervision, financial intelligence, investigation and reporting.

As regards **capital movements and payments**, there have been no developments regarding the agricultural law. The law still does not provide EU citizens and Serbian citizens with the same conditions in terms of acquiring agricultural land and is, as such, not compliant with the Stabilisation and Association Agreement (SAA). Restrictions on capital movements,

remaining for reasons of public policy and macro-financial stability, must be justified, targeted and proportionate. In February 2020, amendments were made to the decision on terms and conditions under which residents may hold foreign exchange accounts in bank accounts abroad. The amendments widen the conditions under which this is acceptable, as they include residents involved in transport of energy, subject to approval by the National Bank of Serbia.

On **payment systems**, the amendments to the law on payment services and the four subsequently adopted pieces of secondary legislation, which aimed to further align with the EU directive on payment accounts, entered into force in March 2019. In 2019, nearly seven million transactions at a value of RSD 90.6 billion were processed through the instant payment system introduced in October 2018, which allows payment service providers to carry out instant fund transfers.

The limit for interchange fees was lowered to 0.2% for debit cards and to 0.3% for credit cards. This was introduced under the Law on Multilateral Interchange Fees and Special Operating Rules for Card-Based Payment Transactions, adopted in June 2018 (*See Chapter 8 – Competition policy*).

Following the adoption of a number of laws on the **fight against money laundering and terrorism financing**, Serbia was removed from the Financial Action Task Force (FATF) list of countries with strategic deficiencies in preventing money laundering and terrorism financing in June 2019. Serbia remains subject to MONEYVAL's enhanced follow-up procedure until the country is placed back under regular follow up based on an assessment of the progress made. Serbia was further upgraded for three recommendations in the December 2019 MONEYVAL report. Serbia's legislation was further aligned with the recent international standards and the EU *acquis*. In line with the national risk assessment action plan, the government, in May 2019, issued guidelines on the centralised collection of data regarding cases of money laundering and financing of terrorism. A new strategy on anti-money laundering and countering financing of terrorism for the period 2020-2024 was adopted in February 2020. In July 2020, a list containing the names of CSOs and media reportedly subject to a risk assessment by the Administration for the Prevention of Money Laundering (APML) was leaked to the public. The applicable legal basis for the APML's actions, and the compliance of the APML with the recommendations of the FATF will need to be clarified (*See Political Criteria – Civil Society and Chapter 24 – Justice, Freedom and Security*).

In December 2019, Serbia took additional steps to align further with the EU *acquis* by amending the law on the prevention of money laundering and financing of terrorism. The amendments address issues related to the implementation of FATF's and MONEYVAL's recommendations from 2016 and include a definition of virtual currencies. Two registers were subsequently established on 1 June 2020 compiling data on safe-deposit boxes and foreign transactions. Both registers aim to align with requirements under the 5th anti-money laundering directive. As a preventive measure, amendments were also made to the law on games of chance in February 2020 and to the law on real estate and trade and lease in December 2019.

The administrative capacity of the APML increased, from 33 to 37 employees (full staffing being at 42). In 2019, 2 267 suspicious transactions were reported. The highest number came from payment institutions, with 891 reports on suspicious clients. The APML submitted information on 298 reports to relevant enforcement authorities. Altogether 158 reports were submitted to the prosecution services.

6.5. 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** on public procurement. **Limited progress** was made during the reporting period. The new law on public procurement is an important positive step towards alignment. However, the recently adopted law on special procedures for linear infrastructure projects will likely seriously undermine the effective implementation of the law on public procurement as it allows for the exemption of projects “of special importance for the Republic of Serbia” from public procurement procedures. The Commission recommendations from 2019 were only partially implemented and remain valid.

In the coming year, Serbia should in particular:

- ensure further, full alignment 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;
- ensure that intergovernmental agreements concluded with third countries do not unduly restrict competition and comply with the basic principles of public procurement, such as transparency, equal treatment and non-discrimination, in line with the national legislation and the EU *acquis*;
- continue to strengthen the capacity of the Public Procurement Office, the Commission for Public-Private Partnerships and Concessions, the Republic Commission for the Protection of Rights in Public Procedures, and the Administrative court.

Institutional set-up and legal alignment

Serbia’s **legal and institutional frameworks** on public procurement are broadly aligned with the EU *acquis*. A new law on public procurement aiming to further align with the 2014 EU directives on public procurement, on utilities, and on remedies was adopted in December 2019 and has entered into force in July 2020. The new law introduces obligatory e-procurement practices, such as electronic communication and exchange of data in the public procurement procedures. Furthermore, it includes provisions on applying the principles of equal treatment, non-discrimination, transparency, and competition to international agreements. Further harmonisation is needed on the rules governing the treatment of economic operators in public procurement procedures. The adoption of amendments to the law on public-private partnerships and concessions aiming to align with the directive on concessions are still pending. Although, further legislation is needed to ensure full alignment with the EU *acquis*, the new law on public procurement is an important positive step forward. However, in February 2020, Serbia adopted a new law on special procedures for linear infrastructure projects, that allows the government to exempt linear infrastructure projects of ‘special importance for the Republic of Serbia’ from the application of public procurement rules. National public procurement legislation can be suspended for entire or particular phases of a project and the government is empowered to select a strategic partner in circumstances deemed as urgent. This new law undermines the added value and effective implementation of the new law on public procurement. Through allowing for the circumvention of national legislation as well as EU rules and standards in this way, Serbia maintains serious discriminatory rules in the field of public procurement.

The new **public procurement development programme** for 2019-2023 and the accompanying action plan for 2019-2020 were adopted in November 2019. Planned activities from the previous programme and the 2018 action plan that were delayed were included under the new action plan.

The **Public Procurement Office** (PPO) conducts compliance supervision of the law on public procurement and maintains the public procurement portal. The PPO was involved in preparing the new law on public procurement and is in charge of implementing legislation instead of the Ministry of Finance.

Implementation and enforcement capacity

The **public procurement market** represented 8.14% of GDP in 2019, continuing modest upward trend from 2018. The average number of bids per tender remained stable at 2.5, yet is notably lower than 3 bids in 2017. For the first time since 2015, the share of contracts awarded to foreign bidders dropped to 2% of the total number of contracts, spread equally between EU and non-EU companies.

Regarding **monitoring of contract award and implementation**, in 2019 the proportion of negotiated procedures without prior publication increased from 3% in 2018, to 4%, while the share of open procedures increased from 91% to 93% of the total value of contracts. The level of centralised public procurement contracts has continued a downward trend and further dropped from 15% of the total annual procurement budget in 2018 to 12% in 2019. The use of the best price-quality ratio criterion has remained low at 10%, while the lowest price criterion remained dominant in 90 % of cases. It is in the best interest of both contracting authorities and Serbian taxpayers to increase the utilisation of the best price-quality criterion, mostly due to higher quality and increased life cycles costs related to the lowest price criterion. The State Audit Institution found irregularities in 9.6% of inspected procuring entities in 2019, marking a significant decrease from 12.1% in 2018, and a notable increase from 7.4% in 2017. The government's Anti-Corruption Council has noted that current framework of internal and external control over the expediency of public procurements in large public utility companies is both inadequate and prone to abuses. Considering that such contracts represented 27% of the total number and 44% of the total value of concluded contracts in 2019, the relevant institutions should investigate these claims and continuously monitor these processes on both state and local level. Good progress has been noted on development of e-procurement tool with the launch of live demo/test version of the new public procurement portal in June, which will be operational by the time the new law entered into force in July 2020. Numerous workshops and seminars have been organised to train PPO staff, bidders, and contracting authorities to operate and use the new e-procurement portal. However, the planned training activities have halted and partially moved to a remote/webinar format due to the COVID-19 outbreak.

The COVID-19 response enabled the use of exceptional procedures to expedite procurement processes. The Public Procurement Office informed contracting authorities about the flexibilities provided by the national public procurement legislation in that regard. To mitigate the risks of fraud and corruption, it is especially important to maintain audit trails. Disclosing all procurement information related to procurement conducted in relation to COVID-19 on government portals would also contribute to enhanced transparency and trust.

Capacity to manage public procurement processes continued to improve with the certification of 481 public procurement officers in 2019. The introduction of an advanced course for those who already have a certificate is pending. With diverse responsibilities and a total of 28 out of the 38 staff members planned, the PPO continues to lack adequate administrative capacity to carry out many of its tasks. By the end of the reporting period, the

Commission for Public-Private Partnerships and Concessions has approved a total of 154 public-private partnership project proposals, including 62 with concession elements, mostly in the transport, sanitation, and urban planning sectors. The Commission remains understaffed.

There were no developments in **integrity and conflicts of interest**.

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 the Protection of Rights in Public Procedures (the Republic Commission), an independent state body.

The Republic Commission solved 921 cases on requests for the protection of rights between March 2019 and March 2020. Public procurement procedures were partially or fully annulled in 477 cases (51.8% of all solved cases). The number of contracting authorities not complying with decisions remains stable at below 1% of the overall decisions taken. During the reporting period, the Republic Commission took decisions in 99 cases on complaints about the conclusions of contracting authorities. It also imposed seven financial fines to contracting authorities not complying with its orders and decisions, and annulled contracts in 12 cases.

Regarding the Republic Commission's **implementation capacity**, the number of staff has dropped by 4 people compared to 2019, but remains relatively stable with 54 staff members, 9 of which are elected officials. Due to limited specialisation and training, the Administrative Court's (AC) capacity to deal with complexity, diversity, and overall quantity of cases and lengthy legal proceedings remains weak. Improved cooperation between the PPO and AC on exchange of knowledge and information should be established. Limited collaboration between the Republic Commission and AC is hampering better enforcement of rights in the public procurement procedures. There are no feedback mechanisms informing the procurement officers of the Republic Commission's and/or AC's decisions.

6.6. 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. **Good progress** was made with the adoption of amendments to the law on accounting and the law on auditing. The Commission recommendations from 2019 were thus partially implemented.

In the coming year, Serbia should in particular:

- improve further alignment with the company law *acquis* by adopting necessary laws and bylaws;
- adopt implementing legislation to the law on auditing establishing the Securities Commission as the competent audit oversight authority and ensure adequate funding and resources .

As regards **company law**, no relevant legislative amendments were adopted in 2019. Serbia's legislation is largely aligned with the EU *acquis*. On company takeovers full alignment is planned to be reached in 2021. Further alignment is also required in the area of shareholder rights. 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. Electronic establishment of multi-member limited liability companies has been enabled as of 28 June 2019. The database of companies in the business register should be

ready to interconnect with EU Member States' business registers in the future. Further legislative steps are needed to align on transparency requirements for listed companies dependent on the adoption of laws on capital markets and joint stock company acquisitions.

Concerning **corporate accounting**, amendments to the Law on Accounting were adopted in October 2019, aiming to further align with the EU *acquis*. The amendments to the Law on Accounting redefine thresholds for the classification of legal entities and company size requirements decreasing costs and financial burdens for smaller companies, such as by exempting them from the obligation of compiling, submitting and disclosing consolidated annual financial statements or management reports. The Law on Accounting also contains provisions aiming to align with the Non-Financial Reporting Directive. The amendments to the law on **auditing**, adopted together with the Law on Accounting, further regulate the conditions, obligations and professional qualifications needed to perform audits. Statutory audits are mandatory for annual financial statements of large and medium-sized companies, as well as public interest entities, irrespective of their size. The amendments also prescribe the adoption of implementing legislation within the next year to allow the Securities Commission to take over audit public oversight activities. The application of International Standards on Auditing is also mandatory.

6.7. Chapter 7: Intellectual property law

The EU has harmonised rules for the legal protection of intellectual property rights (IPR), as well as rules for the legal protection of copyright and related rights. Rules for the legal protection of IPRs cover, for instance, patents and trademarks, designs, biotechnological inventions and pharmaceuticals. Rules for the legal protection of copyright and related rights cover, for instance, books, films, computer programmes and broadcasting.

Serbia has a **good level of preparation** on intellectual property rights. There was **good progress** with the adoption of the amendments to the law on copyright and related rights and to the law on the protection of topographies of semiconductor products, as well as the adoption of the law on trademarks.

In the coming year, Serbia should in particular:

- harmonise copyright and related rights legislation with the EU directives on collective rights management and on orphan works;
- adopt amendments to align with the regulation on the SPC manufacturing waiver to the Law on Patents;
- strengthen enforcement, by improving capacities and further increasing coordination of different stakeholders.

Amendments to the law on **copyright and related rights** aiming at alignment with the relevant EU *acquis* and ensuring exhaustion of rights on the territory of the EU and EEA were adopted in September 2019. Serbia also adopted amendments to align with the directive on the protection of topographies of semiconductor products. In January 2020, Serbia ratified the Marrakesh treaty to facilitate access to published works for persons who are blind, visually impaired, or otherwise print disabled. Further alignment is needed in the areas of collective rights management and orphan rights.

On **industrial property rights**, the law on trademarks aiming at alignment with the EU *acquis* was adopted in January 2020. Serbia is also in the process of preparing a law on trade secrets to align with the EU *acquis*. Amendments to the Law on Patents to align with

Regulation 496/2009 (SPC manufacturing waiver) are being prepared. The Intellectual Property Office remains relatively well staffed and efficient in registering trademarks.

Concerning **enforcement**, the overall number of employees in the Market Inspectorate fell from 384 to 338, yet the number of market inspectors specialised in the field of intellectual property has remained stable at 47. The overall amount of counterfeit and pirated goods confiscated by the Market Inspectorate dropped considerably in 2019, while the number of requests submitted by economic operators notably increased in 2019. The number of customs officers specialised in intellectual property protection further decreased from 14 in 2018 to 13 in 2019. Continuing the last year's trend, the number of items detained by the customs administration fell substantially in 2019, while the number of items destroyed increased significantly in 2019. The number of inspectors specialised in intellectual property rights within the tax administration has remained stable, while the Special Prosecution for Cybercrime Office obtained one additional deputy Public Prosecutor. The number of software legality checks carried out by the Tax Administration in 2019 continued to fall steeply from 2018. Due to judges not being adequately specialised and the increasing number of incoming cases, the capacities of the judiciary to handle intellectual property rights cases remain limited.

Legislation aiming at full harmonisation with the EU directive on the enforcement of intellectual property rights is still pending. The Government decision on the permanent coordination body for the enforcement of intellectual property rights was amended in September 2019, so the body could operate and manage enforcement more efficiently. The renewed coordination body met four times in during the reporting period, after a long break. However, further meetings were delayed due to the COVID-19 crisis. The implementation of the goals under the strategic framework for intellectual property rights for 2018-2022 should be continued, mainly focusing on stakeholder coordination and awareness raising activities.

6.8. Chapter 8: Competition policy

EU rules protect free competition. They include antitrust rules against restrictive agreements between companies and abuse of dominant position, and include rules on concentrations between companies, which would significantly impede 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. **Good progress** was made in legislative alignment of state aid rules with the adoption of a new law on state aid control and increasing the operational independence of the Commission for State Aid Control (CSAC). Last year's recommendations were partially implemented.

In the coming year, Serbia should in particular:

- take additional steps to align the existing aid schemes, in particular the fiscal state aid schemes with the EU *acquis*;
- align the law on multilateral interchange fees and special operating rules for card-based payment transactions with the EU *acquis* and SAA obligations;
- provide a solid track record in the implementation of laws on protection of competition and state aid control.

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. However, the legislative framework has yet to be fully brought into line with EU guidelines and communications in this area. Work on a new law on protection of competition aiming at further alignment with the EU *acquis* has halted.

Regarding the **institutional framework**, the Commission for Protection of Competition (CPC) is the main authority responsible for implementing the legal framework, and remains operationally independent. In November 2019, the new CPC President and Council members were appointed. The established credibility and image of the institution will need to be reaffirmed by the new management with a strong track record on implementing law.

Concerning **enforcement capacity**, the CPC has 52 employees of which 34 are case handlers with adequate level of expertise. On **implementation**, the CPC has continued to investigate a significant number of antitrust cases. In 2019, the CPC adopted five decisions on restrictive agreements and five on abuse of dominant positions. One dawn raid was conducted during the reporting period, while the leniency programme was also used once. The level of imposed fines remained significant with EUR 0.86 million, yet substantially lower than in 2018 (over EUR 3.8 million). The CPC did not prohibit any merger in the reporting period, while it imposed remedies in two cases. The CPC launched eight sector enquiries in the reporting period, investigating the retail sector (non-specialised stores with food, beverages and tobacco), the oil and oil derivatives market, the international rail freight transport market, the intercity bus transportation market, the sunflower production and sales market, the wholesale market of mineral fertilisers, the tour operators market, and the sugar and sugar beet production and wholesale markets. Competition advocacy activities have continued throughout the reporting period. The CPC issued six opinions on draft legislation in 2019, yet these opinions were not always taken into account, particularly in the field of passenger transport. The practice of consulting the CPC on all relevant legislation should be reaffirmed and their opinions systematically and seriously applied. The number of CPC decisions upheld by appeal courts continued to increase. However, the capacity and specialisation of the judiciary to deal with complex competition cases remains modest and needs to be significantly improved.

On the law on multilateral interchange fees and special operating rules for card-based payment transactions, no developments have been made in aligning Article 9 of this law to the EU *acquis* and relevant provisions of the SAA.

State aid

Regarding the **legislative framework**, Serbia adopted a new law on state aid control in October 2019, which entered into force on January 1, 2020. The new legislative framework is broadly in line with the EU *acquis* and the relevant provisions of the SAA. However, further alignment is needed, especially as regards implementing legislation. The existing aid schemes, namely the fiscal state aid schemes part of the laws on corporate income tax, on personal income tax and on free zones, are not yet harmonised with the EU *acquis*. Some progress has been noted on creation of a new inventory of schemes. CSAC made progress in fulfilling its obligations under Article 73(5) of the SAA to provide the European Commission with information on individual decisions approving large amounts of state aid. Drafting of the regional aid map is pending.

On the **institutional framework**, the CSAC is responsible for implementing the law on state aid control. The newly adopted law has increased the CSAC's operational independence, which the CSAC will need to confirm by checking through its track record of implementing this law. According to the new legislative provisions, the CSAC is accountable to the Parliament. The CSAC can now also exercise its power to propose legislation via competent authority, i.e. Ministry of Finance, and adopt certain implementing legislation, mainly

secondary legislation. The President and four members of the CSAC Council were elected through a public competitive procedure, and confirmed by the Parliament in December 2019.

The CSAC's **enforcement capacity** remains insufficient with only five full-time employees in its Secretariat. Nevertheless, the approved 2020 budget with more attractive remuneration provisions will allow the CSAC to employ up to 27 additional staff. Employees, case files, archives, equipment and corresponding assets of the Department for State Aid Control within the Ministry of Finance have been fully absorbed by the CSAC and became a part of its professional service unit. On **implementing** the law on state aid, the number of decisions taken upon notification in 2019 significantly increased from 56 in 2018 to 167, while the number of decisions in *ex post* procedure in the same year slightly decreased from 14 in 2018 to 13. CSAC did not prohibit any state aid or decided in favour of recovery, while in only one case a conditional decision was adopted. The number of CSAC decisions that were appealed against remained low. A specialised electronic platform is being developed to help monitor compliance with conditions for the accumulation of aid. The CSAC should closely monitor the implementation of State aid rules in intergovernmental agreements concluded with non-EU countries. Awareness regarding State aid rules still remains low among the aid-granting authorities, thus advocacy activities should be continued and intensified in 2020.

Due to the **COVID-19 outbreak**, CSAC started to allow, as of March, the granting of aid as part of recovery measures, in accordance with the national state aid law and the Article 107(3)(b) TFEU. Within the temporary framework for state aid measures, the Government adopted two decrees in April 2020, earmarking budget funds for direct cash subsidies to private sector (cc. EUR 831.6 million), adopting the financial programme of favourable loans delivered through the Development Fund (cc. EUR 200 million), state guarantee scheme for loans through commercial banks (cc. EUR 2 billion), direct cash subsidies to agriculture sector (cc. EUR 9.82 million), and favourable loans to agriculture sector (cc. EUR 12.39 million). Additional financial aid in form of support schemes to tourism and transport sectors has been announced during the reporting period. Serbia needs to ensure that allocation of state funds under this economic recovery framework is conducted in a non-discriminatory and transparent way.

Liberalisation

Provisions on financing of services of general economic interest within the regulation on rules for state aid granting need to be further aligned with the EU *acquis*. Enforcement of competition rules on public companies needs to be intensified. There are no monopolies of a commercial character within the meaning of Article 37 TFEU.

6.9. Chapter 9: Financial services

EU rules aim at ensuring fair competition between 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. **Good progress** was made on further implementing international standards. The chapter was opened in the EU accession negotiations in June 2019. Last year's recommendation was largely fulfilled.

In the coming year Serbia should in particular:

- continue to implement outstanding Basel III standards in line with their finalisation and introduction at EU level;
- continue work towards full alignment with the Solvency II directive in the field of insurance.

On **banks and financial conglomerates**, Serbia has largely implemented the Basel III standards.

The banking sector's prudential ratios are being regularly monitored by the National Bank of Serbia (NBS) following the adoption of the amendments to the decision on reporting requirements for banks in 2016. Alignment of national legislation with the new version of the EU Bank Recovery and Resolution Directive (BRRD) is still to be completed.

The application of the International Financial Reporting Standards (IFRS) 9, applicable as of 1 January 2018, has been completed. Banks will continue to implement IFRS as adopted at international level under NBS's supervision. The level of non-performing loans continues to decrease (gross NPL ratio of 4.1% at the end of February 2020).

Amendments to the law on deposit insurance were adopted in October 2019. The amendments aim to further align with the EU directive on deposit guarantee schemes. Amendments include an increase in the coverage level from EUR 50 000 to EUR 100 000 per depositor per bank, an extended scope of protected depositors, introduction of risk-based premium system and covered deposits as the basis for the insurance premiums assessment.

In spring 2020, in response to the COVID-19 emergency, the National Bank of Serbia introduced a 3-months moratorium on all repayments under bank loans and financial leasing agreements, in addition to different monetary policy measures.

Regarding **insurance and occupational pensions**, Serbia adopted a plan for implementing the directive on insurance distribution in April 2019. In December 2019, Serbia adopted amendments to the law on pension and disability insurance. However, legislation on compulsory traffic insurance is still missing.

Preparatory work is ongoing in the context of aligning with the Solvency II directive in line with the strategy for implementation, also supported by EU funds. Certain provisions were implemented regarding qualitative requirements under Pillar 2, but further work is still to be carried out to ensure full alignment with the EU *acquis*. In terms of the NBS's administrative capacity in the insurance area, the Insurance Supervision Department was reorganised. Two new units were formed on the development of prudential supervision and on the development of regulation. The new units will be responsible for implementing of the Solvency II regime.

Alignment with 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 is still to be completed.

No progress was made regarding **financial market infrastructure**.

Two new laws were adopted in the field of **securities markets and investment services**: the law on open-end investment funds with a public offering and the law on alternative investment funds. The laws aim at further alignment with the Undertakings for Collective Investment in Transferable Securities Directive (UCITS) IV and V as well as the Directive on Alternative Investment Fund Managers respectively. Related secondary legislation still need to be adopted. The planned adoption of amendments to align the capital market law with the Markets in Financial Instruments Directive (MiFID II) and the Directive on Settlement Finality in Payment and Securities Settlement Systems (SFD) was postponed until Q3 2021. However, amendments were made to align with the domestic law on public debt and further attract foreign investors. The administrative capacity of the Ministry of Finance to regulate the securities market remains weak.

6.10. Chapter 10: Information society and media

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

Serbia is **moderately** prepared in the field of information society and media. **Limited progress** was made on implementing recommendations of the previous report, in particular with respect to the financial independence of the regulator for electronic communication and postal service (RATEL). Serbia also took steps in the areas of Digital Single Market, e-government, information society and adopted a number of sectoral laws. However, the recommendations of the last report remain largely valid.

In the coming year, Serbia should in particular:

- align the electronic communications legislation with the updated EU regulatory framework, including the new European Electronic Communications Code;
- 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 boost their capacity to work proactively;
- ensure implementation of competitive safeguards and market operators' access to the relevant infrastructure (ducts, poles, fibre optics and local loop infrastructure), in particular at a local government level.

In line with EU's **digital single market objectives**. There have been achievements in the wider regulatory framework for e-commerce, through the adoption of the sectoral laws on trade and the amended law on e-commerce, while the implementation of the law on e-documents, electronic identification, and trust services, and transposing the eIDAS regulation into Serbian legislation continued. The Central Bank introduced an instant payment system, allowing immediate real-time monetary transactions and an additional instant payment channel by means of using the scanned QR code. The 2020-2024 digital skills development strategy was adopted in February 2020 that aims to raise the digital literacy level and for a more effective cross-sectoral collaboration using all available resources. Digital skills and introduction of informatics and computer science, engineering and technology subjects in the primary schools curricula were further promoted. The tax legislation on the personal income tax and social contributions laws was adjusted. As regards the IT sector, this adjustment mostly affects sole entrepreneurs in the IT industry. However, the law on broadband has yet to be adopted. A more universal and coherent approach to digitalisation and an effective coordination of the various stakeholders is needed to overcome high fragmentation and inconsistent policy implementation.

In the field of **electronic communications and information technology**, the law on electronic communications to align with the relevant EU regulatory framework has yet to be adopted. The financial independence of Serbia's regulatory agency for electronic communications (RATEL) has improved. There were no further developments concerning regulators' operational independence. Although its administrative capacities have slightly increased, it is recommended that they be further strengthened. Concerning the implementation of **competitive safeguards**, RATEL has completed all rounds of deregulated and *ex ante* relevant market analyses. However, there are still difficulties with access for both users-operators' to infrastructure including ducts, poles, local loop infrastructure and public operators' dark fibres, along with restrictions imposed by the environmental and municipal planning legislation, in particular at local government level. The line ministry's administrative

capacity backslid even further, while the inspection capacities remained the same. Staff turnover remains a concern.

Progress was made on implementing the Regional Roaming Agreement, with preparations for the next phase ongoing.

Activities towards evaluating the needs for the **112 European emergency number calling system** according to EU standards were initiated. However the system has yet to be implemented.

In the field of **information society services**, the strategic framework for e-government – the 2020-2022 e-government development programme and action plan was adopted in June 2020 while the strategy on development of artificial intelligence was adopted in December 2019. The remaining sub-legal regulation of the law on e-government has yet to be adopted to allow for its full implementation. The number of databases connected to the new government service bus information system has been increased to 29. This new information system is managed by ten government bodies and used by about 330 institutions and beneficiaries. The upgraded National e-Government Portal, which relies on the European e-Government Benchmark Method Paper was rolled out in February 2020. The Portal uses two-factor authentication and e-delivery of documents and communications from public administration to the Portal users, serving as a one-stop shop for e-government services and as a central point of access for business and citizens alike. The number of interoperable public registers providing for easier exchange of data increased. The building of a new cutting-edge technology data centre in the city of Kragujevac is ongoing. There is potential to improve the data presented on the country's Open Data Portal, notably presenting it in a 'machine-reading language'. The amended law on **information security** was adopted in October 2019, aiming to further align with the Directive on network and information systems. RATEL, as the national Computer Emergency Response Team (CERT) became an associate member of the European Union Agency for Cybersecurity – ENISA – 'Article 13a Expert Group' on resilience and security of communication infrastructure, networks and services. RATEL would benefit from association to the Agency's other expert groups as well. It would also benefit from upgrading its cybersecurity administrative capacities.

No progress was made in **audio-visual policy** in the reporting period. Electronic media outlets are still regulated by the same legislation, pending possible revisions in the future, as foreseen in the new media strategy adopted in January 2020.

The strategy of the Regulatory Authority of Electronic Media (REM) for developing radio and audio-visual media services, pending since 2015, has still not been adopted and now seems to be outdated. REM is still failing to effectively monitor and penalise broadcasters that do not meet all programme content obligations under the law.

REM addressed the issue of increasing accessibility to programme content for people with disabilities, through recommendations proposing quotas for subtitling, audio descriptions and specific provisions on access for people with intellectual disabilities. REM also adopted a by-law document on logical numeration of TV channels. However, the process did not meet the required procedure. In December 2019, three members of the REM Council, who were waiting to be elected, finally took their seat after three years, followed by two additional members, elected in February 2020. Legislation on regulatory bodies remains unchanged. REM's financial stability and staff capacity remain a concern, and its lack of independence needs to be addressed.

Financial and staff concerns apply to public broadcasters as well, as these have a direct impact on their editorial independence. Although subscription to RTS increased by approximately

15% as of January 2020, it still does not allow for a stable financial model that would secure its independent and professional work.

Content intended for national minorities is limited to only one short news programme in Albanian on RTS2. Therefore, RTS is not fulfilling its obligation as the national broadcaster to provide relevant content for other national minorities.

In an effort to improve media literacy, the Ministry of Culture and Information developed a recommended guideline for improving and developing of media literacy in pre-university education.

6.11. Chapter 11: Agriculture and rural development

The common agricultural policy (CAP) supports farmers and rural development. This requires strong management and control systems. There are also common EU rules for quality policy and organic farming.

Serbia has **some level of preparation** in agriculture and rural development. **Some progress** was made on addressing recommendations of the previous report, in particular through the submission of the second package for entrustment with implementation of the instrument for pre-accession assistance for rural development (IPARD II) in November 2019 as well with taking first steps for the establishment of the integrated administration and control system (IACS).

In the coming year, Serbia should in particular:

- speed up the processing of applications received for the measures already entrusted under the IPARD II programme to avoid any loss of EU funds and continue working entrustment with budget implementation tasks for the remaining measures of the programme;
- continue, in a timely manner, with the implementation of the action plan to ensure alignment with the EU *acquis* on agriculture and rural development.

As regards **horizontal issues**, sectoral analysis has been completed in March 2020 within six sectors in preparation for drafting the next national programs for agriculture and rural development for the period 2021-2024. Implementation of the action plan for alignment with the EU *acquis* on agriculture and rural development continues but more focus is required to overcome delays. A pilot project concerning the land parcel identification system was implemented as a first step in establishing the integrated administration and control system (IACS). This should now be extended over a wider area without delay. No progress was noted in decoupling payments from production and in the linkage of area-based payments to cross-compliance standards. The farm accountancy data network has been established but its sample size and the quality of the data will need to be further improved to be fully representative.

In the area of the **common market organisation**, the horizontal law has yet to be adopted through secondary legislation in areas including marketing standards, public and private storage, and producer organisation spending as a result. This delay should be addressed so that the *acquis* alignment plan can proceed.

On **rural development**, Serbia is implementing two investment measures under the EU pre-accession programme for rural development (IPARD II). With the recent recruitment of 16 employees, the IPARD Agency should speed up the processing of applications. The new systematisation act was approved in January 2020, granted a further 101 new posts to the IPARD Agency. In November 2019, Serbia submitted the second entrustment package containing the measures ‘*Farm Diversification and Businesses Development*’ and ‘*Technical*

Assistance'. In March 2020, the European Commission sent the Letter of Closure to the IPARD Authorities granting entrustment, with one condition and six recommendations. In order to receive funds for these two measures, Serbia should fulfil, in particular, the condition concerning staff contracts. The first call for the submission of applications for the 'Farm Diversification and business Development' measure was launched on 8 June.

The spending of EU funds under IPARD should be a priority to avoid a de-commitment. Work should continue on obtaining entrustment with budget implementation task for the remaining measures – LEADER and Agri-Environment.

Progress in the area of **quality policy** is slow due principally to delays in adopting legislation in the area of quality schemes for agricultural products and foodstuffs. There has been progress in the area of spirit drinks with recognition of the first geographical indication and the accreditation of a control body in this field.

As regards **organic farming**, the area under organic production continues to grow, year by year, with fruit production being the most significant. The legislation still needs to be fully aligned with the EU *acquis* on organic production.

6.12. 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 quality of seeds, plant protection material, 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 implementing recommendations of the previous report, in particular with preparatory work for the strategy for alignment with the EU *acquis* and the extension of accreditation of the National Reference Laboratories Directorate. The recommendations of the last report remain, however, largely valid.

In the coming year, Serbia should in particular:

- develop a comprehensive strategy for alignment, implementation and enforcement of the EU *acquis* on food safety, veterinary and phytosanitary policy;
- continue strengthening the administrative capacity of the veterinary, phytosanitary and national reference laboratories directorates, complete the ongoing recruitment procedure, and retain competent staff;
- further improve the application of the risk based approach to official controls for imports.

In the area of **general food safety**, Serbia is yet to adopt a strategy and action plan for full alignment with the EU *acquis*, following a proper and inclusive public consultation. While rulebooks on monitoring programmes were adopted for food of animal and plant origin as well as animal feed, it is important that Serbia further improves its risk-based approach for imports, including for goods subject to sanitary checks, and that it puts in place audit of inspection staff. Integrated multiannual control plans have yet prepared.

On **veterinary policy**, annual programmes consisting of animal health protection measures were adopted in 2019. The rulebook which aims to discontinue mandatory vaccination of domestic pigs against classical swine fever throughout most of the country was adopted in December 2019. Cases of African swine fever were confirmed requiring urgent action by the competent bodies. The multiannual programme to eradicate rabies in wildlife continued. Further improvements in staffing in the Veterinary Inspectorate took place through further delegation of inspection duties. In 2020, 39 new veterinary inspectors have been employed.

The procedure to recruit about 40 inspectors has been launched. It is important that this is followed by continuous training of staff. Animal welfare legislation has yet to be fully harmonised with the EU *acquis*. Implementation of legislation on animal welfare needs to be improved, including by means of recording this aspect of the official controls at the time of slaughter.

As regards the **placing of food, feed and animal by-products on the market**, Serbia started to implement the decree on categorisation of establishments for compliance with the EU *acquis*. The process is yet to be completed. The programme for the improvement of management of animal by-products was adopted by the Government in February.

On **food safety rules** and **specific rules for feed**, the permitted level of aflatoxins in milk remains five times higher than permitted by the EU *acquis*. The accreditation of the national reference laboratories directorate was extended for milk (additional methods), food and seeds.

In the area of **phytosanitary policy**, the procedure to recruit about 16 new inspectors was launched. The annual programmes of plant health measures were adopted. Contracts delegating certain tasks related to evaluating plant protection products to scientific institutions were signed, and their implementation started. The list of approved active substances of pesticides was aligned with the EU *acquis*. To mitigate the impact on public health and environment, Serbia needs to step up its efforts on sustainable management of pesticides through further alignment with the EU *acquis* and improved implementation of the legislation in force (e.g. collection and safe disposal of pesticides packing, training, control of application devices, etc.).

There was no progress on adopting the framework legislation on **genetically modified organisms** that should be aligned with the EU *acquis*.

6.13. Chapter 13: Fisheries

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 markets and aquaculture and support for fisheries and coastal communities.

Serbia is **moderately prepared** in the area of fisheries. **Limited progress** was made on implementing the recommendation of the previous report by means of preparatory work for the development of an action plan.

In the coming year, Serbia still needs to:

→ adopt an action plan that will ensure full compliance with the requirements of the EU *acquis* by the date of accession, in particular regarding organisation of the markets, aquaculture, data collection and control measures against illegal, unreported and unregulated fishing.

Serbia has yet to strengthen its policy formulation, implementation, and enforcement capacities in this area. The overall coordination, including coordination of customs and veterinary inspections, needs to be improved. **Structural measures** are yet to be put in place for small-scale or inland fisheries. Legislation needs to be adopted on **market support**, in line with the EU *acquis*. The collection of statistical data on aquaculture for 2018 was carried out in line with the *acquis*. Serbia should implement the rulebook on catch certification and bring its legal framework, including implementation measures, into full alignment with the *acquis* on **illegal, unreported and unregulated (IUU) fishing** as soon as a solution has been found for the fish catch certificate issue.

6.14. 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. **Some progress** was made in the reporting period on road safety and rail reform. However, the 2019 recommendations were overall only partially addressed.

In the coming year, Serbia should in particular:

- continue with the rail reform process, in particular by regulating contractual relations between the railway infrastructure manager and operators in a cost-efficient and transparent manner, further implement adopted legislation and strengthen institutional capacities;
- continue implementing connectivity reform measures, in particular by advancing in Intelligent Transport Systems (define strategic framework, adopt legislation, and improve capacity for implementation and enforcement); adopt credible costed rail and road maintenance plans and start implementing them; align and simplify road and rail border crossing procedures and further improve road safety by undertaking actions to remove blackspots on sections with high accident rates;
- improve prioritisation and preparation of transport infrastructure to achieve best value for money. In particular, this could be achieved by strictly prioritising investments according to their relevance for Serbia's economic development and EU integration and basing investment decisions on feasibility studies with cost-benefit analyses conducted in accordance with EU best practices and following EU standards on procurement procedures.

As regards the **general transport *acquis***, Serbia needs to revise and update its strategic framework to reflect new developments and ensure coherence; particularly in the overall transport strategy and the general transport master plan. Strategic documents should be based on option analyses, take into account regional aspects, and be properly costed. Serbia continues to actively participate in the EU strategies for the development of the Danube Region and for the Adriatic and Ionian Region.

Investments in transport infrastructure should be prioritised through a single mechanism, ranked according to their 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 practices and follow EU standards on procurement procedures, ensuring best value for money. Currently, an increasing number of investments in Serbia do not apply these principles.

Overall, staffing in transport institutions has slightly increased, improving capacities in the road and rail sector (e.g. road passenger transport, rail public service contract management, passenger rights, accident investigation and road and rail safety) and positively affecting international cooperation and EU integration. Administrative capacity needs further strengthening in particular in dealing with transport of dangerous goods, road safety, intelligent transport systems (ITS) and rail, notably the railway regulatory body. Serbia has yet to adopt an overall ITS strategy, fully transpose the ITS Directive and allocate resources for ITS implementation.

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. In August 2019, Serbia adopted a new regulation for calculating the compensation for public service obligations for rail

transport, which is in line with the *acquis*. The methodology for track access charges still needs to be prepared, together with the new pricing model for access to railway infrastructure. Amendments to the law on road transportation of passengers adopted in 2018 raise concerns regarding competition.

On road transport, Serbia's level of alignment with the EU *acquis* is satisfactory. During the reporting period, Serbia adopted eight rulebooks on road safety, although the new law on road traffic safety is still pending. Statistics on road traffic accidents in Serbia show that there is no sustained downward trend. The number of road fatalities in Serbia remains well above EU average. Regular inspections, roadside checks and checks at premises are being carried out, but staffing and equipment are insufficient. Strengthening the capacity of inspection officers and implementing penalties for infringements of the Agreement concerning the Work of Crews of Vehicles Engaged in International Road Transport (AETR) remain a priority. Overall, Serbia needs to step up work on road safety through i) further alignment, implementation and enforcement of road safety *acquis*, ii) education, iii) awareness raising and iv) strengthening of capacities at national and local levels. Legislation on transport of dangerous goods is well aligned with the EU *acquis*; it covers also transport of hazardous substances.

Facilitating border crossing procedures and improving the road maintenance system remain priorities. Performance-based maintenance contracting need to continue and responsibilities in the area of road maintenance need to be further clarified. Serbia needs to address the issue of potentially discriminatory road charges against foreign operators.

On rail transport, reforms continued and the operational and financial sustainability of independent railway service/infrastructure operators is improving. Serbia regularly updates its railway network statement but it is not yet fully compliant with the EU *acquis* and Serbia's negotiating framework. In 2019, Serbia adopted five regulations governing the railway market, 11 rulebooks on rail safety as well as a rulebook on licences for rail transport services. In November 2019, Serbia's transport minister and railway authorities signed the Declaration on European Railway Safety Culture, which aims to raise awareness and promote a positive safety culture throughout the industry. Positive developments have been noted on rail market opening with nine private freight companies operating on the market in 2019. However, further efforts are required to ensure the market fully opens, including on the issuance of train drivers licenses and safety certificates for railway undertakings, and mutual recognition of the rolling stock.

Serbia provisionally published all 11 technical specifications for interoperability. All specifications need to be adopted and implemented, and railway infrastructure has to be built accordingly. Human resource development plans should be available for all authorities dealing with railways, reflecting the technological and administrative developments in the railway field. The role and capacities of the Railway Directorate should be strengthened.

Legislation on **maritime transport** is well aligned with the EU *acquis*. Serbia's law on maritime navigation complies with the EU *acquis* on vessel traffic monitoring and information systems. Serbia should continue implementing international conventions.

In inland waterway transport, Serbia continues to improve its level of alignment, which is already high. Serbia has an operational river information services system which is highly interoperable with those of EU Member States. Serbia has signed the main international agreements on inland waterways, such as the Belgrade Convention and the Framework Agreement on the Sava River Basin as well as bilateral agreements with its neighbouring countries. Serbia continues improving its infrastructure for inland waterway transport

services. Improvements to the river ports network statement and the strengthening of administrative capacity are still pending.

Serbia has a good level of alignment with the EU *acquis* on **aviation**, and continues improving it. Serbia is close to fulfilling all obligations stipulated in the first transitional period of the European Common Aviation Agreement. On the Single European Sky (SES), Serbia completed its transposition process and the local implementation of SES I and SES II on air traffic. No tangible 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.

There is no specific legislation on **combined transport**. For the second year, Serbia has been allocating funds to promote the development of combined transport. Construction of the first modern intermodal terminal in Belgrade is expected to start in 2020.

6.15. Chapter 15: Energy

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

Serbia is **moderately prepared** in this field. **Limited progress** was made including on last year's recommendations, which remain essential. Serbia should therefore:

- fully unbundle and certify Srbijagas, Transportgas and Yugorosgaz, and develop competition in the gas market, ensure third-party access to the gas network as well as implement the conditions requested by the Energy Community Secretariat on the exemption of Gastrans;
- fully implement outstanding connectivity reform measures as committed to under the Connectivity Agenda including filing for Elektrosever licencing urgently in the context of establishing a regional electricity market;
- advance on green energy transition: strengthen human resources capacity and promote investment in energy efficiency and in substitution of coal power plants with gas and renewables, implement consumption-based metering and billing and move towards cost-reflective electricity prices.

Serbia maintained a high level of alignment with the EU *acquis* on **security of supply** including on emergency oil stocks. In September 2019, Serbia adopted an emergency response plan for oil stocks. Oil stocks continue to increase slightly, corresponding, in June 2020, to 20 days of average daily consumption. However, the lack of gas market opening and third party access to the gas network could affect security of supply in the gas sector. Preparations for the gas interconnector with Bulgaria have continued. The construction permit was issued in September 2019 and the tender documentation is currently being prepared. Serbia also continued preparations to upgrade the Trans-Balkan electricity corridor, in particular the transmission line connecting Serbia with Bosnia and Herzegovina and Montenegro and the transmission system in Western Serbia. The construction contract for the 400 kV line Kragujevac-Kraljevo was signed in February 2020 and works commenced in June 2020.

Serbia is still delaying the implementation of its energy agreement with Kosovo. Following approval of a new connection agreement between the Kosovo transmission operator and the European Network of Transmission System Operators for Electricity ENTSO-E. Serbia has

not yet filed for the licencing of Elektrosever. Serbia did not make progress in setting up regionally coordinated auctions with its Western Balkan neighbours.

As regards the **internal energy market**, Serbia's primary legislation is compliant with the EU's third energy package. Trading volumes on the organised power exchange market continued to increase. In June 2019, Serbia introduced a new product on the market, the 'power futures'. The electricity balancing market is operational, despite having only one provider of balancing services. The functional unbundling of EMS, Serbia's electricity transmission system operator, needs to be completed in line with requirements under the Energy Community Treaty.

The unbundling of EPS, Serbia's electricity distribution system operator, was formally completed with the adoption of a new statute. However, concerns remain over how effective functional unbundling is implemented in relation to independent decision-making. Serbia established a new gas transmission company, Transportgas, and transferred 246 employees from Srbijagas to the new company. However, transfer of assets and contracts, the adoption of the grid code, certification and the functional unbundling of Transportgas in accordance with the third energy package have yet to take place. There is no third-party access to the gas system infrastructure of Srbijagas and Yugorosgaz and their unbundling is still pending. The energy regulator AERS revoked the certificate issued to Yugorosgaz Transport, as the company did not comply with unbundling legislation. The AERS decision to exempt the Serbian part of the Balkan Stream pipeline project from third energy package rules is still valid. It only partly reflects the conditions set by the Energy Community Secretariat. In February 2020, AERS certified the Balkan Stream promoter Gastrans and approved the network code in April 2020.

Electricity and gas supply prices are deregulated for all customers. Households and small customers have the right to be supplied under regulated prices. In 2018, the non-regulated market slightly increased and accounted for 48.6% of total end-user electricity consumption and 85.3% of total end-user gas consumption. In the same year, some 3.4% of delivered electricity quantities and 8.4% of gas quantities were subject to supplier switching. There is still no timeline for the phase-out of cross-subsidies between network and supply activities of Srbijagas. Electricity prices should cover investment needs for Serbia's energy and climate reforms, including transition from coal production to renewables, and take into account social security implications. The electricity price regulation needs to be modified accordingly.

The Serbian Energy Agency is legally and functionally independent from any other public entity. It still has to establish a track record for enforcing compliance of regulated companies with Serbian and Energy Community law in all cases. Staff levels are still insufficient to allow the agency implement all regulatory responsibilities under the third energy package and the new *acquis* upfront. Further increasing the number of employees from the current 44 to 51, as envisaged in the organigram, is pending.

On **hydrocarbons**, Serbia has yet to align its legislation with the Hydrocarbon Licensing Directive, especially regarding conditions for granting and using authorisations for prospecting, exploration and production.

On **renewable energy**, Serbia further progressed on transposing EU *acquis* into its legislation. Serbia adopted several pieces of secondary legislation on bio-fuels but implementation is pending. Bio-fuels are not yet used in the transport sector. Human resource capacity in the Ministry of Mining and Energy's department for renewables is insufficient. In September 2019, EMS became a full member of the European Association of Issuing Bodies, ensuring that Serbian guarantees of energy origin are accepted by other members. The latest data for 2018 show that renewable sources accounted for a share of 20.32% of gross final

energy consumption, which is well below Serbia's national renewables target set at 27% for 2020. Total capacity of wind power installed now exceeds 400 MW, while total capacity for other renewable technologies not including big hydropower plants is 100 MW. Serbia needs to intensify its efforts to switch from feed-in tariffs to an auction-based scheme. Implementing legislation to enable prosumers to interact with the energy market should be adopted. Any further development of hydropower should be in line with EU environmental *acquis*.

Serbia achieved some progress in **energy efficiency** by adopting rules on energy labelling. Serbia still needs to adopt amendments to the law on efficient use of energy, improve energy audits and energy management, and implement requirements in the field of eco-design and related secondary legislation. Further secondary legislation is necessary to achieve full alignment, in particular with the Directive on Energy Performance of Buildings. In November 2019, Serbia submitted the third annual report under the Energy Efficiency Directive. Serbia is not taking the necessary steps to implement consumption-based metering and billing in district heating on a large scale. This is a prerequisite for implementing energy efficiency measures in residential buildings. During the reporting period, human resources in the line ministry's department for energy efficiency slightly increased. Yet, staff levels are still insufficient. Since July 2019, Serbia has been applying a new fee on energy efficiency, but does not allocate funds in full to finance energy efficiency measures. Better coordination and policy alignment between the Ministry of Mining and Energy and the Ministry of Finance is necessary, also in view of establishing a sustainable financing system.

On **nuclear energy, nuclear security and radiation protection**, Serbia's legislation is partially in line with the EU *acquis*. In August 2019, Serbia submitted its first National Report on the Nuclear Safety Convention. In March 2019, Serbia applied to become party to the agreement between European Atomic Energy Community and non-EU countries on the early exchange of information in the event of radiological emergency (ECURIE); signing procedures are under way. Neither Serbia's two nuclear research reactors nor its abandoned uranium mine are licenced. Licences for two old storage facilities expired in November 2019. An action plan has yet to be drafted for decommissioning the research reactors. The new radioactive waste processing facility has not been licenced yet. Activities to improve the radiological and security situation at the Vinča site have continued. The number of staff at the Serbian Radiation and Nuclear Safety and Security Directorate increased from 21 to 32. Serbia transferred nuclear-related tasks and staff from the Ministry of Environmental Protection's inspectorate to the Directorate. Now, it is mandated to deal with all regulatory matters and its financing is sufficient to ensure its proper functioning including being able to carry out inspections.

6.16. Chapter 16: Taxation

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

Serbia is **moderately prepared** in the area of taxation. **Some progress** was made with the ratification of the OECD Convention on mutual administrative assistance in tax matters (MAC) as well as on further reform of the tax administration. Last year's recommendations were thus partially implemented.

In the coming year, Serbia should in particular:

→ remove discrimination in the application of excise duties on imported spirits;

→ continue with implementation of the tax administration reform programme in order to streamline the tax administration's activities while ensuring sufficient human and IT resources for this purpose, improve tax collection and combat the informal economy.

In the area of **indirect taxation**, amendments to the law on VAT were adopted in October 2019. Some of these amendments, such as those concerning the calculation of VAT for supplies involving vouchers, or those on lowering the threshold for VAT refund to foreign travellers, are aimed at further aligning with the EU legislation. The VAT law was also amended to exempt goods used in the construction of infrastructure of public interest. Specific and *ad valorem* excise duties continue to be applied on tobacco products and the minimum is set twice a year. Excise duties on fuels are only partly harmonised with the EU *acquis*. With regard to **direct taxation**, amendments to the laws on income tax, corporate tax and property tax were adopted in December 2019 as well as on contributions to mandatory social insurance. The laws aimed to reduce the tax wedge on salaries in order to stimulate the increase in salaries and the creation of new jobs. Tax and contribution relief is envisaged for the first 3 years of employment, including for returnees from abroad. While the laws were adopted through the regular parliamentary procedures, insufficient time was given to public consultations, including on specific fiscal secondary legislation. Business associations were not sufficiently consulted resulting in the weakening of the business environment's predictability. In response to COVID-19 pandemic and with the aim to help businesses, the government adopted in March a set of measures that included personal income tax and social contributions deferrals and postponement of second quarter profit tax payment to 2021. The economic effects of the pandemic in terms of increased unemployment and the reduction in disposable income and consumption will impact revenue from both direct and indirect taxes and consequently the country's overall fiscal performance.

As regards **administrative cooperation and mutual assistance**, Serbia ratified the OECD Convention on mutual administrative assistance in tax matters (MAC) in August 2019. Serbia has double taxation agreements with 26 EU Member States (no agreement with Portugal) and it remains committed to apply the OECD base erosion and profit shifting minimum standards.

Efforts to improve **operational capacity and computerisation** of the Tax Administration and to fight tax evasion, notably on VAT and excise duties, have resulted in better tax collection. The Tax Administration still lacks administrative capacity and adequate staffing. The implementation of the 2015-2020 general programme for transformation of the Tax Administration, and revised the 2018-2023 action plan for its implementation have continued and accelerated. The number of field offices has been reduced (from 78 to 37) as of July 2019. Some non-core activities have been transferred to other bodies or assigned to a "non-core activities sector" still within the Tax Administration. The Large Tax Payers' Office has been partly reorganised and its development programme for 2018-2023 adopted. The Strategic Risk Department has intensified its activities. A number of training sessions have been organised in 2019. Further efforts are still needed to improve the predictability and consistency of tax decisions and provide timely and good quality services to tax payers. Appeal procedures against Tax Administration decisions remain lengthy.

6.17. Chapter 17: Economic and monetary policy

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

Serbia is **moderately prepared** and has established a good institutional and administrative framework in the area of economic and monetary policy. **Some progress** was made in

economic policy coordination, in particular in designing and prioritising structural reforms. Despite the progress in implementing the reforms, in particular those related to the business environment, the pace of implementation needs to be further improved. The implementation of the budgetary procedure has improved. Recommendations of the 2019 report were partially implemented.

In the coming year, Serbia should take measures to:

- further align the legislation on National Bank of Serbia (NBS) with the EU *acquis* to ensure its full independence;
- strengthen fiscal rules by making them more binding and capable of anchoring fiscal policy.

On **monetary policy**, the legal framework for the NBS is well developed. According to the law, price stability is the NBS's principal objective, fully in line with the primary objective of the European System of Central Banks. The public sector does not have privileged access to financial institutions. However, further efforts are needed to comprehensively ensure the NBS independence and prohibition of monetary financing in line with the EU *acquis*.

With regard to **economic policy**, further alignment with the Directive on Requirements for Budgetary Frameworks is needed. The overall institutional environment related to the budget process has improved, but remains challenging. The submission time of the 2020 draft budget allowed more time for a parliamentary debate than in the previous year. After four years, the authorities submitted the final annual budget execution 2014-2018 reports to the Parliament. The alignment of fiscal reporting with the European System of National and Regional Accounts (ESA 2010) is incomplete and improvements are happening slowly. Programme budgeting needs to be strengthened and administrative and IT capacity bolstered. Fiscal rules are weak, non-binding and unable to anchor fiscal policy. The adoption of new fiscal rules was delayed. The Fiscal Council is an independent institution and actively participates in debates over economic and fiscal policy.

In response to the COVID-19 pandemic, both economic and monetary policy had to be adjusted, and appropriate measures have been taken in the immediate aftermath of the beginning of the crisis. While the overall impact is impossible to envisage, it is certain that the negative impact on overall economic and notably fiscal performance will be significant.

The 2020-2022 **economic reform programme** was submitted on time. As in previous years, its analytical diagnostics are well prepared. The structural reform framework is coherent and sufficiently comprehensive. In order to strengthen inter-ministerial coordination, an Economic Analysis Unit was created within the Public Policy Secretariat – and is now fully operational. However, as the implementation of some of the key reforms has been delayed, particularly in the energy sector, further efforts are needed to improve the capacity for economic planning and inter-institutional coordination as well as budgeting.

6.18. Chapter 18: Statistics

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

Serbia is **moderately prepared** in the area of statistics. **Some progress** was made on the implementation of last year's policy recommendations. In particular, the compilation of macroeconomic statistics has significantly improved in line with the European System of Accounts (ESA) 2010. The submission of statistical data to Eurostat has also continued to improve. However, the new statistical law has yet to be adopted. The Statistical Office needs

to retain highly qualified staff and recruit additional staff to meet the obligations of the EU *acquis*.

In the coming year, Serbia should in particular:

- adopt the new statistical law to increase the independence of the Statistical Office;
- continue preparations for the population and housing census 2021;
- further improve 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. The long pending law on official statistics enhancing the professional independence of the Statistical Office (SORS) has still not been adopted, resulting in the lack of progress in this area. The administrative capacity of the SORS needs to be further strengthened, as its operations remain hampered by the lack of skilled staff. The SORS has signed memoranda of understanding with a large number of administrative data providers, but further efforts are needed to broaden and develop this cooperation in order to improve quality of statistical production. The SORS has 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 has continued to compile regional ESA 2010 data and submit them to Eurostat. Serbia provided regional accounts data at level 2 and 3 according to the new benchmark for national accounts, but the number of years is not yet uniform across variables.

Regarding **macroeconomic statistics**, the SORS continued to compile quarterly and annual GDP at current and constant prices. Seasonally adjusted quarterly national accounts are sent to Eurostat. In 2019, the SORS completed the implementation of the benchmark revision of its GDP back data to eliminate the breaks in series. Revised GDP data for 1995-2004 were published in October 2019, completing the data set from 1995. Serbia has sent annual data on employment, compensation of employees and gross wages and salaries for 2015-2017. However, all quarterly data on employment, compensation of employees and gross wages are yet to be provided. Quarterly sector accounts have yet to be compiled. Serbia has further advanced work on compiling supply-use and input-output tables – the tables for 2015-2017 were published in September 2019 and transmitted to Eurostat. The SORS sends good-quality monthly data on international trade in goods according to the required breakdown by mandatory partner country. However, further efforts are needed to complete the compilation of trade by enterprise characteristics (TEC) data to meet all requirements set out in the compilers guide on TEC. The NBS compiles the monthly and quarterly balance of payments, as well as quarterly international investment position data, in compliance with the Balance of Payments and International Investment Position Manual (BPM6). It sends annual data on international trade in services in accordance with the Balance of Payments Vademecum. The SORS continues to provide the Commission twice a year with notification tables for the excessive deficit procedure (EDP) that are jointly prepared with the NBS and the Ministry of Finance. The number of submitted tables increased in 2019; yet the quality and completeness of the EDP notification data and the government finance statistics need to be further improved. NBS is setting up the system for compiling the financial accounts statistics, but the system needs to be further developed. Continued efforts are needed to produce the complete data required by the ESA 2010 transmission programme.

With regard to structural **business statistics**, data coverage is not yet fully in line with the EU *acquis* but methods for sending data have been established. Most of the data on internal tourism and some data on national tourism are collected. For inland waterway, road and railway transport data are collected but need to be further harmonised with the *acquis*. Air transport statistics are already fully compliant. Serbia fully complies with the EU *acquis* in research and development statistics as all R&D sectors are covered by statistical survey. The Community innovation survey is conducted regularly every two years and the data are sent to Eurostat. The annual surveys on information and communication technology 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 are sent to Eurostat. Social protection, labour market and labour cost statistics are broadly in line with the *acquis*. Serbia carries out the labour force survey (LFS) according to the regulations and promptly sends good quality data to Eurostat. It also promptly provides good quality LFS quality reports (annual and quarterly). The LFS data are disseminated regularly. The fieldwork for the structure of earnings survey was carried out in 2019. Work to produce statistics on job vacancies is only progressing slowly. Public health statistics in line with the *acquis* are not yet fully available. In particular, causes of death statistics and non-expenditure healthcare data are highly compliant, while expenditure healthcare statistics and European health interview survey data are lacking. However, European health interview survey (EHIS) was conducted in 2019 and data submission is expected in 2020 (in line with the EHIS regulation). Statistics on external migration and asylum are collected by the Ministry of Interior, and are only partly harmonised with the relevant EU requirements. Further harmonisation is needed, particularly on reporting on issuing residence and work permits and on migration. Statistics on education and vocational training are partly compiled. Serbia progressed in preparing the methodology and the technical specifications for the next population and housing census in 2020/2021. A pilot census was conducted in April 2019 in 51 municipalities/cities, with two data collection techniques tested. The law on census of population was adopted in February 2020. Other activities related to the 2021 population census are ongoing.

Regarding **agricultural statistics**, Serbia is highly compliant in producing crop statistics, livestock meat statistics as well as milk and milk products statistics. Serbia has continued to submit aquaculture data to Eurostat and is fully compliant with EU requirements in fisheries statistics. Regular submission of data on activity of hatcheries and eggs for consumption started in 2019. Further efforts are needed in continuing the development of a vineyard register, which is established but not fully in use yet. Preparations for agriculture census – to take place after the 2021 population census – are ongoing. The farm structure survey 2018 has been conducted and data was sent to Eurostat, together with the national methodological report, in June 2019.

The annual and monthly **energy statistics** are produced for all relevant energy sources: coal, electricity and gas data are regularly sent. **Waste and water statistics** have been collected and data on waste treatment infrastructure are regularly submitted. Some **environmental accounts data** are produced, while some new data, particularly on environmental goods and services sector accounts, has started to be produced.

6.19. Chapter 19: Social Policy and employment

Serbia is **moderately prepared** in the area of social policy and employment. Serbia made **limited progress** in further aligning its legislation in this area with the EU *acquis*. Regarding

last year's Commission recommendations, budget allocations for active labour market policies slightly increased in 2019 but decreased again in 2020. They are by far too low to cover the number of jobseekers. Other recommendations of last year remain valid.

Therefore, in the coming period, Serbia should in particular:

- ensure adequate financial and institutional resources for employment and social policies to more systematically target the young, women and long-term unemployed, and improve the adequacy of social benefits for people below the poverty threshold;
- significantly strengthen the bipartite and tripartite social dialogue at all levels;
- ensure consistent implementation of the labour and social welfare legislation throughout the country.

The action plan for aligning with the EU *acquis* in social policy and employment in the context of chapter 19 of the accession negotiations was adopted in May 2020.

In the field of **labour law**, the law of 2014 is only partially aligned with the EU *acquis*. Serbia adopted a Law on Work through Temporary Employment Agencies in December 2019. A new law on the right to strike has yet to be adopted. The proportion of undeclared work stood at 18.2% at the end of 2019. Labour inspections have focused on tackling undeclared work, but do not yet have a significant impact. The law on inspection oversight needs to be amended to comply with the relevant International Labour Organisation 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 draft law on health and safety at work has yet to be adopted. Serbia adopted implementing legislation on health and safety measures for work on display screen equipment and work during exposure to noise and to vibrations. After a record number of fatalities in the workplace in 2018 (53), the number of fatal injuries in 2019 increased further to 54, with the majority of cases occurring again in the construction industry. This was linked to a sharp increase in the number of construction sites, but also to the lack of enforcement of the health and safety legislation in place.

Social dialogue remains weak, in particular regarding the involvement of social partners in policy developments relevant to them. Serbia still needs to adjust the legal framework and strengthen the capacity of social partners to foster the use of collective bargaining. Sectoral collective agreements are typical in the public sector. However, they are hardly concluded in the private sector. No progress was made in tripartite dialogue. In the second half of 2019, the minimum hourly wage was increased by 11.1% by means of a government decision, as consensus could not be reached within Serbia's Economic and Social Council.

On **employment policy**, labour market indicators continued to improve in 2019. The employment rate for 15-64 year olds increased from 58.8% in 2018 to 60.7% in 2019. Unemployment went down from 13.3% in 2018 to 10.9% in 2019, while the activity rate increased from 67.8% in 2018 to 68.1% in 2019. Youth unemployment decreased from 29.7% in 2018 to 27.5% in 2019 but remains high. Long-term unemployed people, women, young people and low-skilled workers still face severe challenges integrating into the labour market. Measures aimed at promoting the employment of Roma have yet to deliver results. Budget allocations for active labour market policies slightly increased in 2019 compared to 2018 but decreased again in 2020. They are by far too low to cover the number of jobseekers. Only 28% of people who are registered as unemployed benefit from a measure, and most measures are

one-off actions such as job-search training sessions and job fairs. The 2020 national employment action plan was adopted in December 2019. The first report on the implementation of the employment and social reform programme (for 2016-2017) was eventually published in April 2019 and the second report (for 2018) in February 2020.

In the context of the COVID-19 outbreak, aid instruments were introduced for preventing layoffs and negative labour market trends, by means of direct grants for employee salaries and postponement of tax and social contributions. Workers engaged on a contract basis (temporary or seasonal work contracts, service contracts, agency contracts, vocational training and advanced training contracts, supplementary work contracts) are not covered by these measures. The impact of the pandemic on unemployment needs to be closely monitored and adequate measures implemented.

There were no developments as regards preparations for the **European Social Fund**, apart from a few awareness-raising events.

In the area of **social inclusion and social protection**, in 2018, 7.1% of the population was considered to be living in absolute poverty (7.2% in 2017). According to the survey on income and living conditions (SILC), carried out for the sixth time in 2018, the at-risk-of-poverty rate was 24.3% (EU-28 17.1%) and the at-risk-of-poverty or social exclusion rate was 34.3% (EU-28 21.8%). As in previous years, there is more poverty in rural areas than in urban areas (10.4% vs. 4.8%). Some 10% of employed people are at risk of poverty, which means that they cannot fulfil their basic needs, despite working. Some 58.4% of the population is subjectively poor, i.e. they respond to the question on the possibility for a household to ‘make ends meet’ with ‘difficulty’ and ‘great difficulty’, positioning Serbia at the bottom of the list of European countries that conduct SILC surveys. Inequality in income distribution stood at 35.6% of the Gini coefficient according to income in 2018. The income quintile ratio was at 8.58 and is hence considerably higher than the EU average at 5.12. The impact of the COVID-19 pandemic on vulnerable individuals needs to be closely monitored and adequate measures implemented. A new strategy for social protection in Serbia for 2019-2025, amendments to the law on social welfare, and a draft law on social cards, are still pending. Payments for maternity leave were reduced as a result of the 2018 amendments to the law on financial support for families with children, as women now need to have worked 18 consecutive months – instead of 12 months prior to the amendments – to be entitled to the full amount of maternity compensation. The coverage and adequacy of cash benefits to provide for essential needs is insufficient to cover essential needs. In addition, the quality and coverage of service need to improve, and oversight and regulatory mechanisms, monitoring and evaluation should be strengthened. No progress was made in local-level social care services or in the de-institutionalisation process. The system of earmarked transfers introduced in 2016 by the social welfare law is still not implemented systematically and transparently. Budgetary allocations are now available annually, but without multi-annual commitments that would allow for the continuity of service provision at local level and for an evidence-based system of priority setting and monitoring of results.

In the field of **non-discrimination in employment and social policy**, the authorities need to step up their efforts on implementing recommendations from the Commissioner for the Protection of Equality on developing an anti-discrimination policy for employers in Serbia (‘Equality Code of Practice’). A new law on gender equality, as well as draft amendments to the law prohibiting discrimination, have yet to be adopted.

In the area of **equal opportunities between women and men in employment and social policy**, the employment rate for men (15-64 years) is 12.8 percentage points higher and their activity rate 13.6 percentage points higher than those for women. Women’s inactivity reflects:

i) unpaid work in the household, including care of children, sick and/or elderly people; ii) inadequate support in reconciling work and family responsibilities; iii) employers' discriminatory treatment of young women; iv) the existing wage gap; v) lower statutory retirement age; and vi) the existence of a statutory minimum base for social insurance contributions, which discourages formal part-time work. Although the legislation grants both maternity and paternity leaves, gender-based stereotypical preconceptions persist about childcare and household work being a woman's responsibility. The lack of state services for childcare in rural areas increases the amount of unpaid household work for women. Women have been at the frontline of the COVID-19 pandemic, as healthcare, shop and pharmacy workers. Closure of businesses is expected to have a negative effect on women-dominated professions.

6.20. Chapter 20: Enterprise and industrial policy

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

Serbia is **moderately prepared** on enterprise and industrial policy. **Some progress** was made, in particular on the new strategy for industrial policy. Nevertheless, last year's recommendations remain to a large extent valid.

In the coming year, Serbia should in particular:

- develop an action plan for the implementation of the new industrial strategy using the findings of the smart specialisation exercise and start with its implementation;
- make further efforts to improve the predictability of the business environment, with the emphasis on involving business more directly in the process of regulation.

The main tool of **industrial policy** remains the strategy and policy for industrial development: the new strategy for industrial development 2021-2030 was adopted in March 2020. However, an action plan outlining concrete actions for its implementation has yet to be adopted. The action plan should be developed using, among others things, the findings of the smart specialisation exercise. The new strategy puts an emphasis on replacing the current model of competitiveness based on cost advantage (i.e. cheap low-skilled workforce) by skill-based advantage, i.e. knowledge-based industries. The 2021-2030 strategy also has a mix of horizontal policy measures implemented in six specific areas in order to achieve specific goals as well. A Smart Specialisation Strategy was also adopted in February 2020.

On **enterprise policy**, the strategy to support the development of SMEs, entrepreneurship and competitiveness 2015-2020 is being implemented and remains a relevant policy document. An independent mid-term evaluation of the strategy was conducted in early 2019. A new strategy is planned for 2020. As a response to the COVID-19 outbreak, the government adopted a set of measures – deferral of tax obligations, payment of salaries to employees primarily aimed at assisting SMEs, access to additional loans – which all aim to alleviate the negative consequences of the crisis for businesses. By June 2020, the number of companies in the privatisation process fell to 72 from 87 at the same time the year before. This does not meet the target set by the Serbian authorities (50 companies by the end of 2019) due to a lack of interest on the part of investors for most of the companies in the portfolio.

Serbia needs to increase predictability in the **business and administrative environment**, in particular for SMEs. To this end, performance measurements for policy-making activities should be developed and more emphasis put on implementing the 'think small first' principle. A multiannual reform aimed at optimising and improving the transparency of all

administrative procedures is under way. Proposals for optimising these procedures are drafted in consultation with the private sector. After attempting to streamline and increase transparency as regards the system of para-fiscal charges in 2018 through the Law on Fees for the Use of Public Goods, some charges (e.g. the environmental fee) were (re)introduced in 2019, without proper public consultation. The lack of transparency in adopting such (secondary) legislation negatively affects business predictability. In particular, Government decisions in a number of businesses-relevant areas are occasionally taken without appropriate consultation and under such time constraints that businesses do not have sufficient time to plan their operations under new rules. The regulatory impact assessment and the SME test need to be systematically carried out when formulating laws and secondary legislation. In general, businesses need to be better informed about regulatory changes and be invited to provide input in the process leading up to the adoption of legislation or rules.

On **enterprise and industrial instruments**, Serbia continues to use budgetary subsidies for newly created jobs as an incentive for foreign direct investments. The lack of specialised business-related services limits the potential of domestic companies to modernise. Favourable loans and guarantees for SMEs are provided by the Ministry of Economy and Development Fund through joint programmes with commercial banks, including through the EU programme for the competitiveness of small and medium-sized enterprises (COSME) and the Instrument for Pre-accession Assistance (IPA). These programmes provide financial support for the purchase of production equipment, financial support to start-ups, and financial support for development projects. New financial instruments need to be developed to better respond to the needs of companies, particularly the most innovative ones. Serbia successfully participates in the EU's COSME programme for SMEs with participation in COSME's major actions like Erasmus for Young Entrepreneurs and the Enterprise Europe Network, giving opportunities to build business and technology partnerships between SMEs from both sides. With regard to the payment discipline, Serbia should speed up in aligning its rules on payments, indemnity interest rates, expedited recovery procedures and compensation with the EU Directive in this area.

In **sectoral policies**, the current support for investment continues to prioritise manufacturing. The new industrial strategy should take into account the findings of the smart specialisation pilot project and decide whether some sectors merit more support than others. Until recently, the approach in policy-making was not sector-specific, resulting in the lack of specific sector policies and programmes (except for tourism). This has changed recently as four sectors (food processing, wood and furniture, rubber and plastic, and machinery and equipment) have been identified as sectors with highest growth potential among industries. Monitoring and evaluation will be carried out based on specific sectoral strategies.

6.21. Chapter 21: Trans-European networks

The EU promotes trans-European networks 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. Positive steps were taken on the 2019 recommendation on the gas interconnector with Bulgaria. The other recommendations from 2019 remain fully valid.

In the coming year, Serbia should in particular:

→ revise and adopt an updated transport strategy in line with EU guidelines for the development of trans-European transport networks, providing coherence to Serbia's strategic framework for transport;

→ strengthen administrative capacities for transposing, implementing and enforcing the Trans-European networks *acquis*.

On **transport networks**, Serbia made limited progress on connectivity reform measures in the framework of the Western Balkan 6 connectivity agenda. Multiannual maintenance plans and their implementation as well as more efficient border crossing procedures for road and rail need to be addressed more rigorously. Serbia must ensure that its transport network projects are implemented in line with the TEN-T regulatory framework, in addition to fulfilling EU standards on public procurement, state aid and environmental impact assessments. All rail infrastructure needs to comply with the EU's technical specifications for interoperability. Additionally, investments need to be implemented in accordance with cost-benefit analyses following EU best practices.

In September 2019, the Secretariat of the Transport Community was inaugurated in Belgrade. Serbian authorities supported the opening of the Secretariat and the smooth start it made, and actively participated in its work (Regional Steering Committee meetings, technical committees on railway, transport facilitation, road safety and road). In the coming period, intensive cooperation on all substantive transport matters will be key and Serbia should continue to intensify its cooperation under the Transport Community Treaty.

As a reaction to the COVID-19 pandemic, green corridors were established and are functioning effectively throughout the major corridors.

As regards road infrastructure, the construction of the Orient East-Med corridor (Corridor X) was finalised in 2019. The part of the corridor going towards the border with North Macedonia (May 2019) and the part going towards the border with Bulgaria (November 2019) were both opened. Construction of the first section on the Niš–Merdare highway is expected to start in 2020. As regards rail infrastructure, construction works on the Niš–Dimitrovgrad railway line, due to start in 2019, were delayed. Serbia actively pursues upgrading its inland waterway infrastructure.

On trans-European **energy networks**, administrative capacities for transposing, implementing and enforcing the EU *acquis* remain insufficient and need to be improved. Energy networks need to be upgraded in line with EU legislation on trans-European networks. Serbia continued to prepare for the upgrade of the Trans-Balkan electricity corridor, in particular for the overhead transmission line connecting Serbia with Bosnia and Herzegovina and Montenegro and the upgrade of the transmission system in Western Serbia to 400 kV voltage level. Good progress was made on the gas interconnector between Serbia and Bulgaria. In September 2019, state authorities issued the construction permit: the preparation of the tender documentation is underway.

6.22. Chapter 22: Regional policy and coordination of structural instruments

Regional policy is the EU's main tool for investing in sustainable and inclusive economic growth. Member States bear responsibility for its implementation, which requires adequate administrative capacity and sound financial management of projects' design and execution.

Serbia is **moderately prepared** on regional policy and coordination of structural instruments. **Limited progress** has been made in last year's recommendations, starting with the implementation of the adopted action plan for meeting the EU cohesion policy requirements.

The 2019 recommendations remain largely valid also in the coming year, Serbia should in particular:

- timely implement the adopted action plan for meeting the requirements of the EU cohesion policy, including nominating the institutions and bodies for cohesion policy implementation, as necessary and appropriate in view of the revision of this EU policy;
- ensure adequate capacity to manage indirect management programmes under EU pre-accession assistance and guarantee that the key positions in the structures are filled on a permanent basis;
- speed up the implementation of IPA II pre-accession funds in order to avoid last-minute contracting.

Further preparatory work was carried out to introduce the **legislative framework** for EU cohesion policy into the national system. In November, the Ministry of European Integration established a working group to draft the law on cohesion policy by the end of 2020. The law should define the goals of cohesion policy, introduce key principles and establish the legal basis for developing the institutional framework for implementation of cohesion policy.

The transposition of key legislation under other chapters (e.g. *acquis* on environmental impact assessment, anti-discrimination legislation, public procurement, and state aid control) is a prerequisite for using European structural and investment funds. Multiannual budget planning is regulated through the law on the budget system. National co-financing for EU pre-accession programmes is ensured at project level. A systematic approach to ensure national co-financing for multiannual cohesion policy programmes needs to be developed.

The **institutional framework** for cohesion policy has still to be decided. The appointment of institutions and bodies to implement the cohesion policy, planned for 2019 in the action plan, has been delayed and should be advanced, along with building up their capacity. The institutional framework for managing the EU's Instrument for Pre-accession Assistance (IPA) is in place. However, the implementation capacities of the indirect management structures need to be improved in order to ensure timely and efficient contracting and implementation of IPA programmes.

Weaknesses in the **administrative capacity** in key institutions managing EU funds still need to be addressed. The continuous changes in key managerial positions within the indirect management structures and appointments in acting functions make the system unstable and limit the capacity to smoothly implement programmes. The high turnover of staff also remains an issue to be tackled in the context of the public administration reform, with the development of an appropriate retention policy in the public sector. The practice of contracting a large proportion of IPA funds very close to the contracting deadline needs to be avoided.

Capacity building activities for managing EU pre-accession funds and for introducing cohesion policy have continued. The training courses provided by the National Academy of Public Administration include the programme "Managing the international development assistance and EU funds" as part of the general training programme for civil servants. Regarding cohesion policy, two courses were provided: "Introduction to EU cohesion policy" and "Planning and programming in the context of cohesion policy".

In the area of **programming** the Law on the planning system aims to improve the system of public policy management and medium term-planning allowing for better links between public policies and the medium-term expenditure framework. Regarding the need to allocate resources efficiently and build sector pipelines for future structural funds management, Serbia adopted the Decree on Capital Projects Management in July 2019, establishing a system for preparation, selection and monitoring of capital investments. However, Serbia needs to ensure

that the full methodology of the decree is applied to all capital investments regardless of the type of investment or the source of financing, including those under intergovernmental agreements.

On **monitoring and evaluation**, the relevant monitoring committees set up under indirect management continue to meet regularly. The evaluation plan for indirect management of IPA funds has been adopted but implementation has not yet started. The assessment of readiness for monitoring and evaluation in accordance with the requirements of cohesion policy needs to be carried out.

On **financial management, control and audit**, the capacities of the national systems in place for indirect management of IPA funds have been improved. The Audit Authority is established and operational. The newly developed management and information system for IPA is being tested.

6.25. Chapter 25: Science and research

The EU provides significant support to research and innovation. All Member States can benefit from the EU's research programmes, the more so where there is specific excellence and solid investment in research.

Serbia is at a **good level of preparation** in the area of science and research. **Some progress** was made with the adoption of the first Smart Specialisation Strategy and the new law on science and research. National funding for research increased, in particular through the newly established Science Fund, but remains low as a percentage of GDP. Last year's recommendation have therefore not been sufficiently addressed.

In the coming year, Serbia should in particular:

- start to implement the smart specialisation strategy;
- further increase the national funding for research;
- stimulate more intense cooperation between industry and academia, in line with the national research strategy.

On **research and innovation policy**, the main priorities of the European Research Area are incorporated in the strategy on scientific and technological development. Some progress was made with the new law on science and research and the adoption of the first smart specialisation strategy, although an action plan for the strategy has yet to be adopted. A new funding mechanism, the Science Fund, was established, bringing more competitive approach into the national system. National open science and open access initiatives are well underway. The Strategy for the Development of Artificial Intelligence for 2020-2025 was adopted in December 2019 and an action plan for its implementation is being developed. In the 2020 European innovation scoreboard Serbia is listed as a moderate innovator, with an increase in performance of 13.3%. Work on developing a new research and innovation strategy for the next 7-year period and a roadmap on science, technology and innovation – based on the smart specialisation strategy – has started. The national level of investment in research further increased for 8% compared to the year before, but remains low at 0.92% of GDP with only one third of this amount coming from the private sector.

Regarding the **EU framework programme** and international cooperation, Serbia continues to be active and successful in Horizon 2020 as well as in EUREKA and the European Organisation for cooperation in science and technology (COST). In March 2019, Serbia joined CERN, the European organisation for nuclear research and the European Social Survey ESFRI research infrastructure.

In Horizon 2020, Serbian entities have participated 503 times to 350 signed grants of collaborative, Marie Skłodowska-Curie (MSCA), European Research Council (ERC) and SME Instrument actions. Serbia received EUR 113.1 million of direct EU contributions and reached a success rate of 11.6% as compared to 12% of the overall Horizon 2020 programme.

With regard to measures for the **Innovation Union**, the Serbian Innovation Fund and the Science and Technology Park Belgrade continues to be active with increased contributions from the budget. In addition to the call published in April for innovative projects combating the effects of the COVID-19 pandemic, the Fund should provide additional grants for the same purpose in the future. As the private sector continues increasing its investment in research, the government needs to make more decisive steps to support cooperation between businesses and academia. In this regard, Serbia should actively implement the new smart specialisation strategy and ensure that its findings are incorporated into the new industrial strategy.

6.26. Chapter 26: Education and culture

The EU supports cooperation in education and culture through funding programmes and the coordination of Member State policy 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 remains at a **good level of preparation** in the area of education and culture. Overall, **good progress** was made on the implementation of last year's recommendations. Some progress was made in modernising the curricula and good progress was made in referencing the national qualifications framework (NQF) system with the European qualifications framework. Serbia took active part in the Erasmus+ programme as a programme country.

Serbia partially implemented recommendations from last year and should thus take further measures to:

- increase participation in early childhood education and care, in particular of children from disadvantaged backgrounds;
- make the institutional set-up of the NQF fully operational;
- ensure full compliance of the policy and institutional framework for quality assurance in higher education with the recommendations of the European Association for Quality Assurance in Higher Education.

In the area of **education and training**, the education strategy and its action plan are being implemented, albeit with delays, particularly in higher education. The student population has continued to decrease due to negative demographic trends and emigration. Enrolment and attainment rates in pre-university education remain high. However, still only half of children from aged between 6 months and 6.5 years attend formal early childhood education and care. The rate of early school leavers increased slightly to 6.8% in 2018 from 6.2% in the previous year. Lifelong learning participation slightly dropped to 4.1%, which is far below the national and EU targets (7% and 15% respectively). Teachers should be consistently supported in implementing the ongoing outcome-based curricular changes, particularly with regard to developing students' key competencies. Legal preconditions are set for the establishment of an education management information system, which is expected to improve significantly the monitoring and management of the education system.

The reform of the general secondary education curriculum continued, aiming to increase the take-up of general secondary education on the account of vocational education and training

(VET). Improving the relevance of VET needs to accelerate by modernising qualifications standards and abolishing the obsolete ones. The law on dual education is fully implemented as of the 2019/2020 school year. The national work-based learning model in VET should be further developed with a particular focus on setting up quality assurance and monitoring mechanisms. The employment rate of VET graduates (aged 20-34) remains low at 53.6%, significantly below the EU average of 76.8%. Efforts have been made to make the final examinations in primary education more efficient and secure. The introduction of final examinations in secondary education has been postponed for a year. The preparations for introducing the examinations need to be accelerated to meet the timeline.

The policy and institutional framework for quality assurance in higher education should be further strengthened, in particular in terms of transparency. In February 2020, the European Association for Quality Assurance in Higher Education (ENQA) suspended the membership of the Serbian National Accreditation Body (NEAQA). This was due to insufficient compliance with the principles of quality assurance set in the European Standards and Guidelines for Quality Assurance in the European Higher Education Area. The decision was taken after a two-year suspension during which the NEAQA failed to implement the ENQA's recommendations on better governance and quality assurance principles. The NEAQA may re-apply for renewed membership in 2022. Vocational colleges are being integrated into vocational academies, with the aim of achieving a higher level of operational efficiency and transparency. The attainment of tertiary level qualifications for persons aged 30-34 is slowly increasing, reaching 32.8% in 2018, below the EU target of at least 40%. Education remains a high-risk sector for corruption, especially higher education. Serbian NQF was referenced with the EQF in February 2020. The NQF institutional set-up should be further strengthened to make the system fully operational, including the functioning of sector skills councils. First qualification standards are being published and communicated to the end users. The system of validation of non-formal and informal learning is yet to be piloted and institutionalised.

In the area of gender equality, further efforts are needed to enrich teaching materials with gender-relevant content that would promote discussion and encourage students to take a critical stance towards the structural foundations of gender relations.

Some progress was made in increasing the participation of disadvantaged students in all levels of education. This was achieved by, among other targeted measures, an increase in scholarships for exceptional and low-achieving students, affirmative actions, and an increase in the number of pedagogical assistants. However, the implementation of measures for reducing dropout rates and segregation needs to be strengthened, especially at local level. The rulebook for teaching and andragogic assistants was adopted, as a step towards regulating the conditions for their engagement. Activities have been stepped up to combat discrimination and violence in schools.

Education institutions were closed in mid-March due to the COVID-19 pandemic. Distance learning for pre-university students, including VET, was organised via national and local TV broadcasters. Schools were prompted to maintain the learning process, primarily by means of digital tools. Rulebooks on assessment were adapted to enable more flexible assessment of students' achievement. Further efforts are needed to compensate for the learning gaps caused by digital exclusion in this period, in particular among disadvantaged students.

Serbia's results in the OECD's 2018 programme for international student assessment (PISA) indicate that over one third of 15-year olds are considered functionally illiterate in reading, mathematics and science. This proportion is much higher among 3-year VET students and totals 80%. Serbia will take part in 2019 TIMSS and 2021 PIRLS assessments. Based on the data from external evaluation of pre-university institutions, close to 30% of all primary and

secondary schools in Serbia do not meet sufficient quality standards. A new cycle of external evaluation was launched, based on a revised external evaluation framework.

Serbia was granted the status of a programme country in the Erasmus+ programme in 2019. Serbia continued to participate successfully in the programme with 7 800 outgoing mobilities of students and staff and 4 500 incoming mobilities since 2015. In addition, 45 capacity building projects are currently being implemented in the field of higher education, 29 of which have Serbian coordinators. Serbia is successfully implementing the sports component of the programme, where relevant organisations coordinate eight projects and are partners in 34 projects. Serbia actively joined the fifth edition of European Week of Sport (23-30 September 2019). Serbia benefited from EU funding based on the same rules as EU Member States.

In the area of **culture**, Serbia recognises the importance of culture and cultural diversity, and identified creative industries as a sector with potential for economic development and connectivity. The work of the Council for creative industries, established by the Prime Minister's Office continues. In 2019, Serbia launched a national and international communication campaign 'Serbia creates', to bolster Serbia's image as a place where creative industries can flourish.

Budget amendments to overcome the economic impacts of the COVID-19 pandemic considerably reduced the budget allocated to culture and managed by the Ministry of Culture and Information, initially stable compared to 2019. While creative industries are eligible to the measures for economic recovery, this is not the case of the whole cultural sector, which was deeply impacted by the crisis. The activities related to the Novi Sad European Capital of Culture in 2021 have been postponed until 2022.

Serbia is implementing measures under the UNESCO Convention on the protection and promotion of the diversity of cultural expression.

Serbia is participating in the Creative Europe programme, which is well promoted and supported by the Ministry. Serbian cultural organisations are successful in all streams of the programme.

In March 2020, the Belgrade Fortress and its surrounding were placed on the list of the seven Most Endangered moments and heritage sites in Europe in 2020 by Europa Nostra.

The **youth** strategy action plan 2018-2020 is being implemented. The number of youth policy coordination mechanisms at the local level has increased, and they should be further strengthened. A number of local youth action plans has expired and should be adopted anew. An increasing number of young and skilled people are emigrating. The unemployment and inactivity rates among young people remain high.

6.27. Chapter 27: Environment and climate change

The EU promotes strong climate action, sustainable development and protection of the environment. EU law contains 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 **limited progress** in the past year, mainly on strategic planning.

The 2019 recommendations remain valid. Serbia should considerably step up ambitions towards a green transition and continue focusing on:

- enhancing administrative and financial capacity of the public central and local administration authorities, in particular the Environmental Protection Agency and environmental inspectorates, earmarking and utilising income from environmental fees for environmental purposes, building an effective institutional set-up to manage environmental investments and further improving inter-institutional coordination, in particular between central and local levels;
- intensifying implementation and enforcement work, such as closing non-compliant landfills, investing in waste reduction, separation and recycling, reinforcing air quality monitoring, advancing river basin management and preparing for Natura 2000;
- implementing the Paris Agreement, including by adopting a comprehensive climate strategy and law, consistent with the EU 2030 framework for climate and energy policies and well integrated into all relevant sectors, and developing a National Energy and Climate Plan in line with Energy Community obligations.

Environment

Following intensive preparatory work, Serbia submitted its negotiating position for chapter 27 in January 2020 to the Council. Some 4 years after its creation, Serbia's green fund has yet to become fully operational. Its 2019 financial allocations were not fully used. Its 2020 budget was reduced by 25% to address needs arisen from the COVID-19 crisis. Income generated from environmental fees is not earmarked for environmental purposes. This leads to a diversion of funds for other purposes. Serbia needs an effective institutional set-up to manage environmental investments, which need to increase much faster than previously. The investment plan needs to be turned into an investment programme, targeting projects with the highest environmental impact. Investment decisions need to be based on feasibility studies and technical designs in line with EU best practices and transparent competitive procurement procedures, ensuring best value for money.

In the area of **horizontal legislation**, Serbia has a high level of alignment with the EU *acquis*. Overall, Serbia needs to improve its administrative capacities at central and local level, including inspectorates, to draft legislation, give adequate time for legislative consultations and carry out qualitative public consultations, particularly at local level. Legislation on environmental impact assessment needs to be further aligned and its implementation strengthened. The non-compliance of environment impact assessment (EIA) legislation with other laws, especially with the law on planning and construction according to which the impact assessment is carried out after the issuance of the construction permit, needs to be urgently addressed. Strategic environmental assessments need to be carried out for plans and programmes from all relevant policy areas, not only the environment. Some progress can be reported on the implementation of the INSPIRE Directive. Strengthening the capacities of the judiciary and the environmental inspectorate and establishing a track record on implementing the Environmental Crime Directive remain priorities. Serbia needs to improve the implementation of the polluter pays principle, for example by strengthening capacities at local level to collect environmental fees.

In the field of **air quality**, Serbia has a good level of alignment with the EU *acquis*. However, Serbia needs to speed up implementation of legislation and air quality plans. While an air quality monitoring network is in place and is being extended, and real-time data are available, the monitoring of air quality still needs to be considerably strengthened. Serbia's annual air quality report for 2018 lists 11 agglomerations with air pollution above the limits: Belgrade, Subotica, Pančevo, Užice, Smederevo, Kosjeric, Valjevo, Kraljevo, Sremska Mitrovica, Kragujevac and Niš. Five of these cities do not have air quality management plans in place. Pollution induced by the Kostolac B thermal power plant needs to be addressed as a priority. Alignment with EU legislation on volatile organic compound emissions needs to continue.

Regarding **waste management**, Serbia has a good level of alignment with the EU *acquis*, however the implementation remains at an early stage. In 2019, Serbia adopted a number of regulations and rulebooks, for example, on pharmaceutical and medical waste. Serbia also developed a national waste management strategy and a national sludge management strategy, which are currently in the adoption process. The by-law on treatment of the equipment and waste containing PCB, currently in the adoption procedure, will fully transpose the relevant EU directive. Serbia proceeded with the permanent disposal of historic hazardous waste. Additional economic instruments for special waste streams need to be developed. The proportion of recycled waste in overall waste management is still low, e.g. 3% for municipal waste. Serbia needs to redouble efforts to close its non-compliant landfills and invest in waste reduction, separation and recycling. The remediation of the Belgrade landfill and the construction of a waste to energy facility are expected to start in 2020.

The level of alignment with the EU *acquis* on **water quality** is moderate. Work on an action plan for implementing the water management strategy has not progressed. Untreated sewage and wastewaters are still the main source of water pollution. Non-compliance with water quality standards remains a big concern in some areas, such as that on arsenic. Serbia needs to make significant efforts to align further its legislation with the EU *acquis*, and to strengthen administrative capacity, in particular for monitoring, enforcement and inter-institutional coordination. Work on the river basin management plan is progressing slowly. Improving local governance, in particular for operating and maintaining water and wastewater facilities, remains a priority. Work on adequate water fees and tariffs is at an early stage. Lack of human and financial resources and data availability hinder the development of flood hazard and flood risk maps for all relevant areas.

Alignment with the EU *acquis* in the field of **nature protection**, in particular with the Habitats and Birds Directive, remains moderate. Serbia has still not addressed gaps in transposition, allowing hunting of non-huntable birds, especially the goshawk and the turtle dove. Serbia needs to fully incorporate EU standards on prohibited means of capturing and killing wild animals throughout its entire legislation, including in legislation on hunting. Progress on establishing Natura 2000 sites is slow. Institutional and human resource capacities at national and local level remain weak, in particular as regards enforcement, and wildlife trade. Any further development of hydropower should be in line with EU environmental legislation, including environmental impact assessments with proper public consultations, nature protection and water management legislation.

As regards **industrial pollution and risk management**, alignment with most of the EU *acquis* is at an early stage, including on the Industrial Emissions Directive. In January 2020, Serbia adopted its long-awaited national emission reduction plan. Serbia also established a database strengthening the monitoring on Seveso III operators. However, persistent administrative capacity constraints continue to hamper progress in implementation across the industrial sector. Inspection and law enforcement remain areas of concern. Serbia needs to increase capacities for managing the integrated permitting processes.

Serbia has a high level of alignment with the EU *acquis* on **chemicals**. In 2019, Serbia opened an online platform for registering biocidal products. During the reporting period, there was neither progress on REACH and CLP Regulations, nor on the alignment with the *acquis* on animal experiments, asbestos or biocides. Serbia needs to boost its administrative capacity to implement legislation in these areas, and ensure proper monitoring of persistent organic pollutants.

Serbia's level of alignment with EU rules on **noise** is good, but their implementation remains at an early stage. Serbia needs to build administrative capacity for drafting strategic noise maps and action plans. A noise map for Niš was completed during the reporting period.

Serbia is moderately prepared as regards **civil protection**. Serbia has a strategic framework in place, which is in line with the Sendai framework for disaster risk reduction. It consists of a law on disaster risk reduction and emergency management and a national disaster risk management programme and action plan for 2017-2020. Serbia needs to develop a strategy for disaster risk reduction. Serbia also carried out a national disaster risk assessment. Work on local risk assessments and protection and rescue plans is ongoing. More focus on multi-hazard risk assessments is needed. The COVID-19 pandemic highlighted the need to strengthen the legal framework and institutional capacities as well as human and financial resources of civil protection authorities also with regard to health emergencies. Serbia still needs to connect to the Common Emergency Communication and Information System (CECIS) - the main tool for crisis communication among members of the European Union Civil Protection Mechanism. Pre-condition for CECIS is the installation of Secure Trans European Services for Telematics between Administrations (sTESTA) in the country and designating the responsible ministry as an entry point. Serbia needs to ensure that the Niš Humanitarian Centre does not duplicate the role of the European Commission's Emergency Response Coordination Centre and does not contradict the conditions for its participation in the EU Civil Protection Mechanism.

Climate change

Serbia has some level of preparation on climate change, but implementation is at a very early stage. Developments during the reporting period largely came to a standstill, reflecting a lack of political consensus about the urgency to act. Serbia has still not adopted the climate law it had prepared in 2018. The adoption and implementation of a climate strategy and action plan, which is consistent with the EU 2030 framework for climate and energy policies and which addresses adaptation to climate change, is paramount for Serbia's future low carbon development. Serbia needs to do more to integrate climate action into other sectors.

Work on improving greenhouse gas inventories and updating Serbia's Nationally Determined Contribution to the Paris Agreement is progressing. However, the alignment of legislation on monitoring, reporting and verification of greenhouse gas emissions in line with the EU emissions trading system and Effort Sharing Regulation is pending. Serbia needs to considerably strengthen its administrative and technical capacity, in particular so it can implement, monitor and report on climate *acquis*. Awareness-raising activities need to be stepped up. Serbia needs to invest much more into the transition towards green energy, including upgrading outdated infrastructure in order to reduce pollution.

6.28. 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, patients' rights in cross-border healthcare, and serious cross-border health threats including communicable diseases, as well as medicines for human and veterinary use.

Serbia is **moderately prepared** in consumer and health protection. **Limited progress** was made on the chapter with the adoption of the 2019-2024 Consumer Protection Strategy and legal alignment relevant to cosmetics. However, the recommendations of the previous report have not been met and remain valid.

In the coming year, Serbia should in particular:

- strengthen the administrative capacity of relevant authorities for consumer protection, market surveillance and sanitary inspection;
- strengthen the overall managerial capacity, human resources and financial sustainability of the public health insurance fund;
- further align its legislation with the EU *acquis* on substances of human origin and on medicines for human use.

Concerning general aspects of **consumer protection**, the 2019-2024 consumer protection strategy was adopted in December 2019. The amended law on consumer protection aiming for further alignment with the EU *acquis* has yet to be adopted. The National Council for Consumer Protection, established to strengthen the system of consumer protection and cooperation between relevant institutions delivered no visible output. There were a total of 105 initiated collective redress cases based on consumer complaints conducted by the line ministry which, as part of its role, is tasked with initiating proceedings for the protection of collective interests of consumers. Out of these, 22 decisions on imposed legal measures concerning violation of collective interest of consumers and 18 corrective statements imposed on traders were put into effect, at the end of proceedings. There are 26 registered consumer organisations, and a registered list of 10 alternative dispute resolution bodies (ADRs), with the National Bank of Serbia serving as an ADR for financial institutions and the regulatory agency for electronic communications (RATEL) for disputes between subscribers and electronic communications operators or between consumers and postal operators. Out-of-court settlements are still voluntary for both consumers and traders. No general overview on initiated and concluded proceedings exists for all ADR bodies in charge of alternative consumer disputes, following the number of complaints filed by consumers.

Cooperation between ministries and consumer organisations improved while consumer protection organisations would benefit from further promotion of their work and activities.

The authorities' administrative capacity for consumer protection and the inspection services for consumer protection, product safety issues need strengthening. The institutional setting and protection of consumer protection rights and interests at the local government level has yet to be strengthened with the adoption of the amended law on consumer protection, which should also address unfair commercial practices, contract terms and vulnerable consumers.

Regarding **product safety-related issues**, the legislation was further aligned with the *acquis* on product safety as amendments to the Law on general product safety were adopted in October 2019. Alignment with the EU *acquis* on cosmetics was strengthened by the adoption of implementing legislation. Regarding market surveillance, the administrative capacities as regards sanitary inspection need strengthening. The Product Safety Council held a session in January 2020. In 2019 there were 26 332 consumer complaints and from January to June 2020 the number was 9 409. In 2019, the market surveillance authorities carried out 7 465 inspections and ordered 486 corrective and restrictive measures for 105 435 non-compliant or unsafe products. There is no data available on relevant initiated or resolved judiciary proceedings.

On **non-safety-related issues**, full compliance with the Directive 2015/2302 on package travel and linked travel arrangements is yet to be achieved, as Serbia has yet to adopt the law on consumer protection and transpose the directive through sectoral laws. Further alignment with the EU *acquis* regarding cooperation between national authorities responsible for enforcing consumer protection laws, multiannual consumer programmes, regulations on package travel, online resolutions of consumer disputes, and alternative resolution of consumer disputes has yet to be achieved.

From 1 March 2019 to 5 June 2020, in the capacity of an ADR in charge of financial institutions, NBS received a total of 4 639 cases, of which 2 483 complaints, 340 mediation requests and 1 816 questions. Concerning individual complaints, it issued seven decisions, ordering a financial service provider to eliminate irregularities imposing the fine simultaneously, three decisions ordering a financial service provider to eliminate irregularities without imposed fines and issued 12 fines to the financial service providers. The NBS resolved 21 mediation proceedings, which resulted in an agreement among parties. Pursuant to the Decision on advertising, the NBS fined three banks on advertising campaign irregularities, issued four letters of warning and two fines pursuant to the law on banks and one letter of warning to a bank concerning unfair contract terms. Moreover, the NBS fined three banks due to irregularities in their advertising campaign.

In the area of **public health**, legislation on healthcare 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 implemented, while the number of physicians leaving the country still remains high. The EU-funded centralised electronic health record system is still not used and compliance with EU health indicators is not yet ensured.

Tobacco control legislation is partly aligned with EU *acquis*, but the use of tobacco in public places is not aligned with EU standards. A strategy on tobacco control needs to be adopted and the implementation of pictorial warnings on cigarette packets, smoke-free environments and increases in the price of cigarettes is needed. There was a small increase in the percentage of smokers among women in the reporting period.

On **blood, tissues, cells and organs**, laws on the transplantation of cells and tissues, and on human organ transplantation were adopted, both designed to be fully aligned with the EU *acquis*. The implementation of these laws, expected to start in 2019 has not yet commenced. EU-level quality, safety standards and inspection services still need to be developed. The

overall administrative and technical capacity of the Directorate for Biomedicine to conduct oversight of the sector as the competent authority is still very limited.

On **serious cross-border health threats including communicable diseases**, the surveillance and response capacity remains limited and needs to be modernised. A centralised health information and communication system has yet to be implemented.

Harmonising Serbian legislation with the Directive on the application of patients' rights in **cross-border healthcare has yet to be completed**. An **e-health** unit at the Ministry of Health should be established to coordinate the complex activities involved in setting up a comprehensive health information system at all levels of care.

Regarding **communicable diseases**, attention needs to be given to effective, sustainable financing of disease-specific strategies, including the national HIV/AIDS strategy, and to raising awareness, particularly on the importance of child vaccination. Additional work is needed on surveillance of anti-microbial resistance, quality control, and standardisation of laboratories. The prescription of antibiotics needs to be strictly controlled to strengthen the fight against anti-microbial resistance.

In **response to the COVID-19** pandemic, Serbia applied measures foreseen by the law on population protection against infectious diseases and had aligned its actions with the recommendations of the World Health Organisation. In February 2020, the government established a high-level Crisis Team on health issues, led by the Prime Minister. Serbia declared a state of emergency on 15 March 2020, introducing strict curfew hours; closed schools, universities and banned public gatherings; deployed the army to assist civilian services; and shut down all non-essential government operations. A large number of businesses were closed. On 20 March 2020, all border crossings were closed for international air, road, and railway or waterway traffic. Exceptionally, authorisation was granted for reasons of humanitarian and national interest. Restrictive measures did not apply to transport of goods, medicine and medical equipment. All Serbian citizens entering the country were checked. Those with increased body temperature underwent immediate testing for the virus, others went into self-isolation for a period of 28 days. In the second part of April 2020, Serbia slowly started with a progressive relaxation of some measures. The state of emergency was lifted on 6 May and all preventive measures were abolished in the following days, with recommendations for personal responsibility of each individual to maintain physical distance, wear facial masks and exercise hand hygiene. This gave rise to an even greater increase in the number of cases in June, culminating in July, filling the hospitals to 100% capacity. However, the system managed to absorb this peak and the numbers decreased significantly in August, with application of prevention measures such as hand hygiene and mask wearing in closed places as well as bans on public gatherings of more than 10 persons.

Regarding the **capacity of the health system** in dealing with this crisis, the National Institute of Public Health 'Dr Milan Jovanovic Batut', in cooperation with the Ministry of Health and the relevant health institutions monitored the epidemiological status of the disease and informed the public, issuing guidelines and standard operating procedures to health institutions and to all entrance points into the country. The Belgrade University Clinic for Infectious and Tropical Diseases is the relevant referral institution for public health threats due to infectious agents, while other secondary and tertiary health institutions with their own infectious disease departments (a total of 41 general hospitals and 8 clinical centres) and a network of 25 institutes of public health monitored the public health situation in the country on a daily basis. As the epidemic struck, many hospitals were pronounced exclusive COVID-19 facilities, treating only those infected with SARS-Cov-2. In primary health care, 158 municipal health care centres were tasked with primary prevention, and temporary COVID-19

clinics were set up in each of them with examination and testing facilities for all citizens. A number of temporary health care facilities were set up by the Army Forces in fairgrounds and sports halls throughout the country hosting more than 1 650 people at the peak of the epidemic.

However, the system still suffers a **lack of resources on all levels** and a constant outflow of professional workforce. Although the counter-epidemic measures implemented by the government were well-devised, weaknesses of the existing system became evident. Serbia lacked resources in terms of personal protection equipment and medical equipment, medical expertise, and laboratory testing capacities as well as data processing and contact tracing. This led to a large number of medical personnel testing positive for the virus (9% of the staff). Strong Government efforts directed at alleviating these shortages toward the seventh week of the outbreak in the country by numerous procurements of equipment and employment of 2 500 new healthcare personnel during March/April, had favourable results.

As part of its global response to the pandemic, the EU has allocated EUR 15 million to Serbia for **immediate needs** such as the procurement and aerial cargo transport of medical equipment, the support to vulnerable groups in society, and exceptionally, the hiring of 200 extra medical workers for the second half of 2020 to alleviate the pressure on medical personnel.

The **European Centre for Disease Prevention and Control** (ECDC) shares all its COVID-19 related guidance and assessments with Serbia. The ECDC focal point in Serbia was active before the start of the epidemic and prompt reporting on the state of affairs took place daily using this channel along with regular reporting on the outbreak to the WHO in accordance with the International Health Regulations.

The EU invited Western Balkan partners to join its **Joint Procurement Agreement** to procure medical countermeasures. Serbia signed the agreement on 21 April 2020 and nominated representatives for the Steering Committee. A ratification is still pending due to the emergency state thereby rendering Serbia in observer status.

Serbia is an observing member of the **EU Health Committee** since 2017. The European Commission offered Serbia access to the **Early Warning and Response System** for all information related to the COVID-19 outbreak and Serbia nominated its representatives to access the system. Serbian national reference laboratories received positive control material for COVID-19 tests from the EU's Joint Research Centre.

The Joint Research Centre requested data from Serbia for its worldwide **data collection system** on COVID-19. Serbia nominated a contact point for the JRC and an exchange of data needs to follow swiftly.

Health promotion regarding **non-communicable diseases** is still not at an advanced level. **Cancer screening** for colorectal, breast and cervical cancers slowly is progressing but in many regions of the country is still only sporadic and is not performed in a systematic manner. The cancer register is maintained by the National Institute for Radiology and Oncology.

There is still a need to develop community-based **mental health** services and progress needs to be made regarding **nutrition and physical activity**.

There were no developments on **medicines for human and veterinary use**, or on maximum sale price criteria for medicines. There was also no progress on preventing **drug abuse**. Regarding the prevention of harmful use of alcohol, a national programme to reduce the harmful effects of alcohol and alcohol-induced disorders has been adopted.

On **cosmetics**, the law on products of general use was adopted in April 2019, which aims at aligning with the EU *acquis*.

On **health inequalities**, access to healthcare services needs to be improved for people with disabilities, people living with HIV, children and adults who use drugs, prisoners, women involved in prostitution, LGBTI people, internally displaced persons and the Roma.

Serbian legislation on pricing of **medicinal products** has yet to be aligned to the EU *acquis*.

6.29. 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, adequate implementing and enforcement capacity, and access to the common computerised customs systems.

Serbia is at a **good level of preparation** in the area of customs union. **Limited progress** was made on the adoption of several by-laws to the customs law and to the law on customs services. However, further efforts are needed to fully address last years' recommendations, which therefore remain valid.

In the coming year, Serbia should in particular:

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

Serbia's **customs legislation** remains largely aligned with the EU *acquis*. The customs law and the law on customs service, adopted in December 2018, entered into force in June 2019. Related implementing legislation, aimed at further alignment with the EU *acquis*, has been adopted, including that on duty relief in April 2019. Serbia also took a number of measures to align with the EU *acquis* on drug precursors.

Serbia is a party to the Common Transit Convention, applying EU rules on transit movements. Rules on customs enforcement of intellectual property rights remain broadly in line with the EU *acquis*. The Regional Convention on Pan-Euro-Mediterranean preferential rules of origin is applied in Serbia. Serbia's customs tariff nomenclature for 2019 was harmonised with the EU combined nomenclature, while legislation to align with the nomenclature for 2020 was adopted in December 2019.

Legislation on cultural goods, free zones, and security aspects still needs to be aligned with the EU *acquis*. Fees are still charged on lorries entering customs terminals to discharge customs obligations, which is not in line with the SAA obligations.

Concerning **administrative and operational capacity**, customs duty collection increased by 10.8% in 2019. The customs administration's development plan for customs e-systems was adopted in February 2020, aiming to ensure integration with the EU system. The 2020-2024 customs administration's business plan was also adopted in February.

Work is also ongoing on strengthening the risk management system. It is important that Serbia carries out pre-arrival/pre-departure risk-based analysis including food-safety checks consistently and across the board, and in harmonisation with the EU Customs Code. Despite ongoing work, the customs laboratory remains under-equipped.

In terms of fight against tobacco smuggling, Serbia is a party to the Protocol to Eliminate Illicit Trade in Tobacco Products since 2017, but the information on the implementation of the Protocol is still pending. Additional measures are needed to further strengthen the administrative capacity for tobacco control.

In the context of the outbreak of the **COVID-19 pandemic**, seven border crossings with neighboring countries were designated as ‘green lane’ border crossings to ensure the smooth and prioritised passage of essential goods. The initiative follows a proposal by the CEFTA Secretariat and the Secretariat of the Transport Community of 25 March 2020, based on the European Commission Communication of 23 March 2020. The green lane border crossings include 24/7 operations, including phytosanitary procedures, and electronic pre-arrival information through the System of Electronic Exchange of Data (SEED). The introduction of green lanes proved to be efficient as difficulties and long waiting hours experienced at border crossings in the early stages of the pandemic were reduced to below the target of 12 hours, although still exceeding the European Commission’s recommended limit of 15 minutes.

6.30. Chapter 30: External relations

The EU has a common trade and commercial policy towards third countries, based on multilateral and bilateral agreements and autonomous measures. There are also EU rules in the field of humanitarian aid and development policy.

Serbia remains **moderately prepared** in the area of external relations. **Some progress** was made on the 2019 recommendation concerning the Regional Economic Area (REA) as Serbia started with the implementation of CEFTA Additional Protocol (AP) 5 on Trade Facilitation and ratified CEFTA AP 6 on Trade in Services. The capacity to pursue key challenges in trade policy needs to be strengthened further. The 2019 recommendation on World Trade Organisation (WTO) accession remains valid.

In the coming year, Serbia should in particular:

- complete accession to the WTO by adopting an amended law on genetically modified organisms and complete remaining bilateral market access negotiations;
- further strengthen the administrative capacity of the Ministry of Trade, Tourism and Telecommunications for handling trade with the EU, CEFTA and WTO accession;
- implement actions under the multiannual action plan for the development of REA, in particular: ensure the full implementation of CEFTA AP 5 on Trade Facilitation; implement CEFTA AP 6 on Trade in Services; negotiate and conclude CEFTA AP 7 on Dispute Settlement; and adopt regional standards for International Investment Agreements and pursue the implementation of the individual reform action plan on investment.

As regards **common commercial policy**, no progress was made on Serbia’s accession to the WTO. The possibility of Serbia becoming a member of the WTO depends on the adoption of a modified law on trade with genetically modified organisms, and on the completion of market access negotiations with a small number of WTO members.

In October 2019, Serbia submitted a draft action plan for its remaining legislative alignment under chapter 30. The amendments to the law on **dual use goods** entered into force in November 2019. With this, Serbia abolished import control of dual use items while retaining export controls in accordance with the relevant EU legislation. In April 2019, Serbia adopted the national control list of dual-use goods aimed at fully aligning with the EU’s 2018 Regulation on setting up a Community regime for the control of exports, transfer, brokering and transit of dual-use items. The national control list of **arms and military equipment**, aligned with the Common Military List, was adopted in May 2019. Serbia’s 2009 application to join the Wassenaar Arrangement is still under consideration, as well as the 2017 application to the Australia Group. Serbia is not a signatory of the Kimberly process on conflict diamonds.

Concerning administrative and operational capacity within the Ministry of Trade, Tourism and Telecommunications, work continued to build up the Ministry's capacity particularly in the CEFTA unit. However, the administrative capacity of units in charge of trade with the EU and WTO accession has yet to be further strengthened. Units responsible for export controls would also benefit from additional human resources and an upgrade of adequate equipment. The upgrade of software solutions enabling the relevant licenses to be issued electronically in order to replace paperwork is expected by 2025. Further work has yet to be done to improve the capacity of the administration to collect market statistics through the work of the coordination body.

Serbia continued its participation in CEFTA. The ongoing efforts in implementing AP 5 should continue, in particular based on the decisions of the CEFTA Joint Committee on authorised economic operators, fruits and vegetables, and risk management strategy for customs. Serbia ratified AP 6 on Trade in Service in February 2020 and should now proceed with its implementation. With regard to AP 7 on Dispute Settlement, Serbia appointed a negotiation team; Serbia's constructive role would be important for ensuring the completion of negotiations in 2020.

Regarding **bilateral agreements with third countries**, Serbia signed a free trade agreement (FTA) with the Eurasian Economic Union (EAEU) on 25 October 2019. The agreement was ratified in February 2020 but will enter into force only once ratified by all parties. Serbia had pre-existing FTAs with three members of the EAEU (Russia, Belarus and Kazakhstan), thus expanding the agreement only to Armenia and Kyrgyzstan. The scope of the agreement is widened through minimally extended tariff concessions on goods, an annex on rules of origin and new provisions on dispute settlement. The FTA includes an exit clause, which guarantees that Serbia can denounce the agreement upon accession to the EU. The negotiations of a free trade agreement with Ukraine are ongoing. Since December 2018, negotiations are also ongoing on a Bilateral Investment Treaty with South Korea.

Talks on a future trade agreement with the UK were initiated in 2019. A decision on the type and scope of the agreement is still pending. As for all investment and trade agreements, it is important that Serbia ensures compatibility with the EU *acquis* and includes a sunset clause allowing it to denounce the agreement upon accession to the EU. Serbia should also develop a strategy for amending or terminating existing bilateral investment agreements that fail short of EU standards and expose the country to risks due to the broad and open language used.

No substantial progress was made on **development policy** and **humanitarian aid**. A new law on development cooperation and humanitarian aid is being prepared. Development assistance and humanitarian aid is granted on *an ad hoc* basis. Serbia participates in the EU Civil Protection Mechanism.

As a response to market disruptions related to the outbreak of the COVID-19 pandemic, a temporary (30 days) export ban, later extended, was introduced on 15 March 2020 for basic food products (including white flour, salt, bread, milk, sunflower oil, yeast), personal protective equipment, and medicines. The list, initially covering 36 products, was updated on a regular basis to adapt to developments on the market and the overall situation. At most, 56 products were included in the list. The export ban was lifted on a product-by-product basis and was fully lifted on 7 May 2020, following the end of the state of emergency.

6.31. Chapter 31: Foreign, security and defence policy

Member States must be able to conduct political dialogue under the foreign, security and defence policy, to align with EU statements, to take part in EU actions and to apply agreed sanctions and restrictive measures.

Serbia is **moderately prepared** in this area. **Some progress** was made as the country's Parliament adopted new security and defence strategies but during the reporting period Serbia's CFSP alignment patterns remained largely unchanged. A number of statements and pledges were made by high-level officials which went contrary to EU positions on foreign policy. In 2019 Serbia's alignment rate with relevant High Representative declarations on behalf of the EU and Council Decisions was 60%. Serbia continued to participate in EU crisis management missions and operations under the common security and defence policy.

In the coming year, Serbia should in particular:

- improve its alignment with EU Common Foreign and Security Policy;
- implement the national security and defence strategies and adopt the related action plans in a manner fully reflecting Serbia's EU orientation in these areas.

The **political dialogue** between the EU and Serbia on foreign and security policy issues continued, and the third Common Foreign and Security Policy (CFSP)/Common Security and Defence Policy (CSDP) informal political dialogue was held in Belgrade in November 2019. Serbia also regularly participated in the EU-Western Balkans informal political dialogue meetings. Parliament adopted new national security and defence strategies, which have evolved compared to the previous versions, in particular by references to EU accession, the EU Global Strategy and the CFSP. Action plans for their implementation are in preparation. When implementing these strategies, Serbia should move towards a policy based on the EU's guiding principles for international action, in line with Serbia's strategic goal of EU membership.

(See Political criteria - Regional issues and international obligations for more information on developments in bilateral relations with other enlargement countries and EU Member States).

The institutional framework enabling Serbia's participation in the CFSP and CSDP is in place.

On the **Common Foreign and Security Policy** (CFSP), Serbia continued to endorse the Global Strategy for the European Union's foreign and security policy. In 2019, Serbia's alignment rate with relevant High Representative declarations on behalf of the EU and Council Decisions was 60%. Serbia has not aligned with the EU restrictive measures related, *inter alia*, to Russia, Venezuela, Myanmar and Iran. In 2019 and 2020 Serbia has also not aligned, *inter alia*, with seven HRVP declarations on behalf of the EU on Hong Kong, with the HRVP Declaration calling to promote and conduct responsible behaviour in cyberspace and with the HRVP declaration on Russia listing the European Endowment for Democracy as an "undesirable organisation". While Serbia has not aligned with restrictive measures related to Belarus, in 2020 it has aligned with the HRVP declaration on the presidential elections in Belarus and with the HRVP declaration on the escalation of violence and intimidation against members of the Coordination Council. Serbia needs, as a matter of priority, to make additional efforts regarding its alignment with the EU CFSP.

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.

Serbia continued to develop intensive relations and strategic partnerships with a number of countries worldwide, including Russia, China and the US. Frequent high-level contacts and regular bilateral visits with Russia were maintained as well as military technical cooperation, including joint military drills (also together with Belarus), and arms trade arrangements.

However, on 9 September 2020 Serbia announced that it would freeze its participation in international military cooperation activities, including military drills, for 6 months. Russia delivered a battery of Pantsir-S1 air defence missile systems to Serbia in February and March 2020. Serbia continued to further strengthen its economic, political and security relations with China, including through major joint infrastructure and greenfield projects, joint drills of special police units, procurement of substantial video-surveillance equipment and arms and security systems purchases. Moreover, assistance provided by China at the start of the COVID-19 outbreak in Serbia was particularly emphasised by Serbia's political leadership and a high-level government official publicly praised Chinese policies in Xinjiang. The President of Serbia visited Russia in December 2019 and June 2020. Russian Prime Minister Medvedev visited Serbia in October 2019 and Foreign Minister Lavrov visited Serbia on the eve of the June 2020 elections. The Serbian President visited China in April 2019 and the Serbian Prime Minister paid a visit in November 2019. The President of Serbia pledged to move the Serbian embassy in Israel to Jerusalem by July 2021.

Serbia supported EU measures and documents on **conflict prevention**.

Serbia has joined almost all major **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 aligned itself with Common Position 2008/944 on common rules governing arms exports. It 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 also remained actively engaged in the implementation of the 2018 Regional Roadmap for a sustainable solution to the illegal possession, misuse and trafficking of small arms and light weapons and their ammunition in the Western Balkans and adopted a strategy and a national action plan in June 2019. The process for collecting and destroying illegally-possessed weapons and ammunition continues. Serbia's 2009 application to join the Wassenaar Arrangement is still pending. In the reporting period Serbia did not align itself with the EU statements in the OPCW. Serbia also did not align itself with a number of EU statements in the UN First Committee in New York.

Serbia continued to engage actively with **international organisations**. Serbia maintained its policy of military neutrality but cooperation and intense contacts with NATO continued. A second Individual Partnership Action Plan (2019-2021) was adopted. Serbia continued taking part in joint military exercises with the US and NATO.

Serbia's Deputy Speaker took part in meetings of the Collective Security Treaty Organisation (CSTO) Parliamentary Assembly, in which the Serbian Parliament has observer status, in May 2019 and June 2020. Cooperation with the CSTO is included in the country's new security and defence strategies.

Serbia continued implementing its agreement with the EU on **security procedures** for exchanging and protecting classified information.

The Serbian defence budget in 2019 increased by almost 30% compared to 2018.

Serbia continued to actively participate in **crisis management missions and operations under the Common Security and Defence Policy (CSDP)**, notably the EU training missions in Mali, Central African Republic and Somalia, and EU NAVFOR Atalanta. Serbia intends to contribute to civilian CSDP missions and operations, but it needs to finalise the legal and administrative framework to allow for the participation of civilian personnel. Serbia continued to participate in the roster of the EU Battle Groups. Serbia also continued to participate in UN peacekeeping missions.

6.32. 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 the euro against counterfeiting.

Serbia is **moderately prepared** in this chapter, with **good progress** made in the reporting period. The Commission's recommendations from 2019 were largely implemented, in particular the pilot projects on managerial accountability and initiation of quality reviews on internal controls.

However, further efforts are needed to embed managerial accountability in the administrative culture and to strengthen the functioning of internal control and internal audit. The timely implementation of external audit recommendations needs to be further improved.

In the coming period, Serbia should in particular:

- prepare and adopt a new medium-term approach on PIFC with specific focus on the implementation of managerial accountability, ensuring coherence with the Law on Planning System;
- ensure the adoption and implementation of the guidelines developed on the basis of lessons learned from 2019 pilot projects on managerial accountability, improving, thus, the functioning and effectiveness of internal control systems;
- conduct a comprehensive mapping of the national inspection environment and define a clear system for detecting and handling irregularities, both for EU funds and for the national budget.

Public internal financial control (PIFC)

The **strategic framework** for PIFC is broadly in place and being implemented but it will expire by the end of 2020. A new approach for PIFC focusing on the period beyond 2020 needs to be developed ensuring coherence with the public administration reform strategy and public financial management reform programme, in line with the Law on Planning System. Effective coordination, monitoring and reporting of the related reforms need to be ensured (*see under Public administration reform*).

In the reporting period, the focus was on operationalising the principle of **managerial accountability** through the implementation pilot projects in four ministries. A financial management and control rulebook was adopted in December 2019 and methodological guidance on delegation of decision-making and performance management is being updated. Further efforts are needed to fully embed managerial accountability in the administrative culture of the public sector. The continued weaknesses in lines of accountability between independent bodies and their parent institutions need be addressed as part of ongoing public administration reform efforts (*see Public administration reform*). Given the fundamental necessity of having objectives linked to resources, all the Ministry of Finance should be part of the action for the implementation of managerial accountability.

The legal framework for **internal control** is broadly in line with the internal control framework of the Committee of Sponsoring Organisations. However the capacities to implement internal control standards, including risk management have to be further enhanced at both central and local government and better accepted in the administrative culture of the public sector. An obligation for heads of institutions using public funds to sign an annual statement on the status of their internal control systems has been introduced. The Ministry of

Finance has a centralised budget inspection function, which needs to be strengthened with a view to having a clear mapping of the entire national inspection environment.

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 sufficient number of auditors. Most central institutions carry out audits according to strategic and annual audit plans. The timely implementation of internal audit recommendations needs to be improved and the quality assurance of internal audit further developed.

The **Central Harmonisation Unit (CHU)** has continued to focus on system development and dissemination of methodological guidance. It has continued to conduct internal audit quality reviews and has initiated internal control quality reviews. The quality of the CHU annual report on the state of PIFC implementation is improving. In addition to recommendations on systemic weaknesses, it now contains relevant State Audit Institution (SAI) recommendations and follows up on the recommendations from the previous period. The Government included, for the first time, mandatory instructions to ministries to act upon recommendations provided in the 2018 consolidated annual report which was adopted in September 2019.

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 Organisation of Supreme Audit Institutions (INTOSAI). The SAI's financial independence was respected during the 2020 budget approval process.

The SAI has currently 305 staff, including 268 audit staff, out of a planned number of 431 posts. 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, economic offence and criminal charges against individuals which it drains its resources and affects its capacity to undertake its core audit task. The appropriateness of this requirement in 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 continuously improving with the support of the dedicated sector for audit methodology and quality control. Due to optimisation of its organisational structure and an ongoing effort to increase performance audits, the SAI has significantly stepped up its performance audit capacity and has carried out 12 performance audits in 2019, compared to two in 2018. Since 2019, responses to the audit reports and post-audit reports are published at SAI's website.

The SAI has continued to increase the **impact of its audit work** by improving cooperation with stakeholders and by increasing its communication with the media. For the first time since its establishment, SAI's activity report was not only discussed in the relevant parliamentary committee, but also in the plenary in June 2019. Consequently, the National Assembly adopted a conclusion recommending the government to act within its powers to ensure the implementation of SAI recommendations.

Protection of the EU's financial interests

Serbia has achieved a high degree of **acquis alignment**, but full harmonisation 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. Serbia is implementing the 2017-2020 national anti-fraud strategy to protect the EU's financial interests. The **anti-fraud coordination service (AFCOS)** in the Ministry of Finance has six employees, even though the planned number of staff is 10. During

2019, the AFCOS conducted 18 administrative checks, compared to a total of 15 since 2015. This resulted in the termination of eight contracts and requests for reimbursement of improperly spent funds. Serbia **cooperates with the European Commission** during investigations and it reports on irregularities and suspected fraud cases. Since 2012, Serbia has reported 36 cases via an online irregularity management system, including nine cases in 2019. Serbia needs to keep up 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 **acquis alignment**. The **technical analysis** is carried out by the National Bank of Serbia. It provides specialised training programmes for licenced entities, which are authenticating euro coins and which have been processing euro denominated banknotes since 1 January 2020. 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. Serbia continues to take part in the Pericles 2020 programme.

6.33. 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; and (iii) 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** concerning the specific administrative conditions for own resources. The group for the coordination and management of the EU's own resources is operational. **Some progress** was made in terms of preparatory work for the implementation of the previous report's recommendations and within the underlying policy areas affecting the correct functioning of the own resources system.

The previous report's recommendations remain largely valid also for the coming period. Serbia should in particular:

- take further steps to strengthen the administrative capacity of the coordination group and institutions involved in the own resources system;
- develop the organisational and procedural links between these institutions;
- step up preparations to meet the specific administrative conditions for own resources, as laid down in the own resources regulations.

There was some 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 remains largely aligned with the EU *acquis*. The customs law and the law on customs service adopted in December 2018 entered into force in June 2019. Serbia's Customs Administration has procedures in place to ensure that cases of fraud and irregularities are reported to the national authorities. However, reporting is manual and it remains to be seen whether the national reporting can serve OWNRES purposes. Customs continued the simulation of TOR accounts in 2019. Control of activities is carried out by several departments in the customs administration, including its internal audit department, as well as the external audit carried out by the SAI.

As regards the **value added tax (VAT)-based resource**, Serbia continued to further align the national VAT system with EU rules. Sufficient data sources are available for the calculation of the Weighted Average Rate, 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). In 2018 and 2019, Serbia has conducted a major revision of gross domestic product (GDP) data including a whole series of methodological improvements. Serbia made further efforts to improve the exhaustiveness of the national accounts and the gross national income (GNI) calculations. The GNI estimates include those of the non-observed economy. VAT fraud is not yet estimated. The results of tax audits are not yet used to improve the exhaustiveness of the national accounts.. The Statistical Office continuously improves its methods and data sources and regularly transmit GNI and Gross Domestic Product (GDP) data to Eurostat. Serbia is recommended, based on the already existing description of sources and methods used to compile National Accounts, to start drafting the GNI Inventory.

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 needs to be better staffed (currently it has only one employee) and supported to fulfil its coordination tasks. Also, the organisational and procedural links between the institutions involved in own resources should be developed.

ANNEX I – RELATIONS BETWEEN THE EU AND SERBIA

Within the framework of the **accession negotiations**, eighteen chapters have been opened (including since last year's report: 4 – free movement of capital; and 9 – financial services), two of which have been provisionally closed (chapters 25 and 26). Serbia tabled its negotiating positions on chapters 2, 3, 14, 21 and 27. Serbia was also invited to table its negotiating positions on chapters 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). In 2019, Serbia adopted a new law on state aid control that largely aligns the country's legislation with the EU *acquis* in this area. Compliance issues remain in the area of fiscal discrimination on alcohol, on restrictions on the acquisition of real estate, and on discriminatory issuance of payment cards by banks. Finally, as regards public procurement, inter-governmental agreements concluded with third countries and their implementation should follow the EU principles of equal treatment, transparency, non-discrimination and competition. This has also the effect of preventing EU companies from participating in large-scale infrastructure projects implemented in the country.

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). In 2019, Serbia adopted a new law on state aid control that largely aligns the country's legislation with the EU *acquis* in this area. Serbian legislation remains non-compliant with the SAA in a number of areas, including fiscal discrimination on alcohol, on restrictions on the acquisition of real estate, and on discriminatory issuance of payment cards by banks. As regards public procurement, inter-governmental agreements concluded with third countries and their implementation do not always follow the EU principles of equal treatment, transparency, non-discrimination and competition. As a result, EU companies may be 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 October 2019. 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 2020.

In 2019, Serbia's alignment rate with EU Common Foreign and Security Policy positions was 60%. 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 July 2020 third report under the visa suspension mechanism concluded that Serbia continues to meet the visa liberalisation requirements.

Under IPA II, Serbia continues to benefit from **pre-accession assistance** with a total allocation of EUR 1.4 billion for the period 2014-2020. The IPA National Programme 2019, adopted in November 2019, amounts to EUR 138.5 million overall, with most of the funding supporting alignment with the EU *acquis*, rule of law, competitiveness, research and development and innovation, as well as helping to improve the capacities for civil protection and disaster resilience. The first part of the IPA National Programme 2020 amounting to EUR 70.2 million was adopted in February 2020. The programme supports Serbia's EU integration

and negotiation process, local development and sustainable social development and economic growth. An additional EUR 40 million in 2019 and EUR 45 million in 2020 were allocated to the IPA Rural Development programme (IPARD). As part of the response to the COVID-19 pandemic, EUR 15 million have been refocused for urgent medical equipment and EUR 78.4 million for socio-economic recovery measures under IPA II. Other programmes have also been reoriented to help reduce the impact of the pandemic. The EU has continued to support Serbia in border and migration management following the refugee crisis of 2015-2016. Serbia also benefits from the IPA multi-country and regional programmes and participates in four cross-border cooperation programmes, as well as in transnational cooperation programmes.

Serbia participates with IPA support in **EU programmes**, including Horizon 2020; COSME; Customs and Fiscalis 2020; Erasmus+ and Creative Europe; Europe for Citizens; Employment and Social Innovation.

STATISTICAL DATA (as of 03.04.2020)
Serbia

Basic data	Note	2007	2014	2015	2016	2017	2018
Population (thousand)		7 398	7 147b	7 114	7 076	7 040	7 001
Total area of the country (km ²)		77 474	77 474	77 474	77 474	77 474	77 474

National accounts	Note	2007	2014	2015	2016	2017	2018
Gross domestic product (GDP) (million national currency)		2 523 496	4 160 549	4 312 038	4 521 265	4 754 368	5 068 589
Gross domestic product (GDP) (million euro)		31 558	35 468	35 716	36 723	39 183	42 856
GDP (euro per capita)		4 280	4 970b	5 030	5 200	5 580	6 140
GDP per capita (in purchasing power standards (PPS))		8 870	10 500	10 730	11 050	11 390	12 120
GDP per capita (in PPS), relative to the EU average (EU-27 = 100)		36.1	39.5	39.1	39.2	39.0	40.2
Real GDP growth rate: change on previous year of GDP volume (%)		6.4	-1.6	1.8	3.3	2.0	4.4
Employment growth (national accounts data), relative to the previous year (%)		:	:	:	:	:	:
Labour productivity growth: growth in GDP (in volume) per person employed, relative to the previous year (%)		:	:	:	:	:	:
Unit labour cost growth, relative to the previous year (%)		:	:	:	:	:	:
**3 year change (T/T-3) in the nominal unit labour cost growth index (2010 = 100)		:	:	:	:	:	:
Labour productivity per person employed: GDP (in PPS) per person employed relative to EU average (EU-27 = 100)		:	:	:	:	:	:
Gross value added by main sectors							
Agriculture, forestry and fisheries (%)		7.4	8.4	8.0	8.2	7.3	7.7
Industry (%)		28.7	26.2	26.4	26.3	26.5	25.4
Construction (%)		5.4	3.8	4.5	4.7	5.0	5.4
Services (%)		58.5	61.6	61.1	60.8	61.2	61.5
Final consumption expenditure, as a share of GDP (%)		96.0	91.6	88.4	86.9	87.0	85.8
Gross fixed capital formation, as a share of GDP (%)		23.8	15.9	16.8	16.9	17.7	20.1
Changes in inventories, as a share of GDP (%)		1.2	0.6	1.8	1.0	1.8	2.6
Exports of goods and services, relative to GDP (%)		27.3	42.1	45.3	48.6	50.5	50.8
Imports of goods and services, relative to GDP (%)		48.3	50.2	52.3	53.4	57.1	59.3
Gross fixed capital formation by the general government sector, as a percentage of GDP (%)		:	:	:	:	:	:

Business	Note	2007	2014	2015	2016	2017	2018
Industrial production volume index (2015 = 100)		106.2	93.2	100.0	104.9	109.3	110.8
Number of active enterprises (number)		:	:	:	90 905p	85 546p	:
Birth rate: number of enterprise births in the reference period (t) divided by the number of enterprises active in t (%)		15.1	:	:	:	11.5p	:

Death rate: number of enterprise deaths in the reference period (t) divided by the number of enterprises active in t (%)		7.5	:	:	:	6.3p	:
People employed in SMEs as a share of all persons employed (within the non-financial business economy) (%)		:	:	:	:	:	:
Value added by SMEs (in the non-financial business economy) (EUR million)		:	:	:	:	:	:
Total value added (in the non-financial business economy) (EUR million)		:	:	:	:	16 442	:

Inflation rate and house prices

	Note	2007	2014	2015	2016	2017	2018
Harmonised consumer price index (HICP), change relative to the previous year (%)		5.8	2.3	1.5	1.3	3.3	2.0
**Annual change in the deflated house price index (2015 = 100)		:	:	:	:	:	:

Balance of payments

	Note	2007	2014	2015	2016	2017	2018
Balance of payments: current account total (million euro)		-5 473.6	-1984.7	-1 233.8	-1 074.9	-2 050.8	-2 222.8
Balance of payments current account: trade balance (million euro)		-7 112.9	-4110.7	-3 644.5	-3 118.9	-3 997.5	-5 245.3
Balance of payments current account: net services (million euro)		-245.0	465.3	729.2	907.0	966.1	1 091.6
Balance of payments current account: net balance for primary income (million euro)		-981.6	-1342.6	-1 658.0	-2 022.2	-2 533.4	-2 206.6
Balance of payments current account: net balance for secondary income (million euro)		2 866.0	3 003.3	3 339.6	3 159.2	3 513.9	4 137.5
Net balance for primary and secondary income: of which government transfers (million euro)	1)	125.3	89.2	125.2	79.2	141.3	262.1
**3 year backward moving average of the current account balance relative to GDP (%)	2)	-11.5	-7.4	-4.9	-4.0	-3.9	-4.4
**Five year change in share of world exports of goods and services (%)		86.3	13.6	22.7	33.6	47.2	27.1
Net balance (inward - outward) of foreign direct investment (FDI) (million euro)		2 528.2	1 236.3	1 803.8	1 899.2	2 418.1	3 187.9
Foreign direct investment (FDI) abroad (million euro)		691.0	264.2	310.4	227.8	130.0	307.9
of which FDI of the reporting economy in the EU-27 countries (million euro)		:	35.1	48.8	63.2	67.2	95.5
Foreign direct investment (FDI) in the reporting economy (million euro)		3 219.2	1 500.4	2 114.2	2 126.9	2 548.1	3 495.8
of which FDI of the EU-27 countries in the reporting economy (million euro)		:	1 051.7	1 509.6	1 370.8	1 701.7	1 961.3
**Net international investment position, relative to GDP (%)		:	-91.5	-94.9	-94.4	-90.8	-86.9
Year on year rate of change in gross inflow of remittances (in national currency) from migrant workers (%)		:	-5.4	12.8	-4.0	8.6	:

Public finance

	Note	2007	2014	2015	2016	2017	2018
***General government deficit / surplus, relative to GDP (%)		-1.8	-6.2	-3.5	-1.2	1.1	0.6e
***General government gross debt relative to GDP (%)		30.1	67.5	71.2	68.8	58.7	54.4e
Total government revenues, as a percentage of GDP (%)		41.5	39.0	39.3	40.8	41.5	41.5e
Total government expenditure, as a percentage of GDP (%)		43.3	45.2	42.8	41.9	40.4	40.9e

Financial indicators

	Note	2007	2014	2015	2016	2017	2018
Gross external debt of the whole economy, relative to GDP (%)		55.1	72.4	73.5	72.1	65.1	62.5
Gross external debt of the whole economy, relative to total exports (%)		214.3	177.7	166.8	152.4	132.2	126.0

Money supply: M1 (banknotes, coins, overnight deposits, million euro)	3)	3 141	3 562	4 148	4 923	5 653	6 704
Money supply: M2 (M1 plus deposits with maturity up to two years, million euro)	4)	4 928	5 075	5 776	6 546	7 360	8 611
Money supply: M3 (M2 plus marketable instruments, million euro)	5)	11 407	15 280	16 193	17 794	19 206	22 047
Total credit by monetary financial institutions to residents (consolidated) (million euro)		10 771	19 708	20 719	21 632	22 806p	24 606
**Annual change in financial sector liabilities (%)	6)	:	0.5p	3.1p	4.9p	3.4p	12.6p
**Private credit flow, consolidated, relative to GDP (%)		:	:	:	:	:	:
**Private debt, consolidated, relative to GDP (%)		:	:	:	:	:	:
Interest rates: day-to-day money rate, per annum (%)		8.27	9.45	2.61	3.04	2.27	2.43
Lending interest rate (one year), per annum (%)		12.50	10.50	6.50	5.50	5.00	4.25
Deposit interest rate (one year), per annum (%)		7.50	5.50	2.50	2.50	2.00	1.75
Euro exchange rates: average of period (1 euro = ... national currency)	7)	79.964	117.306	120.733	123.118	121.337	118.272
Trade-weighted effective exchange rate index, 42 countries (2005 = 100)		:	:	:	:	:	:
**3 year change (T/T-3) in the trade-weighted effective exchange rate index, 42 countries (2005 = 100)		:	:	:	:	:	:
Value of reserve assets (including gold) (million euro)		9 633.6	9 907.2	10 378.0	10 204.6	9 961.6	11 261.8

External trade in goods

	Note	2007	2014	2015	2016	2017	2018
Value of imports: all goods, all partners (million euro)		13 501	13 512	14 425	15 225	17 559	20 074
Value of exports: all goods, all partners (million euro)		6 615	10 562	11 447	12 742	14 365	15 650
Trade balance: all goods, all partners (million euro)		-6 886	-2 950	-2 978	-2 483	-3 194	-4 424
Terms of trade (export price index / import price index * 100) (number)		101.8	105.5	107.8	111.2	107.9	105.7
Share of exports to EU-27 countries in value of total exports (%)		59.9	64.6	65.5	65.7	65.7	67.0
Share of imports from EU-27 countries in value of total imports (%)		56.8	55.8	55.9	57.4	57.5	55.9

Demography

	Note	2007	2014	2015	2016	2017	2018
Crude rate of natural change of population (natural growth rate): number of births minus deaths (per thousand inhabitants)		-4.7	-4.9b	-5.4	-5.1	-5.5	-5.4
Infant mortality rate deaths of children under one year of age (per thousand live births)		7.1	5.7	5.3	5.4	4.7	4.9
Life expectancy at birth: male (years)		70.9	72.8b	72.8	73.2	73.1	73.5
Life expectancy at birth: female (years)		76.5	78.0b	77.9	78.3	78.1	78.4

Labour market

	Note	2007	2014	2015	2016	2017	2018
Economic activity rate for persons aged 20–64: proportion of the population aged 20–64 that is economically active (%)	8)	67.9	68.0b	68.1	70.0	71.2	72.5
*Employment rate for persons aged 20–64: proportion of the population aged 20–64 that are in employment (%)	8)	55.7	54.8b	56.0	59.1	61.5	63.1
Male employment rate for persons aged 20–64 (%)	8)	65.1	62.5b	63.7	66.3	68.5	70.5
Female employment rate for persons aged 20–64 (%)	8)	46.5	47.2b	48.3	51.9	54.5	55.8

Employment rate for persons aged 55–64: proportion of the population aged 55–64 that are in employment (%)	8)	33.5	36.7b	37.3	42.7	45.5	46.5
Employment by main sectors							
Agriculture, forestry and fisheries (%)		:	19.9	19.4	18.6	17.2	15.9
Industry (%)		:	20.2	19.9	20.2	21.2	22.5
Construction (%)		:	4.5	4.5	4.3	4.1	4.4
Services (%)		:	55.4	56.1	57.0	57.5	57.2
People employed in the public sector as a share of total employment, persons aged 20–64 (%)		:	31.4	29.7	28.3	27.8	27.3
People employed in the private sector as a share of total employment, persons aged 20–64 (%)		:	68.6	70.3	71.7	72.2	72.7
Unemployment rate: proportion of the labour force that is unemployed (%)	8)	18.1	19.4b	17.8	15.4	13.6	12.8
Male unemployment rate (%)	8)	15.8	18.5b	16.9	14.8	13.0	12.1
Female unemployment rate (%)	8)	21.2	20.5b	18.8	16.2	14.4	13.8
Youth unemployment rate: proportion of the labour force aged 15–24 that is unemployed (%)	8)	43.7	47.4b	43.2	34.9	31.9	29.7
Long-term unemployment rate: proportion of the labour force that has been unemployed for 12 months or more (%)	8)	14.6	13.0b	11.4	10.0	8.2	7.6
Unemployment rate for persons (aged 25–64) having completed at most lower secondary education (ISCED levels 0-2) (%)		:	18.6	15.8	13.7	12.3	13.4
Unemployment rate for persons (aged 25–64) having completed tertiary education (ISCED levels 5-8) (%)		:	14.5	14.4	13.4	11.8	10.6

Social cohesion	Note	2007	2014	2015	2016	2017	2018
Average nominal monthly wages and salaries (national currency)	9)	38 744	61 426b	61 145	63 474	65 976	68 629b
Index of real wages and salaries (index of nominal wages and salaries divided by the inflation index) (2010 = 100)		95.5	97.5	95.2	97.6	98.5	102.3
GINI coefficient		:	38	40	40	38	36
Poverty gap		:	39.3	37.5	39.4	38.8	37.4
*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)	10.7	8.5b	7.5	7.0	6.2	6.8

Standard of living	Note	2007	2014	2015	2016	2017	2018
Number of passenger cars relative to population size (number per thousand population)		199.6	251.5b	257.7	267.7	279.6	285.7
Number of mobile phone subscriptions relative to population size (number per thousand population)		1 142.6	1 317.1	1 293.8	1 291.8	1 231.4	1 211.4
Mobile broadband penetration (per 100 inhabitants)		:	:	:	:	:	:
Fixed broadband penetration (per 100 inhabitants)		:	:	:	:	35.4	37.8

Infrastructure	Note	2007	2014	2015	2016	2017	2018
-----------------------	------	------	------	------	------	------	------

Density of railway network (lines in operation per thousand km ²)	10)	49.2	49.3	48.6	48.6	48.6	48.1
Length of motorways (kilometres)		374	607	693	741	963	963

Innovation and research	Note	2007	2014	2015	2016	2017	2018
Public expenditure on education relative to GDP (%)		4.2	4.0	3.7	3.6	3.7	3.6
*Gross domestic expenditure on R&D relative to GDP (%)		0.58	0.72	0.81	0.84	0.87	0.92
Government budget appropriations or outlays on R&D (GBAORD), as a percentage of GDP (%)		0.39	0.40	0.41	0.36	0.38	0.37
Percentage of households who have internet access at home (%)		26.0	62.8	63.8	64.7	68.0	72.9

Environment	Note	2007	2014	2015	2016	2017	2018
*Index of greenhouse gas emissions, CO ₂ equivalent (1990 = 100)		97.1	72.0	81.7	81.5	80.4	:
Energy intensity of the economy (kg of oil equivalent per 1 000 euro GDP at 2010 constant prices)		543.2	410.5	447.5	449.8	449.4	424.3
Electricity generated from renewable sources relative to gross electricity consumption (%)		27.5	31.0	27.1	29.0	24.5	28.0p
Road share of inland freight transport (based on tonne-km) (%)		:	41.5	41.2	48.7	51.5	63.1

Energy	Note	2007	2014	2015	2016	2017	2018
Primary production of all energy products (thousand TOE)		10 481	9 444	10 763	10 695	10 496	10 025
Primary production of crude oil (thousand TOE)		662	1 216	1 121	1 028	988	976
Primary production of solid fuels (thousand TOE)		7 893	5 713	7 201	7 201	7 216	6 609
Primary production of gas (thousand TOE)		198	444	456	417	389	358
Net imports of all energy products (thousand TOE)		6 042	3 736	4 108	4 593	5 330	5 385
Gross inland energy consumption (thousand TOE)		16 601	13 359	14 809	15 432	15 748	15 528
Gross electricity generation (GWh)		36 550	34 060	38 298	39 342	37 045	:

Agriculture	Note	2007	2014	2015	2016	2017	2018
Agricultural production volume index of goods and services (at producer prices) (2010 = 100)		86.7	110.1	103.2	112.3	98.9	113.3
Utilised agricultural area (thousand hectares)		3 572.9	3 518.2	3 480.4	3 456.0	3 438.1	3 486.9
Livestock numbers: live bovine animals (thousand heads, end of period)		1 087.1	920.1	915.6	892.8	898.7	878.3
Livestock numbers: live swine (thousand heads, end of period)		3 831.9	3 235.7	3 284.4	3 021.2	2 910.5	2 782.3
Livestock numbers: live sheep and live goats (thousand heads, end of period)		1 881.2	1 966.7	1 991.9	1 865.1	1 886.8	1 907.6
Raw milk available on farms (thousand tonnes)		1 669.6	1 596.1	1 610.8	1 603.7	1 599.3	1 590.0
Harvested crop production: cereals (including rice) (thousand tonnes)		6 663	10 848	8 437	10 869	6 793	10 529
Harvested crop production: sugar beet (thousand tonnes)		3 412	3 507	2 183	2 684	2 514	2 325
Harvested crop production: vegetables (thousand tonnes)		964	965	1 108	1 156	1 087	830

Source: Eurostat and the statistical authorities in Serbia

: = not available

b = break in series

e = estimated value

f = forecast

p = provisional

s = Eurostat estimate

u = low reliability

* = Europe 2020 indicator

** = Macroeconomic Imbalance Procedure (MIP) indicator

*** = The government deficit and debt data of enlargement countries are published on an "as is" basis and without any assurance as regards their quality and adherence to ESA rules.

Footnotes

- 1) Secondary income only.
- 2) 2007: based on balance of payments manual edition 5 (BPM5).
- 3) 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, in other words accounts from which payments can be made without any restrictions.
- 4) The money supply M2, in addition to M1, includes other dinar deposits, both short-and long-term.
- 5) The money supply M3, in addition to M2, includes short and long-term foreign currency deposits (without the so-called frozen foreign currency savings).
- 6) 2014: the total financial sector liabilities are the sum of all liabilities of the financial sector excluding captive financial institutions.
- 7) Arithmetic mean of official middle exchange rates of the dinar against the euro on working days.
- 8) 2014: change of weighting system.
- 9) 2007: wages and salaries paid to employees of legal entities. 2014-2017: wages and salaries paid to employees of legal entities and of unincorporated enterprises. 2018: average earnings calculated on the basis of the total amount of accrued earnings for the reporting month and the number of full-time equivalent (FTE) employees.
- 10) Underestimate as the density has been calculated relative to the surface area (including inland waters) rather than to the land area.