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**COMMISSION STAFF WORKING DOCUMENT**

**Serbia 2022 Report**

*Accompanying the document*

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

**2022 Communication on EU Enlargement policy**

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## **1. INTRODUCTION**

### **1.1 CONTEXT**

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

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 has continued to declare EU membership its strategic goal, but actions need to follow. Serbia's reform progress allowed for the opening of negotiations under cluster 4 at the intergovernmental conference with Serbia on 14 December 2021. However, after the calling of the early parliamentary elections and the dissolution of Parliament in February 2022 the pace of reforms slowed down. Due to delays in the finalisation of election results, the government has acted in a caretaker capacity with limited powers since February 2022.

The EU-facilitated dialogue on the normalisation of relations between Serbia and Kosovo continued with meetings at leaders' and chief negotiators' level.

The Commission's recommendation from last year that Serbia has fulfilled the opening benchmarks for cluster 3 (competitiveness and inclusive growth) and that this cluster is technically ready for opening, remains valid.

Following Russia's unprovoked and unjustified aggression against Ukraine, Serbia aligned with most of the international community, including the EU, in voting for two relevant UN General Assembly (UNGA) resolutions and voted on Russia's suspension from the Human Rights Council. However, Serbia did not align with any of the EU's restrictive measures and most declarations by the High Representative (HR) on behalf of the EU against the Russian Federation. It maintained its close relationship with Russia, raising questions about Serbia's strategic direction. Under the EU-Serbia Negotiating Framework, Serbia is expected to progressively align its policies towards third countries with the policies and positions adopted by the EU, including restrictive measures.

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

The COVID-19 pandemic continued throughout the reporting period, following similar patterns across the region.

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

## 1.2 SUMMARY OF THE REPORT<sup>1</sup>

As regards the **political criteria**, all relevant political actors took part in the early parliamentary elections on 3 April 2022, which resulted in a more pluralistic Parliament. However, the political and media landscapes remained polarised and continued to be dominated by the Serbian Progressive Party (SNS) and the incumbent President. Offensive language continued to be used against political opponents, both in Parliament and during the electoral campaign. Prior to the elections, a broad range of political actors engaged in the Inter-Party Dialogue, facilitated by the European Parliament.

The April 2022 presidential and early parliamentary elections were held in a generally calm and peaceful atmosphere and fundamental freedoms were largely respected. However, international observers noted a number of shortcomings. According to the final report of the International Election Observation Mission, these shortcomings resulted in an uneven playing field favouring the incumbents. It is crucial that outstanding and new recommendations from the Office for Democratic Institutions and Human Rights (ODIHR) and Council of Europe bodies are fully implemented, in a transparent process, well ahead of any new elections and with the involvement and upon consulting expert civil society organisations.

A new, more pluralistic Parliament was constituted on 1 August 2022. Due to significant delays in finalising the election results, there was no parliamentary activity, other than the inauguration of the President, for a period of over five months. The previous Parliament engaged constructively in the Inter-Party Dialogue and in implementing the measures identified therein. The use of urgent procedures remained at around 9%. The code of conduct still needs to be used more effectively in preventing and sanctioning the use of offensive and inappropriate language in Parliament.

Further efforts are still needed to ensure systematic cooperation between the government and **civil society**. An enabling environment for developing and financing civil society organisations still needs to be created on the ground, as verbal attacks and smear campaigns against such organisations continued.

Serbia is moderately prepared as regards **public administration reform**. Overall, limited progress was made in this area during the reporting period, when the start of implementation of the new strategic framework began. On human resources management, roughly half of senior manager positions are still filled on an acting basis. As regards policy development and coordination, no mechanism is yet in place to verify that the Public Policy Secretariat's comments have been incorporated into the final draft versions of laws and policy documents submitted for government approval. On public financial management, action is still needed to fully implement the recommendation for a single mechanism for prioritising all investments regardless of type and source of financing.

Serbia has some level of preparation when it comes to its **judicial system**. Overall, some progress was made during the reporting period. Serbia took an important step towards

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<sup>1</sup> This report covers the period from June 2021 to June 2022. It is based on input from a variety of sources, including contributions from the government of Serbia, the EU Member States, European Parliament reports and information from various international and non-governmental organisations. This also includes the results of comparative assessments and indices produced by other stakeholders, in particular on the rule of law.

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

strengthening the independence and accountability of the judiciary with the approval of relevant amendments to the Constitution in February 2022, together with the constitutional law setting out the steps and the deadlines for their implementation. The Venice Commission was consulted twice during the drafting process. It found that the process of public consultations was sufficiently inclusive and transparent. Most of the Venice Commission's specific recommendations were addressed. The amendments provide that all judicial appointments (with the exception of the future Supreme Prosecutor) will be the competence of either the future High Judicial Council or the High Council of Prosecutors, increasing safeguards against potential political influence. In order to give practical effect to the constitutional amendments the relevant implementing legislation needs to be adopted as a next step. According to the constitutional law, this legislation should be adopted within 1 year for judicial laws and within 2 years for the alignment of all other relevant legislation. Two expert working groups (one for prosecutors, one for courts) were established in April 2022 and tasked with the drafting of the implementing legislation. A first set of draft judicial laws were finalised in September 2022 and shared with the Venice Commission for opinion. The new human resources strategy and implementing action plan were adopted in December 2021. Their implementation is pending.

Serbia has some level of preparation in the **fight against corruption**. Overall, some progress was made during the reporting period, including on last year's recommendations. The recommendation on prevention of corruption has been further implemented, and the Council of Europe's Group of States against Corruption (GRECO) concluded in March 2022 that the adoption of amendments to the Law on prevention of corruption had addressed the previously identified shortcomings and was sufficient to strengthen the framework aimed at preventing and combating conflicts of interest of members of Parliament, judges and prosecutors. Serbia has still to prepare a new anti-corruption strategy and action plan, and establish an effective coordination mechanism to operationalise prevention and repression policy goals and thoroughly address corruption. The number of indictments and first-instance convictions in high-level corruption cases has increased slightly. Serbia should further step up the prevention and repression of corruption. In particular, it should increase the final confiscation of assets linked to these cases. Those sectors most vulnerable to corruption require targeted risk assessments and dedicated action.

In the **fight against organised crime**, Serbia has some level of preparation. Limited progress was made over the reporting period. The number of new investigations and final convictions increased in 2021 compared to 2020, however the number of indictments and first instance convictions decreased. The number of cases involving seizure and final confiscation of assets is still limited. Extended confiscation is not systematically applied. However, the level of understanding and the investigation approach have improved, which should lead to better results in the future. Serbia should move from a case-by-case approach to a strategy against criminal organisations, and from focusing on cases of low or medium importance to high-profile cases, aimed at dismantling big internationally spread organisations and seizing assets.

Serbia's legislative and institutional framework for upholding **fundamental rights** is broadly in place. Serbia adopted new strategies on anti-discrimination and Roma inclusion, as well as action plans on gender equality and Roma inclusion. Action plans, and related funding, in other areas were due in July 2021 (violence against women) and April 2022 (anti-discrimination; de-institutionalisation) and are now overdue. More efforts are needed to comply with the Law on the planning system, which requires that action plans are adopted within three months of the adoption of related strategies. Serbia needs to strengthen human rights institutions by allocating the necessary financial and human resources and by putting in place procedures to ensure compliance with the European Court of Human Rights' measures, including interim measures. In September 2022, Europride was hosted for a first time in the Western Balkans, in Belgrade.

The Europride route was banned, and the holding of the march was uncertain until the very last moment. The authorities claimed safety concerns related to threats by extreme right groups as the basis for their decision. An anti-Europride and, anti-Western demonstration was also banned. Finally a march, via a shorter route took place on 17 September 2022, without major incidents. A high number of law enforcement officers protected it, nevertheless, some instances of violence against the participants were reported. The period prior to the march was marked by legal and political uncertainty. The communication of the authorities was contradictory, with high level announcements that the march would be banned altogether and a subsequent ban issued by the Ministry of the Interior on the route of the march. Other high level politicians addressed the Europride Human Rights Conference and held a reception before the march. While the authorities maintained contacts with the organisers to find a solution, they remained non-committal about the parade going ahead with an official permit.

Regarding **freedom of expression**, no progress was made in the reporting period. The two working groups on the safety of journalists continued to meet. In several cases of attacks and threats, the police and the prosecution reacted swiftly, also thanks to the coordination facilitated through those groups. However, cases of threats and violence against journalists remain a concern and the overall environment for the exercise of freedom of expression without hindrance still needs to be further strengthened in practice. Implementation of the media strategy experienced increasing delays, affecting even the most important measures such as amending the Law on public information and media and the Law on electronic media. In July 2022, the Regulatory Body for Electronic Media (REM) awarded all four national frequencies, for a period of eight years, to the same television channels as in the previous period, during which all of them had received warnings from REM due to violation of their legal obligations. A call for a fifth licence was published in August 2022; the process should be handled in a transparent manner, respecting the principle of media pluralism in the Audiovisual Media Services Directive. In its final report of 19 August 2022 on the April elections, ODIHR found that ‘the national public broadcasters had covered the campaign activities of all contestants equitably but provided extensive uncritical news coverage to public officials who were also candidates. Private broadcast media with national coverage presented the election campaign without meaningful editorial input and focused their news coverage on state officials.’ ODIHR also found that ‘despite its mandate to oversee the broadcast media, REM remained overall passive in the campaign period.’

On the **economic criteria**, Serbia is between a good and moderate level of preparation and has made some progress in developing a functioning market economy. After a relatively mild contraction in 2020, the Serbian economy rebounded strongly in 2021 followed by some deceleration in the first half of 2022. After decreasing in 2020, external imbalances started to widen in the second half of 2021, in particular due to high energy imports. Consumer price inflation surged in the second half of 2021, mostly driven by energy and food prices, which led the central bank to start tightening its policy stance. Banking sector stability was preserved and lending growth remained robust despite the phasing-out of liquidity-enhancing measures. The economic rebound and the reduction of fiscal support measures helped to substantially improve the budget balance in 2021, despite a further increase in capital spending. A slight increase in the unemployment rate in 2021 reflected in particular a rising labour market participation as part of the rebound from the COVID-19 crisis.

There has been some progress with tax administration reforms and the privatisation of state-owned enterprises. However, other major structural reforms of public administration and of the governance of state owned enterprises (SOEs) continued to advance slowly, prolonging long standing inefficiencies and increasing fiscal pressure. There has been no progress in

strengthening 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. Last years' recommendations have been partially implemented.

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

**On good neighbourly relations and regional cooperation**, Serbia remained committed overall to improving bilateral relations with other candidate countries, potential candidates and neighbouring EU Member States. However, relations with Croatia are increasingly under strain, with occasional political altercations. Relations with Montenegro remain challenging but both sides have signalled greater willingness to reset relations and work toward addressing open issues. In general, Serbia actively participates in regional cooperation.

The EU-facilitated Dialogue on the **normalisation of relations with Kosovo** continued throughout the reporting period with regular monthly meetings on the level of Chief Negotiators and a High-level meeting in Brussels on 18 August 2022. No further concrete progress was yet achieved in the negotiations on the comprehensive and legally-binding normalisation agreement, while in the High-level meeting President Vučić and Prime Minister Kurti agreed to regular meetings on the level of Leaders to take the negotiations forward. Kosovo and Serbia are now urged to engage constructively and advance the negotiations on the comprehensive, legally-binding normalisation agreement with no further delay. Reaching such an agreement is urgent and crucial so that Kosovo and Serbia can advance on their respective European paths.

Regarding Serbia's **ability to assume the obligations of EU membership**, the country continued the work on alignment with the EU *acquis* in many areas, particularly on company law, intellectual property rights, research and innovation and financial control.

The **internal market** cluster is key for Serbia's preparations for the requirements of the EU's internal market and is highly relevant for early integration and the development of the Common Regional Market. Progress was achieved in several areas within the cluster, particularly on legislative alignment on company law; freedom of movement for workers through coordination of social security systems; and legislative alignment on the free movement of goods.

The **competitiveness and inclusive growth** cluster has significant links to Serbia's Economic Reform Programme. Progress was achieved in some areas under this cluster, particularly: social policy and employment through steps towards establishing the Youth Guarantee scheme; economic and monetary policy through improvements of the budget process; enterprise industrial policy through an action plan for the strategy on state ownership and management of business entities owned by the Republic of Serbia, and the creation of the e-consultation portal; scientific and technological development through the new strategy for developing start-up ecosystem; and education through steps towards ensuing compliance of the quality assurance system in higher education with the recommendations of the European Association for Quality Assurance in Higher Education (ENQA).



The **Green agenda and sustainable connectivity** cluster is at the heart of the Green Agenda for the Western Balkans<sup>2</sup> and closely linked to Serbia's Economic Reform Programme and the Commission's Economic and Investment Plan<sup>3</sup>. The cluster and all related chapters were opened in December 2021, after Serbia had fulfilled the remaining requirements, namely the adoption of action plans on oil stocks and on gas unbundling. Limited progress was achieved overall with the exception of Trans-European networks, where Serbia advanced on upgrading its infrastructure, with works starting on the Serbia-Bulgaria gas interconnector, a strategically highly important project for Serbia and Europe.

The cluster on **resources, agriculture and cohesion** comprises policies linked to EU structural funds and to developing capacity to assume the responsibilities of a future Member State. It also comprises some of the key policy areas crucial for ensuring sustainable food systems and helping rural communities to develop and diversify economically. Two out of five chapters are open (Chapters 13 and 33) with closing benchmarks still to be fulfilled in each chapter. The Commission has assessed that the opening benchmarks have been met for Chapters 11 and 22, while Serbia still has to meet all three opening benchmarks for chapter 12. Limited progress was achieved in some areas, e.g. submission of the IPARD III programme for 2021-2027; adoption and implementation of the law on plant protection products; classification of food establishments and establishments handling animal by-products; financial and budgetary provisions as regards the underlying policy areas affecting the correct functioning of the own resources system; and regional policy as regards financial management.

On the **external relations** cluster, Serbia is yet to finalise its accession to the World Trade Organization which is one of the opening benchmarks for chapter 30. Serbia should also abstain from introducing unilateral trade restrictive measures without prior consultation of the Commission, in line with its SAA obligations. Following Russia's unprovoked and unjustified aggression against Ukraine, Serbia did not align with the EU restrictive measures against Russia and majority of Declarations by the High Representative on behalf of the EU on this matter. Serbia's alignment rate with relevant High Representative declarations on behalf of the EU and Council Decisions therefore dropped from 64 % in 2021 to 45 % in August 2022. A number of actions and statements by Serbia went against EU foreign policy positions. Serbia is expected, as a matter of priority, to fulfill its commitment and progressively align with the EU Common Foreign and Security Policy, including with EU restrictive measures, in line with EU-Serbia negotiating framework.

Serbia continued to contribute to the management of the mixed **migration** flows towards the EU by cooperating effectively with its neighbours and EU Member States. Efforts continued to host and accommodate substantial numbers of third-country nationals, with EU support. Serbia decided on 17 March 2022 to grant Ukrainian nationals having fled Russia's war on Ukraine temporary protection for 1 year. It also continued to implement the integrated border management strategy and its action plan effectively. Serbia took no steps to align with the EU's list of visa required third countries, in particular with those third countries which present irregular migration or security risks to the EU, as recommended in the Commission's visa suspension mechanism report of August 2021.

### 1.3. STATE OF PLAY OF THE ACCESSION NEGOTIATIONS

| Clusters | Chapters / areas | State of play |
|----------|------------------|---------------|
|----------|------------------|---------------|

<sup>2</sup> SWD(2020) 223 final.

<sup>3</sup> COM(2020) 641 final.

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

Not part of a cluster:

Chapter 34 – Institutions is currently not applicable for Serbia

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

## **2. CLUSTER 1: THE FUNDAMENTALS OF THE ACCESSION PROCESS**

### **2.1. FUNCTIONING OF DEMOCRATIC INSTITUTIONS AND PUBLIC ADMINISTRATION REFORM**

#### **2.1.1 Democracy**

The proper functioning of Serbia's democratic processes is a central pillar of Serbia's EU accession process. All relevant political actors took part in the early parliamentary elections on 3 April 2022, which led to a more pluralistic Parliament. While fundamental freedoms were largely respected, international observers noted a number of shortcomings. The political and media landscapes remained polarised and continued to be dominated by the Serbian Progressive Party (SNS) and the incumbent President. Offensive language against political opponents also continued to be used, both in Parliament and during the electoral campaign. Prior to the elections, a broad range of political actors engaged in the Inter-Party Dialogue, facilitated by the European Parliament, although a number of opposition parties did not endorse the recommendations of the Dialogue or take part in their implementation. The authorities implemented a number of the identified measures. They also conducted a parallel dialogue with the part of the non-parliamentary opposition 'without external mediation'. The significant delay in finalising the election results delayed the formation of a new government, which led to a period of its limited decision making capacity.

#### **Elections**

The April 2022 elections were held in an overall calm and peaceful atmosphere. However, the preliminary statement and the final report of the International Election Observation Mission noted a number of shortcomings, which resulted in an uneven playing field favouring the incumbents. It is crucial that outstanding and new recommendations from the Office for Democratic Institutions and Human Rights and Council of Europe bodies are fully implemented, in a transparent process and well ahead of next elections. Expert civil society organisations should be involved and consulted.

On 3 April 2022, regular presidential, early parliamentary and regular Belgrade City elections were held. The national elections were observed by an Election Observation Mission from ODIHR, joined by observers from the European Parliament, the Parliamentary Assembly of the Organization for Security and Co-operation in Europe (OSCE) and the Parliamentary Assembly of the Council of Europe (PACE). According to their preliminary conclusions, reiterated in the final report, the elections presented diverse political options and fundamental freedoms were largely respected during the campaign but a number of shortcomings resulted in an uneven playing field, favouring the incumbents. The combined impact of unbalanced access to media, undue pressure on public sector employees to support the incumbents, significant campaign finance disparities and misuse of administrative resources, led to unequal conditions for candidates. Media did cover all electoral candidates, but most public and private broadcasters with national coverage favoured the incumbent President and the ruling coalition, limiting the opportunity for voters to make fully informed choices. Election day was smoothly conducted and overall peaceful but, despite solid preparation, was marked by a number of systematic procedural shortcomings relating to polling station layout, overcrowding, breaches in ballot secrecy and numerous instances of family voting. A number of reruns and delays in finalising the results of the parliamentary elections were not conducive for improving the overall trust in the electoral process.

A number of the measures identified by the European Parliament-led Inter-Party Dialogue have been implemented. In October 2021, a temporary supervisory body for media oversight was set up. In December 2021, the Law on electronic media was amended to include measures identified in the Dialogue. In February 2022, a set of new election laws was adopted, including the framework Law on election of Members of Parliament, Law on election of President, Law on local elections, Law on financing of political activities, and the amended Law on prevention of corruption. According to international observers, these legislative changes included some welcome improvements and addressed some prior ODIHR recommendations. Specifically for the 3 April elections, the changes enhanced the representation of the non-parliamentary opposition in electoral commissions and the transparency of their work; they also extended the timeframes and legal standing for dispute resolution, improved the regulation of political party and campaign finance, and provided for post-election audits of election materials. They further regulated the status of international and domestic observers and introduced further affirmative action for national minorities. However, the amendments were introduced at a late stage and a number of long-standing ODIHR and Council of Europe bodies' recommendations were not addressed, including those pertaining to key aspects of the electoral process, such as access to media, campaign finance, measures to tackle pressure on voters, and the public scrutiny and auditing of voter lists.

On campaign finance, *see also Chapter 23 – Judiciary and fundamental rights, under Fight against corruption.*

In contrast to the 2020 parliamentary elections, which were boycotted by a number of opposition parties, the 2022 polls were inclusive, and all relevant political actors took part. Eight presidential candidates ran, three of whom were women. There were 19 lists registered for parliamentary elections. Four were headed by women and eight were registered as national minority lists. Of the 12 lists that passed the threshold and entered the new Parliament, five were lists of national minorities.

## Parliament

Following the elections of 3 April 2022, a new, more pluralistic Parliament was constituted on 1 August 2022. Due to significant delays in finalising the elections results, there was no parliamentary activity, other than the inauguration of the President, for a period of over five months. The previous Parliament engaged constructively in the Inter-Party Dialogue and the implementation of identified measures. The use of urgent procedures remained at around 9%. Offensive language against political opponents continued to be used. The code of conduct still needs to be used more effectively in preventing and sanctioning the use of inappropriate language.

In line with the announcement made immediately after the 2020 elections, reducing the length of parliamentary term, Parliament was dissolved on 15 February 2022.

A new Parliament was constituted on 1 August 2022 and a new leadership elected on 2 August. Out of seven initially appointed Deputy Speakers, three were women, two belong to the national minorities, and three represented the opposition. Members of working bodies and parliamentary delegations were also appointed on 2 August, including the parliamentary Committee for the Stabilisation and Association process, which is chaired by an opposition MP. It was agreed that five, out of 20 standing committees would be chaired by the opposition. In the new Parliament, 95 women were elected, which makes up for 38 % of all MPs. The ruling list of the Serbian Progressive Party controls 120 of the 250 seats, the list led by the Socialist Party of Serbia 31 seats, United for the Victory of Serbia 38 seats, Nada/Hope for Serbia coalition 15 seats, Moramo/We Must coalition 13 seats, the Zavetnici list and Dveri-POKS list 10 seats each, and the remaining 13 seats were allocated to national minority lists, which enjoy affirmative action

(two Bosniak, one Hungarian, one Albanian and one Croat – Ruthenian list). There is an active women's parliamentary network.

There was a heavy legislative agenda in 2021 and Parliament adopted a 265 laws during its term (from August 2020 until its dissolution in February 2022), of which 24 (9 %) by urgent procedure. In 2021, 191 laws were adopted of which 14 by urgent procedure. The vast majority of bills continued to be tabled by the government. In February 2022, following the successful referendum in January, Parliament adopted and promulgated the Act on amending the Constitution and implementing the Constitutional Law, formalising the reform of the constitutional provisions in the area of the judiciary. Of the 21 public hearings held in 2021, 11 concerned the constitutional reform of the judiciary. One public hearing was held in 2022. Parliament has not yet adopted an annual work plan for 2022.

Committees continued to regularly review activity reports by the relevant ministries. Nine monthly sessions with MPs' questions to the Prime Minister and ministers were held in 2021.

Annual reports by independent bodies were debated in the relevant committees and in plenary sessions. However, Parliament failed to support the activities of independent bodies in a systemic manner by regularly monitoring implementation of their recommendations.

Parliament continued the recently established practice of plenary debates on the European Commission's reports on Serbia. In December 2021, such a debate was held for the second time and relevant conclusions were adopted. The Committee for European Integration continued to debate draft negotiating positions submitted by the government: in January 2022 the draft negotiating position for Chapter 28 was discussed and endorsed and in November 2021 the Committee heard the regular (January-June 2021) government report on the accession process. Parliament also continued cooperation with the National Convention on the EU of non-governmental organisations (NKEU).

Parliament engaged constructively in the second phase of the Inter-Party Dialogue and adopted the identified measures ahead of the April elections.

The new Code of Conduct, adopted in 2020, was amended in September 2021. In October 2021, the ethics commission was established. However, offensive language against political opponents and civic activists continued to be used in parliamentary debate. The Code of Conduct should be used more systematically and effectively to prevent and sanction offensive language.

The rules of procedure still need to be modernised, in line with best European standards and practices. The effectiveness, autonomy and transparency of Parliament, including the role of the parliamentary opposition, need to be strengthened *unequivocally*, in order to ensure the necessary checks and balances.

## Governance

The Serbian government has continued to declare EU membership its strategic goal. In line with the EU accession objective, the Serbian authorities need to place emphasis on proactive and objective communication to its own population about the EU, which is by far Serbia's main political and economic partner.

Due to delays in the finalisation of election results, the government has acted in a caretaker capacity with limited powers since February 2022.

During the election campaign and afterwards, statements were made by some government representatives which were not in line with Serbia's strategic goal of EU membership.

The government continued to hold consultations with the National Convention of non-governmental organisations (e.g. on constitutional reform of the judiciary).

Further efforts are needed to improve the transparency and inclusiveness of the reform process, particularly on issues related to EU accession. The restructuring of the Serbian negotiating team established two separate coordinating bodies, one of a political nature and one undertaking practical tasks. The new coordination structure aims to make the accession process more inclusive and establish a chain of responsibilities to speed up the process and make it more participatory. It is important that sufficient human and financial resources are allocated across all institutions involved so that Serbia can work towards meeting its objectives on EU accession negotiations. The autonomy of independent bodies needs to be fully exercised, their role acknowledged and respected by the authorities, and their recommendations followed up thoroughly and in a timely manner. The National programme for adoption of the *acquis* (NPAA 2022-2025), which adheres to the principles of the new EU accession methodology, was adopted by the government in July 2022.

As regards **local self-government**, the Law on Vojvodina's financing resources has still not been adopted, despite being provided for under the Constitution. Local administrative capacity remains weak and significant disparities between municipalities persist. Responsibilities continue to be borne at local level without proper analysis of the capacity and human/financial resources required. In June 2021, the government adopted for the first time the programme for reform of the local government system 2021-2025, which aims to address shortcomings in the functioning of local government.

### **Civilian oversight of the security services**

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| Parliament continues to be responsible for civilian oversight of the security services. The Law on access to state security files has not yet been adopted. |
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The Parliamentary committee for the oversight of security services remains responsible for civilian oversight of the security sector. The Committee reviewed regular periodic reports by the civilian and two military security agencies, and the activity report of the General Inspector of the Ministry of Defence. A law on access to the state security files still needs to be adopted.

### **Civil society**

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| In February 2022, Serbia adopted a strategy for creating a stimulating environment for the development of civil society for 2022-2030, referring also to the need to establish a council for civil society cooperation. |
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| Further efforts are still needed to ensure systematic cooperation between the government and civil society. An enabling environment for developing and financing civil society organisations (CSOs) still needs to be created on the ground, as verbal attacks and smear campaigns against such organisations continued. |
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An empowered civil society is a crucial component of any democratic system and should be recognised and treated as such by state institutions.

In February 2022, Serbia adopted a strategy for creating a stimulating environment for the development of civil society for 2022-2030, and the corresponding action plan in September 2022. The strategy indicates that in 2022, as a baseline year prior to the start of implementation, 'practices of cooperation between public authorities and CSOs are not satisfactory'. The strategy also refers to the need to establish a council for civil society cooperation.

CSOs and human rights defenders continued to raise awareness about civil and political rights. This took place in a polarised environment. Verbal attacks and smear campaigns against several

CSOs and their financing continued, including by high-level officials. Organisations and individuals that criticised the authorities were put under pressure, in particular in cases relating to the rule of law – such as protests against the glorification of war criminals - or environmental protection. During environmental protests in November and December 2021, masked and other individuals attacked some of the protestors. The Ministry of the Interior issued a public statement that, since the rallies were not registered, the police could not secure them and guarantee safety, and that the organisers would instead bear such responsibility (*See also Chapter 23 on freedom of assembly*).

The legal framework for cooperation between the government and CSOs is broadly in place; its implementation still needs to be improved and systematised. A new e-consultations platform was set up in December 2021. The impact of this new consultation tool has yet to be assessed. There is no central body in charge of quality control. CSOs continue to report that the time given for public consultations remained short, or that their comments on draft laws of public interest, for example draft amendments to the law on expropriations, were not given sufficient consideration and follow-up (*See Public Administration Reform*).

The National Convention on the EU continued to monitor and assess the progress of accession negotiations, and met several times with government officials.

### 2.1.2. Public administration reform

Serbia is **moderately prepared** as regards the reform of its public administration. Overall, **limited progress** was made in this area during the reporting period, with the adoption of a policy-making and regulatory reform programme 2021-2025 in November 2021, completing the new public administration reform (PAR) strategic framework, and with the start of its implementation. The three Commission recommendations from last year have yet to be implemented. On human resources management, roughly half of senior manager positions are still filled on an acting basis. As regards policy development and coordination, no mechanism is yet in place to verify that the Public Policy Secretariat's comments have been incorporated into the final draft versions of laws and policy documents submitted for government approval. On public financial management (PFM), action is still needed to fully implement the recommendation for a single mechanism for prioritising all investments regardless of type and source of financing. There is an urgent need to address those shortcomings.

In the coming year, Serbia should in particular:

- reduce the excessive number of acting positions, and allocate sufficient resources for effective, merit-based recruitment processes;
- ensure strong quality control role for the Public Policy Secretariat to allow for 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*

The new PAR strategic framework was completed in November 2021 with the adoption of the missing policy-making and regulatory reform programme 2021-2025. The authorities involved civil society organisations in monitoring the first year of implementation of the strategy. The PAR Council, chaired by the minister in charge of public administration, held two meetings in 2021. Political support for public administration reform continued. Financial sustainability remains an issue of concern due to reliance on donor funding.

#### *Policy development and coordination*

Institutions are in place for a central government **policy-making system**, including for the EU integration process. The Law on the planning system, containing clear rules for developing, monitoring and reporting on sector strategies, needs to be applied systematically. There is still no mechanism to ensure that the Public Policy Secretariat's comments are incorporated and that the final draft versions of laws and policy documents are compliant with the legislation. An increasing number of policy documents are being entered into the unified information system, but the number of implementation reports deriving from it remains limited. Two years on, the legal requirement to have mid-term plans adopted by all institutions as of January 2020 is not met; only 20 out of 40 public bodies have adopted and published their mid-term plans for 2022-2024. The national plan for the adoption of the EU *acquis* (NPAA) and the government annual work programme have yet to be better synchronised. Serbia adopted a new NPAA in July 2022. A high proportion of planned commitments in the government annual work programme are carried forward into the following year as they have not been implemented.

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 to be further improved across the administration. The methodology on impact assessments needs to be consistently applied. The Public Policy Secretariat's acceptance of 'partial compliance' with the methodology limits the degree of alignment with legal requirements and improvement in the overall quality of the impact assessments. Better coordination between the Ministry of Finance and the Public Policy Secretariat is still needed to ensure that there are no discrepancies between financial impact assessments and financial information in the regulatory impact assessments.

Regarding inter-ministerial consultations, there are still no high-level mechanisms for resolving possible conflicts between services before they reach the government. The scope of **public consultations** was improved. A new e-consultations platform was established in December 2021. The impact of this new consultation tool has yet to be assessed. There is no central body in charge of quality control. Despite the legal obligation to provide information on the results of public consultations, reports are not yet systematically published, nor are explanations systematically provided on the acceptance or not of comments received (*See Civil society*).

As regards **public scrutiny of government work**, reports were published on implementation of the PAR strategy and PFM reform programme and on the action plan for the implementation of the government programme. Other reports on the NPAA and sector strategies were not published. The government's website still does not provide direct access to monitoring reports on the implementation of key government planning documents. Agendas, minutes and conclusions of government sessions are still not published.

#### *Public financial management*

The 2021-2025 PFM reform programme was implemented in line with its action plan for 2021. The cost of government measures to mitigate the economic impact of COVID-19 and the spillover effects of Russia's war of aggression against Ukraine has increased the overall fiscal deficit and public debt. However, public finances were kept on a sustainable path in line with medium-term fiscal goals. The capital budget level continued its upward trend but a unified, comprehensive, effective and transparent system for planning and management of capital investments needs to be put in place. Serbia needs to apply the full methodology of the decree on capital projects management, as well as public procurement procedures, to all capital investments regardless of type of investment or source of financing. It must also ensure that effective procedures are in place to guarantee that the planning, appraisal and implementation of capital projects is integrated into the budget process. Furthermore, the government's investment planning and management capacity needs to be improved. This includes the capacity



for public assets management and for assessing possible fiscal risks for investment projects funded by loans from third countries.

The link between the government programme and the sector strategies and operational plans of budget beneficiaries remains weak. The improved legislative framework for public procurement and internal control needs to be implemented in practice. With public procurement in particular, the very high value of procurement decisions exempted from the Law on public procurement raises serious concerns. The State Audit Institution has continued to increase both the coverage and quality of its audits of public funds and its relations with stakeholders (*See Chapters 5 – Public procurement, and 32 – Financial control*).

Analytical units in all ministries and line bodies need to be established without delay in order to foster the effective consolidation of strategic, operational and financial management functions, as planned in Serbia's strategic documents.

Areas that would merit further improvements include the accounting and reporting framework, arrears, commitment controls, extra budgetary operations and performance management.

Serbia did not progress in improving **budget transparency**. No transparency roadmap, pre-budget statement or mid-year report has been produced or published. The Ministry of Finance does not publish the budget execution profile at the beginning of the year, preventing analysis of deviations from targets. Some additional policy and fiscal risk information could be included in the executive's budget proposal. Public participation in the budget process and budget oversight by the legislature needs to be improved. The 2022 budget was adopted in line with the budget calendar but with very limited qualitative assessment and debate among the stakeholders.

#### *Public service and human resources management*

The civil service legislation provides for **merit-based recruitment and dismissal procedures** but leaves too much discretion to the heads of institutions in setting up selection committees. There were no developments in mandatory competition procedures for recruiting temporary staff in cases of increased workload and this has been postponed from 2021 to 2023. The possibility to convert certain categories of temporary contracts into permanent civil service contracts needs to be considered carefully to avoid possible abuse. Grades received by civil servants under the performance appraisal system remain inflated. A high proportion (2020: 72 %, 2021: 50 %) of disciplinary decisions are annulled by courts.

The legislation on senior civil service positions provides for a merit-based recruitment procedure, but the lack of transparency in the procedure and the lack of compliance with it remain issues of serious concern. The legal provision allowing for appointments to acting positions for 6 months (with a maximum extension of 3 months) is frequently used beyond those limits. As of May 2022, 51 % of filled senior positions were held on an acting basis (62 % in June 2021). Despite the amendments to the Law on civil servants restricting appointments to existing civil servants as of July 2019, the government continued to appoint non-civil servants – occupying two thirds of total acting posts - after that legal deadline. The limited capacity of the High Civil Service Council is a concern given the large number of competitions to be organised to replace all the current acting managers at a reasonable speed. Clear political will, sufficient resources and effective monitoring by the responsible institutions remain essential to address this issue as a matter of urgency. The authorities set up a 'special working group' to look into possible solutions. However, established practices continue to lack transparency. In particular, appointment decisions for management positions can be overturned by a government personnel committee after the selection process has been finalised at the institutional level.

As regards the competency-based **human resources management** system, the success rate of tested competencies remained extremely high. The Human Resources Management Service needs to further strengthen its capacity to coordinate and harmonise the work of human resources units in the line institutions. There is no annual reporting yet and reliable statistics are not yet available as the setting up of a new human resources management information system is delayed. The current system is still not connected to other national databases such as the treasury payroll registry. No progress was made regarding **remuneration** of civil servants. Implementation of the 2016 Law on the public sector salary system, which introduces the principle of equal pay for equal work for all public sector employees, is further delayed as it was again postponed for another year, to 2025. Restrictions in recruitment remained in place through the Law on the budget system.

With regard to **professional development**, the National Training Academy for Public Administration continued organising training for all public officials, including at the local self-government level. The Academy further developed online training courses and continued to increase training coverage both in terms of the number of courses and the number of trained public administration staff. The implementation of a comprehensive professional development programme for senior civil servants is at an early stage of implementation.

The third round of development and implementation of **integrity plans** for all public authorities began in November 2021. Further efforts are needed to ensure that the existing integrity plans for the judiciary and public administration are fully implemented. The integrity of the civil service is still undermined by the excessive number of acting senior manager posts. By March 2022, 30 out of 174 local self-governments had adopted the new code of ethics for local officials developed by the Standing Conference of Towns and Municipalities.

#### *Accountability of administration*

The structure of the public administration has not yet been streamlined. The **lines of accountability** between agencies and their parent institutions remain blurred, contributing to overlapping functions, fragmentation, and unclear reporting lines. In spite of the existence of the Law on public agencies, almost all agencies of this type still have their status regulated by a special law. Political commitment to managerial accountability, performance management and systematic delegation of responsibilities is still needed. The establishment of a registry of holders of public powers was postponed to 2025 in the new PAR strategy. The decree of March 2021 on organisation and systematisation of work posts, introducing analytical units, has yet to be enforced; the units need to be promptly set up with adequately trained staff. Institutions still have a predominantly bureaucratic and process-oriented approach to planning, budgeting and reporting on their activities (*See Chapter 32 – Financial control*).

As regards the **citizens' right to good administration**, a new Law on the Ombudsman was adopted in November 2021. According to the Ombudsman's 2021 report, the largest number of citizens' complaints relates to violation of economic and property rights, followed by civil and political rights, socio-cultural rights and rights of children (*See Fundamental rights*).

Administrative silence, whereby public authorities fail to properly act on citizens' information requests, remained a major issue. Amendments to the Law on free **access to information** of public importance were adopted in November 2021, which should in principle ensure more effective enforcement of the decisions taken by the Commissioner for Information of Public Importance (*See Chapter 23 – Fight against corruption*).

On the **citizens' right to administrative justice**, review of Administrative Court judgments is possible only in a limited number of cases and only through extraordinary legal remedies. According to the Chapter 23 action plan, a two-instance network of administrative courts review

should be established by the first quarter of 2023. In 2021, the Administrative Court received 38 927 cases and resolved 22 104 (77.04 % clearance rate). Some 64 834 cases were pending at the end of 2021. The continuing backlog of cases, alongside expanded jurisdiction and a relatively small number of judges (46), is negatively affecting access to justice. The Court took steps to improve transparency by uploading 169 548 integral and 14 029 anonymised judgements into the case-law database of the Supreme Court of Cassation.

Available data indicate a gradual increase in the use of **legal aid**, predominantly in civil and administrative cases and for victims of domestic violence. There is a need to improve the existing capacity and cooperation between different service providers, raise further awareness about this right, and align the legal framework with the procedural laws, the law on court fees and the tariff regulation. All local self-governments but one now have a registered provider of free legal aid (*See Fundamental rights*). **Citizens' right to seek compensation** is regulated but there is still no statistical data to monitor its implementation.

#### *Service delivery to citizens and businesses*

Creating a more **user-oriented administration** remains a government priority. The Office for IT and e-government and the Prime Minister's Delivery Unit continued to ensure coordination and leadership in this area and implementation of the e-government programme. A central monitoring of performance and quality standards for services are needed. Progress in developing e-services continued, in particular in relation to the COVID-19 crisis. A full set of implementing laws relating to the Law on e-government was adopted by February 2022. The number of municipal one-stop shops increased; however, a regulation governing their setting up has yet to be adopted. The number of databases connected to the Government Services Bus - an information system linking major databases - has increased, including the central population registry. Digital signatures are being used but the number of people using this service is still limited.

The legal framework for **simplification of administrative procedures** is in place. However, regulatory uncertainty for individuals and businesses remains due to persistent delays in aligning sector-based legislation with the Law on general administrative procedures. The capacity of the Ministry of Public Administration and Local Self-Government to efficiently oversee the implementation of this Law is still limited. In implementation of the 'e-paper' programme 2019-2021, the Public Policy Secretariat simplified 311 administrative procedures and digitised 64 ones. However, this programme is still not clearly linked with the process of aligning sector-based legislation and/or special procedures with the Law on general administrative procedures.

## **2.2. RULE OF LAW AND FUNDAMENTAL RIGHTS**

### **2.2.1. Chapter 23: Judiciary and fundamental rights**

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

Serbia has **some level of preparation** in applying the EU *acquis* and European standards in this area. **Limited progress** was made overall, which includes an improvement of the average grading of the sub-chapters compared to the previous reporting period. Serbia made an important step with the adoption and promulgation of the constitutional amendments in Parliament in February 2022. In order to give practical effect to the constitutional amendments

the relevant implementing legislation needs to be adopted swiftly. Two experts working groups tasked with drafting the legislation have been set up with a timeline for their adoption by February 2023. A first set of draft judicial laws were finalised in September 2022 and shared with the Venice Commission for opinion. The Council of Europe's Group of States against Corruption (GRECO) recommendations in the area of prevention of corruption have been further implemented and the number of indictments and first instance convictions for high-level corruption cases has slightly increased. Serbia has still to prepare a new anti-corruption strategy, accompanied by an action plan. On media freedom, no progress was made on the recommendations of last year, which therefore remain valid.

Following the 2020 adoption of the revised action plan for implementing Chapter 23, the judiciary's monitoring and reporting mechanism has been improved and places greater emphasis on a qualitative analysis of achievements of the impact indicators. In addition, an early warning reporting mechanism involving the 50 implementing institutions has been introduced through a special report and involving follow-up improvements to rectify implementation issues within timeframes. Annual reporting on the interim benchmarks has begun.

The interinstitutional Coordination body has held four meetings since its establishment in 2021. Three permanent staff have been appointed to the secretariat. The mechanism for cooperation with civil society organisations has improved. The Ministry of Justice has organised one roundtable bringing together civil society organisations. Considering the high staff turnover across the judiciary and fundamental rights institutions, staff retention should be prioritised. Further know-how and capacity building is required and budgeting for human and financial resources should be improved.

### **Functioning of the judiciary**

**Serbia has some level of preparation** in the area of the judiciary. **Some progress** was made overall on last year's recommendations. Serbia took an important step on the independence and accountability of the judiciary with the approval of relevant amendments to the Constitution in February 2022, together with the Constitutional Law setting out the steps and the deadlines for their implementation. The Venice Commission (VC) was consulted twice during the drafting process. It found that the public consultations process was sufficiently inclusive and transparent. Most of the VC's specific recommendations were addressed. The amendments to the Constitution provide that all judicial appointments (with the exception of the future Supreme Prosecutor) will be made either by the future High Judicial Council (HJC) or the High Prosecutorial Council (HPC), increasing safeguards against potential political influence. In order to give practical effect to the constitutional amendments the relevant implementing legislation needs to be adopted swiftly. For the purpose of drafting the implementing legislation two expert working groups (one for prosecutors, one for courts) were established in April 2022. A first set of draft judicial laws were finalised in September 2022 and shared with the Venice Commission for opinion. A broad and inclusive consultation process including full alignment with Venice Commission recommendations and European standards will be needed in this regard. According to the constitutional law, this legislation should be adopted within 1 year for judicial laws and within 2 years for the alignment of all other relevant legislation. The new human resources strategy and related action plan were adopted in December 2021. Their implementation is pending.

Notwithstanding this positive development, significant challenges and delays in implementation remain regarding the impartiality, accountability, efficiency and professionalism of the judiciary, access to justice and high-quality training. The current system of recruitment, transfer and promotion of judges and prosecutors still needs to be revised to

ensure that careers are fully based on merit. A number of steps have been taken to reduce the space for political influence on the judiciary, however, it is not yet possible to observe a reduction of undue influence on judges and prosecutors in practice. Serbia still needs to show a genuine commitment for investigating and adjudicating war crimes cases. Serbia continues to challenge publicly the judgments of the International Criminal Tribunal for the former Yugoslavia (ICTY), including at the highest levels.

In the coming year, Serbia needs in particular to:

- amend the relevant judicial laws for the implementation of the constitutional amendments (Laws on: organisation of courts; seats and territorial jurisdiction of courts and Public Prosecutors' Offices, judges; Public Prosecutors' Office and the Judicial Academy) in line with the foreseen deadlines and Venice Commission recommendations in order to strengthen the independence of the judiciary and the autonomy of the prosecution;
- amend the Laws on High Judicial and Prosecutorial Councils, in line with foreseen deadlines and Venice Commission recommendations, to empower them to effectively and proactively defend judicial independence and prosecutorial autonomy in practice, including in cases of external undue influence;
- start implementing the human resources strategy for the entire justice sector and operationalise the uniform and centralised case management system, to improve the efficiency and effectiveness of the justice system.

### Strategic documents

In March 2022, the action plan for the 2022-2025 **judicial development strategy** was adopted, further specifying reform activities, including reporting by the relevant international bodies/organisations and civil society. The Serbian government is delayed in carrying out a comprehensive impact analysis of the country's reforms on the basis of the 2014 World Bank functional reviews including addressing its recommendation. The World Bank finalised the latest functional analysis of the prosecution services in August 2022, following comments received from the Ministry of Justice and the judicial institutions. The recommendations from previous World Bank functional reviews remain to be addressed.

A new **human resources strategy** and action plan for the judiciary were adopted in December 2021. Their full implementation should improve performance across the justice sector. The new monitoring and reporting mechanism set out in the Chapter 23 action plan should provide information based on a qualitative analysis of achievements towards impact indicators, including on human and financial resources, as well as early-warning and corrective measures. Special efforts should be placed on staff retention and capacity building across the implementing institutions. An information and communications technology (ICT) strategy and accompanying action plan were adopted in February 2022. Sustained efforts are needed to make the ICT system work in an effective and efficient manner, closely linked with the human resources (HR) strategy and the judicial reform. The Ministry of Justice also developed a new mechanism for cooperation with civil society. Overall, although Serbia is advancing in setting up a robust performance assessment framework and building a credible record of accomplishment in implementation, the reforms need to be accelerated.

### Management bodies

As regards the organisation of the courts and prosecutors' offices, responsibilities for budgetary planning, resource allocation and execution remain divided between the Ministry of Justice and the Councils, adversely affecting the efficiency of the courts and prosecutions. Following the constitutional amendments, the implementing judicial laws should set out a clear framework to

resolve this issue. In addition, the implementation of the new HR strategy should improve the overall management of the system, taking into account the predicted judiciary workload, both the number and complexity of cases, as determined by case-weighting procedure. The new case-weighting formula was introduced in January 2022 in all basic, higher and commercial courts. An evaluation of its application is underway.

The High Judicial Council (HJC) adopted a new strategy and improved the use of the information and financial reporting system for more accurate, reliable and efficient data collection and processing. The State Prosecutorial Council (SPC) took steps towards introducing the necessary ICT tools to ensure random allocation of cases and introduce the case weighting formula. Measures were also taken to improve the transparency of the Councils' work, notably through publications on their websites. Both Councils have operated without full complement of members since 2021, pending Parliament's appointment of bar representatives. The new judicial laws should further strengthen the position and role of the Councils, in line with the constitutional amendments and Venice Commission recommendations. There is a need to improve the analytical and statistical capacity of both Councils in line with the HR strategy for the judiciary.

### Independence and impartiality

The current legal framework does not provide sufficient guarantees against attempts to exercise undue political influence over the judiciary. The first step in the **constitutional reform**, aimed at increasing judicial independence safeguards, was successfully finalised on 9 February 2022, when the Parliament promulgated the amendments to the Constitution and the Constitutional Law after they were confirmed in the public referendum held on 16 January 2022. The Constitutional Law sets out the next steps and the deadlines for adopting the implementing judicial legislation. The Venice Commission (VC) was consulted twice on the draft text of the amendments.

The VC concluded in its first opinion from October 2021 that the process of public consultations for these draft amendments was sufficiently inclusive and transparent. It welcomed *'[...] inter alia, the introduction of the principle of non-transferability of judges, functional immunity for judges and prosecutors, the removal of the probationary period for judges and prosecutors, the fact that the High Judicial Council will no longer be dissolved if it does not render a decision within 30 days and, most importantly, the removal of the competence from the National Assembly to elect court presidents and public prosecutors and to decide on the termination of their office as well as to elect judges and the deputy public prosecutors.'* The VC *'[...] deemed the relevant amendments in line with European standards and considered that these amendments address previous recommendations, including those of the Venice Commission.'*

The VC complemented this assessment with a number of specific recommendations that Serbia was expected to address. Parliament took account of the VC's opinion and submitted a revised version to the VC for an urgent opinion. This was issued on 24 November 2021 with the VC welcoming *'that most of its key recommendations from the October opinion have been met, most notably the recommendation on the composition of the High Judicial Council'*. The Venice Commission warned that *"the recommendation related to the anti-deadlock mechanism for the election of the lay members of the High Judicial Council has not been followed and the one related to the composition of the High Prosecutorial Council has only been partly followed.'* The Venice Commission confirmed that *'even though the solutions proposed in the revised draft amendments in respect of these two recommendations do not go against any international standards as such, the Commission insisted once again on the need to reduce the risks of politicisation of the two Councils.'*

The amendments to the Constitution provide that all the judicial appointments, including first time judges and prosecutors (with the exception of the future Supreme Prosecutor) will no longer be made by Parliament, but by the future High Judicial Council and the High Prosecutorial Council (name change from the present State Prosecutorial Council, as per amendments). With the reform, the ‘High Court of Cassation’ has been renamed the ‘Supreme Court’, whose powers will be defined in the future law on courts.

In order to give practical effect to the constitutional changes the adoption of a set of judicial laws with detailed provisions is needed as next step, which needs to be done within 1 year (by February 2023). The set of laws includes the Laws on: organisation of courts; seats and territorial jurisdiction of courts and Public Prosecutors’ Offices, judges, Public Prosecutor’ Office, the High Judicial Council, and the High Prosecutorial Council. A broad and inclusive consultation and the active participation of all relevant institutional stakeholders and civil society are needed for developing these important laws. The Constitutional Law sets a two-year deadline for the alignment of all other relevant legislation (by February 2024). This includes the adoption of legislation referring to, but not limited to: rules of procedure for the courts, for the high judicial and the high prosecutorial council, including specific rules on the work of bodies for evaluating the work of judges and (deputy) public prosecutors; the work of their respective disciplinary bodies, ethical boards and elections committees; and also rules of procedure of the Managing Board and the Programme Council of the Judicial Academy. The Ministry of Justice is leading this process and has established two expert working groups (one for the judges and one for the prosecutors) on 15 April 2022. The work started with delay, in June 2022. The working group finalized the drafts of the five judicial laws in September 2022 (Laws on: judges, High Judicial Council, organisation of courts; Public Prosecutors’ Office; High Prosecutorial Council) and shared them with the Venice Commission for opinion. This exercise should be completed on time for the adoption of the laws by February 2023 through wider consultations and with full alignment with the recommendations of the Venice Commission.

Pressure on the judiciary and the prosecution still remains high. Government officials, including some at the highest level, as well as members of Parliament, continue to comment publicly on ongoing investigations or court proceedings, as well as on the work of individual prosecutors and judges. Such comments are in contradiction with the new code of conduct for members of Parliament, adopted in December 2020. Information leaked on ongoing investigations or cases has been published by a number of media outlets and may be considered to interfere in the investigations and processing of cases, creating undue pressure on individual members of the judiciary or the prosecution. Some steps were taken to address this issue. In line with the Action plan for Chapter 23, the Ethics Committees of the High Judicial Council (HJC), the State Prosecutorial Council (SPC) and the National Assembly held their first joint meeting in June 2022 agreeing to continue cooperation in order to establish an effective monitoring mechanism for full compliance with court decisions.

The rules of procedure of the HJC and the SPC, amended in April 2021, lay the foundation for a more effective reaction and protection mechanism for judges and prosecutors in cases of undue influence. However, despite these steps, it is not yet possible to observe a reduction of undue influence on judges and prosecutors in practice. In 2021, five judges reported undue influence to a confidential counsellor of the HJC, who also took one case on own initiative. The counsellor identified inappropriate influence in three cases. One was rejected and two are pending. In the first half of 2022, nine judges addressed HJC on the basis of undue influence. Compared to the previous period, there was a smaller number of processed cases on prosecutorial protection over external pressure. The HPC Commissioner issued only one statement. More transparency in his work is needed, including the publication of guidance and

anonymised decisions. The current legal framework authorises the head of every prosecutor's office to intervene in individual cases. This creates a certain vulnerability for political influence, notably when effective safeguards are lacking in practice. This should be addressed in line with the amended Constitution in the new Law on prosecution and on the HPC. Overall, stronger reactions and broader public outreach are needed from both Councils, notably by using the many instruments at their disposal (statements, media conferences, publicly addressing the authorities or institutions concerned). This would send a clear message on the need to eliminate undue influence on judges and prosecutors and help reverse a persisting negative perception as to their independence and autonomy in practice.

### Accountability

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

The HJC adopted a new rulebook on the work of its Ethical Board in June 2022 following the appointment of the new president, deputy president and members of the Board in October 2021. Both Councils continued with activities to promote respect for professional ethical standards and confidential counselling.

The term office of the former HJC disciplinary prosecutor expired and a successor took over in May 2021. There were 473 new disciplinary reports filed in 2021. The disciplinary prosecutor resolved 593 cases and recommended to the disciplinary commission to take further proceedings in 6 cases. The HJC's disciplinary commission was not operating for the whole of 2021, due to changes in its composition; in 2022 it processed 12 new cases and issued 2 penalties, 1 public warning and 1 salary reduction for a serious disciplinary violation. Most of the reports were filed by private individuals and lawyers complaining over prolonged litigations and misdemeanour proceedings. In 2021, disciplinary prosecutor of the State Prosecutorial Council processed 115 new cases. In these cases 91 reports were rejected as groundless, while 3 cases were referred to disciplinary commission. As in the previous period, most of the reports were filed by private individuals and attorneys.

### Professionalism and competence

In 2020 and 2021, 16 court presidents and 259 judges were appointed to courts at all levels. At the end of 2021, out of 3 073 judicial posts, 353 were vacant while 2 508 judges effectively worked (2020: 2 649), amounting to 39.4 judges per 100 000 inhabitants. At the end of 2021, there were 703 holders of public prosecutorial function (756 in 2020), 52 appointed public prosecutors, 27 deputies were in the acting status and in 11 prosecutors' offices, deputies were in caretaker capacity. The number of prosecutors per 100 000 inhabitants was 11 in 2021. According to the European Commission for the Efficiency of Justice (CEPEJ), the European averages are 21 judges/12 prosecutors per 100,000 inhabitants.

The HJC and the SPC continued to publish information on their websites about the process for evaluating judges and prosecutors. The current system for recruiting, transferring and promoting judges and prosecutors will need to be revised in line with the new legislation for implementing the constitutional amendments. In particular, it will be essential for career advancement to be based solely on merit, with a clear performance evaluation mechanism based on objective criteria.

The eligibility criteria for the judicial profession should be clearly defined in the new Laws on judges and prosecutors and the Law on the Judicial Academy, to cover all present categories,



the Academy graduates and judicial and prosecutorial assistants. In line with the Venice Commission's recommendation, the Academy should be effectively '*protected from possible undue influence*'. The independence and professionalism of the Academy remain essential to its becoming a sole nationwide entry point to the judicial profession.

In line with the Law on planning, implementation of the new reform strategy for the judiciary should make it possible to act on the recommendations from the World Bank's functional reviews. These concern effective performance appraisal, budgetary planning and execution, improvement of qualifications and skills through initial and continuous training.

### Quality of justice

The Judicial Academy continued to implement its multiannual work programme for 2020-2025. The Academy's capacity and internal expertise for initial and continuous **training** should be further improved, in particular for the training on European law, as presented by the Academy in the 2021 European judicial training report. The total budget for training initiatives at the Judicial Academy in 2021 amounted to EUR 3 766 707. The Academy continues to be an observer in the European judicial training network.

On **case law harmonisation**, in 2021 the court jurisprudence database was further expanded, with inputs from the Supreme Court of Cassation (SCC), four appellate courts, the Administrative Court and the Commercial Appellate court. It now contains 269 140 integral decisions, 32 413 anonymised decisions, 122 legal views, 33 case law bulletins and 17 descripts. The various existing databases should be interlinked, including the one on the judgments of the European Court of Human Rights. Structural shortcomings, including a mismatch between the number of cases and staff should be addressed through implementation of judicial reform and human resources strategies. The role of the SCC in effectively orienting jurisprudence has still to be defined in the judicial laws for implementing the constitutional amendments.

Serbia still lacks a comprehensive **court case (and document) management system** that interlinks cases across Serbian courts and prosecutor's offices. The work on case management system for courts officially started in September 2021 and is planned to be finalised in 2024. The case management system for prosecutor offices is planned to be finalised by the end of 2022. The case management system for prison administration is operational as of December 2021. Further work is still required to ensure that all systems can operate smoothly. Legislative changes are needed, along with adequate staffing and financial resources, and upgraded communication infrastructure.

In July 2021, 28 new **notaries** were appointed, bringing the number of active notarial offices to 225 covering most courts' jurisdictions. Four basic courts still have no notarial services in the territories they cover. The notary chamber continued its efforts for better services, including improvements to the electronic documentation system, training and standardisation of practice.

There was no progress in amending the Law on mediation to increase the use of **alternative dispute resolution** mechanisms including mediation, based on quality standards. A sustainable system with sufficient mediators would be an effective way of addressing the steady rise in the number of first instance litigation cases. The number of mediations compared to the number of pending civil court proceedings remains below 1 %. In 2021, there were 1 704 registered mediators, 216 cases (other than labour disputes) were referred to mediation by the courts and 44 were resolved. In addition, 3 labour dispute cases were also referred to mediation (none was resolved). Out of 1 271 mediations referred by the courts (773 fewer than in 2020), 1 091 ended in a settlement, less than 10 %. The annual report of the SCC points to a rising number of litigation cases and identified space for an increased use of alternative dispute resolution mechanisms as an effective way of resolving disputes.

## Efficiency

The court and prosecution network consists of 159 courts and 90 prosecutors' offices (general and specific jurisdictions), operating in four instances (basic, higher, appellate and supreme), adding to complexity in terms of financing, procurement and court payments for the services. An unequal workload among judges and prosecutors and frequent changes in the court network negatively affect equal access to justice for the public. The increase in the number of cases continued in 2021, with 2 402 486 new cases (314 415 more than in 2020), the highest number being in basic and misdemeanour courts. Private individuals have filed over 200 000 new cases against banks, claiming undue bank loan processing fees. In 2021, 2 415 672 cases were resolved, 401 843 cases more than in 2020, in spite of 353 vacant judicial positions. The clearance rate fell to 100.55 % compared to 107.81 % in 2020. At the end of 2021, there were 1 498 237 pending cases. The average duration of courts' proceedings in 2021 was 226 days, compared to 274 in 2020. The number of cases dismissed due to expiration of statutory time significantly increased in commercial cases to 4 379. From 2017 to 2020, the number of cases varied between 4 and 33.

There are 9 882 positions for court staff (only 8 763 filled) while 1 751 staff were engaged on a temporary basis, due to increased workload. The number of the state employees, i.e. staff whose work is not linked to processing of cases, fell slightly (2021:2 831; 2020:2 938) but it is still high compared to the total number of staff, according to European average (CEPEJ report).

Implementation of the unified backlog reduction programme (for 2016-2020) continued under the supervision of the SCC, with declining trends in the overall number of pending backlog cases, including enforcement cases. In 2021, more such cases were resolved (375 567, out of which 36 884 were enforcement cases) compared to 2020 (353 563). At the end of 2021, there were some 137 637 pending backlog cases, with the highest number in basic courts in civil matters (35 128). Most of the backlog cases older than 10 years (39 033) are in the basic courts. There is a large number of these cases pending in the higher courts (1 954) owing to the legislative changes concerning jurisdiction in civil matters. There is a high number of old cases in the Administrative Court (4 368). The number of cases filed over violations of the right to a trial within a reasonable time is 40 607. In 20 930 new cases the parties requested compensation for damages resulting from the undue prolongation of proceedings.

A high number of cases is pending before the **Constitutional Court (CC)**. In 2021, the CC worked on 18 198 cases, mostly (17 924) constitutional appeals and 209 cases relating to normative control and other powers of the Court. The CC resolved 13 316 constitutional complaints (rejecting over 58 % of them for procedural reasons) and postponed 27 280 unresolved cases to 2022. Additional protection granted by the Law on the protection of the right to a trial within a reasonable time did not reduce the number of constitutional complaints or the processing time. Working with 13 out of 15 judges, in 2021, the CC solved 1 147 cases in merits, an increase by a 11.25 % compared to 2020. A number of requests are pending for assessment of the constitutionality of laws and other general acts and their compliance with international documents which is the core mandate of the CC, who has not established a practice of acting on own initiatives in this area. The CC should improve public outreach to explain its work, ensure the transparency of its sessions in practice and provide easier access to judgements. Overall, and as underlined by the Venice Commission, there is a need to reform the Constitutional Court in particular with regard to the introduction of a qualified majority with a deadlock mechanism for the election of some of the judges of this court by Parliament.

Significant **differences in workload remain** between the courts across the country, with the Belgrade courts bearing the highest overall workload. The Ministry of Justice introduced a case-weighting formula in all basic, higher and commercial courts in January 2022. Lengthy

proceedings and the slow pace of processing indemnity claims continue to hamper the efficiency and quality of justice and people's access to justice. The Law on free legal aid came into force in October 2019 (*See procedural rights*).

As to **enforcement** cases, the transfer of additional types of enforcement cases from courts to 231 public enforcement agents and 32 deputy agents continued. The e-auction platform is in use to increase access to information and improve transparency. In 2021, 255 792 new enforcement cases were received, 514 833 were resolved and 66 610 are pending. The total number of backlog enforcement cases at the end of 2021 was high at 36 845, with 32 519 older than 10 years. Implementing the new HR strategy for the judiciary should provide the courts with the additional human resources that are required for better protection of individual debtors and stronger court control over enforcement.

#### Domestic processing of war crimes

Serbia needs to cooperate fully with the International Residual Mechanism for Criminal Tribunals (IRMCT). This means fully accepting and implementing its rulings and decisions. Serbia continues to publicly challenge the judgments of the International Criminal Tribunal for the former Yugoslavia (ICTY), including at the highest levels. Cooperation between the IRMCT Office of the Prosecutor and the Serbian Office of the War Crimes Prosecutor (OWCP) continued. Serbia's state of non-cooperation in relation to the arrest of people indicted for contempt of court had not been resolved by the time the IRMCT assumed the jurisdiction, rights and obligations of the ICTY in 2017. After the IRMCT eventually decided that the contempt of court case has to be heard by the IRMCT itself, it requested Serbia to execute the arrest warrants and related transfer orders in December 2020. This was not yet done.

Regarding regional co-operation on the prosecution of war crimes, the Serbian authorities undertook steps towards transferring the criminal prosecution case against a citizen of Bosnia and Herzegovina, who had previously been arrested at the border between the two countries and was subsequently indicted in October 2021 but later released. In addition, the OWCP transferred 24 investigative files to the Prosecutor's Office of Bosnia and Herzegovina. Two other citizens of Bosnia and Herzegovina, arrested in Serbia and accused of war crimes, are still in custody in Serbia and the proceedings against them are underway before the Higher Court.

The former 2016 national strategy for the investigation and prosecution of war crimes expired in December 2020. Its rate of implementation was very weak. A new national strategy for the prosecution of war crimes for the period of 2021-2026 was adopted in October 2021 and its first implementation report was published in June 2022. Serbia has a case backlog of 1 731 pre-investigative cases. The new national strategy for the prosecution of war crimes is an opportunity to honour commitments to the fight against impunity and promoting reconciliation, by increasing investigations and indictments in high-level cases and strengthen regional co-operation. Moreover, the strategy needs to ensure that specific decisions in other fields, notably on granting citizenship, do not have the effect of fostering impunity. A new prosecutorial strategy is required with clear targets and indicators for addressing the significant backlog of cases. A number of Serbian political parties and figures, including at ministerial level, continued to provide support to and public space for convicted war criminals. Convicted war criminals continue to spread hate speech in the public space. Certain politicians continue to deny the Srebrenica genocide without repercussions.

The OWCP's capacity was strengthened in early 2021. It now operates with 11 deputies, of whom 9 were appointed and 2 assigned.

The War Crimes Department (WCD) of the Higher Court has 7 judges, of whom 6 are assigned to 2 trial panels, and 2 are assigned as pre-trial judges. The WCD of the Court of Appeals operates with 5 judges assigned to 1 trial panel.

In 2021, the OWCP filed 7 indictments against 9 defendants of whom 4 were transferred from Bosnia and Herzegovina. Two of the people indicted held a ‘high-ranking’ position at the time of the offence (former general and commander of corps), involving thousands of victims. One of the defendants has also been indicted by the Court of Bosnia and Herzegovina for the more serious offence of crimes against humanity. In 2021, 2 judgments involved sexual violence. In June 2022, the Higher Court of Belgrade confirmed the indictment against four Croatian military pilots for alleged crimes committed against ethnic Serbs in Bosnia and Herzegovina in 1995. The indictment is final. The court is currently reviewing the motion from the prosecution to initiate a trial in absentia. International legal assistance did not take place.

In 2021, the Higher Court rendered 5 judgments, convicting 6 defendants and sentencing them to prison terms ranging from 2 to 15 years, while the Court of Appeals rendered 6 final decisions convicting 6 defendants and sentencing them to prison terms from 2 to 15 years. No defendants were acquitted.

In 2022, the trial panels’ of the Higher Court’s WCD saw a change in its composition. One judge retired in February 2022, while the other judge and the president of the WCD was substituted due to ongoing health issues. This affected the processing of war crimes cases before the Higher Court. To date, the judges have applied relevant legislation to prevent significant delays in the proceedings.

As of 31 December 2021, trials were ongoing in 18 cases before the Higher Court (16 cases) and the Court of Appeals (2 cases) against 38 defendants.

Overall, Serbia needs to show a genuine commitment to investigating and adjudicating war crimes cases. This is a requirement to effectively deal with the legacies of the past and for fostering reconciliation. Serbia should prioritise complex cases and those involving high-ranking officials and provide a clear legal approach to resolving the issue of command responsibility. Serbia is expected to engage in meaningful regional cooperation and good neighbourly relations in the handling of war crimes.

According to the relevant data of the International Committee of the Red Cross (ICRC), 9 876 people were still missing as a result of the conflicts in the region by July 2022. Of these, 6 302 cases are related to the conflict in Bosnia and Herzegovina, 1 953 to the conflict in Croatia and 1 621 to the conflict in Kosovo. In 2021, 88 cases were resolved, of which 44 concerned the conflict in Bosnia and Herzegovina, 23 concerned the conflict in Croatia and 21 the conflict in Kosovo. Serbia participated in and reported on the work of the working group on missing persons (under the London Framework Plan Agreement). Serbia officially identified the remains of 10 persons found in Serbia, 1 from Croatia, 4 from Kosovo and 7 from Bosnia and Herzegovina, thanks to cooperation with Bosnia and Herzegovina, Croatia and Kosovo. In 2021, excavation works allowed the identification of the remains of nine victims in Kizevak, Raska municipality, and three in Sid. The remains of nine victims from the conflict in Kosovo exhumed in Kizevak were handed over to their families in 2021. Three sets of human remains were repatriated from Kosovo to Serbia. The Belgrade delegation to the ICRC-chaired Working Group on the Missing Persons remained engaged in 2021. There was no session of the Working Group after April 2021 as the Pristina delegation refused to hold new meetings until the Belgrade delegation changed its head. Nonetheless, sub-levels of the mechanism (Sub-Working Group on Forensic Issues and Analytical Team) continued to work on concrete cases and sites and held 13 meetings since April 2021 (of which, 8 in 2021 and 5 in 2022). The Belgrade delegation to the Working Group remained committed to assessing several locations on the

territory of Serbia indicated by Pristina as potential gravesites of victims from the conflict in Kosovo. In May 2022, Serbian authorities conducted excavations in Stavalj in the presence of the Kosovo Commission on Missing Persons, in line with the commitments made in the framework of the ICRC-chaired Working Group. No human remains were found.

### **Fight against corruption**

Serbia has **some level of preparation** in the fight against corruption. Overall, **some progress** has been made during the reporting period, including on last year's recommendations. The recommendation on prevention of corruption has been further implemented. In March 2022, the Council of Europe's Group of States against Corruption (GRECO) concluded that the adoption of amendments to the Law on prevention of corruption had addressed the previously identified shortcomings and sufficiently strengthened the framework aimed at preventing and combating conflicts of interest for members of parliament, judges and prosecutors. Serbia has still to prepare a new anti-corruption strategy, accompanied by an action plan, and to establish an effective coordination mechanism to operationalise prevention and repression policy goals and thoroughly address corruption. The number of indictments and the number of first instance convictions for high-level corruption cases has slightly increased. Serbia should further intensify its efforts and step up the prevention and prosecution of corruption and in particular increase the final confiscation of assets linked to these cases. Those sectors most susceptible vulnerable to corruption require targeted risk assessments and dedicated action. In the coming year, Serbia should in particular:

- further improve its track record on investigations, prosecutions and final court decisions in high-level corruption cases, including the seizure and confiscation of criminal assets;
- address all GRECO recommendations from the Fourth and Fifth evaluation rounds;
- prepare, adopt and start implementing a new anti-corruption strategy underpinned by a credible and realistic action plan as well as an effective coordination mechanism.

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

#### Track record

Serbia has introduced changes to improve the measurement of its track record on investigations, prosecution and final convictions in high-level corruption cases, including the seizure and confiscation of criminal assets.

As regards **high-level corruption**, the number of indictments and final convictions in 2021 went slightly up compared to 2020.

Based on indictments from the Prosecutor's Office for Organised Crime, the courts rendered first instance judgements against 10 individuals in 2021 (compared to 22 individuals in 2020). There were final convictions against 19 individuals (compared to 11 persons in 2020). The Prosecutor's Office for Organised Crime ordered investigations against 22 individuals, and issued 22 indictments (compared to 19 in 2020, 20 in 2019, 41 in 2018 and 50 in 2017). As in 2020, no cases resulted in a final confiscation of assets (there were 3 such cases in 2019). Serbia still needs to show a convincing track record of confiscating assets in corruption cases.

In 2021, the special departments for combatting corruption in the higher prosecutors' offices received 3 035 criminal complaints (compared to 2 936 in 2020). They ordered 270 investigations, and initiated parallel financial investigations against 67 individuals (compared to 23 in 2020). A total of 540 indictments were issued (470 in 2020). The courts rendered judgments against 271 individuals at first instance based on indictments from these departments (230 in 2020). There were final convictions against 255 individuals (195 individuals in 2020).

In 2021 prosecutions of general jurisdiction (not specialised departments) issued 29 orders to investigate in relation to corruption and economic crime offences (22 in 2020), and filed less indictments than in 2020 due to the gradual shift of cases to the specialised departments (63 indictments in 2021 in comparison to 136 in 2020). The courts convicted 132 individuals at first instance, and 80 individuals at final instance. A final confiscation of assets took place in one case (compared to 3 in 2020).

Regarding violations of the conflict of interest provisions in the Law on prevention of corruption, the Agency for the Prevention of Corruption submitted no requests to initiate misdemeanour proceedings in 2021 (2020: 2; 2019:10). The Agency initiated 656 procedures to determine violations of the Law (2020: 439 and 2019: 310). In 2020, misdemeanour courts issued first-instance decisions on the responsibility of 11 public officials (2019: 27). Parliament's adoption of the authentic interpretation of the Law on prevention of corruption in February 2021 restricted the scope of the officials that are obliged to comply with the provisions of this law. As a consequence, 129 initiated procedures concerning conflicts of interest were either suspended or it was decided that the grounds for the procedure no longer applied.

The Agency submitted 134 requests for initiation of misdemeanour proceedings relating to a failure to promptly submit asset declarations in 2021, which is far higher than in previous years (2020: 29). Based on the Agency's work in previous years, misdemeanour courts issued 52 final decisions in 2021 (80 in 2020). The Agency filed 7 criminal charges in 2021 (2020: 13) 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, 8 judgements were issued (2019: 19).

During 2021, the Agency issued 23 decisions related to electoral campaigns, based on suspicion of violation of the provisions of the law, and submitted one report to the prosecution on suspicion of a criminal offence.

In 2022, the Agency looked into the reports on the campaign for a referendum on constitutional changes, and also the reports on election campaign expenses for the presidential, parliamentary and local elections. Serbia should implement all ODIHR recommendations from their Final Report of the Election Observation Mission, from August 2022, amend the legislation and improve the capacity of the Agency to perform controls in relation to use of public resources during the electoral campaigns.

The Agency submitted 209 requests to initiate misdemeanour proceedings for violations of the Law on the financing of political activities (2020: 255). Of these, 144 were for the failure to submit reports on campaign expenses in 2020. Based on final judgments, 13 decisions were made on the loss of the right to obtain funds from public sources intended for financing regular work in the coming year (2020: 9).

With regard to **access to information**, in 2021, there was a 34.4 % increase in the reports to the Commissioner for information of public importance from national level institutions, and 21.6 % from local level institutions. The Commissioner adopted 1 052 decisions based on complaints made by people wanting to access public information (1 086 in 2020) and requested public institutions to provide such information. The institutions did not react in 262 cases, which

means that the rate of execution of the Commissioner's decisions was 75 % (74 % in 2020). The Commissioner established that 63.5 % (2020: 84 %) of complaints from the public – most of them concerning 'administrative silence' – were well-founded, meaning that the information requested by citizens should have been provided by the authorities according to the Law on access to information of public importance. In 27.8 % (2020: 38 %) of well-founded cases, the authorities reported that they acted upon the Commissioner's request to provide the information to the complainants even before a decision was made on the appeal. Administrative enforcement of the decisions taken by the Commissioner was not ensured during 2021. As in the previous years, the administrative inspection did not submit any request to the misdemeanour courts to initiate proceeding for the non-execution of the Commissioner's decisions.

In 2021, courts in Serbia received 99 (2020: 117) new cases based on the Law on **whistle-blower protection**. A total of 106 cases related to protection were resolved (2020: 128). Despite the urgency of these cases, 13 cases remained pending at the end of 2021 in which the proceedings had not been completed even after three years. Whistle-blower reports, such as in the case of Krušik have still not been investigated in accordance with the Law. Serbia needs to step up its protection of whistle-blowers and investigate allegations in high-level corruption cases, in order to strengthen trust in the institutions.

The high number of exemptions from the Law on public procurement poses a serious risk of corruption in public procurement. The Law on special procedures for linear infrastructure projects lacks clarity on selection procedures and transparency. Inter-governmental agreements are not always in line with the principles of equal treatment, non-discrimination and transparency or competition rules (see Chapter 5 – Public procurement). The public procurement portal enables users to monitor all ongoing public procurement procedures. The number of contracting authorities subject to monitoring increased from 78 (2019) to 258 (2021).

Disclosing all information on COVID-related procurements would enhance transparency and foster trust.

### Institutional framework

#### *Prevention measures*

As regards GRECO recommendations, in follow-up to the November 2020 compliance report on Serbia's Fourth Evaluation Round concerning members of parliament, judges and prosecutors, GRECO requested Serbia to report on progress by 31 October 2021. Serbia submitted this report in a timely manner. It contains a detailed description of a number of steps taken to meet the majority of the recommendations, including those concerning the constitutional amendments.

In March 2022, Serbia authorised publication of the second interim compliance report assessing Serbia's level of compliance, concluding that 8 recommendations have been implemented satisfactorily and 5 remain only partly implemented. No recommendations are considered not implemented, and GRECO concluded that Serbia's performance in this field is no longer 'globally unsatisfactory'. GRECO invited Serbia to report on the fulfilment of the remaining 5 recommendations by March 2023.

During 2021, Serbia was also subject to a GRECO evaluation as part of the fifth evaluation round, which tackles preventing corruption and promoting integrity in central government (top executive functions) and law enforcement agencies. The evaluation report was adopted during the GRECO Plenary in March 2022, and it was made public in July 2022. The report calls for further measures to prevent corruption in Serbia in respect of persons with top executive functions, including the President, ministers, assistant ministers, state secretaries, chiefs of cabinet and political advisers, as well as members of the Serbian Police. In view of the findings

of the report, GRECO issued 24 recommendations and invited the Serbian authorities to submit a report on the measures taken to implement the recommendations by 30 September 2023. The measures will be assessed by GRECO through its specific compliance procedure.

Amendments to the Law on corruption prevention were adopted in September 2021, based on GRECO's recommendations from the fourth evaluation round. GRECO welcomed the amendments and the relevant manuals and guidelines aimed at public officials, and found that they are likely to strengthen the framework aimed at preventing and combating conflicts of interest among members of parliament, judges and prosecutors. It concluded that this recommendation has been dealt with in a satisfactory manner.

In December 2021, the Agency for the Prevention of Corruption had 91 staff members out of a planned 163 (5 fewer than in 2020). The Agency's board, which decides on complaints against first-instance decisions by the Agency, among other things, held 10 sessions, and decided on 82 complaints. The administrative court rendered 23 judgments on procedures for annulling the board's decisions. In December 2021, Parliament discussed and formally accepted Agency's report for 2020, and in March 2022, the Agency submitted the report for 2021 to Parliament for adoption, along with the report on the implementation of the action plan for the Chapter 23 sub-chapter on the fight against corruption. Discussions on these reports have yet to take place within the relevant parliamentary committees. There is a need for strong political will to implement the Agency's mandate in full and to gain increased public trust in the institutions preventing corruption. There is further need to increase the resources of the Agency to effectively implement the recommendations of GRECO's fifth evaluation round.

With regard to sectors particularly vulnerable to corruption, Serbia adopted the operational plan for the prevention of corruption in areas of special risk in September 2021. The plan covers public procurement, police, customs, local self-government and the privatisation process. Its implementation is coordinated through a coordination body, established by a government decision in November 2021, and chaired by the Prime Minister.

In addition, in October 2021, the Ministry of Education adopted an operational plan for the fight against corruption in the field of education. In December 2021, the Ministry of Health adopted an operational plan for the fight against corruption in the health sector, with timelines for 2022. Key goals include corruption risk analyses of the legislation in the health sector (Laws on health protection, health insurance, medicines and medical devices and chambers of health workers) with recommendations, and strengthening human resources of the Ministry of Health's inspection sector. An operational plan for the fight against corruption in the sector of taxation was also adopted in December 2021, envisaging a one-year timeline for implementation. Serbia should closely monitor the implementation and impact of these plans and their alignment with the implementation of the operational plan for prevention of corruption. Serbia is yet to adopt an overarching national strategy and action plan, which besides prevention, should also tackle repression of corruption in a systemic manner.

There have been no changes to the Law on special procedures for linear infrastructure projects, which allows projects of 'strategic importance' to be exempted from public procurement rules.

Out of the 107 local self-governments that adopted anti-corruption plans (2020: 106), 24 (2020: 22) established a body to monitor their implementation, mostly in line with the Agency's model. Under the operational plan for the prevention of corruption in areas of special risk an analysis of the implementation of anticorruption mechanisms in local self-governments assessment is due by the end of 2022.

The Anti-Corruption Council, in its advisory role to the government, remained active in exposing and analysing cases of systemic corruption. It remains of serious concern that the



authorities still have not established a more constructive relationship with the Council. The Council is also still not systematically consulted on draft legislation. The government failed to set up a procedure to consult the Council, although this was planned since 2016. The Council issued informative reports, including one on the news agency 'Tanjug', on the privatisation of the 'Jaroslav Cherni' institute and on local self-government. The relevant prosecutor's office met with the Anti-Corruption Council in March 2022 to improve the implementation of the recommendations listed in the reports. No steps have been taken to additionally strengthen the Anti-Corruption Council's budgetary and staff capacity. Serbia should implement the GRECO recommendation about the Council from the fifth round of evaluations.

### *Law enforcement*

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

The Prosecutor's Office for Organised Crime, which has jurisdiction over high-level corruption cases, remains understaffed (see Chapter 24 – Justice, freedom and security). It has yet to finalise activities for implementing of the Rulebook on internal organisation and systematisation of work positions that entered into force in May 2021, establishing new organisational units, and increasing the number of employees. The Higher Court in Belgrade dealing with corruption also remains understaffed. Furthermore, only one of the two financial forensic experts foreseen in the Prosecutor's Office for Organised Crime is currently being employed.

In 2021, two task forces were investigating corruption offences (3 in 2020). Of the task forces, composed of representatives of the relevant state authorities, one was in the Special Department in Belgrade and the other in the Special Department in Niš.

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

The State Audit Institution continued to audit statements from beneficiaries of public funds. By checking arrangements for ensuring the proper functioning of internal audit, it found that out of a total of 95 auditees required to establish internal audit procedures, 43 auditees (45.36 %) had not done so, signalling a positive trend (45.45 % in 2020, 57 % 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.

Serbia adopted the law on referendum and people's initiative in November 2021 and amended it in December 2021, providing new competences to the Agency for Prevention of Corruption in monitoring the financial reports of the referendum campaign. The Agency issued the rulebook on the content and method of submission of financial reports on referendum campaign, and the relevant software, which enables submission of reports on referendum campaign costs, was adjusted and is operational.

Serbia adopted the **Law on the financing of political activities** in February 2022. While the Law has been aligned with a number of ODIHR recommendations, Serbia needs to further align the law with the ODIHR and GRECO recommendations, in line with the Final Report of the Election Observation Mission, from August 2022. This includes explicit regulation of third

party campaigning, provisions on effective, proportionate and dissuasive sanctions for violation and inadequate reporting. The Criminal Code needs to be brought in line with the Law on financing of political activities. Serbia should continue to take further measures to ensure that citizens are able to recognise paid political advertisement or communication and the related costs. Amendments were also made to the law on prevention of corruption aiming at the alignment to the new Law on financing of political activities. The Law on prevention of corruption now further specifies which public officials are excluded from the duty of unambiguous presentation between their public function and representing a political entity while acting in public. This obligation no longer applies to directly elected officials such as members of the national assembly, members of the provincial parliaments and members of local assemblies.

The Agency adopted a rulebook on records and reports on political subjects and plans for inspecting reports on: election campaign costs relating to general and local elections (both in February 2022); reports on election campaign costs for presidential elections; and annual financial reports on political subjects (in March 2022). The Agency also organised relevant trainings on the content and obligations relating to the new laws.

The Agency needs to prepare reports on the monitoring of the electoral campaign in 2022 in line with the new law.

Serbia adopted amendments to the **Law on access to information of public importance** in November 2021, aligning further with some of the international standards in this area. Serbia needs to monitor its implementation to ensure that it effectively addresses the previously identified issues of ‘administrative silence’ to citizens’ requests and lack of enforcement of the decisions of the Commissioner for information of public importance.

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

With respect to **transparency and integrity within the public administration**, there has been no significant reduction in the excessive number of acting senior manager posts. In May 2022, 51 % of filled positions (62 % in June 2021) were occupied by people in an acting capacity. In addition, non-civil servants continued to be appointed on an acting basis after the legal deadline of July 2019, in breach of the Law on civil servants. The similar issue of acting directors in state-owned enterprises – 22 out of 34 – has yet to be addressed.

The impact of the law on the origin of assets adopted in 2020 and amended in 2021 on the effectiveness of the check of assets of natural persons, against declared income, is yet to be understood. Its implementation needs to be non-discriminatory and not vulnerable to corruption.

#### Strategic framework

Serbia still has no **anti-corruption strategy**. There is a clear need for an anti-corruption strategy encompassing prevention and repression of corruption, accompanied by a credible action plan in addition to the relevant section in the Chapter 23 action plan.

The Agency for Prevention of Corruption submitted the report on the implementation of the anti-corruption part of the action plan for chapter 23, and submitted it to Parliament in March 2022. According to this report, in 2021 Serbia completed 60 % of actions (2020: 42 %), which either had to be completed in 2021 or were ongoing actions.

#### **Fundamental rights**

Serbia's legislative and institutional framework for upholding fundamental rights is broadly in place. This framework needs to be consistently and efficiently implemented. Serbia adopted new strategies on anti-discrimination and Roma inclusion, as well as action plans on gender equality and Roma inclusion. Action plans, and related funding, in other areas were due in July 2021 (violence against women) and April 2022 (anti-discrimination; de-institutionalisation) and are now overdue. More efforts are needed to comply with the Law on the planning system, which requires that action plans are adopted within three months of the adoption of related strategies. Serbia has yet to recruit new staff to the Offices of the Ombudsman and of the Commissioner for Personal Data Protection. Serbia extradited a Bahraini citizen on 24 January 2022, despite the interim measure imposed on 21 January by the European Court of Human Rights to refrain from extradition until after 25 February. This is contrary to Serbia's obligation as a party to the European Convention on Human Rights. In September 2022, Europride was hosted for a first time in the Western Balkans, in Belgrade. The Europride route was banned, and the holding of the march was uncertain until the very last moment. The authorities claimed safety concerns related to threats by extreme right groups as the basis for their decision. An anti-Europride and, anti-Western demonstration was also banned. Finally a march, via a shorter route took place on 17 September 2022, without major incidents. A high number of law enforcement officers protected it, nevertheless, some instances of violence against the participants were reported. The period prior to the march was marked by legal and political uncertainty. The communication of the authorities was contradictory, with high level announcements that the march would be banned altogether and a subsequent ban issued by the Ministry of the Interior on the route of the march. While the authorities maintained contacts with the organisers to find a solution, they remained non-committal about the parade going ahead with an official permit. .

Serbia needs to address the recommendations of the 2021 report. In particular, Serbia needs to:

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

Serbia has ratified the main **international human rights instruments** but has not yet ratified the International Convention on the Protection of the Rights of All Migrant Workers and Members of their Families, which it signed in 2004. Serbia's Council for monitoring implementation of the recommendations of the UN Human Rights Mechanisms changed its rulebook to allow for the allocation of two permanent seats for CSOs. In March 2022, the UN Committee on Economic, Social and Cultural Rights published its concluding observations on the third periodic report from Serbia. Among other topics, it expressed concern about the 'narrow scope of labour inspections carried out by the Labour Inspectorate, which has led to situations such as the case of workers at the Linglong Tyre Plant, where violations of labour regulations were not detected despite a number of labour inspections being carried out.' Still regarding these workers, the UN Special Rapporteur on trafficking in persons, the Special Rapporteur on the human rights of migrants and the Special Rapporteur on contemporary forms

of slavery urged Serbia to address allegations of human rights abuse (*See also Chapter 19 – Social policy and employment and Chapter 24 – Justice, freedom and security*).

From June 2021 to June 2022, the **European Court of Human Rights** delivered 19 judgments concerning Serbia and found that it violated the European Convention on Human Rights in 9 cases. This notably included violations of the right to a fair trial, the protection of property, the right to respect for private and family life, the right to liberty and security, and the general prohibition on discrimination. There were 3 091 new applications allocated to a decision body, bringing the total number of pending applications to 1 962 on 15 June 2022. Currently, there are 58 cases under enhanced supervision by the Committee of Ministers of the Council of Europe. The procedure for executing the decisions of the European Court of Human Rights, including the role of Serbia's Government Agent before the Court, needs to be regulated. Work is ongoing to implement the mechanism providing individual redress to parents in cases similar to *Zorica Jovanović v Serbia*. A key feature of this case is the continued failure by the Serbian authorities to provide the applicant with any information about the real fate of her missing baby who had been in the care of a state-run hospital. In that context, the government adopted rules of procedure for the fact-finding commission and proceedings are ongoing before the competent courts. Serbia extradited a Bahraini citizen on 24 January 2022, despite the interim measure imposed on 21 January by the European Court of Human Rights to refrain from extradition until after 25 February and until the completion of Court proceedings, which are still ongoing. This is contrary to Serbia's obligation as a party to the European Convention on Human Rights. Since the Court's first judgment in 2008 on the *Kačapor group* case, a systemic solution needs to be found to the delayed enforcement of domestic decisions against socially/State-owned companies.

As regards the **promotion and enforcement of human rights**, the Parliament held a plenary discussion on the Ombudsman's annual report for 2020 in December 2021. The public submitted 4 501 complaints to the Ombudsman in 2021, down from 5 056 in 2020. The number of recommendations from the Ombudsman to the authorities was stable at 1 050 (1 070 in 2020). According to the Ombudsman's 2021 report, the percentage of its recommendations followed up by the authorities fell (2020: 94.5 %; 2021: 78 %). Serbia adopted a new Law on the Ombudsman in November 2021, which notably introduced new competences for the Ombudsman as the national independent mechanism for monitoring the implementation of the Convention on the Rights of Persons with Disabilities, as well as the national rapporteur for trafficking in human beings. A new internal organisation and systematisation of jobs now needs to be adopted. The Ombudsman's Office has yet to be provided with additional resources to recruit new staff and cover these new competences. It currently has 82 staff, fewer than the target of 106 included in the Chapter 23 action plan. Staff turnover in the Office continues to hamper its efficiency. Appropriate premises are also still needed. In December 2021, following the recommendation of the Accreditation Subcommittee of the Global Alliance of National Human Rights Institutions, the Ombudsman was re-accredited with 'A' status. The Subcommittee encouraged the Ombudsman to continue efforts to strengthen its institutional framework and effectiveness, intensify its cooperation with the widest range of CSOs and human rights defenders, and advocate for additional funding to carry out its wider responsibilities under the new law. The mandate of the Ombudsman expired in July 2022. According to the law, the procedure for appointing a new Ombudsman should have been initiated no later than 180 days before the said expiry.

In the field of **prevention of torture and ill-treatment**, the Ombudsman, in its role as National Preventive Mechanism against Torture, continued with its visits to relevant sites. Training sessions on the methodology for investigating cases of torture also continued. In December 2021, in its concluding observations on the third periodic report on Serbia, the UN Committee

against Torture expressed concerns that ‘inadequate efforts are made to investigate the vast majority of criminal complaints lodged against police officers, prison staff and other State agents’. On the same topic, the European Committee for the Prevention of Torture and Inhuman or Degrading Treatment or Punishment (CPT) noted in its report published in March 2022 that ‘the findings of [its] 2021 periodic visit demonstrate clearly that ill-treatment by the police remains a serious problem’. The CPT found that ‘in too many instances, prosecutorial investigations [...] failed to comply with the criteria of effectiveness as set out in the Methodology on the Investigation of Cases of Ill-Treatment adopted by the Serbian authorities in 2018’ and expressed ‘concerns over the leniency of sentences imposed by courts on police officers convicted of ill-treatment’. A large number of CPT recommendations from the last, and previous reports, have yet to be addressed. The execution of the European Court of Human Rights’ judgement from January 2021 in the case *Zličić v Serbia* - concerning inhuman and degrading treatment while in police custody and failure to conduct an effective investigation - is pending along with other similar cases. Serbia has yet to revise the May 2019 criminal code amendments which introduced life imprisonment without the possibility of conditional release for a number of crimes. This provision is contrary to the European Convention on Human Rights and the case-law of the European Court of Human Rights. The CPT raised concern about this issue in its report of March 2022. Following the Ombudsman’s findings in February 2021 on the lawfulness of the work of the Ministry of the Interior during the July 2020 citizens’ protests related to the handling of the COVID-19 pandemic, investigations were initiated. Some cases are ongoing while the cases concluded so far found no wrongdoing.

Concerning the **prison system**, the renovation programme continued. In its 2022 report, the CPT noted improvements in the conditions of detention facilities, health-care provision in prisons, and measures taken to reduce prison overcrowding. In 2021, the prison population stood at 10 844 for a total capacity of 11 451 places, i.e. an occupancy rate of 94.7 %, although instances of local overcrowding remain. The previous strategy for further development of the system of enforcement of criminal sanction expired in 2020 and a new one has yet to be adopted. Prison staff attended training sessions on the methods to carry out offender treatment programmes in a unified manner. There has been a long-term downward trend in the number of remand prisoners as a proportion of the overall prison population - from 30 % in 2010 to 18.6 % in 2020 - due to the increased use of alternative measures to detention. The number of probation staff in the special department for alternative measures to detention doubled. However, the use of community sanctions remains low.

The Law on **personal data protection** is mostly aligned with the EU Regulation on general data protection and the Directive on law enforcement. However, the process of harmonising the provisions of all other laws relating to the processing of personal data with the above law, which was due by the end of 2020, is still ongoing. The number of designated ‘data protection officers’ within public entities remained low. Court enforcement of this relatively new law, following complaints on personal data violations including data leaks to the media, remains limited, with five verdicts in 1 year. Additional staff in the Office of the Commissioner for Personal Data Protection have yet to be recruited. The Office currently has 98 staff members, compared to the target of 129 in the Chapter 23 action plan. The recruitment of additional staff is now significantly overdue. Following the Commissioner’s opinions on the Ministry of the Interior’s impact assessment on street video-surveillance, the Ministry stated that it had put processing of biometric personal data on hold until a legal basis was developed. The proportionality and necessity of such surveillance will have to be assessed, with reference to the Law on personal data protection, before it can be deployed. Questions were raised by some participants in the November and December 2021 environmental protests on how they could have been identified and charged with misdemeanour without having their ID checked. In that context, the

Commissioner for Personal Data Protection conducted a supervision procedure at the Ministry of the Interior and determined that misdemeanour warrants were issued only to protesters physically identified by the police. The Commissioner did not establish that facial recognition technology had been used during the protests. The Ministry of the Interior stated that video recording during the protests was carried in accordance with the rulebook related to the obligation to inform the public about recording. In at least one acquittal of a protestor, a court found that the police failed to properly inform citizens that it was filming the protest.

**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 needs to be aligned with international standards.

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### **Freedom of expression**

Serbia has **some level of preparation** concerning freedom of expression. Overall, **no progress** was made in the reporting period on the recommendations from last year, which therefore remain valid. The two working groups on the safety of journalists continued to meet. In several cases of attacks and threats, the police and the prosecution reacted swiftly, also thanks to the coordination facilitated through those groups. However, cases of threats and violence against journalists remain a concern and the overall environment for the exercise of freedom of expression without hindrance still needs to be further strengthened in practice. Implementation of the media strategy experienced increasing delays, affecting even the most important measures such as amending the Law on public information and media and the Law on electronic media. These amendments are required to establish transparent and equitable co-funding for media content serving the public interest, to increase transparency in media ownership and advertising and to strengthen the independence of the media regulator. In July 2022, the Regulatory Body for Electronic Media (REM) awarded all four national frequencies, for a period of eight years, to the same television channels as in the previous period, during which all of them had received warnings from REM due to violation of their legal obligations. A call for a fifth licence was published in August 2022; the process should be handled in a transparent manner, respecting the principle of media pluralism in the Audiovisual Media Services Directive. In its final report of 19 August 2022 on the April elections, ODIHR found that ‘the national public broadcasters had covered the campaign activities of all contestants equitably but provided extensive uncritical news coverage to public officials who were also candidates. Private broadcast media with national coverage presented the election campaign without meaningful editorial input and focused their news coverage on state officials.’ ODIHR also found that ‘despite its mandate to oversee the broadcast media, REM remained overall passive in the campaign period.’

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

- strengthening the security and safety of journalists and notably ensuring that (i) high-level officials refrain from labelling or making verbal attacks on journalists and (ii) any threats and cases of physical and verbal violence are swiftly followed up and, as appropriate, publicly condemned, investigated or prosecuted;
- strengthening media pluralism, including through measures of the media strategy relating to REM’s functioning, mandate and independence, and to the public broadcasters;

→ ensuring transparent and equitable co-funding for media content serving the public interest, and increased transparency in media ownership and advertising.

### Intimidation of journalists

Overall, cases of threats, intimidation and violence against journalists remain a source of concern, especially at local level. This was also reported in the Ombudsman's 2021 report. Verbal attacks and smear campaigns against journalists continued. 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. Despite differences in the numbers, due to different methodologies, the two main media associations in Serbia both recorded a decrease in the total number of registered attacks and pressures against journalists in 2021, compared to 2020. The standing working group on the safety of journalists continued to help improve the sharing of information between the police, the prosecution and media associations. The other working group for the safety and protection of journalists, which had been established by the government in December 2020, is still operating without the largest part of media associations which had left the group in spring 2021. The working group supported an initiative to partially amend the Criminal Code for the safety of journalists at a more urgent pace than the other amendments being prepared. Following extensive public consultations in autumn 2021, those amendments were eventually put on hold at the request of some CSOs and media associations. One ad hoc meeting of the working group was held to address the topic of strategic lawsuits against public participation (SLAPP), which was also identified as a concern in the Ombudsman's 2021 report. In July 2021, the Ombudsman presented its work on establishing a central database of attacks and threats against the media. Operationalisation of the database has yet to be completed.

In several cases of attacks and threats, the police and the prosecution reacted swiftly, also thanks to the coordination facilitated through the aforementioned working groups. In 2021, the Office of the Republic Public Prosecutor (RPPO) registered 87 cases of criminal acts committed against journalists, an increase from 58 cases documented in 2020. According to the RPPO's information regarding those acts that qualify for criminal prosecution, by the end of March 2022, the RPPO had proceeded with 72 of the 87 cases filed in 2021, while 15 cases had been dismissed. In total, 35 cases had been finalised (including 7 convictions), while criminal proceedings continue for the 52 remaining cases (4 cases before the court, 28 in pre-investigation, 9 in investigation (evidentiary actions), and 11 cases without identified perpetrators). The prison sentence for an attack on the house of an investigative journalist in December 2018 was overturned in November 2021. The retrial is ongoing. At the same time, an initiative, supported by the government working group on the safety of journalists, was launched to raise funds to reconstruct the house in question. The case of a physical attack against a local journalist, recorded in April 2021, was resolved in 14 months with a conviction and prison sentence. Regarding the work of the commission tasked with looking into three cases involving the murders of journalists, a first instance court re-confirmed in December 2021 the initial 2019 verdict in the case of the murder of Slavko Ćuruvija, which had been overturned in September 2020. An appeal is pending. There were no developments in the two other murder cases. During the November and December 2021 environmental protests, some journalists reported having been charged with misdemeanour and were issued fines for road blockage despite the fact that they were there to report as journalists. Upon reaction from the media associations, some of those cases were dropped.

### Legislative environment

Serbia continued implementing the action plan for the media strategy, albeit with increasing delays. In light of the wide scope of the planned reforms, adequate human resources are needed

in the Ministry of Culture and Information. The position of State Secretary for Media and Information remained vacant. The working group established to monitor implementation of the action plan, including media representatives, met several times but not as regularly as planned. There were delays in the adoption of quarterly monitoring reports. Amendments to the Law on public information and media, which notably deals with public co-financing of media through calls for proposals, self-regulation and the transparency and functionality of the media registry, have started being drafted but consultations were then put on hold and are now overdue. The start of consultations on draft amendments to the Law on electronic media is delayed. The amendments are expected to cover the independence of the media regulator and the conditions and procedure for issuing licences for the provision of audio-visual media services. Investigative and other journalists continued to face either frequent refusals by public bodies to disclose information, or no response at all ('administrative silence'). The Law on access to information of public importance was amended in November 2021, aligning further with some of the international standards in this area. Amendments to the Law did not, however, fully include the proposals made by media associations present in the working group monitoring the media strategy.

#### Implementation of legislation / institutions

The independence of the Regulatory Body for Electronic Media needs to be strengthened to enable it to efficiently safeguard media pluralism. Two REM Council members were re-elected in December 2021, so the Council continued to work in full composition. In April 2022, REM published a call for the allocation of four media service licences for television broadcasting with national frequencies. In July 2022, REM awarded all four licences to the same previous holders for a period of eight years. A call for a fifth licence was published in August, which will be allocated by the end of 2022. The process was widely criticised by media associations and other stakeholders. The Law on electronic media requires that licensed operators' past record in programming is taken into account when considering their new application. It is not clear if this criterion was effectively applied by REM as all of the channels with renewed licences had received, during the previous period, warnings from REM due to violation of their legal obligations. It is not clear either how the process complied with transparency requirements as no updated market analysis was published in the period before the call.

In order to implement the media-related measures identified in the inter-party dialogue facilitated by the European Parliament, a Temporary Supervisory Body (TSB) was established with 12 members – 6 nominated by REM and 6 by opposition parties. The TSB became operational in October 2021. In early 2022, REM adopted a recommendation for private broadcasters and a rulebook setting obligations for public broadcasters – although the Law on electronic media contains obligations also for private ones. REM also adopted a methodology for monitoring the electoral campaign, which was criticised by some as lacking clear and comprehensive criteria. REM's selection of channels to be included in its monitoring was seen as lacking consistency by some TSB members. The Law on public service broadcasters and the Law on electronic media were amended in December 2021, notably introducing new obligations for media services to publish prices for political advertising before the electoral campaign; this does not apply to printed or online media. Another amendment stipulates that 10 days before the elections date, including the electoral silence, the media cannot report on official public gatherings where infrastructure and other facilities are opened, if public officials who are running for elections are participating in the event. The TSB also adopted documents relating to conduct in the electoral period. It took note of the existing polarisation, including the fact that some media refused to host certain politicians or some politicians themselves refused to participate in certain media.



REM produced five monitoring reports during the electoral campaign. REM's weekly assessments were often viewed differently by different TSB members, especially as regards the tonality of the people in the monitored media. The TSB could not work in full capacity after one member, nominated by the opposition, resigned before the elections and another one, also nominated by the opposition, was legally unable to continue after becoming a candidate. REM published its final report on the elections on 9 August 2022. In its final report of 19 August 2022 on the elections, ODIHR found that 'the national public broadcasters had covered the campaign activities of all contestants equitably but provided extensive uncritical news coverage to public officials who were also candidates. Private broadcast media with national coverage presented the election campaign without meaningful editorial input and focused their news coverage on state officials.' According to ODIHR's media monitoring, 'private TV channels with national coverage [...] allocated some 90 % of coverage in news programmes to the president and governmental officials, portraying them generally positively.' ODIHR also found that 'despite its mandate to oversee the broadcast media, REM remained overall passive in the campaign period' and 'the effectiveness of the newly established TSB [...] was undermined by its lack of enforcement powers and disagreements between members nominated by the REM and those by the opposition.'

Hate speech and discriminatory terminology are often used and tolerated in the media and are rarely followed up by regulatory authorities or prosecutors. In early 2022, REM looked into two videos broadcast on cable and national channels, but reacted publicly with condemnation only in the case of the cable one seen as criticising the authorities.

#### Public service broadcasters

Prior to the elections in April 2022, Radio Television Serbia (RTS) adopted a self-regulation act, as discussed in the inter-party dialogue. Some improvements were noted in terms of the representation of a plurality of political views during the electoral campaign, but this ceased afterwards. Public broadcasting services in minority languages need to be strengthened, especially as regards RTS. Some improvements were noted, including the introduction of additional programmes in Albanian on RTS as well as doubling of air-time for the multi-ethnic programme, 'Citizen'. In line with the media strategy, a change initiated in the preceding year was made to the system for financing RTS to strengthen its independence and stability. The switch was made from funding from the state budget to subscription fees. However, the Law on temporary financing of public media services was again amended to allow for another year of financing of Radio - Television of Vojvodina (RTV) from the state budget. The position of managing director of RTV has not been filled since the expiry of the previous mandate in July 2021. Some other management positions in RTV have also not been filled since July 2021.

#### Economic factors

Political and economic influence over the media remains a source of concern. The media strategy includes measures to address issues of transparency in ownership structures and fairness in financing media content and advertising from state resources, which are overdue (*See also legislative environment*). The print media with the most violations of the journalistic code of professional conduct recorded by the Press Council, including those with court convictions, continued to receive public co-funding, especially at local level. According to the media strategy, this issue should be addressed by laying down binding criteria for complying with the journalistic code of conduct and by requiring applicants to accept the authority of the Press Council. The privatisation process of the media sector has yet to be completed. The media strategy highlighted the absence of suitable criteria and mechanisms for assessing the existence of media pluralism, and identified measures aimed at addressing these issues; they now need to be implemented. Several legal disputes and proceedings are ongoing involving Telekom Srbija

– whose majority stakeholder is the State – and private companies, both in Serbia and abroad, in the context of the high concentration of the media market in Serbia.

### Freedom of artistic expression

Freedom of artistic expression is guaranteed by the Constitution. The Ombudsman assessed in 2021 that the police had not acted in a timely and efficient manner during the incident at a comic book exhibition in October 2020, when works of art were destroyed and public safety was put at risk. The Ombudsman requested that police officers be held accountable. One duty police officer was given a financial penalty.

### Professional organisations and working conditions

Lack of job security for journalists and the editorial environment favour ‘tabloidism’. Further efforts are needed to improve journalistic standards, media literacy and overall resilience. Serbia needs to take urgent action to counter foreign information manipulation and interference and anti-EU narratives, most obviously in the context of Russia’s war of aggression against Ukraine. Several EU-sanctioned Russian state-sponsored outlets are broadcasting radio and multimedia programmes in the country, including the Kremlin’s disinformation outlet Russia Today (RT). The editor-in-chief of Sputnik Serbia stated in summer 2022 that RT would open an office in Belgrade. These outlets manipulate the information environment in Serbia and in the region more broadly. Local civil society, the media and fact-checking community in particular, have been making valuable efforts in countering disinformation. The COVID - 19 pandemic resulted in a worsening of the economic situation for media in Serbia, which were hit by a critical reduction in advertising revenues. The increasing trend of SLAPP lawsuits also put pressure on the media’s financial and human resources capacity.

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

While legislation on **freedom of assembly and association** is generally in line with European standards, Serbia has yet to align further with ODIHR Guidelines on Freedom of Peaceful Assembly. Following the Ombudsman’s findings in February 2021 on the lawfulness of the work of the Ministry of the Interior during the July 2020 public protests against the handling of the COVID-19 pandemic, investigations were initiated *(See also the section on prevention of torture and ill-treatment)*. In November 2021, the police banned the Youth Initiative for Human Rights’ rally in Belgrade, protesting against the glorification of convicted war criminal, Ratko Mladić, citing the possibility of a physical conflict with counter-demonstrators. A spontaneous public gathering that followed was blocked by the police. According to the Commissioner for Personal Data Protection, the police issued 1 782 misdemeanor warrants to participants in the environmental protests in November and December 2021 and initiated 211 misdemeanor procedures for violating the Law on safety of traffic on the roads. Masked and other individuals attacked some of the protestors. The Ministry of the Interior issued a public statement that, since the rallies were not registered, the police could not secure them and guarantee safety, and that the organisers would instead bear such responsibility. Pro-Russian demonstrations, as well as anti-war demonstrations, were allowed in the aftermath of Russia’s unprovoked and unjustified war of aggression against Ukraine. On 13 September 2022, the Ministry of the Interior issued a ban of the Europride march in Belgrade for security concerns, following reported threats of violence by extreme right groups if the march was held. The appeal of Europride organisers against this decision was dismissed by the Administrative Court on the morning of the march. The organisers announced that they would appeal to the Constitutional Court which had, in two previous cases, overturned the authorities’ decisions banning Prides as a violation of the constitutionally guaranteed right to freedom of assembly. Throughout this time, the authorities maintained contacts with the organisers to find a solution. A smaller march took place on 17

September 2022 without major incident. There were however instances of violence against the participants (*See also the section on the rights of LGBTIQ persons*).

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

Regarding **property rights**, the Agency for Restitution continued with restitutions in kind and first-instance decisions on the return of confiscated properties. Based on the coefficient for financial restitution when restitution in kind is not possible, the government issued bonds in January 2022. It also provided claimants with an initial cash advance as a form of compensation. This will be done annually until the process is completed. Implementation of the Law on the restitution of heirless Jewish property, as well as the return of properties to churches and religious communities, has continued. Amendments to the Law on expropriation were adopted by Parliament in November 2021 but then returned to the government level by the President, following public protests, and were subsequently withdrawn.

Serbia adopted a new strategy on **non-discrimination** in January 2022. The related action plan and funding was due in April 2022 and is now overdue. A national housing strategy, taking into account the 2016 report of the UN Special Rapporteur on adequate housing, is pending adoption. The 2021 report of the Commissioner for Equality indicates an increase in the number of citizens' complaints (2020: 1 188; 2021: 1 372) and a fall in the number of recommendations issued by the Commissioner to public bodies (2020: 476; 2021: 312). The percentage of Commissioner's recommendations that were implemented remained high but decreased (2020: 89 %; 2021: 82 %). No progress was made towards alignment of the 2016 amendments to the Criminal Code relating to prohibition and punishment of criminal racial acts with the EU *acquis*. Hate speech, threats and violence continued to target human rights defenders and lesbian, gay, bisexual, transgender, intersex and queer (LGBTIQ) persons. The Commissioner for Equality reported cases of attacks and threats against migrants organised by extremist and far-right groups, as well as attacks based on hatred and ethnic identity.

Serbia published the third edition of the **gender equality** index in October 2021. According to the index, Serbia achieved 58.0 points, which indicates continuous progress in improving gender equality. Serbia made the largest improvement in the field of 'power', while the largest gap between the EU-27 and Serbia is recorded in the fields of 'time' (16.2 points) relating to family and household care and 'money' (21.9 points) relating to salaries and income. In August 2022, Serbia adopted an action plan on gender equality to accompany the strategy of October 2021. Implementing laws for the new Law on gender equality have yet to be adopted. Several provisions of this Law, including those on reporting and data collection obligations as well as funding of specialised services, will enter in force only in 2024. An increased number of budget users introduced gender-responsive budgeting in their 2022 budgets. More efforts are needed to collect official sex-disaggregated data and statistics, which are lacking in several domains. During 2021, the Commissioner for Equality reacted with statements and warnings on various cases of discriminatory attitudes and verbal violence against women, including by public figures. While the number and ratio of women in politics continued to increase, an external study published in 2021 and based on interviews of female politicians and media monitoring indicates that gender-based discrimination and verbal and other forms of gender-based violence remain in this area. Roma women, older women, poor women, women with disabilities, refugee and internally displaced women, continue to experience intersecting forms of discrimination, which was further exacerbated by the COVID - 19 crisis. In her special report on discrimination against older persons, the Commissioner for Equality underlined forms of discrimination faced by older women in particular.

The action plan and funding for the strategy relating to **violence against women** and domestic violence of April 2021 was due in July 2021 and is now significantly overdue. A new action plan for the implementation of UN Security Council Resolution 1325 on Women, Peace and Security has yet to be adopted following the expiry of the previous one in 2020. Implementation of the Law against domestic violence needs to be improved. For example, an integrated system must be set up for collecting and monitoring cases of violence disaggregated by type of violence and by relationship between perpetrator and victim. In its 2019 baseline report on Serbia, the Group of Experts on Action against Violence against Women and Domestic Violence (GREVIO) made recommendations that have yet to be addressed. One such recommendation is to amend the definition of rape in the criminal code to comply with the Istanbul Convention. A more comprehensive response is needed to all violence against women covered by the Istanbul Convention, not only domestic violence but also rape, stalking, sexual harassment and forced marriage. The very few support services for these cases of violence are predominantly run by CSOs and operate on a limited budget. Police protocols do not mandate cooperation with specialist support services or the routine referral of victims, resulting in the under-use of existing CSO expertise. The action plan on the national programme for safeguarding and improving sexual and reproductive health contains no budgeting. Adequate funding is needed to ensure improved access to quality services in this area.

On the **rights of the child**, in February 2022 Serbia adopted a new general protocol for the protection of children from abuse and neglect. Upgraded sectoral protocols now need to be adopted. With the new Law on the Ombudsman mentioned above, this institution has been strengthened to the position of a special body protecting the rights of children. The Council on the Rights of the Child, the coordination body in charge of monitoring the strategy for the protection of children from violence, has yet to be supported by a technical body. As a cross-sectoral working group has not yet been established, the implementation of that strategy still needs to be better coordinated and monitored. The Law against domestic violence needs to be amended to ensure that every child who is a witness or victim of domestic/partner violence is always included in the court's individual protection plan. Serbia also needs to amend its Family Law to explicitly prohibit corporal punishment of children in the family and to ban child marriage. 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 child rights in large-scale institutions for children with disabilities remain a concern. Children with disabilities are overrepresented (70 %) among children living in residential large-scale institutions. Despite a moratorium being in place to prevent institutionalisation of children aged 0-3, this continues to occur. A new Law on juvenile offenders and protection of minors in criminal proceedings has yet to be adopted. Child offenders with mental health problems do not have sufficient access to mental health and psychosocial support services. The principles of the best interests of the child and child participation are yet to be properly operationalised in all court and administrative proceedings. No national action plan for the rights of the child is in place since the expiry of the previous one in 2015. Further work is needed to implement the 2017 recommendations of the UN Committee on the Rights of the Child.

In December 2021, Serbia adopted a Law on temporary social care residents, further aligning its legislation with the UN Convention on the **rights of persons with disabilities**. Implementing laws are now needed. There is still no legal basis for ensuring that placement decisions in care homes are subject to regular court reviews. Deprivation of legal capacity procedures need to be changed to strengthen the position of the persons concerned, as noted in the 2022 CPT report. Serbia adopted a strategy on de-institutionalisation in January 2022; the related action plan and funding were due in April 2022 and are now overdue. Women with disabilities in residential

institutions continue to face gender-specific forms of violence. Funding for developing community-based services, and for supporting licensed service providers and social services, remains insufficient.

As regards the **rights of lesbian, gay, bisexual, transgender, intersex and queer (LGBTIQ) persons**, in September 2022, Europride was hosted for a first time in the Western Balkans, after Belgrade had successfully applied in 2019, supported by an endorsement letter of the Prime Minister on behalf of the government. The Europride route was banned, and the holding of the march was uncertain until the very last moment. The authorities claimed safety concerns related to threats by extreme right groups as the basis for their decision. An anti-Europride and, anti-Western demonstration was also banned. Finally a march, via a shorter route took place on 17 September 2022, without major incidents. A high number of law enforcement officers protected it, nevertheless, some instances of violence against the participants were reported. The period prior to the march was marked by legal and political uncertainty. The communication of the authorities was contradictory, with high level announcements that the march would be banned altogether and a subsequent ban issued by the Ministry of the Interior on the route of the march. While the authorities maintained contacts with the organisers to find a solution, they remained non-committal about the parade going ahead with an official permit.

There were no developments regarding the draft law on same-sex partnerships, initiated by the Ministry of Human and Minority Rights and Social Dialogue, nor on the Ombudsman's recommendation to regulate legal gender recognition, as already planned in the previous anti-discrimination strategy. Difficulties remain, especially in smaller municipalities, in implementing the amendments to the Law on birth registry, which enable data on gender changes to be entered into the registry. The implementation of hate crime legislation, including on grounds of sexual orientation, remains inadequate. Centralised official data on hate crimes broken down by bias motivation is still lacking. Due to lack of trust in institutions, cases of violence and discrimination towards LGBTIQ persons are often unreported. Transgender persons are particularly vulnerable to violence, abuse and discrimination. Intersex persons remain invisible both socially and legally. The lack of adequate mental health services for LGBTIQ persons became particularly visible during the COVID - 19 pandemic and is still a concern.

Concerning **procedural rights**, the legal framework remains only partially aligned with the EU *acquis*, notably as regards procedural rights of suspects and accused individuals. In this context, legislative changes are planned by the strategy and action plan on the rights of victims and witnesses of crime, but the implementation of the strategy has proceeded at a slow pace since its adoption in 2020. Following the establishment in April 2021 of a coordination body for the protection of victims of crimes and witnesses in criminal proceedings, the position of victim and witness support services coordinator was created in the Ministry of Justice. However, sufficient funding for the deployment of staff within high courts has yet to be secured to allow for the initial establishment of a national network of victim and witness support services, as planned under that strategy. In practice, victims are not always protected from having to face the accused during proceedings in cases where the law entitles them to this protection.

Regarding **access to justice**, there is a need to further raise awareness of the availability of legal aid among the most vulnerable and marginalised individuals, also in light of the recommendations to Serbia from the Committee of the Convention on the Elimination of All Forms of Discrimination against Women (CEDAW) regarding women's access to justice in all cases of gender-based discrimination. CSOs continued to provide information and support to beneficiaries. In the second year of implementation of the Law on free legal aid, local services in municipalities approved 94 % of the 4 601 free legal aid requests and forwarded 602 requests to attorneys. These statistics are incomplete as not all municipalities reported to the Ministry of

Justice as required. The Council for monitoring implementation of the Law on free legal aid has been established and met in January 2022. All local self-governments but one now have a registered provider for free legal aid. There is a need to improve the existing capacity and cooperation between different service providers and to align the legal framework with the procedural laws, the law on court fees and the tariff regulation.

The legal framework for respect for and protection of **minorities** and cultural rights is broadly in place and generally upheld, in line with the Council of Europe Framework Convention on National Minorities. Implementation of Serbia's '*Action plan for the realisation of the rights of national minorities*' and relevant legislation needs to lead to a tangible improvement in the effective exercise of the rights of individuals belonging to national minorities throughout the country. Serbia initiated the drafting of a new action plan on the basis of the *ex post* analysis of the previous action plan that was conducted in the first half of 2021 and published on the website of the Ministry for Human and Minority Rights and Social Dialogue. Serbia needs to address the recommendations contained in the fourth opinion of the Council of Europe's Advisory Committee for the Framework Convention. Among others, it still needs to set up a sustainable data collection framework and to revitalise inter-ethnic relations, taking into account the need to involve the majority in Serbian society in integrating and including national minorities. The Ministry for Human and Minority Rights and Social Dialogue maintained good cooperation with National Minority Councils. The Fund for the National Minorities for 2022 remained the same as in 2021. The Statistical Office of Serbia, in cooperation with National Minorities Councils and the Ministry for Human and Minority Rights and Social Dialogue, started preparatory activities for the October 2022 census, including translation of census questionnaires into languages of national minorities and awareness-raising campaigns. The authorities need to better inform persons belonging to national minorities of the right to multiple affiliations, in line with the Council of Europe's Framework Convention, and as already stressed in the Committee of Ministers's recommendations to Serbia of April 2021. Preparations have also started for elections to National Minority Councils in November 2022. The proper functioning of National Minority Councils remains important. Members of the Albanian national minority raised concerns about the way police were checking residence status in South Serbia, resulting in the 'passivisation' of certain addresses; there is a need for the authorities to better explain to the public how these checks are being conducted. Local councils for inter-ethnic relations exist in all 73 municipalities where such an obligation is stipulated by the law; however, the full implementation of their mandate has yet to materialise as council members have not always been nominated or councils often do not meet. Following a dialogue between the authorities and representatives of Albanians living in South Serbia, an action plan for improvement in the representation of Albanians in institutions is being prepared. Despite the legal obligation to take into account the ethnic composition of the population, national minorities remain under-represented in the public administration. In line with the amended Law on civil servants, preparations were completed for setting up a register of public employees, with the voluntary option of declaring of national affiliation for statistical purposes. However, the system is not yet operational. Serbia's inter-governmental mixed commissions on national minorities with Romania and with North Macedonia have been re-activated; official meetings were held in February 2022.

Progress in printing certain textbooks in minority languages needs to be further intensified. The process of preparing and printing textbooks continued and produced positive results. The publication of textbooks in some minority languages for use in secondary schools remains limited. In January 2022, the Ombudsman stated that the publication of an eighth grade textbook 'violated the rights of national minorities because the existence of these [minority] languages is denied' and recommended the withdrawal of the textbook. In response, the Ministry of

Education instructed publishing companies to change the content of this textbook in April 2022. The monitoring of the implementation of curricula for teaching Serbian as a non-mother tongue in pilot schools is ongoing. A number of recommendations aimed at improving teaching of Serbian in schools were issued to the Ministry of Education. Access to religious worship in minority languages has yet to be enabled throughout Serbia. Public broadcasting services in minority languages are still not sufficient, except for some local broadcasters in Vojvodina. Following the process of media privatisation, such broadcasting needs to be made sustainable, taking into account the April 2021 recommendations of the Committee of Ministers of the Council of Europe to ‘closely monitor the impact of the privatisation process on minority media’ and to ‘take the necessary measures to preserve sustainable editorial and financial independence of all minority media, including those linked to national councils of national minorities’ (*See also public service broadcasters*). There have been instances of hate speech against national minorities in the media and by senior government officials and Members of Parliament. In December 2021, the appellate court confirmed the decision of the higher court to reject a lawsuit filed by the president of the Albanian National Minority Council against a minister for the alleged use of hate speech; an appeal procedure before the Constitutional Court is ongoing.

Regarding **Roma inclusion**, in February 2022 Serbia adopted a new strategy, with the aim of aligning with the EU Roma strategic framework for 2020-2030<sup>4</sup>. The related action plan was adopted in September 2022. Robust monitoring and data collection will need to be put in place as part of the new strategy and action plan to support Serbia in delivering on the commitments made in the Poznan Declaration - signed at the Western Balkans Leaders’ Summit in July 2019 - including its quantitative targets. Coordination between the national and local authorities, as well as Roma-sensitive budgeting, still need to be strengthened. Job descriptions for local Roma coordinators, pedagogical assistants, and health mediators have yet to be unified and become an integral part of local self-government services, with additional finances. Most Roma people in Serbia have civil documentation. Under their third memorandum of understanding signed in February 2022, the Ministry of the Interior, the Ombudsman and the UN High Commissioner for Refugees (UNHCR) agreed on a procedure to enable the registration of individuals lacking an official address by means of registering at centres for social work. This has led to more Roma people being registered. All births need to be registered immediately after children are born, regardless of their parents’ status. The procedure needs to be implemented effectively and monitored.

Roma students in elementary and secondary education continued to receive scholarships through affirmative measures. School drop-out rates remain high, especially for Roma girls, although the multiple indicator cluster surveys (MICS) show a reduction of 7 %. Only 7.4 % of Roma children up to 5 years of age attend preschool. During the COVID-19 pandemic, Roma children, mainly from informal settlements, struggled to take part in online education for lack of access to the technical resources. The transition rate to secondary schools for Roma students is 52.6 %, while the completion rate is 61 % - an increase of 20 %, compared to the previous MICS. Segregation in education needs to be addressed. Roma students are still overrepresented in special schools and classes. Transition from education to the labour market is especially challenging for young Roma people. Serbia adopted a Law on social entrepreneurship in February 2022, with the aim, among others, of increasing labour activation among Roma and other vulnerable individuals. The national programme for transforming undeclared work among Roma has yet to be adopted to support Poznan’s objective on employment. The Roma are still

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<sup>4</sup> [COM\(2020\)620 final](#)

under-represented in the public administration. Almost 20 % of the population of the Roma settlements that were mapped have no or irregular access to safe drinking water, while over 55 % have no or irregular access to sewer networks, and 14.5 % have no or irregular access to electricity. These shortcomings were exacerbated by the COVID-19 pandemic. The legalisation of Roma settlements needs to be tackled as a matter of priority as required by the Poznan Declaration, notably by updating and sharing the database on settlements and assigning staff to effectively manage it. Forced evictions are still taking place, which is not in line with the Law on housing or international standards. This Law needs to be implemented effectively, especially the provisions prescribing housing support and relocation of informal settlements. Roma returnees under readmission agreements are in a particularly difficult situation in terms of social and economic inclusion. Although child marriage is not common in the general population in Serbia, early and child marriage remains an issue of concern among Roma girls living in settlements. MICS show that 56 % of women aged 20-24 years in Roma settlements were married before age 18 and 16 % before age 15. Domestic violence also often goes unreported.

There are still 196 140 **internally displaced persons** (IDPs) in Serbia, of whom 68 154 remain vulnerable and with displacement-related needs. There is a need to close the only remaining collective centre in Bujanovac. The related strategy expired in 2020. The Law on permanent and temporary residence needs to be consistently applied to allow Roma IDPs living in informal settlements to obtain registered residence and access to basic socio-economic rights. Roma IDPs remain the most marginalised and vulnerable. Serbia is engaged in the regional dialogue on ‘durable solutions for displaced persons from Kosovo’ (the ‘Skopje process’).

### 2.2.2 Chapter 24: Justice, freedom and security

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

Serbia has **some level of preparation** to implement the EU *acquis* on justice, freedom and security. **Some progress** was made in addressing last year’s recommendations, in particular through the preparatory work on the Schengen action plan and on the criminal code as regards the trafficking of weapons. The administrative capacity of the Prosecutor’s Office for Organised Crime was strengthened. A baseline analysis has been carried out, however, there is a delay in developing ‘systematisation rulebooks’ (decisions on staffing). Serbia took no steps to further align with the EU’s common visa policy.

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. Efforts continued to host and accommodate substantial numbers of third-country nationals, with EU support. Serbia decided on 17 March to grant temporary protection for 1 year to Ukrainian nationals having fled Russia’s war on Ukraine. Serbia continued to satisfactorily implement the EU-Serbia readmission agreement and to carry out border control and surveillance effectively. The new integrated border management strategy for 2022-2027, with action plan, was adopted. Efforts to detect and prevent the smuggling of migrants continued. Access to and provision of information regarding the asylum procedure has yet to be improved, and access to information and legal counselling for asylum seekers at Belgrade International Airport has still not been ensured. Serbia needs to further align with the EU’s visa policy as corroborated in the Commission’s fourth report under the visa suspension mechanism of August 2021.

In the coming period, Serbia should in particular:



- further increase the technical, financial and human resources capacity of the Prosecutor's Office for Organised Crime to perform its duties in an independent manner (including premises to accommodate new staff);
- amend the Law on internal affairs to make the police fully autonomous from the Ministry of the Interior and fully accountable only to the Prosecutor's Office during pre-investigation and investigation phases;
- adopt the Schengen action plan and ensure that all relevant government institutions are properly involved;
- take concrete steps to fully align with the EU's list of visa required third countries.

Serbia adopted a revised action plan for Chapter 24 in July 2020. It sets out Serbia's commitments, including in terms of timelines, for meeting the interim benchmarks of the EU common positions for these chapters. In general, indications of delays in this report are measured against the deadlines established by Serbia in these revised action plans. The Ministry improved the practice of publishing reports on the implementation of the action plan for Chapter 24 with the timely publishing of the report covering July-December 2021. For a period starting in February 2020, no meetings were held between the Negotiating Group for Chapter 24 and civil society organisations under the umbrella of the Working Group for Chapter 24 of the National Convention on the European Union. The meetings restarted in November 2021.

### **Fight against organised crime**

Serbia has **some level of preparation** in the fight against organised crime. **Limited progress** was made in addressing last year's recommendations by introducing changes to improve the measurement of the track record on investigation, prosecution, and convictions in serious and organised crime cases. The data provided by Serbia shows a mixed picture: the number of new investigations and final convictions increased in 2021 compared to the year earlier; the number of indictments and first-instance convictions fell. Proactive criminal investigations and systematic tracking of money flows, especially in cases of inexplicable wealth are not regular practices. Although financial investigations were initiated in 128 cases, the number of cases where seizure and final confiscation of assets occurs is still limited. Extended confiscation is not systematically applied. However, the understanding and the investigation approach has improved and prosecutors are aware of the importance of consistently applying a 'follow the money to find the crime' method. This should lead to better results in the future in terms of final convictions and seizure and confiscation of assets.

Serbia is delayed in conducting an analysis of the roles and practices of security services and of the National Security Council in carrying out criminal investigations relating to serious and organised crime.

There is well-established cooperation with Eurojust, Interpol and with Europol, notably in weapons trafficking, drugs trafficking, and the fight against organised crime groups.

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

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

- increase the number of investigation, prosecution, and convictions in serious and organised crime cases, including cases of money laundering, based on systematic tracking of money flows and on the efficient use of special investigative measures to collect relevant evidence;

- systematically increase the seizure and confiscation of criminal assets which includes both seizure of proceeds of crimes or their equivalent and the systemic use of extended confiscation;
- amend the Serbian criminal code in order to effectively criminalise the trafficking of weapons; take concrete steps to ensure a clear separation of the mandates and regulations concerning the interception of communications for criminal investigation on the one hand, and for security purposes on the other.

#### Institutional set-up and legal alignment

There were 40 059 police officers in Serbia in April compared to 40 119 in April 2020, equivalent to 439 per 100 000 inhabitants, compared with an EU average of 333 (Eurostat, 2018-2020). The Prosecutor's Office for Organised Crime (POOC) still needs to recruit three prosecutors to fill all 25 prosecutor posts. However, its administrative capacity has been increased. The new Rulebook on Internal Organisation and Systematisation of the job positions in the POOC adopted in May 2021 envisaged 25 prosecutors and 68 employees (positions not filled due to the lack of office space). More generally, taking into consideration that Serbia has a prosecution-led pre-investigation and investigation system, there is a need for developing 'systematisation rulebooks' on the basis of a baseline analysis which takes into consideration the extended jurisdiction and powers of this office. Furthermore, this office should be given more technical resource to carry out relevant special investigative measures (SIMs) such as covert interception of communication autonomously and independently. In addition, the working conditions of general competence prosecutors' offices should be improved across the country.

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

Serbia is late in conducting an analysis of the roles and practices of security services in investigations into serious and organised crime. Regarding the interception of communications, a clear separation needs to be made between the remits and regulations for criminal investigation and those for security purposes. The fact that the current criminal procedure code allows for covert interception of communication to be executed also by the Security Information Agency (BIA) and the Military Security Agency. An analysis is needed to see whether this is in line with EU best practice. In general, interception equipment should allow the judiciary (the police under instruction received only by the prosecution and the judge of preliminary investigation) to be the only institution performing interception for criminal investigations independently, in line with EU standards and best practice.

The same provision in Serbia's legal framework on weapons-related offences covers actions relating to trafficking of weapons and to illegal possession and other less relevant actions. Hence, it is not possible to distinguish the number of convictions relating to trafficking in weapons from those related to illegal possession and other offences. UNDOC's analysis of the alignment of legislation with the UN Firearms Protocol confirmed that the criminal code was in urgent need of amendment to adequately criminalise the trafficking of weapons. The working group on amending the law continued its activities and proposed amendments to Article 348 of the criminal code.

Serbia is implementing its strategy for the prevention and suppression of **trafficking in human beings** for 2017-2022, which has a focus on the protection of women and children. The related action plan for 2021-2022, scheduled for adoption in 2020, is delayed. The Council for Combating Human Trafficking has not held a session for almost 3 years. A new Law on the

protector of citizens, adopted in November 2021, provides for the appointment of a National Rapporteur on Trafficking in Human beings inside the Institution of the Ombudsman. In line with European standards and the EU *acquis*, the Ombudsman performs the duties of the national rapporteur, with the assistance of one deputy who has not yet been designated.

The Law on internal affairs still needs to be harmonised with the criminal procedure code. The legal framework is still not sufficient to guarantee the operational autonomy of the police from the Ministry of the Interior during the pre-investigation and investigation phases. In September 2021, the draft law on internal affairs (planned to replace the Law on police) was withdrawn from the legislative procedure shortly after the conclusion of the public debate, following strong criticism from civil society. The draft law was developed and published without prior assessment of the need to use artificial intelligence systems for processing biometric data or of the risks. Nor an official privacy impact assessment carried out, as required by the Law on personal data protection. There is an ongoing dialogue between the Ministry of the Interior and CSOs in particular regarding mass surveillance and the processing of biometric data though a number of other proposed solutions fall short/are not aligned with European standards, such as the recommendations of the Council of Europe Committee for the Prevention of Torture (CPT).

Media relations, including press releases on ongoing investigations and trials, are still managed mainly by politicians and representatives of the Ministry of the Interior and not by the prosecution and/or the police. The prosecutors' offices (especially the Republic Public Prosecutor's Office) should improve its external relations capacity including relations with media. Government officials, including some at the highest level, as well as members of Parliament, continue to comment publicly on ongoing investigations or court proceedings, as well as on the work of individual prosecutors and judges. Such comments are in contradiction with the code of conduct of members of Parliament, adopted in December 2020. Several media outlets made public leaked information on ongoing investigations, including defendants' statements on alleged links between politicians and organised criminal groups, creating undue pressure on individual members of the judiciary or the prosecution.

Serbia is still reporting to Committee of Experts on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism (MONEYVAL) about the implementation of the outstanding 2016 Mutual Evaluation Report (2016 MER) recommendations. MONEYVAL issued a new compliance report in September 2021. The Financial Action Task Force (FATF) concluded that, overall, Serbia had made progress in addressing the technical compliance shortcomings identified in its mutual evaluation report (MER) and applicable subsequent third enhanced follow-up report and has been re-rated on 5 FATF Recommendations (4 upgrades and 1 downgrade). Serbia will remain in enhanced follow-up and is expected to report back in 2023 to MONEYVAL on progress to strengthen its implementation of anti-money laundering and counter-terrorist financing measures. The Administration for the Prevention of Money Laundering (APML) has in place well-developed and transparent web sites where the activities are published.

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

In September 2021, Serbia adopted four national risks assessments on: money laundering, national terrorism financing, virtual assets and weapons of mass destruction.

Overall, the fight against money laundering and financing of terrorism should focus on the sectors mostly at risk for money laundering, including the financial sector as well as designated non-financial business and professions (e.g. real estate sector, casinos, lawyers, notaries,

currency exchange offices, etc.). Unusual proliferation of assets or money administration inconsistent or not proportionate with regular business practices should be subject to preventive control to detect links with criminal activities. The (APML, the Serbian Financial Intelligence Unit) is well-developed.

The Ministry of the Interior's Financial Investigation Unit (FIU) carries out the functions of Serbia's **Asset Recovery Office (ARO)** relating to the exchange of police data in line with the EU *acquis*. In order to be fully operational and to cooperate effectively with the asset recovery offices of the EU Member States, it will require access to all relevant databases in Serbia. This should be enabled through the interoperability of the relevant databases at national level. The ARO would need to have a fully operational centralised case management system in place, compatible with prosecutors' case management system (SAPO) and investigative software (SIDDA/SIDNA). In 2021, the FIU was engaged in international police cooperation in response to: 37 requests for verification submitted through the CARIN network, 22 verification requests submitted by ARO offices in other countries through SIENA (the secure information exchange network application), 17 verification requests through Interpol, 4 verification requests received from liaison officers and 2 requests for international legal assistance from Prosecutors' Offices. Based on these requests, the FIU performed the necessary checks and submitted timely reports.

The Financial Investigation Unit of the Ministry of the Interior, which has 64 employees, received 188 requests for financial investigations from Serbian Prosecutors' Offices in 2021. In the same period, the FIU implemented 230 orders on prohibition of disposal of property and on temporary confiscation of movable property.

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

Serbia uses SOCTA (Serious and Organised Crime Threat Assessment) to set operational priorities for fighting organised crime. In December 2021, the Ministry of the Interior drafted a mid-term review of the SOCTA 2019 document.

In Serbia, the police services still lack a shared case/workflow management system, connecting all institutions and giving them access to a common database.

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

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

#### Implementation and enforcement capacity

Serbia has introduced changes to improve the measurement of the **track record** on investigations, prosecution and final convictions in serious and organised crime cases, including the seizure and confiscation of criminal assets. The data provided by Serbia shows a mixed picture: under organised crime jurisdiction, the number of new investigations increased in 2021. Investigations were initiated against 130 individuals compared to 110 in 2020. The number of indictments fell in 2021: 100 individuals were indicted compared to 108 in 2020. The number

of first instance convictions fell in 2021: first instance convictions were rendered against 46 individuals compared to 127 in 2020. The number of final convictions increased in 2021: 98 (including 67 with plea agreements) individuals have been convicted in 2021 compared to 72 in 2020.

The data provided by Serbia on case under general jurisdiction show that, in 2021, new investigations were initiated against 2 206 individuals and 8 165 indictments have been issued. First instance judgements were rendered against 5 461 individuals and final convictions against 5 788 individuals.

There is a delay in setting up a working group to carry out a comprehensive analysis of the effectiveness of the criminal legal system in order to increase the track record in serious and organised crime cases.

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

Regional cooperation initiatives and events, including EU-funded programmes, support good neighbourly relations and reconciliation. There were instances in 2022 when Serbia chose not to participate in capacity-building activities on the rule of law organised by regional IPA-funded initiatives, arguing that this was the result of the decision to stop activities with foreign partners 'starting from the principle of military neutrality'. The European Commission has encouraged Serbia to reverse this decision. Serbia has also been approached by the European Commission to participate in a multi-country IPA-funded rule of law programme aimed at 'supporting a more effective administration of justice in corruption and organised crime cases in the Western Balkans through trial monitoring'. The programme is being implemented by the OSCE in five of the six Western Balkan partners. Serbia should join this programme, which would send an important signal concerning Serbia's commitment to the rule of law.

There is well-established cooperation with **Eurojust, Interpol and Europol, including on high-profile organised crime cases**. The seconded Serbian prosecutor in Eurojust is well established and the institution was proactive in providing intelligence in important organised crime cases. The secure communication channel SIENA is operational. Its use is steadily increasing and remained at a high level from 2018 onwards. For example, in 2021 that has been a 5 % increase in the number of messages exchanged via SIENA compared to 2020.

Serbia continued to cooperate with EU police services through the European Network of Fugitive Active Search Teams (ENFAST), in which it has observer status. The country stepped up its participation in EMPACT (the European Multidisciplinary Platform Against Criminal Threats). In 2022, Serbia committed to participate in 68 operational actions in 10 of the 15 EMPACT operational action plans (OAPs), including as co-leader for one operational action. In 2021, Serbia participated in 31 EMPACT operational actions, as co-leader in one. Serbia appointed a National EMPACT Coordinator.

Serbia continued to participate actively in EMPACT joint action days (JADs), such as the 2021 JAD South East Europe 2021 (promoting closer cooperation in the work against firearms trafficking, the smuggling of migrants and drugs trafficking, the JAD Mobile 4 (targeting various types of motor vehicle crime, including smuggling of stolen vehicles via the external borders, parts of vehicles, as well as associated document fraud and the JAD Danube 6 (focused on combating the smuggling of migrants, fighting trafficking in human beings and document fraud).

Cooperation between Serbia and the EU Agency for Law Enforcement Training (CEPOL) is well established and based on a working arrangement. A dedicated contact point is in place.

Serbia has full access to the CEPOL Exchange Programme as well as to CEPOL's free of charge electronic learning system.

In 2021, as regards the fight against **money laundering**, based on indictments by the special prosecutor for organised crime there were 7 final convictions (11 in 2020), and based on indictments by special anti-corruption departments, there were 33 final convictions.

**Financial investigations** are not a regular practice in every criminal investigation. Proactive criminal investigations are needed, including pre-seizure planning and a systematic tracking of money flows, aimed not only at asset recovery but the gathering of circumstantial evidence for inexplicable wealth. In 2021, financial investigations were initiated in 128 cases. In 2021, there were temporary confiscations in only 6 cases and no cases of final confiscation of assets. Extended confiscation is not systematically applied. However, even though results are yet to be seen, understanding and the investigation approach has improved and prosecutors are aware of the importance of consistently applying a 'follow the money to find the crime' method. This should lead to better results in the future in both track records of final convictions and the track record of seizure and confiscation of assets.

Recommendations from last year's report are still relevant, concerning analysis of the Law on the seizure and confiscation of the proceeds of crime and the manner in which financial investigations are conducted:

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

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

In 2021, 29 people were convicted for illegal crossing of the state border and smuggling of persons. There were 23 convictions for mediation in prostitution. There were 71 convictions for smuggling and 3 for mediation in prostitution.

Concerning **trafficking in human beings**, under organised crime competence, as in 2020, no individuals were convicted in 2021.

In 2021, police officers filed a total of 23 criminal charges for trafficking in human beings. The charges were brought against 43 suspects (1 juvenile and 42 adults) and involve 46 victims of human trafficking (10 juveniles and 36 adults). Under general jurisdiction, 15 persons were convicted for trafficking in human beings.

In 2021, a total of 23 witnesses were deemed as especially vulnerable by public prosecutors in cases of trafficking in human beings. It is essential to provide human trafficking victims with proper protection during trials, including granting them the status of especially vulnerable witness. This is important not only to avoid re-victimisation but also to collect evidence of force, threat or exploitation, required by the criminal code for this offence.

The Centre for the protection of victims of human trafficking (Centre) is now operating. The refuge part of the centre has not been functional since August 2020, lacking the necessary licence. Currently only a CSO-managed shelter provides support for girls and women. Although legally possible, compensation is rarely granted to victims, as there is no official scheme or fund for this. In 2021 the list/s of indicators for formal identification of THB victims are finalised and the Centre started to use them. In 2021, the Centre has identified 46 victims of human trafficking of whom 80 % are women and girls. The most common type of exploitation remains sexual exploitation (50 %), followed by forced begging, as well as labour exploitation. Of the identified victims, 37 % are minors, of whom 94 % are girls. Since autumn 2021, CSOs have been publicly drawing attention to a case of potential trafficking in human beings for the purpose of labour exploitation concerning Vietnamese workers, referring to alleged ‘deceptive’ and ‘coercive recruitment’ practices such as debt bondage and ‘coercion at destination’ such as confiscation of passports. The Centre has said that the procedure of identification of potential victims is ongoing.

Legislative alignment on the environmental liability and **environmental criminal law** *acquis* has not progressed. Enforcement remains a key priority, including establishing a track record on implementing the Environmental Crime Directive. There was only one first-instance conviction in 2021. Serbia should step up its efforts to create awareness of environmental crime and stop it. The Ministry of the Interior set up the Unit for environmental crime suppression and environment protection within the General Police Directorate. The Unit is not operational yet and recruitment of staff is underway.

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

As in 2020, in 2021 no individuals were convicted for **weapons-related offences (including trafficking in weapons)** in the context of organised crime. In 2021, 735 people were convicted in courts of general jurisdiction.

The strategy for small arms and light weapons control (2019-2024) is being implemented, as are related international obligations arising from the roadmap for a sustainable solution to the illegal possession, misuse and trafficking of small arms and light weapons (SALW) and ammunition in the Western Balkans. The accompanying two-year plan (2019-2020) expired and a new one has yet to be adopted.

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

In August 2021, a team was set up for the implementation, monitoring and exchange of all operational information related to firearms (firearms focal point, FFP). Work continued on the improvement of databases, harmonisation of documents needed by the FFP, and on determining and establishing the most appropriate methodology to make it fully operational.

The 2019-2023 strategy and action plan for the **fight against cybercrime** are being implemented. Training was given to strengthen the operational capacity of the Special Prosecutor’s Office for Cybercrime. More human resources are needed for investigations into

credit card, e-commerce, and e-banking abuses and for combating illicit and harmful content on the internet.

In 2021, the Special Prosecutor's Office launched investigations/evidentiary actions against 262 defendants; indictments were filed against 176 defendants and 90 convictions were rendered.

Concerning the 'showing, procuring and possession of pornographic material and minor person pornography,' investigations/evidentiary actions were launched against 85 defendants in 2021. Indictments were filed against 91 defendants. The court convicted 36 individuals. The legal framework is fully aligned.

Efforts are also ongoing to raise awareness among professionals and the general public about the dangers of cybercrime and its impact on society. International cooperation through Eurojust to effectively address cybercrime was further strengthened.

Serbia is a party to the Council of Europe Budapest Convention on Cybercrime and was among the 22 countries that signed its Second Additional Protocol on enhanced cooperation and disclosure of electronic evidence on 12 May 2022. In relation to negotiations for a United Nations convention on cybercrime based on resolution 74/247 of the United Nations General Assembly Serbia demonstrated voting patterns that are divergent from the position taken by the EU and its Member States. Serbia did not align with the EU for the UN General Assembly vote on 20 January 2022 to postpone the first negotiation session of the *ad hoc* intergovernmental committee of experts created by the Resolution on countering the use of information and communications technologies for criminal purposes (from 17-28 January).

The Witness Protection Unit fully provides the necessary guarantees to witnesses to protect them from intimidation and physical threats. Good cooperation has been established between all parties responsible for providing protection and support to witnesses from investigation process to trial.

## **Cooperation in the field of drugs**

### Institutional set-up and legal alignment

The national drug strategy expired at the end of 2021. The action plan for 2021 was prepared and is pending adoption. The Office for Combating Drugs conducted an evaluation of the expired strategy, which should be used as the basis for drafting the new one.

The Serbian National Drug Observatory is fully staffed and operational. Serbia regularly updates and publishes reliable information on new psychoactive substances. The adoption of the new rulebook on determining the list of controlled psychoactive substances is underway, with 38 newly added psychoactive substances. The coordination role and responsibilities of the Office for Combating Drugs are still not clearly specified in relation to other state institutions. Since December 2020, a working arrangement has been in force between the European Monitoring Centre for Drugs and Drug Addiction (EMCDDA) and the Office for Combating Drugs, the Ministry of the Interior and the Ministry of Health. Serbia has a well-established early warning system (EWS) to liaise with the EMCDDA on new psychoactive substances and new trends. This also applies to the associated risk assessment procedure and the subsequent control mechanism for adding new psychoactive substances to national drug control legislation.

The National Drug Observatory continued with implementation of its three core functions: data collection; monitoring, analysis and interpretation of the data collected and reporting and dissemination. Serbia submits data upon request and in the framework of the data collection exercises, although data collection, analysis and reporting are yet to be fully aligned with the requirements and the methodology of the EMCDDA.



The decree on the manner of preserving, sampling, storing and destroying psychoactive substances was adopted in August 2021 providing a necessary legislative framework for psychoactive controlled substances, i.e. chemical/biological material either seized or confiscated. However, the current legislation still requires that the entire seized quantity be kept as material evidence for court proceedings. A national contact point for the transmission and analysis of samples of controlled psychoactive substances has not yet been established, though the rulebook to regulate its work was adopted in December 2020.

In October 2021, at fourth regional centre was set up in Kraljevo as part of the Drugs Combating Service Department for Coordination, Cooperation and Drugs Abuse Prevention.

From February 23, 2022, the Drugs combatting Service changed systematisation and created 5 new jobs positions. The recruitments are ongoing.

#### Implementation and enforcement capacity

In 2021, 30 individuals were convicted for the production, processing, sale or offering for sale of narcotics under the organised crime jurisdiction, and 784 under general competence jurisdiction. In 2021, a total of 8.5 tonnes of various substances (including 66.6 kg of heroin) were confiscated, as well as significant quantities of ecstasy, amphetamine, etc. in pills/pieces.

In contrast to 2020 when no seized controlled psychoactive substances were destroyed, a total of 1.4 tons of seized psychoactive substances were destroyed in 2021. The destruction of seized precursors remains an issue that needs to be regulated by law.

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

The government produced a number of documents as a part of the programme for the prevention of the use of psychoactive substances, based on scientific evidence and in alignment with international standards.

Serbia made a significant contribution to the development of content for e-lessons for drugs laboratories. The e-lessons are part of the EU Agency for Law Enforcement Training (CEPOL)'s online training modules.

In 2021, the Prosecutor's Office for Organised Crime participated, with Spanish authorities, in a joint investigative team, whose work led to the dismantling of the organised criminal group dealing with the unauthorised production, transfer and sale of marijuana.

According to government data, the total value of seized property in 2021 amounts to EUR 1 million including 7 parking spaces and 2 business premises.

### **Fight against terrorism**

#### Institutional set-up and legal alignment

The national strategy for the prevention and fight against terrorism expired at the end of 2021. A new strategy and action plan has yet to be adopted, covering all forms of radicalisation and violent extremism (irrespective of political, religious or ethno-nationalist root causes) in line with EU policies. The EU, in view of the revision process of the national CT-CVE Strategy, has provided support through RAN (Radicalisation Awareness Network) Policy Support. A baseline study on all forms of radicalisation and violent extremism present in Serbia has not yet been finalised. The mechanism to monitor the implementation and review of the National Strategy for Prevention and Suppression of Terrorism and the Action Plan is not yet fully

functional. The implementation reports on the activities envisaged in the expired 2017-2021 strategy are drafted but have not yet been adopted.

Serbia regularly reports on implementation of the bilateral arrangement in the framework of the EU-Western Balkans joint action plan on counter-terrorism for the Western Balkans. Nevertheless, no tangible progress in the implementation can be observed. In December 2021, changes were made to the composition of the National Coordination Body (NCB) for the Prevention and Combating of Terrorism.

The critical infrastructure by-law on determining the criteria for critical infrastructure identification and the manner of reporting on critical infrastructure was adopted in June 2022. The remaining two should be adopted shortly.

The Law on the national database for the prevention and fight against terrorism was adopted by Parliament in June 2021. The implementation of the law should be closely monitored to prevent any potential abuse. The action plan as regards returning foreign terrorist fighters and members of their families to the territory of Serbia was adopted in August 2021, local teams to be in charge of its implementation are established by the National Coordination Body and capacity building activities started in December 2021.

Further efforts to align with the EU *acquis* on firearms are required, in particular by introducing a clear distinction between illicit possession and trafficking of firearms.

#### Implementation and enforcement capacity

In 2021, there were no convictions for terrorism offences. Two persons were convicted for ‘participation in war or armed conflict in a foreign country’ and one person for ‘organising participation in war or armed conflict in a foreign state.’

Further progress has been achieved regarding tools and instruments to address radicalisation in prisons, with violent extremist prisoners-specific instruments and programmes piloted in selected prisons and prison staff capacity improved.

Activities aimed at preventing all forms of radicalisation and violent extremism including those conducted in collaboration with civil society organisations, are still under-represented both in the national strategic framework and on the ground. Trainings for the members of local teams in charge of reintegration, rehabilitation and re-socialization of foreign terrorist fighters and their families started in May 2022. Thus far, four local teams are established. A mapping of groups most vulnerable to radicalisation has not been conducted yet. Measures undertaken to prevent and address violent extremism in sport do not appear yet sufficient. No concrete steps have been taken to explore possible connections between right-wing extremism and football hooliganism. Collaboration with civil society organisations in P-CVE (Preventing and Countering Violent Extremism) activities is still extremely rare. Serbia does not participate regularly in the meetings of the regional network of national P/CVE coordinators. The authorities had not yet mounted a consistent response to far-right groups’ activities.

Additional efforts are needed to investigate and prosecute recruitment networks of foreign fighters, particularly in the context of Russia’s war in Ukraine. In March 2021, the Balkan Investigative Network (BIRN) launched a database containing court verdicts (from 2007 to 2020) handed down in Albania, Bosnia and Herzegovina, Montenegro, North Macedonia and Serbia for domestic terrorism and for going abroad to fight in the conflicts in Syria and Ukraine. Serbian courts convicted 16 people for going to fight in Ukraine. All the trials ended in plea bargains and suspended sentences.

Serbia remains a reliable cooperation partner for Europol and Eurojust. In July 2021, Serbia appointed an additional contact point for Eurojust - a national correspondent for terrorism

matters. Serbia updates Europol on the foreign fighters' list and terrorism related incidents and effectively uses the SIENA for counter terrorism (CT). Cooperation with Europol has enabled Serbia to start addressing terrorist content online. Serbia continues to participate in the integrative internal security governance mechanism.

Intensified efforts are evident in the field of integral control of firearms, particularly as mentioned related to harmonization of legislation with EU *acquis*. However, some activities within the goals related to Western Balkans in the EU Action Plan on firearms trafficking, need to be improved, as those on awareness raising, outreach and education on the dangers and risks related to the misuse, illicit possession, and trafficking of firearms/SALW. Also, the national Firearms Focal Point remains to be made fully operational.

### **Judicial cooperation in civil, commercial and criminal matters**

Eurojust and Serbia have an established cooperation in criminal matters. They signed a cooperation agreement on 12 November 2019 with the Liaison Prosecutor to Eurojust being seconded in March 2020. Liaison Prosecutors play an important role in facilitating ongoing investigations of serious cross-border organised crime, terrorism etc., given the increased number of cases that have connection with the Western Balkans. In 2021, Serbia acted on 151 Eurojust requests in 127 cases, which is an increase of 34 % compared to the 112 cases in 2020. It requested assistance in 24 cases. The liaison prosecutor took part in 3 joint investigation teams in 2021, one of those is from 2020. Serbia remained the most requested country in the region, and the third most requested third country in Eurojust's network. The representatives of the Serbian Public Prosecutor's office participated in coordination meetings and various events. Steps were taken to establish cooperation with the European Public Prosecutor's Office (EPPO). According to the 2021 EPPO Annual Report, Serbia was involved in one EPPO case in the first seven months of operational activities of the EPPO (June-December 2021).

The new Law on judicial cooperation in criminal matters is still in preparation. In October and November 2021, the analyses for administrative/training and budgetary/financial needs were finished. Analysis is ongoing to establish how the legal framework needs to be amended to facilitate cooperation in civil matters. Reporting has started on implementation of the 2007 Hague Convention on Child Support, in force since February 2021. Serbia's legislation still needs to be amended to bring it into line with the EU *acquis*.

In the second half of 2021, Serbia had 3 135 new incoming requests (both civil and criminal) and sent out a total of 1 373 requests. Serbia handled 2 932 incoming judicial cooperation requests (both civil and criminal). Among those that Serbia dealt with, it replied to 2 283 positively, and refused 649. Serbia handled 1 634 outgoing judicial cooperation requests (both civil and criminal). Among those that Serbia dealt with, it replied to 1 199 positively and refused 435. At the end of 2021, the incoming pending cases remained at 4 703 and outgoing pending cases at 3 989. Serbia continued its regular workflow. There are no developments on Montenegro's long-standing extradition request to ensure that the former President of Montenegro serves his prison sentence.

### **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, and the following ministries: Labour, Employment, Veteran and Social Affairs, Foreign Affairs, Justice, Defence, Health; and Education, Science and Technological Development. They are coordinated by the government working group on mixed migration.

Amendments to the Law on foreigners and the Law on employment of foreigners are pending adoption. The amendments are aimed harmonising legislation so that one single residence/work permit is issued to foreign citizens and to introduce residence cards. Public consultation have now been finalised.

On 17 March 2022, the government adopted a decision providing facilitated access to its territory and granting temporary protection to all persons having fled Russia's war of aggression in Ukraine. The decision allows access to the right of residence, identity documentation, the right to education, access to the labour market and health care in accordance with the regulations governing the rights of foreigners. It is largely in line with the EU Temporary Protection Directive, and is a step towards Serbia's alignment of with the EU approach towards the impact of Russia's war of aggression against Ukraine. A response plan for people fleeing the war in Ukraine was adopted by the government and includes measures to enable reception and protection.

The response plan for the management of mixed migration was updated in July 2021. It covers the main priority areas such as border management and prevention of migrant smuggling, access to asylum, reception and assistance to vulnerable migrants, assisted voluntary return and reintegration in the countries of origin.

Enhanced inter-institutional cooperation is evidenced in the joint document on needs assessment and planning in the area of mixed migration management and asylum in Serbia for the period 2022-2024, which outlines outcomes related to registration, reception and other proceedings in migration management.

In July 2021, the government adopted the final report on implementation of the strategy for combating irregular migration. The report provides recommendations for continuing activities and for activities that need to be implemented in the future, since the strategy and action plan (2018-2020) have expired.

Serbia has continued to satisfactorily implement the EU-Serbia Readmission Agreement, which is facilitated by implementing protocols concluded with 21 EU Member States. It has also considerably improved its implementation of the third-country national provision since 2018. In 2021, 855 Serbian nationals were returned under the readmission agreements. The largest number of requests was submitted by Germany, France and Austria. Out of 4 683 requests concerning third-country nationals, 3 886 were approved and 890 third-country nationals were returned to Serbia. The largest number of requests was submitted by Romania for readmission of nationals of Afghanistan, Syria, Pakistan, Bangladesh and India. Regarding third-country nationals, in 2021, 169 persons were returned from the territory of Serbia to Bulgaria.

Serbia has 11 bilateral readmission agreements, including with Bosnia and Herzegovina, Montenegro and North Macedonia. Negotiations to sign readmission agreements with Azerbaijan, Argentina, Belarus, Georgia, Türkiye and Ukraine are ongoing. Since 2017, Serbia has made efforts to establish cooperation with countries of origin of irregular migrants and initiatives have been launched with Afghanistan, Algeria, Iraq, Iran, Morocco and Pakistan. As no response was received from them, at the end of 2021, an emergency request was sent to the authorities of Pakistan, Iraq, Algeria and Morocco. The Iraqi authorities have stated that there is no readiness to conclude a readmission agreement and others have not responded so far. A readmission agreement was signed with the United Kingdom in January 2022.

#### Implementation and enforcement capacity

The Western Balkan migratory route continues to be firmly established and to exert pressure on the entire region. Serbia played an active and constructive role in the management of the mixed migration flows towards the EU and continued to cooperate effectively with its

neighbours and EU Member States. Serbia, supported by the EU, continued efforts to host and accommodate substantial numbers of third-country nationals.

According to the Commissariat for Refugees and Migration, in total 68 308 migrants passed through the reception and asylum centres which represents a slight increase in comparison to 2020 (63 408). The length of the average stay went down to 30 days (36 in 2020) and the average number of people in the centres on any one day fell from 5 993 in 2020 to 4 684 persons in 2021. The Ministry of the Interior reported for the same period 12 852 irregular migrants apprehended within Serbia in 2021. The main countries of origin were Afghanistan, Pakistan and Syria.

Serbian authorities continued to increase the capacity to accommodate and care for migrants, with due consideration for their specific vulnerabilities in relation to COVID-19.

In 2021, 14 806 migrants were prevented from entering at the border and 129 criminal charges (127 in 2020) were filed against 190 people (176 in 2020). This includes 7 criminal charges against 46 members of organised criminal groups, suspected of smuggling irregular migrants to Bosnia and Herzegovina, Croatia and Hungary.

According to UNHCR, 29 140 refugees and migrants were pushed back to Serbia from neighbouring countries in 2021, while 213 persons were expelled from Serbia to North Macedonia.

Daily cooperation with Europol's European Migrant Smuggling Centre takes place at several levels, including through EMPACT (European Multidisciplinary Platform Against Criminal Threats). Serbia participated in several international operations combating irregular migration and trafficking in human beings.

As regards accommodation for migrants in 2021, 12 reception/transit centres were fully operational with a total capacity of 3 200 places in solid buildings and additional 2 000 places for short stay in Rub Hall. Including the 2 100 beds in asylum centres, the total number of available beds was more than 7 300, while 5 centres were under reconstruction and refurbishment.

As regards detention capacities, the extension of the centre in Padinska Skela is ongoing. It will provide an additional 40 places (bringing the total capacity to 90 places). The mobile centre in Dimitrovgrad for registration and very short-term accommodation is used as a closed centre mainly in the context of readmission. In 2021, the facility accommodated 67 foreign citizens who returned to Bulgaria when the readmission agreement procedures were complete. The mobile centre in Plandiste is still not in use.

In 2021, the Centres for Social Work issued a total of 1 085 decisions on guardianship. Most unaccompanied or separated children are hosted in the reception facilities while those who require special attention and specific care are hosted in specialised institutions. State-run social protection institutions accommodated 96 unaccompanied minors while 28 unaccompanied asylum-seeking children (UASC) were accommodated in NGO shelters. Although the legislative framework for protecting refugee/migrant children is mostly in line with international standards, limited resources and implementation within the social welfare system creates protection gaps. These include an overstretched guardianship institution, overstrained case management capacity dependent on external funding, and poor application of best interest assessment/determination procedure.

The government has adopted the regulation on establishing the assisted voluntary return programme for 2022-2025. With the support of the EU and Member States, the International Organisation for Migration (IOM) is implementing the assisted voluntary return and

reintegration (AVRR) programme building the capacity of Serbia's return system and facilitating access to assisted voluntary return. In 2021, 112 people were returned to their country of origin.

The Ministry of the Interior is in charge of forced return. It did not return migrants to their country of origin in accordance with readmission agreements. Serbia has considerably improved its implementation of the third-country national provision since 2018. Out of 4 683 requests, 3 886 were approved and 890 third-country nationals were returned to Serbia. The largest number of requests was submitted by the Romanian authorities for readmission of Afghani, Bangladeshi, Pakistani and Syrian nationals.

In 2021, Serbia submitted 752 requests to foreign authorities for the readmission of own and third-country nationals, of which 709 requests were approved and 169 persons were returned from Serbia. The lack of enforceable bilateral readmission agreements with third countries is a serious obstacle, hindering Serbia's ability to manage returns effectively.

In respect to migration figures, Afghans remain one of the main nationalities in transit mainly to Romania and Hungary. In 2021, 22 927 Afghans were registered in the Government reception facilities, which corresponds to one third of the overall number. Serbia did not accept refugees from Afghanistan for resettlement.

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

Between January and June 2022, Serbia organised 85 forced returns of foreign citizens from the shelter for foreigners in Padinska Skela to their country of origin.

## **Asylum**

### Institutional set-up and legal alignment

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

The Asylum Commission rendered 62 decisions, but none of them granted international protection and only 10 appeals were upheld (i.e. the cases were referred back to the AO). The third appeal authority, the Administrative Court, rejected all complaints. No applicants were heard by the appeal authorities. The Asylum Commission and Administrative Court did not exert corrective influence over the decisions of the AO.

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

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

### Implementation and enforcement capacity

The number of asylum seekers remained very low in 2021. Out of the 2 306 persons who expressed the intention to seek asylum and obtained a registration certificate, only 174 officially lodged an asylum application.

In 2021, decisions were made on a total of 147 asylum seekers. Only 7 asylum seekers received refugee status, 7 received subsidiary protection, while 60 had their asylum request rejected, including 51 rejections on merit. In 73 cases, the procedure was discontinued because the applicant absconded.

With the current number of asylum seekers, the AO has sufficient staff to process the asylum requests. The low number of asylum applications relative to declarations of intention highlight the fact that Serbia is still a transit country. At the same time, access to and provision of information regarding the asylum procedure needs to be improved, as well as access to information and legal counselling for asylum seekers at Belgrade International Airport, where transit procedures, envisaged by the law on asylum, are not yet being implemented. People undergoing an extradition procedure need to be given effective access to asylum to prevent potential cases of refoulement. This includes harmonisation of relevant legislation and increasing the number of judges involved in extradition procedures or otherwise raising capacity.

Further improvements were made to the AO's decision-making. For example cases were assessed on the merits of claims. The quality of asylum decisions needs to be further improved through sustainable quality assurance mechanisms and harmonisation of the decision making process to ensure similar outcomes in similar cases. The length of the procedure should be shortened.

Additional capacity building for the Asylum Commission and the specialisation of judges in the Administrative Court could improve legal certainty. There is no state funded free legal aid in the asylum procedure. Two translator posts in the AO were filled as of 2021.

Serbia has a fully functioning biometrics database and a system for automated fingerprint identification (AFIS) used within the Ministry of the Interior; both of these are used for registering irregular migrants and asylum seekers. The preparations for Eurodac in Serbia are focusing on internal connectivity of databases, connection to the central Eurodac server and a satisfactory level of automatisisation to create an efficient registration procedure. Currently all police stations, but not all border crossing points, in Serbia have access to the automated fingerprint identification system. Serbia has developed a roadmap for enabling future operations in relation to the Eurodac and Dublin regulations, containing steps on legal, strategic, technical and training related preparations.

In accordance with the Law on asylum and temporary protection, the Commissariat for Refugees and Migration takes care of the material conditions for receiving asylum seekers. There are five centres for asylum with a total capacity of 2 100 places. There is one centre hosting persons under temporary protection from Ukraine.

According to the Commissariat for Refugees and Migration the number of unaccompanied or separated children accommodated in Serbian reception centres decreased in 2021 to 1 346 (2 778 in 2020), while their stay remains relatively short. 124 individuals (122 in 2020) were accommodated in social welfare institutions for specialised and tailor-made services.

The basic legal framework for integration exists, including good practices of individual integration plans. Secondary 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. Biometric IDs and earlier access to the labour market could improve integration perspectives. Travel documents for people under international protection are still not issued. Serbia should ensure that these measures are operationalised as a matter of priority.

The funds needed for integration programmes for people granted asylum are provided in the budget on an annual basis. The funds provided for in the 2021 budget were sufficient to cover the current needs.

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

### **Visa policy**

Serbia's visa policy is not fully aligned with the EU list of third countries whose nationals are visa exempt or visa-required. The following countries that are on the EU list of visa required countries enjoy visa-free travel to Serbia: Armenia, Azerbaijan, Bahrain, Belarus, Bolivia, Burundi, China, Cuba, Guinea Bissau, India, Indonesia, Jamaica, Kyrgyzstan, Kuwait, Kazakhstan, Mongolia, Oman, Qatar, Russia, Suriname, Tunisia and Türkiye.

Serbia continued to implement relevant measures to prevent the abuse of the visa-free system it has with the EU under the post-visa-liberalisation process. Serbia did not take concrete steps to further align with EU visa policy. The Commission's visa suspension mechanism report of August 2021 recommended further alignment of Serbia's visa policy with the EU lists of visa-required third countries, in particular for those third countries which present irregular migration or security risks for the EU which has raised increased concerns during the reporting period. The report also recommended that further efforts are needed in the areas of integrated border management, anti-money laundering, counter-terrorism and in the prevention and fight against corruption and organised crime.

The visa-free regime with the EU continued to be smoothly implemented. The number of first-time asylum applications from Serbia in the EU and Schengen-associated countries was 2 090 in 2021 (1 770 in 2020). In the first five months of 2022, the number of first-time applicants was 905. The Serbian visa issuing system is partially in line with the EU visa code. For further compliance, Serbia has to adjust visa procedures and visa regimes, to bring them into line with relevant EU regulations. The visa information system is operational in all diplomatic missions and consular posts. The issuing of visas at the national border crossing points is exceptional. The Commission's fourth report under the visa suspension mechanism of August 2021 concluded that Serbia continues to meet the visa liberalisation benchmarks.

### **Schengen and external borders**

#### Institutional set-up and legal alignment

The border police is a specialised civilian body and is part of the General Police Directorate within The Ministry of the Interior. It has eight regional centres and 47 local stations responsible for border surveillance as well as 40 stations for border control at the 94 border crossing points. The legal framework for border control is largely aligned with the EU *acquis*. Continued efforts are needed on further legal alignment and implementation of EU requirements. Issues relating to national borders are regulated in the Law on border control. In 2021, a decree was adopted on the conditions that must be met by border crossings in terms of premises, devices, equipment, infrastructure, number of employees and other material and technical means necessary for the functioning of border crossings.

A Schengen action plan was produced and needs to be adopted by the government. The new 2022-2027 integrated border management (IBM) strategy 2022-2027 and a new action plan was adopted in August 2021. The strategy defines a new concept of integrated border management under consideration of the new EU policy on IBM and includes border control and border



checks and State border surveillance (green border surveillance). Following adoption, the new Coordination Body for monitoring the IBM Strategy and Action Plan should be established. Coherence between strategic documents in the border control area needs to be achieved.

#### Implementation and enforcement capacity

In 2021, 244 graduates from the Centre for Basic Police Training were admitted to the Border Police Directorate. The Border Police Administration is regularly planning professional training for border police officers, who, after the successful completion of the training, are assigned to its organisational units. A common training programme and common risk analysis in accordance with the common integrated risk analysis model methodology (CIRAM) is implemented at national level. Further efforts are needed at regional and local level regarding the staffing and training of risk analysts.

Significant investment is needed in human, financial and technical resources for border control (second-line checks, border surveillance and equipment for the detection of forged documents), and in infrastructure at border crossing points in line with Schengen requirements. Serbia should also increase the capacity of the border police information system to meet the latest EU requirements and to achieve interoperability with EU border management information systems. Serbia needs to intensify its efforts to implement the Directive on the obligation of carriers to communicate passenger data.

Inter-agency cooperation is satisfactory, e.g. between border police and customs at border crossing points. Further improvements are needed on information exchange through mutual access to databases and a formalised and secure information exchange system.

Serbian authorities have established solid cooperation links with the European Border and Coast Guard Agency (Frontex). In May 2021, the status agreement with the EU entered into force allowing Frontex to deploy teams from the European Border and Coast Guard standing corps at the Serbian-Bulgarian border. Joint operations started on 16 June 2021.

Based on the Convention on Police Cooperation in Southeast Europe, The Ministry of the Interior established a cooperation with all neighbouring countries. Joint patrols with neighbouring countries were suspended in April 2020 due to COVID-19 and started again in 2021 with Hungary, North Macedonia and Romania. Information exchange takes place through joint contact centres. Serbia receives capacity building and border management assistance from EU Member States.

In 2021, a total of 27 control activities were carried out in the organisational units of the Border Police Administration. Disciplinary proceedings for serious violations were initiated against 5 police officers from the Border Police Administration, 2 from the Regional Border Police Centre towards Hungary and 3 from the Regional Border Police Centre towards Croatia in connection to corruption. The Internal Control Sector filed criminal charges against police officers suspected of the criminal offence of abuse of official position under Article 359 of the criminal code. A new preventive anti-corruption mechanism was adopted and training courses for participants of all IBM agencies were held. Leaflets on anti-corruption awareness were distributed at all border crossing points (including the airport).

The Interim IBM common crossing-points with Kosovo continue to be operational. Only two of the six permanent common crossing points (CCPs) have been established (Merdare and Mutivodë/Mutivode) (*See Section 5 on the normalisation of relations between Kosovo and Serbia*). In March 2022, Serbia agreed to open both entry and exit lanes at CCP Merdare and move their authorities into the new premises at CCP Mutivode. Both EU-funded CCPs are now fully operational. Serbia still has not established permanent CCPs to be hosted by their side (Jarinje /Rudnica, Končulj-Dheu i Bardhë and Depce /Muçibabë), which led to a suspension of

EU funds for this project in July 2018. In addition, Serbia needs to engage constructively to enable the construction of the third CCP hosted by Pristina in northern Kosovo at Tabaviije /Bërnjak- Tabaliije/Brnjak. Additional efforts are needed from Serbia to close alternative roads and by-passes to ensure exclusive use of official crossing points for goods and persons entering into or leaving Kosovo.

## 2.3 ECONOMIC CRITERIA

|   |                |             |             |             |
|---|----------------|-------------|-------------|-------------|
| <i>Table 4.1:</i>   | <b>2013-18</b> | <b>2019</b> | <b>2020</b> | <b>2021</b> |
| <b>Serbia - Key economic figures</b>  | average        |             |             |             |
| <b>GDP per capita</b> (% of EU-27 in PPS) <sup>1)</sup>                             | 40             | 41          | 43          | 44          |
| <b>Real GDP growth</b>  | 2.2            | 4.3         | -0.9        | 7.4         |
| <b>Economic activity rate of the population aged 15-64</b> (%), total <sup>1)</sup> | 65.0           | 66.9        | 66.4        | 70.3        |
| <i>female</i>   | 57.0           | 59.7        | 59.2        | 63.0        |
| <i>male</i>   | 73.0           | 74.0        | 73.6        | 77.5        |
| <b>Unemployment rate of the population aged 15-64</b> (%), total <sup>1)</sup>      | 17.4           | 10.9        | 9.5         | 11.4        |
| <i>female</i>   | 18.4           | 11.5        | 9.9         | 12.4        |
| <i>male</i>   | 16.6           | 10.4        | 9.2         | 10.6        |
| <b>Employment of the population aged 15-64</b> (annual growth %)                    | 4.0            | 2.4         | -0.2        | 2.6         |
| <b>Nominal wages</b> (annual growth %)  | 3.1            | 10.5        | 9.4         | 9.4         |
| <b>Consumer price index</b> (annual growth %)                                       | 2.9            | 1.8         | 1.6         | 4.1         |
| <b>Exchange rate against EUR</b>  | 119.0          | 117.9       | 117.6       | 117.6       |
| <b>Current account balance</b> (% of GDP)   | -4.6           | -6.9        | -4.1        | -4.4        |
| <b>Net foreign direct investment, FDI</b> (% of GDP)                                | 5.1            | 7.7         | 6.3         | 6.8         |
| <b>General government balance</b> (% of GDP)  | -2.4           | -0.2        | -8.0        | -4.1        |
| <b>General government debt</b> (% of GDP)   | 63.0           | 52.8        | 57.8        | 57.1        |

*Notes:*

1) Eurostat

Source: national sources

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

*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 Türkiye at ministerial level each year.*

### 2.3.1. The existence of a functioning market economy

Serbia is **between a moderate and a good level of preparation** and has made **some progress** in developing a functioning market economy. After a relatively mild contraction in 2020, the Serbian economy rebounded strongly in 2021 followed by some deceleration in the first half of 2022. After decreasing in 2020, external imbalances started to widen in the second half of 2021, in particular due to high energy imports. Consumer price inflation surged from the second half

of 2021, mostly driven by energy and food prices, which led the central bank to start tightening its policy stance. Banking sector stability was preserved and lending growth remained robust notwithstanding the phasing-out of pandemic-related liquidity-enhancing measures. The economic rebound and the reduction of fiscal support measures helped to substantially improve the budget balance in 2021, despite a further increase in capital spending. A slight increase in the unemployment rate in 2021 reflected in particular a rising labour market participation in the context of the economic recovery from the COVID-19 crisis.

There has been some progress with tax administration reforms and the privatisation of state-owned enterprises. However, other major reforms of public administration and of the governance of state-owned enterprises (SOEs) continued to advance only slowly, prolonging long-standing inefficiencies and increasing fiscal pressure. 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 regarding the tackling of corruption and judicial inefficiency, and in the enforcement of fair competition. Last years' recommendations have been partially implemented.

In the coming year, Serbia should in particular:

- provided the economic recovery is well entrenched, plan a further gradual return to a deficit close to balance in the 2023 budget and in the medium-term fiscal framework;
- adopt a credible and binding system of fiscal rules for entry into force in 2023;
- contain overall spending on wages as a percentage of GDP and take preparatory steps towards an appropriately designed public sector wage system reform;
- implement the time-bound action plan for the deployment of the new SOE ownership and management strategy to improve the governance of SOEs and reduce related fiscal risks.

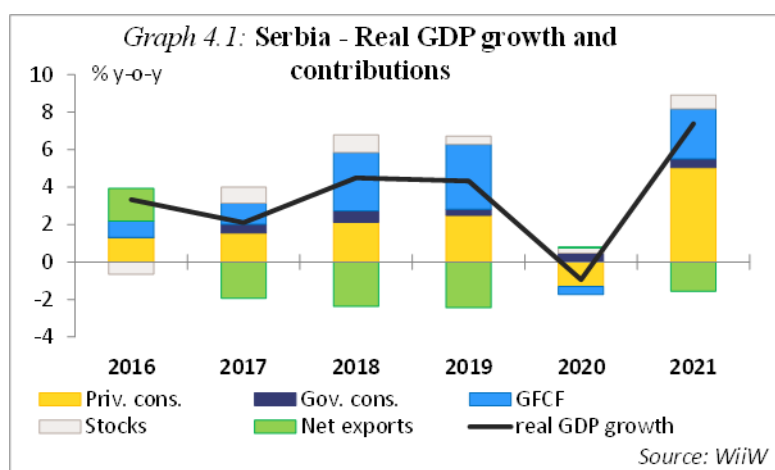
### Economic governance

**The authorities have remained committed to macroeconomic stability and economic reforms.** The government took a series of additional fiscal measures in 2021 to support the rebound from the pandemic. Fiscal measures could however have been more targeted in the later support packages to preserve fiscal space. Structural reform implementation picked up in 2021 after having recorded a slow-down during the COVID-19 crisis. 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, especially as regards the e-fiscalisation and e-invoicing reforms. There also remain weaknesses in the way the state intervenes and manages its presence in the economy, in particular concerning state-owned enterprises (SOEs) as important reforms are delayed. Serbia has started the implementation of a new non-disbursing policy coordination instrument (PCI) with the International Monetary Fund (IMF) running from July 2021 to December 2023. The policy guidance jointly agreed at the July 2021 Economic and Financial Dialogue between the EU and the Western Balkans and Türkiye has been partially implemented.

### Macroeconomic stability

**After a strong rebound in 2021, economic activity decelerated in the first half of 2022.** GDP growth averaged 3.6 % in 2016-2019, followed by a relatively mild contraction by 0.9 % in 2020, partly thanks to a substantial fiscal stimulus. In 2021, the Serbian economy rebounded strongly by 7.4 % to well above its pre-COVID-19 crisis level. Real GDP growth was mostly driven by stronger private consumption and gross fixed capital formation, slightly offset by a negative contribution of net exports to growth. The rebound of private consumption was

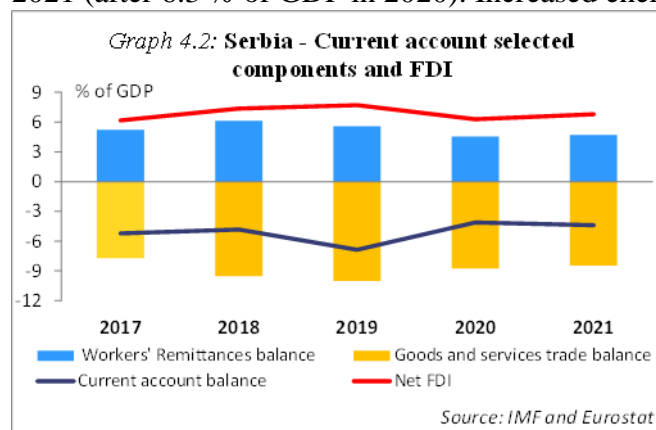
particularly supported by a new fiscal stimulus programme worth around 2 % of GDP,



accompanied by additional liquidity support measures of around 0.6 % of GDP. On the supply side, the recovery was chiefly driven by services, construction and industry. In the first quarter of 2022, GDP expanded by 4.3 % y-o-y, mostly driven by private consumption and higher inventories, followed by a 3.9 % y-o-y expansion in the second quarter, mostly on the back of private

consumption and government consumption Russia's war of aggression against Ukraine is set to hit Serbia's economy via various mostly indirect transmission channels, in particular via even higher energy and food prices fuelling inflation, reducing disposable incomes and private consumption. External trade, foreign direct investment and remittances are also set to be affected due to war-induced lower growth prospects in Serbia's main EU trading partners as well as new uncertainties and restrictions along Serbia's value-chains. After remaining broadly unchanged for most of the last decade, the income gap with the EU has slightly narrowed in recent years as per capita GDP in purchasing power standards rose to 44 % of the EU average in 2021 from 41 % in 2019 and 39 % in 2009.

**After a decrease in 2020, the current account deficit has widened since the second half of 2021.** Between 2016 to 2019, the current account deficit widened from around 3 % to close to 7 % of GDP, driven by growing merchandise trade deficits. It decreased substantially to 4.1 % of GDP in 2020 mainly due to lower reinvested earnings and a lower goods trade deficit (mainly reflecting lower energy imports combined with relatively resilient exports, particularly supported by agricultural and mining exports). In the second half of 2021, the external deficit started to widen again, reflecting in particular higher energy imports and a rebound in reinvested earnings and dividends. As these effects were largely offset by a higher surpluses on the secondary income account (reflecting in particular a rebound in workers' remittances) and in the services trade balance, the deficit was contained at 4.4 % of GDP in 2021, and was more than fully covered by net inflows of foreign direct investment that reached 6.8 % of GDP in 2021 (after 6.3 % of GDP in 2020). Increased energy imports, partly related to lower domestic electricity production following



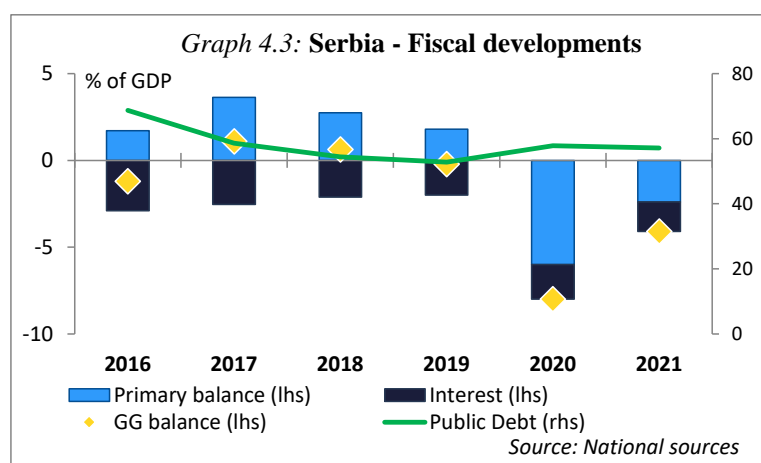
breakdowns in thermal power plants, and the continued increase in energy prices led to a further widening of the current account deficit to 9.6 % of the GDP in the first half of 2022. After a gradual decline from 73.4 % in 2015 to 61.5 % in 2019, external debt to GDP increased to 66.3 % in 2020 and 68.5 % in 2021, reflecting in particular high public financing needs in 2020-2021. Official foreign exchange reserves have remained at more than

twice the level of short-term external debt and covered 6 months of imports of goods and services in 2021 and, despite falling in early 2022, they still covered 4.5 months of imports in

June 2022. High energy prices and substantial electricity imports in 2022 are expected to continue to put pressure on foreign exchange reserves.

**Consumer price inflation surged in the second half of 2021, gradually increasing further to around 12 % year-on-year in the first half of 2022.** Following a track record of low and rather stable inflation for seven consecutive years, consumer price inflation rose strongly in 2021 to an annual average of 4 %. This was the result of a steady surge in the second half of the year, with the inflation rate reaching 7.9 % year-on-year in December, well above the upper end of the central bank's target tolerance band of 3 %  $\pm$  1.5 pps. Inflation continued to rise further in the first half of 2022, reaching 11.9 % year-on-year in June. The strong increase in headline inflation was mostly driven by food and energy prices while core inflation (excluding energy, food, alcohol and tobacco) rose more moderately to 3.5 % by December 2021, but gradually accelerated to 5.5 % in April 2022, 6.7 % in June. The central bank reacted to rising inflation by tightening its policy stance, including by raising the key policy rate by a total of 150 bps between April and June 2022, thereby bringing it to 2.5 %, i.e. above its pre-pandemic level. To stabilise the exchange rate in the face of alternating appreciation and depreciation pressures, the central bank continued to apply its policy of frequent interventions on both sides of the foreign exchange market.

**The economic rebound and the gradual phasing out of fiscal support measures helped substantially improve the budget balance in 2021, notwithstanding strong increases in capital expenditure and substantial liquidity support to *Srbijagas*.** Prudent fiscal policies in



pre-COVID-19 led to budget surpluses in 2017 and 2018 and a fiscal outturn close to balance in 2019, which created fiscal space for sizeable crisis mitigation in 2020 and 2021. Following a deficit of 8.0 % of GDP in 2020, the general government deficit almost halved to 4.1 % of GDP in 2021 as revenue was boosted by the economic rebound. The deficit was thus close to the original 2021 target of 3.0 % and substantially below the revised

targets of 6.9 % and 4.9 % of GDP in the April and October amending budgets, despite very substantial new COVID-19 crisis support packages, as well as increased healthcare and capital spending and substantial liquidity support to *Srbijagas* at the end of the year. The actual direct fiscal cost of the additional 2021 support measures, which included wage subsidies, lump-sum cash transfers to all adults, benefits to the unemployed, sectoral support to hospitality and transport companies, as well as liquidity provision through guarantees, amounted to 2.2 % of GDP, much below the 7.1 % of GDP in discretionary fiscal support provided in 2020. The fiscal support could have been better targeted to the most vulnerable households and firms in order to improve its cost-effectiveness while saving fiscal space to address potential further needs at a later stage. Notwithstanding the crisis context, capital spending further increased from 5.4 % of GDP in 2020 to a record level of 7.5 % of GDP in 2021, also impacted by a further increase in defence spending, and was budgeted at 7.3 % of GDP in 2022. The 2022 budget targets a further reduction of the fiscal deficit to 3 % of GDP as confirmed by the fiscal strategy for 2023-2025 adopted in June 2022.

**Public debt started to fall in 2021 following a moderate crisis-induced increase in 2020.**

The general government debt-to-GDP ratio had fallen from a peak of over 70 % in 2015 to 53 % in 2019 and thus moved closer to the ceiling of 45 % laid down in the fiscal rules of the budget system law. It increased to 57.8 % in 2020, as a result of the high crisis-induced deficit, and broadly stabilised at 57.1 % in 2021, supported by the strong rebound of real growth and higher inflation. To cover financing needs, the debt management office successfully tapped international markets in 2021 by issuing three major Eurobonds worth a total EUR 2 750 million (including a EUR 750 million green bond) at favourable conditions in March and September. Financing conditions deteriorated in the first half of 2022 as indicated by low subscription rates at auctions of government debt on the domestic market.

**Fiscal governance reforms have progressed unevenly.** Revenue collection surpassed expectations in the two years preceding the COVID-19 crisis and has performed relatively well throughout the crisis and in the 2021 rebound, supported also by continuous improvements in the tax administration. Progress in addressing weaknesses in budget planning and implementation has been slow. Despite government commitments, public wage increases exceeded nominal GDP growth in three consecutive years, leading to an increase in the wage bill from 9.0 % of GDP in 2017 to 10.5 % in 2020. The share decreased to 10.0 % in 2021 thanks to very high nominal GDP growth. The wage system reform has been postponed until 2025. However, a new central electronic public wage and employment registry is planned to be rolled out to most of the public sector (excluding military, security and higher education institutions) by end-2023 as an important preparatory step. In the absence of a comprehensive wage system reform, ad-hoc extraordinary increases for some categories of the public sector (such as the security forces) have been implemented.

**While budget adoption broadly followed normal legislative procedures, the reform of fiscal rules is still pending.** While the two 2021 amending budgets were adopted via urgent procedures, the 2022 budget was adopted in line with the normal legislative procedure, that included a series of parliamentary debates. The Fiscal Council was also consulted in the process. The system of fiscal rules remains weak as it is not sufficiently binding and relevant for policy-making. In particular, the annual ceiling for the overall general government fiscal deficit does not appear to be sufficiently transparent and operational. Moreover, there are no adequate sanctions in case of non-compliance nor effective enforcement mechanisms. Work on strengthening the fiscal rules has been postponed by another year in line with the 2021-2023 PCI programme with the IMF. The new fiscal rules are now expected to be finalised by end-October 2022 to be applied in the 2023 budget law.

**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 before the crisis ensured the policy space for sizable fiscal and monetary support to mitigate the impact of the COVID-19 crisis while maintaining macroeconomic stability. The acceleration of economic reforms and their full implementation remain key to ensure a sustainable recovery and further strengthen the economy's potential in terms of competitiveness and inclusive growth, thereby supporting real convergence with the EU.

Functioning of product markets

*Business environment*

**Serbia has slowly improved its business environment as a number of heavy procedures have been simplified and costs reduced.** In 2021, the number of registrations of new legal business entities rose by 5.0 %, while the registrations of solo entrepreneurs rose by 15.3 % (but still remaining 7.5 % below the 2019 figure). In 2021, 5.7 % fewer legal entities were

deleted from the register than in 2020. The implementation of the action plan for the simplification of administrative procedures further advanced through the optimisation, digitalisation or discontinuation of administrative procedures as well as the establishment of a single public register of administrative procedures. However, administrative procedures are still numerous and burdensome especially for small and medium enterprises (SMEs). The law on foreign exchange transactions remains widely considered by the business community to be too restrictive in its design and unpredictable in its application.

**The institutional and regulatory environment is still challenging.** While the number of urgent parliamentary procedures decreased and the number of public consultations increased, public-private dialogue is yet to be systematically mainstreamed in the development of new legislation across all government institutions. Business-related laws and implementing legislation/decrees are not always duly communicated and announced to relevant stakeholders, with many still adopted with very tight consultation deadlines, leaving insufficient time for business to contribute to policy preparation and notably to prepare for changes affecting their operations. The newly established centralised website for consultation procedures should make the consultation process more accessible and inclusive. Effective communication on this new tool is therefore crucial as well as the introduction of a mechanism to ensure inter-institutional coordination for effective use of the platform by line ministries and reinforced monitoring and evaluation of the consultation process to better measure the level of engagement of stakeholders. 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. Serbia ranked 96th out of 180 countries in the 2021 corruption perception index compiled by Transparency International, thus continuing the negative trend of deteriorating rankings compared to 87th in 2018, 91st in 2019 and 94<sup>th</sup> in 2020. Fair competition continues to be negatively affected by the large informal economy. The operational independence of the commission for state-aid and competition remains to be substantiated by a consistent and transparent track record, whereas the transparency of the work of the commission for protection of competition remains to be strengthened and decisions should be systematically published.

**Some measures were taken to fight the informal economy.** The entry into force of the Law on fiscalisation has initiated the introduction of the e-fiscalisation system, which allows for real-time tracking of the issuance of fiscal receipts, thereby enabling the Tax Administration to better monitor and counter tax evasion. Taxpayers fully adopted the e-fiscalisation system by 1 May 2022. The Law on e-invoicing, adopted in April 2021, entered into force on the 1 January 2022 and envisages a phased introduction of electronic invoicing, achieving full enforcement by 1 January 2023. The law is expected to reduce operating costs for companies and increase transparency. The single information system for inspections (eInspector), which aims to ensure better coordination among various inspections, standardisation of their work, and better availability of data, has continued to function with 44 inspectorates using the system. Further improvements in anti-money laundering/combating the financing of terrorism are ongoing.

#### *State influence on product markets*

**State presence in the economy remains large amid persistent governance weaknesses.** The government started implementation of the 2021-2027 strategy on state ownership and management of state-owned enterprises (SOEs) which aims at more sustainable and efficient management of SOEs. The strategy is incorporated as a reform measure in the ERP 2022-2024. A unified public database of companies in (partial) state ownership has been established, covering 314 entities. Classification of the companies according to certain criteria and decisions on ownership are expected as further steps of the strategy implementation. Governance of state-

owned enterprises however remains under strong political influence. This includes the irregular appointment of acting managers for extended periods instead of using the standard nomination process. The financial performance of SOEs may imply the build-up of fiscal risks, e.g. in the case of strongly rising debt levels profiting from implicit state guarantees, which is particularly pertinent in the energy sector. *Srbijagas* has received around EUR 500 million in budget loans in late 2021 and early 2022, while EPS is estimated to have suffered losses of up to EUR 400 million from October 2021 to March 2022. In December 2021, the CEO of EPS resigned following a power supply crisis. Overall, SOEs still account for around a sixth of value added and formal employment in Serbia. The share of administered prices remained broadly unchanged, at around 20 % of the consumer basket. In view of strongly rising food and energy prices, the government has introduced a series of temporary price caps for basic food and fuel prices since the end of 2021/early 2022, which have regularly been prolonged or adjusted throughout the first half of 2022. Despite a solid legal framework on public procurement and state aid control, consistent implementation of these policies remains weak. Although reported state aid has decreased from 0.8 % of GDP in 2019 to 0.6 % in 2020, the latter provisional figure excludes COVID-19-related state-aid of around 3.3 % of GDP and the track record of enforcing state aid rules is still uneven, while transparency is also lacking.

#### *Privatisation and restructuring*

**Privatisation of SOEs recorded some progress while the restructuring of key utility companies is advancing slowly.** Six companies were privatised in the course of 2021, including the petrochemical company *Petrohemija*, bringing the number of SOEs yet to be addressed through either bankruptcy or privatisation down from 68 to 62. The implementation of the strategy for banks with state ownership continued. The state remains in control of key entities in the insurance sector. The implementation of Serbia's action plan on gas unbundling adopted in May 2021 is progressively delayed. While some steps of the action plan were implemented regarding the unbundling of *Srbijagas* as planned, the certification of *Transportgas Srbija* as well as opening of the gas market at the wholesale level and third-party access to the gas transmission system are delayed. The decarbonisation of the energy sector remains a big challenge for the government. Serbia is currently working on four strategic documents in parallel: the national integrated energy and climate plan, an energy strategy, a programme for the implementation of the energy strategy and a study diagnostic of just transition.

#### Functioning of the financial market

##### *Financial stability*

**Financial stability has been maintained.** Supported by crisis-mitigation measures and the economic rebound, macro-prudential indicators remained sound. The banking sector's aggregate capital adequacy (regulatory capital to risk-weighted assets) was at 20.8 % at the end of 2021, well above the minimum of 8 % set by the central bank. Liquidity remained high at 37.7 % (share of liquid assets to total assets) and 49.6 % (share of liquid assets to total short-term liabilities) respectively at the end of 2021, also supported by the central bank's liquidity-enhancing measures. The profitability of the banking system improved slightly with an increase in return on assets (1.2 % at the end of 2021 vs 1.1 % at the end of 2020) and in return on equity (7.8 % at the end of 2021, compared to 6.5 % at the end of 2020). The non-performing loan (NPL) ratio decreased by 0.5pps year-on-year to 3.4 % in the first quarter of 2022. The authorities have continued to address legacy NPLs in the portfolio of the Deposit Insurance Agency. The central bank and the government continued to implement their dinarisation strategy to boost the use of the local currency in the banking system. Despite uncertainties



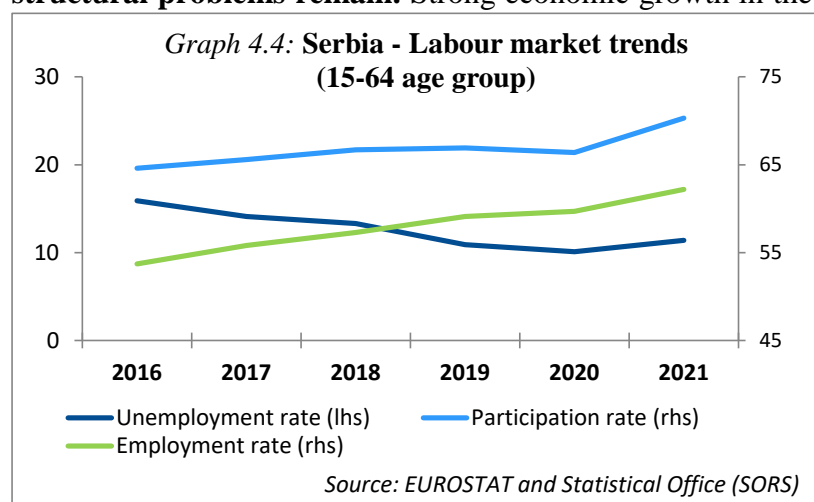
related to the crisis, the share of dinar-denominated loans and deposits of both households and firms increased in 2021 (to 38.3 % and 40.3 % respectively).

### *Access to finance*

**Access to finance was supported by COVID-19 crisis-mitigation measures.** Foreign-owned banks continued to dominate the financial system, holding around six sevenths of banking system assets. The continuing consolidation of the banking system via mergers and acquisitions has further reduced the number of banks from 24 at the end of June 2021 to 22 at the end of June 2022. Favourable financing conditions, resulting inter alia from still relatively low interest rates and the government-backed guarantee schemes, have supported growth in lending. Credit activity expanded by 5.1 %, 9.9 %, 13.9 % and 15.8 % for corporate loans and 9.2 %, 10.8 %, 10.7 % and 9.8 % for households y-o-y in September 2021, December 2021, March 2022 and June 2022, respectively. Credit growth was mostly due to liquidity and working capital loans and housing loans respectively. 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 new Law on digital assets creating a regulatory framework for the use of cryptocurrencies and digital tokens in Serbia became effective at the end of June 2021.

### Functioning of the labour market

**The labour market has recovered from the impact of the COVID-19 pandemic, but structural problems remain.** Strong economic growth in the years before the pandemic was



reflected in continuously improving labour market indicators. Thus, prior to the COVID-19 crisis, activity and employment rates increased steadily, while the unemployment rate decreased. As an increased number of discouraged workers left the labour force in the early phases of the pandemic, the rate of unemployment decreased further in 2020 to 10.5 % (15-

64), despite a simultaneous decrease in the employment rate to 59.7 % (15-64). In 2021, the economic recovery started to unwind these impacts with the annual unemployment rate recording a slight increase to 11.4 % as the pace of return of discouraged workers to the labour market initially exceeded the growth of employment. The activity rate increased by 3.9pps to 70.3 % in 2021 while the employment rate grew by 2.5pps to 62.2 %. Youth unemployment (15-24) decreased by 1.2pps to 26.4 % in 2021. The share of informal employment, almost two-thirds of which was in agriculture, fell to 13.2 % of total employment in 2021. However, in structural terms, the labour force may have peaked as the declining working age population is taking its toll on labour supply. A steady population decline of around 0.5 % every year, along with large-scale emigration across the occupational spectrum remains a key medium- to long-term challenge for economic development. In addition, persistent skills mismatches, the gender employment gap and inadequate activation of young people as well as large regional disparities have continued to weigh on the functioning of the labour market. Based on the strategy on economic migration for 2021-2027, that aims at fostering circular migration by retaining workers and encouraging the diaspora to return to the country, an action plan for the period

2021-2023 was adopted in September 2021 followed in November 2021 by a decision to establish a working group for the implementation and monitoring of the strategy and action plan. The strategy is also incorporated as a reform measure in the ERP 2022-2024.

**Real wages have increased.** Real wages rose by 5.2 % in 2021 as average nominal wage increases by 9.4 % were considerably impacted by rising inflation. The authorities have continued to gradually reduce the overall tax wedge by rising the non-taxable part of salaries from RSD 18 300 to RSD 19 300 as of 2022. However, the tax wedge is still disproportionately high for people with low salaries and therefore aggravates in-work-poverty. It also continues to be an impediment for the formalisation of labour. In line with expectations for the overall increase of wages, the government rose the minimum hourly wage by 9.4 % in 2022. Around one in six registered employees receives the minimum wage.

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

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

In the coming year, Serbia should in particular:

- further tailor education and training to labour market needs, in particular in the area of vocational education and training (VET);
- ensure a harmonised cost-benefit based approach for prioritising and monitoring all public infrastructure investment regardless of the source of financing, and apply to all projects the principles of competition, equal treatment, non-discrimination and transparency in public procurement and state aid procedures in line with the EU *acquis*;
- advance on green energy transition and start with decarbonisation of industry especially in the energy sector; substantially increase investments into renewables and energy efficiency supported by cost-recovering tariffs; accelerate the implementation of the action plan on gas unbundling and decrease its energy dependence on Russia, in line with the REpowerEU communication<sup>5</sup>

#### Education and innovation

**Despite some progress, skills mismatches in Serbia remain high.** Public spending on education stood at around 3.5 % of GDP in 2020, below the EU average of 4.7 %. Pre-primary school enrolment (age 3 to 5.5 years) remained around 64 % in the 2020/2021 school year, while the compulsory preparatory pre-school programme and primary education is almost universal. The rate of primary graduates entering upper secondary education stood at 99.5 % in 2020, while the share of early school leavers was 5.6 % in 2020. Higher education attainment in the population aged 25-34 (ISCED levels 5-8) stood at 32.6 % in 2020. The authorities are gradually updating both the general and vocational pre-university curricula to make them more relevant to labour market needs, at the same time consolidating the national qualification

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<sup>5</sup> COM(2022) 230 final)

framework (NQF) set-up. The adoption of new qualification standards and/or modernisation thereof has continued at slow pace and should accelerate, with more focus on higher education. Efforts have been made to expose students to work-based learning under both upper secondary and higher vocational education and training (VET). As participation rates in life-long learning are traditionally low (4.8 % in 2021), the offer of formal and informal learning would usefully be further diversified and promoted among both working and non-working adult population.

**Research and development (R&D) spending remains low at around 0.9 % of GDP.** Government funding was stable at around 0.4 % of GDP, providing close to half of the total R&D financing in 2020. The number of scientific research organisations remained broadly unchanged. To increase innovation and scientific research, Serbia continues to support the innovation fund and the science fund that are running numerous specialised financing instruments and grant schemes. Five years after a science and technology park was established in Belgrade, three additional are being built in Novi Sad, Čačak and Niš. Serbia adopted a strategy for the development of start-up ecosystems (2021-2025) in December 2021 to create a national strategic framework to increase the number and quality of domestic start-ups.

#### Physical capital and quality of infrastructure

**Investment has continued increasing, with significant emphasis on road and rail infrastructure, but infrastructure gaps remain.** Public investment continued its upward trend while private investment rebounded strongly in 2021 after a crisis-induced decrease in 2020. The economy is attracting significant foreign direct investment (FDI), well above the region's average as a percentage of GDP. FDI inflows reached EUR 3.6 billion in 2021 and surpassed their pre-pandemic record from 2019 in absolute terms. FDI expressed as percentage of GDP grew from 6.5 % in 2020 to 7.2 % in 2021. Outward investments of Serbian companies abroad remained very modest at EUR 238 million. The share of total investment in the economy has reached 22.5 % of GDP in 2021, up from 17.1 % in 2016. However, physical infrastructure needs further upgrading and expansion. A continued high level of public investments is planned in 2022, particularly in roads and railways but also environmental investments. However, increased costs due to global developments might impact the implementation of planned projects.

**The institutional framework for public investment is weak.** The 'user pays' principle is not sufficiently applied when it comes to maintaining existing infrastructure and implementing new infrastructure investment plans. The new legislative framework for public investment management put in place in July 2019 provides a basis for a sounder project selection process, better prioritisation and more comprehensive planning across different tiers of the government. However, the arrangement allows too many exceptions to the rule, which significantly reduces its effective impact. Moreover, the law on special procedures for linear infrastructure projects (road, rail, waterways, airports, metro, water and wastewater systems) adopted in February 2020 allows projects of 'special importance' to be exempted from public procurement rules. Public procurement rules are not always fully complied with, as also evidenced by an increasing number of exemptions and irregularities, and they are not always fully compatible with EU standards (particularly in the case of intergovernmental agreements).

**The energy sector remains largely inefficient and highly polluting; the regulatory reform progresses slowly.** Serbia started to adopt and implement implementing legislation for its new energy laws adopted in April 2021. Serbia should finalise work to start implementing its new market based auction scheme to support production of energy from renewable sources. A growing share of renewables should help to decarbonise the sector and attract new investments. The economy is increasingly negatively impacted by an inefficient energy sector based on low quality lignite, resulting in higher energy volume imports for protracted periods at a moment of

highly increased international energy prices. Electricity tariffs for households are regulated significantly below market prices and have not allowed for the necessary investment in infrastructure even before the surge of wholesale market prices since the second half of 2021. Serbia's dependence on its single gas supplier Gazprom and Russian majority control of Serbia's gas infrastructure and oil industry continued. Full implementation of the action plan for the restructuring of state-owned enterprise *Srbijagas* is still pending. The Balkan stream gas pipeline was finished but the regulatory regime has yet to be brought in line with EU legislation. Works on the EU-supported gas interconnector between Serbia and Bulgaria started in January 2022.

**Digitalisation remains one of the government's top priorities.** In line with the 2020-2022 e-government development programme and related action plan, 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 as well as fostering the use of open data. The e-government national portal was upgraded with various new services, serving as a one-stop shop for e-government services and as a central point of access for business and citizens alike. Digitalisation of government services is further upgraded with adoption of the 2020-2025 artificial intelligence strategy and its implementing action plan for 2020-2022, as well as with the setting up of a Research and Development Institute for Artificial Intelligence and the 'Smart Serbia platform' for secure collection and processing of data from various public sources. Progress has been made on public access to institutional data thanks to the national open data portal (making data available from 109 public institutions so far). The robust growth of the information and communication sector continued, with exports of ICT services in 2021 valued at EUR 1 857 million, an increase by close to 30 % from 2020.

#### Sectoral and enterprise structure

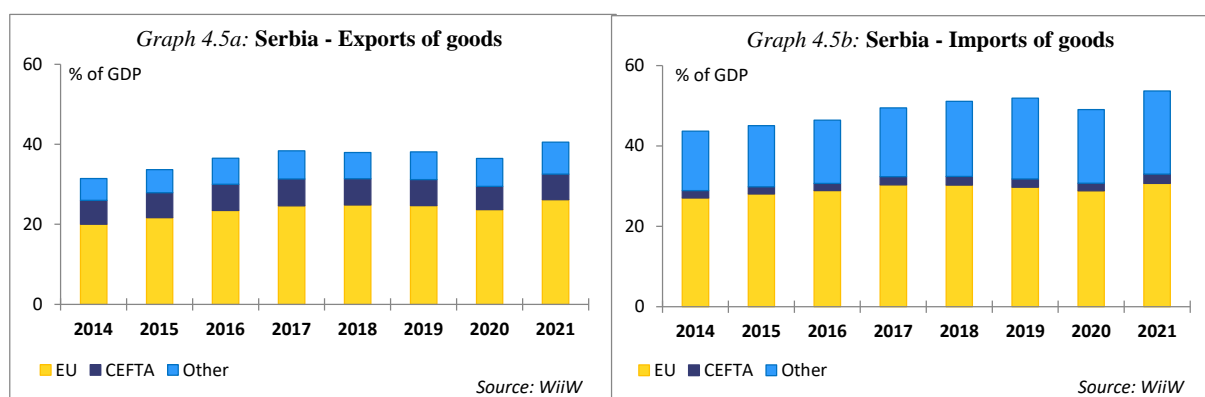
**Construction and some services have increased their weight in the economy.** Services dominate the economy, providing more than 60 % of total value added. Sectors like transportation, retail trade, and information and communication – the last increasingly geared towards exports – benefited from strong growth before the COVID-19 crisis. Reflecting a new investment cycle, the construction sector increased its share in GDP from 3.0 % in 2013 to 5.4 % of GDP in 2020, strongly supported by capital investments in infrastructure. The weight of the agricultural sector has broadly stabilised at around 6 % of GDP since 2017 after a downward trend over the preceding few years in line with the growing shares of manufacturing and services. The share of agriculture in total employment continued to fall steadily from about 20 % in 2014 to around 17 % in 2017 and further to around 15 % in 2021, 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 Serbian economy.** They provided close to 60 % of total employment and turnover in the economy, and around 60 % of the value added in 2020 (Statistical Office of the Republic of Serbia, annual structural business statistics). SMEs are particularly active in construction, accommodation and food services, retail, and real estate. The authorities are implementing several programmes to support SME development, focusing on boosting innovation, finance, and internationalisation. Loans to SMEs accounted for about 64 % of total corporate loans in March 2022. Their cost of borrowing has declined recently, but is still disproportionately higher than that of large companies. SMEs still face a number of challenges, including an unpredictable business environment and lack of non-bank financing. SMEs often face an uneven playing field: large enterprises and foreign investors often have direct lines of communication with the government and therefore enjoy an advantage over domestic SMEs. Also, the level of subsidies being

channelled to foreign investors and large companies, including particularly SOEs, is much higher compared to SMEs.

### Economic integration with the EU and price competitiveness

**Economic integration with the EU remained high.** The EU remains Serbia's biggest trading and investment partner, accounting for 60.3 % of its total trade and for 47.8 % of foreign direct investment inflows in 2021. Total bilateral trade between the EU and Serbia increased significantly by 23.6 % year-on-year from EUR 24.5 billion in 2020 to EUR 30.3 billion in 2021. Imports to Serbia from the EU grew at the same pace as exports to the EU, with the EU registering a surplus of EUR 2.4 billion in 2021. After the EU, Serbia's main trade partners in 2021 were China (8.9 % of total trade), Russia (4.7 %) and Bosnia and Herzegovina (4.7 %). Trade with the signatories of the Central European Free Trade Agreement (CEFTA) represented 15.8 % of total exports and 4.4 % of total imports in 2021. Notwithstanding ongoing remedy efforts via online health and customs clearance, transit facilitation through international cooperation agreements and the regional green corridor (EU, CEFTA, Western Balkans and Türkiye), there are still significant bottlenecks at border crossing points with neighbouring EU countries; these hamper further trade with the EU and transport facilitation with the EU. Trade openness, after a steady increase from 92 % of GDP in 2014 to 111.5 % in 2019, decreased to 103.9 % in 2020 due to the crisis, before rebounding strongly to 115.6 % in 2021.



**Real effective exchange rates have been on an appreciating trend in recent years.** The dinar-euro nominal exchange rate remained broadly stable in 2021 and the first half of 2022 as some appreciation pressures in the summer of 2021 and some depreciation pressures at the beginning of Russia's war of aggression against Ukraine in the first quarter of 2022 were successfully neutralised by the central bank. The CPI-based real effective exchange rate (REER) depreciated by 9 % over the period 2014-2016 before appreciating by 10 % over the period 2017-2021. Serbia's cost competitiveness improved in the period 2014-2016 with the unit labour cost (ULC) based REER depreciating by a cumulative 8 % and then deteriorated in the period 2017-2021 with the REER appreciating by a cumulative 31 % (of which 8 % in 2020 and 4 % in 2021). The latest IMF external sustainability assessment considered the exchange rate broadly consistent with fundamentals.

## **2.4. PUBLIC PROCUREMENT, STATISTICS, FINANCIAL CONTROL**

### **Chapter 5: Public procurement**

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

Serbia is **moderately prepared** in the area of public procurement. **No progress** was made. While the administrative capacities of the public procurement office were strengthened, the Law on special procedures for linear infrastructure projects remains in place. This law seriously undermines the effective implementation of the law on public procurement. The increasing number of exemptions from the application of the public procurement law, totalling 67 % (EUR 3.2 billion) of the cumulative value of public procurement contracts in 2021, and a large number of inspected irregularities in public procurement contracts found by the State Audit Institution raise very serious concerns which risk backsliding in this area. The Commission recommendations from 2021 remain valid.

In the coming year, Serbia should in particular:

- repeal the law on special procedures for linear infrastructure projects;
- ensure 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, 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*. The adoption of amendments to the Law on public-private partnerships and concessions to align with the EU Directive on concessions is still pending. The Law on special procedures for linear infrastructure projects allows the government to exempt linear infrastructure projects of 'special importance for the Republic of Serbia' from the application of public procurement rules. Under this law, national public procurement legislation can be suspended for the entire lifetime or for particular phases of a project, and the government is empowered to select a strategic partner in circumstances deemed as urgent. This law and its wide application undermine the effective implementation of the law on public procurement. By allowing for the circumvention of national legislation as well as EU rules and standards in this way, Serbia maintains discriminatory rules in the field of public procurement. Furthermore, the lack of clear selection procedures and transparency in the Law on special procedures for linear infrastructure projects seriously increases the risk of corruption in public procurement.

The **public procurement development programme** for 2019-2023 was implemented through the action plan for 2021. A new action plan for 2022 was adopted with delay in June 2022.

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

#### Implementation and enforcement capacity

The **public procurement market** increased significantly by 48 % in terms of total value of contracts from EUR 3.2 billion in 2020 to EUR 4.75 billion in 2021. Its share in GDP also grew from 6.8 % in 2020 to 8.9 % in 2021. The average number of bids per tender decreased from 2.6 to 2.5, notably lower than the 3 bids registered in 2017. The share of contracts awarded to

foreign bidders remained low at 2 % of the total value of contracts, spread equally between the EU and non-EU companies.

Regarding **monitoring of contract award and implementation**, the proportion of negotiated procedures without prior publication stood at 7.7 % of the total value of contracts concluded in 2021, decreasing from 23.2 % registered in the second half of 2020 with the entry into force of the new public procurement law. The share of open procedures stood at 91.3 % in 2021 after dropping from 94 % in the first half of 2020 to 69 % in the second half of 2020 when the new public procurement law entered into force. The use of the best price-quality ratio criterion halved from 10 % in 2019 to 4 % in 2021, while the lowest price criterion remained dominant in 96 % of cases. New functionalities of the public procurement portal were introduced in 2021 with the aim to increase transparency and efficiency. Numerous workshops and webinars have been organised to train bidders and contracting authorities to use the new e-procurement portal.

The value of procurements exempted from the application of the public procurement law skyrocketed by 88 % or by EUR 1.5 billion year-on-year to a total value of EUR 3.2 billion. Exemptions from the application of the public procurement law accounted for 67 % of the cumulative value of all public procurement contracts concluded in 2021. The most frequently used legal basis for exemption was intergovernmental agreements that accounted for 22.7 % of the total value of exemptions in 2021. The state audit institution found irregularities in 44 % of the value of public procurement contracts inspected in 2021. The state audit institution identified contracts worth EUR 150 million that were exempted from public procurement procedures with no valid justification, accounting for 33 % of all identified irregularities in 2021. These findings raise serious concerns and need to be appropriately followed up. The COVID-19 response enabled the use of exceptional procedures to expedite procurement processes. 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.

**The capacity to manage public procurement processes** has improved with the PPO registering a total of 44 employees in 2021, up from 38 staff members in 2020. A total of 118 public procurement officers were certified on the basis of the new public procurement law.

The Commission for Public-Private Partnerships and Concessions has approved a total of 217 public-private partnership project proposals, including 82 with concession elements, mostly in the urban 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 procurement procedures (the Republic Commission), an independent state body. The Republic Commission solved 759 cases on requests for the protection of rights in 2021. Public procurement procedures were partially or fully annulled in 359 cases (47 % of all solved cases). The number of contracting authorities not complying with decisions of the Republic Commission remains stable at below 1% of the overall decisions taken. The Republic Commission took decisions in 37 cases on complaints about conclusions of contracting authorities in 2021. It imposed ten financial fines on contracting authorities not complying with its orders and decisions while annulling two contracts in 2021.

Regarding the Republic Commission's **implementation capacity**, the number of staff slightly decreased from 54 to 52 staff members in 2021, nine of whom are elected officials. Due to limited specialisation and training, the Administrative Court's capacity to deal with the complexity, diversity, and overall quantity of cases and lengthy legal proceedings remains weak. Cooperation between the PPO and the Republic Commission with the Administrative Court on exchange of knowledge and information remains to be strengthened.

## Chapter 18: Statistics

*EU rules require that Member States are able to produce good quality statistics in line with the principles of the European statistics Code of Practice and 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 during the reporting period as Serbia continued preparations for its population and housing census, planned for October 2022, in line with EU and international standards, and further improved the compilation of macroeconomic statistics in line with the European system of accounts (ESA) 2010. However, the new statistical law has still not been adopted. In addition, Serbia proceeded with preparing the next census on agriculture planned for 2023 and continued to submit statistical data to Eurostat. As last year's recommendations were only partially met, they remain valid.

In the coming year Serbia should in particular:

- adopt the new statistical law to increase the independence of the statistical office;
- carry out the population and housing census in line with the relevant EU legislation and international standards and continue preparations for the census on agriculture in line with the relevant EU legislation and international standards;
- continue to 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. A new law on official statistics, which should enhance the professional independence of the statistical office (SORS), still needs to be adopted. A National Coordination Board of Official Statistics was established in June 2021 in line with the programme for official statistics (2021-2025). The board includes representatives of all responsible producers of official statistics. Serbia continued to integrate systems for administrative data through cooperation agreements and database linkages with a number of Serbian institutions/registers. The administrative capacity of the SORS still needs to be further strengthened, as its operations remain hampered by the lack of sufficient and adequately skilled staff. The SORS continued to increase submission of data to Eurostat, but the coverage of data submission needs to be further expanded. The main classifications (NACE Rev. 2, ISCO-08) are aligned with the EU *acquis*. Registers are updated regularly.

Concerning **territorial classification**, Serbia continued to compile regional accounts and submit them to Eurostat including the 2021 transmission. Serbia provided regional accounts data at statistical level 2 and 3 according to the last benchmark performed 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 as well as in chain-linked volume. Seasonally adjusted quarterly national accounts are sent to Eurostat. Quarterly sector accounts have yet to be compiled and only annual sector accounts are published. Serbia has further advanced work on



compiling supply-use and input-output tables. The SORS sends good-quality monthly data on international trade in goods according to the required breakdown by mandatory partner country. The compilation of trade by enterprise characteristics (TEC) data was submitted to Eurostat but more work is needed 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. The SORS continues to provide the Commission twice a year with notification tables for the excessive deficit procedure (EDP). There is progress in completing the questionnaire related to the EDP notification tables, but the quality and completeness of the EDP notification data and the government finance statistics need to be further improved. SORS considers the non-financial accounts of government finance statistics as experimental and therefore not fit for publication. The NBS set up the system for compiling the financial accounts statistics. Progress was made by SORS and the NBS in providing quarterly non-financial accounts of general government and quarterly general government gross debt. Continued efforts are needed to produce the complete data required by the ESA 2010 transmission programme.

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 and transmitted. For inland waterway, road and railway transport, data is collected but need to be further harmonised with the EU *acquis*. Serbia communicated for the first time some figures on all of 6 datasets of the Common Eurostat / ITF / UNECE Questionnaire. Air transport statistics are highly compliant. Serbia continued to provide in a timely manner the mandatory research and development (R&D) data and statistics on government budget allocation for R&D, some for which transmission is voluntary. Serbia also continued to provide the regional data. The Community innovation survey is conducted regularly every two years and the data is sent to Eurostat. The annual surveys on information and communication technology (ICT) fully meet EU standards and are carried out regularly, covering households/individuals and businesses. Serbia is fully compliant for most of the short-term business statistics indicators.

Serbia partially complies with the EU *acquis* on **social statistics**. The survey on income and living conditions is carried out regularly in compliance with EU standards and data is sent to Eurostat. Serbia is fully compliant in social protection statistics and provide Eurostat with European system of integrated social protection statistics (ESSPROS) data and metadata of good quality and coverage, according to the legal deadlines. Labour market earnings and labour cost statistics are broadly in line with the EU *acquis*. Serbia carries out the labour force survey (LFS) according to the regulations and promptly sends good quality micro data to Eurostat (annual and quarterly), as well as LFS quality reports based on the new LFS questionnaire. Further progress is still needed to produce good statistics on job vacancies. Public health statistics in line with the EU *acquis* are not yet fully available. In particular, statistics on causes of death are compliant, while healthcare expenditure statistics are lacking. Serbia is fully compliant as regards the European health interview survey (EHIS). Statistics on external migration and asylum are collected by the ministry of interior; they are only partly harmonised with the relevant EU requirements. Further harmonisation is therefore needed. Serbia provides most of the required education statistics. Preparations continued for the population and housing census planend for October 2022, postponed from 2021 due to the COVID-19 pandemic.

Regarding **agricultural statistics**, Serbia is highly compliant in producing crop statistics. Animal production statistics as well as milk and milk products statistics are fully compliant with applicable EU regulations. Serbia progressed in reparing the methodology and the technical specifications for the agriculture census – postponed to 2023 due to the COVID-19 pandemic. SORS still needs to develop and produce supply balance sheets according to the Eurostat methodology.

The annual and monthly **energy statistics** are produced and sent for all relevant energy sources. Serbia is almost fully compliant in **water statistics** and transmits good quality data on **waste statistics** to Eurostat. Only the dataset on number and capacity of recovery and disposal facilities is yet to be completed. Some **environmental accounts data** is produced and Serbia started to submit data for physical energy flow accounts (PEFA) and environmental goods and services sector accounts (EGSS). In general, the quality of environmental accounts data improved, but further efforts are needed in this area. Serbia is also making progress in the area of pesticide statistics, but does not yet deliver data on pesticide statistics, fertiliser consumption or gross nutrient balances.

## Chapter 32: Financial control

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

Serbia is **moderately prepared** in this chapter, with **some progress** made in the reporting period. One out of three Commission recommendations from 2021 was implemented as two pilot peer reviews on internal audit arrangements within public funds beneficiaries were carried out. A new mid-term approach on public internal financial control (PIFC), coherent with the Law on planning system, is being implemented. Implementation of recently enhanced guidelines on managerial accountability, as well as for reporting of irregularities and handling of exceptions, is ongoing. However, further work on putting in place a comprehensive system for detecting and handling irregularities is required. Overall, additional efforts are needed to embed managerial accountability in the administrative culture and to strengthen the functioning of internal control and internal audit. High-level political support remains critical for the required shift to performance management and implementation of PIFC reforms in entire public sectors.

In the coming year, Serbia should in particular:

- ensure full coherence of PIFC legal basis with the horizontal legal framework;
- extend implementation of peer reviews of the quality of the internal audit function within public funds beneficiaries and ensure sustainability by adopting a regulation to facilitate and standardise the process
- establish an effective internal audit function in all central budget institutions.

### Public internal financial control (PIFC)

A new **strategic framework** for PIFC is broadly in place, with the PAR strategy 2021-2030 and the public financial management (PFM) reform programme 2021-2025. PIFC is comprehensively covered as a separate pillar embedded in the PFM reform programme. In addition, further PIFC measures are envisaged by the new Local Self-Government System Reform Program for 2021-2025 (adopted in July 2021) and the Public policy management and regulatory reform program for 2021-2025 (adopted in November 2021). The further development of managerial accountability is included in the accountability and transparency pillar of the PAR Strategy and the public policy management and regulatory reform program. In particular, full establishment of analytical units in ministries and proper implementation of mid-term planning is expected to foster effective consolidation of strategic, operational and financial management functions and enhance managerial accountability.

In the reporting period, Serbia continued to focus on operationalising the principle of **managerial accountability** through initiating implementation of improved methodological guidance on delegating decision-making and on performance management. Further efforts are needed to fully incorporate managerial accountability in the administrative culture of the public sector. Weaknesses in performance management and lines of accountability between independent bodies and their parent institutions persist. Serbia needs to address them as part of ongoing work on PAR that envisages coverage of three key elements: delegation of responsibilities, clear lines of responsibility between institutions and performance measurement at the institutional level (see *Public administration reform*). Given the fundamental necessity of having objectives linked to resources, the ministry of finance needs to continue its active participation in actions related to 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 of the Treadway Commission (COSO). However, after more than ten years of implementation of PIFC legal base, analysis of adequacy of PIFC arrangement is envisaged under new PFM Reform Programme.

The capacities to implement internal control standards, including risk management, have to be further enhanced at both central and local government and be better accepted in the administrative culture of the public sector. Serbia has continued to implement the obligation for heads of institutions using public funds to sign an annual statement on the status of their internal control systems.

Preparation of mid-term plans, which link overall government policy with organisational objectives, although continued on pilot basis, is behind schedule. A regulation that introduces analytical units as basis for further development of performance management came into force in March 2021. The Ministry of Finance has a centralised budget inspection function, which needs to be strengthened. Mapping the entire national inspection environment remains a priority.

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

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

#### External audit

Serbia's **constitutional and legal framework** provides for the independence of the State Audit Institution (SAI) in line with the standards of the International Organisation of Supreme Audit Institutions (INTOSAI). The SAI's financial independence was respected during the 2021 budget approval process.

The SAI has currently 330 staff, including 291 audit staff, out of a planned number of 431 posts, which represents an improvement. The SAI's **institutional capacity** to carry out its core audit tasks is adversely affected by the continued focus on the detection of errors and filing of misdemeanour and economic offence and criminal charges against individuals. This 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. SAI has maintained increased focus and improved capacity for performance audits with additional 14 performance audits carried out in 2021, compared to 13 in 2020, 12 in 2019 and two in 2018. Since 2019, SAI publishes responses to the audit reports and post-audit reports at its website.

The SAI has continued to increase the **impact of its audit work** by improving monitoring the implementation of its recommendations cooperation with stakeholders, overall transparency of its work and by increasing its communication with the media. The SAI's activity report continues to be discussed both in the relevant parliamentary committee and in the plenary. SAI's internal audit unit currently employs one single employee and remains to be properly staffed.

#### 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. The Strategic Plan for combating fraud and management of irregularities in handling financial resources of the European Union in the Republic of Serbia for the period 2021-2023 was adopted by the government on 21 October 2021. The **anti-fraud coordination service (AFCOS)** in the Ministry of Finance has six full time and one temporary employee, falling short of the planned number of 13 staff members. As of 17th August 2021, AFCOS is a separate, independent organisational unit in the Ministry of Finance under the direct authority of the Minister. During 2022, the AFCOS conducted 8 administrative checks, compared to seven in 2021, eight in 2020 and a total of 18 in 2019. Serbia continued its **good cooperation with the European Commission** during investigations including the follow-up of recommendations. Serbia reported 13 irregularities via the irregularity management system in 2021. Serbia should 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 national bank of Serbia carries out the **technical analysis** and provides specialised training for the licenced entities that perform authentication of euro coins and processing of 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.

### **3. 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 legacy 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 (SEECP) and the Regional Cooperation Council.<sup>6</sup>

Following the May 2022 Foreign Affairs Council EU foreign ministers held, for the first time, an informal exchange of views with Western Balkans counterparts. The **EU and Western Balkans Leaders Meeting on 23 June 2022** reaffirmed the EU perspective of the partners in the region and gave impulse to intensify the cooperation and the integration agenda. Particular focus was placed on the integration of the Western Balkans into EU measures to reduce the negative impact of the Russian aggression against Ukraine in terms of food and energy supplies and independence, as well as support for cyber security capacity building and the social agenda, particularly involving youth in the economy. The meeting was also an opportunity to discuss closer political cooperation, alignment of the Western Balkans with EU positions and measures, as well as possible design and functioning of a European geopolitical community.

At the **EU-Western Balkans summit in Brdo pri Kranju** in October 2021, the six Western Balkans leaders reaffirmed their commitment to inclusive regional cooperation, strengthening good neighbourly relations and investing more decisive efforts in establishing the Common Regional Market. The summit announced a range of concrete deliverables benefiting the Western Balkans, including: the first tranche of actions under the EUR 30 billion Economic and Investment Plan; the pledge to boost COVID-19 vaccination rates; the path towards lower roaming costs; an innovation agenda for the Western Balkans; green lanes to reduce border waiting times and Transport Community action plans for smart transport and sustainable connectivity.

The **Common Regional Market (CRM)** 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 by attracting investors looking for diversification of supply and shorter value chains and maximising the benefits of infrastructure investments under the Economic and Investment Plan. It is therefore important that Serbia play a constructive role in building the CRM and for all parties to deliver on their joint commitments set out in the CRM action plan.

Albania, North Macedonia and Serbia seek to deepen regional co-operation in a number of areas notably economic integration through the Open Balkan Initiative (OBI), de facto implementing some elements of the CRM on which no formal agreement has been reached yet between the parties. Four OBI summits have been held over the reporting period two of which were held in Belgrade in November 2021 and September 2022. The latter was also attended by the Chairman of the Council of Ministers of Bosnia and Herzegovina and the Prime Minister of Montenegro.

In October 2021, Serbia along with other Western Balkan partners endorsed the action plan for the **Western Balkan Green Agenda**, which mirrors the European Green Deal<sup>7</sup> in a proportionate way, tailored to the Western Balkans. The action plan contains joint initiatives, which will contribute to the sustainable socio-economic development and green recovery of the entire region in the post-pandemic period. Serbia should contribute to the implementation of this joint regional vision, with a high level of ambition, putting sustainable development, resource efficiency, nature protection and climate action at the centre of economic activities. Serbia needs a stronger well-staffed institutional set-up to manage its green agenda.

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<sup>6</sup> Serbia also actively participates in the Adriatic-Ionian Initiative, the EU macro-regional Strategies for the Danube Region, the Adriatic and Ionian Region, the Coalition for a regional 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 (RECOM), the Regional School of Public Administration (ReSPA) and the Brdo-Brijuni process.

<sup>7</sup> COM(2019) 640 final.

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. Regular and frequent meetings were held with the Serb member of the Presidency of Bosnia and Herzegovina and with the leadership of Republika Srpska. Serbian authorities also met the new High Representative for Bosnia and Herzegovina.

Serbia has continued to cooperate closely with Bosnia and Herzegovina, Croatia and Montenegro under the **Sarajevo Declaration Process**, which aims to find sustainable solutions for those who became refugees and displaced persons as a result of the armed conflicts in ex-Yugoslavia during the 1990s. Under the Regional Housing Programme (RHP), 6 327 housing units have been built, purchased or reconstructed in Serbia so far, able to accommodate around 19 000 people. Significant challenges remain for the economic and social integration and wellbeing of many families, which is required to ensure the sustainability of return.

The unresolved fate of **missing persons** who disappeared during the conflicts in the 1990s remains a key issue to be solved in the Western Balkans. In 2021, Serbian authorities conducted two exhumations (in Kizevak and Sid) and officially identified the remains of 10 people found in Serbia, 1 from Croatia, 4 from Kosovo, and 7 from Bosnia and Herzegovina – with the cooperation of Bosnia and Herzegovina, Croatia and Kosovo. In May 2022, Serbian authorities conducted excavations in Stavalj in the presence of the Kosovo Commission on Missing Persons, in line with the commitments made in the framework of the ICRC-chaired Working Group. No human remains were found. In July 2022, there were still 9 876 persons missing as a legacy of the conflict. There was no meeting between the relevant Croatian and Serbian authorities on missing persons during the reporting period.

Overall, Serbia remained overall committed to improving **bilateral relations** with other candidate countries, potential candidates 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, signed in 2018, has yet to be ratified. Serbia initiated the process of concluding a convention with Albania.

Relations with **Albania** are good. In December 2021, the Serbian President visited Tirana to take part in a meeting under the OBI. At the meeting, Serbia and Albania signed a bilateral agreement on mutual recognition of certificates of authorised economic operators for safety and security (AEOS). In September 2022, Albania and Serbia signed a Memorandum of Understanding in cooperation in the energy sector.

Relations with **Bosnia and Herzegovina** are good and stable overall. In March 2022, political consultations between the two Ministries of Foreign Affairs were held in Belgrade. The border demarcation issue remains unsolved. The countries also still need to reach an agreement on two dams on the Drina River and a part of the Belgrade-Bar railway which crosses into Bosnia and Herzegovina.

Relations with **North Macedonia** are good. Serbia's Minister of Foreign Affairs visited Skopje in January and February 2022. An Agreement on the establishment of cultural-information centres in Skopje and Belgrade was signed February 2022. In June 2022, the Serbian President visited Ohrid to participate in an OBI meeting.

Relations with **Montenegro** remain challenging but both sides signal greater willingness to reset the relations and work toward addressing open issues. The Prime Ministers of Montenegro visited Belgrade in November 2021 and June 2022. *Ad hoc* political spats between the two leaderships took place.

Relations with **Türkiye** remain good. In January 2022, the Serbian President and a government delegation visited Ankara for a session of the High Cooperation Council. Turkish President visited Serbia in September 2022.

Relations with neighbouring **EU Member States Bulgaria, Hungary and Romania** are good. Relations with **Croatia** came under strain, with occasional political altercations. The border demarcation issues are yet to be resolved.

#### **4. NORMALISATION OF RELATIONS BETWEEN SERBIA AND KOSOVO**

The EU-facilitated Dialogue on normalisation of relations between Kosovo and Serbia continued throughout the reporting period with regular monthly meetings on the level of Chief Negotiators and a High-level meeting in Brussels on 18 August 2022. No further concrete progress was achieved in the negotiations on the comprehensive and legally-binding normalisation agreement, while in the High-level meeting President Vucic and Prime Minister Kurti agreed to regular meetings on the level of leaders to take the negotiations forward. Kosovo and Serbia are now urged to engage constructively and advance the negotiations on the comprehensive, legally-binding normalisation agreement with no further delay. Reaching such an agreement is urgent and crucial so that Kosovo and Serbia can advance on their respective European paths.

During the reporting period, the Parties adopted an Energy Agreements' Implementation Roadmap in June 2022, which enables full implementation of the 2013 and 2015 Dialogue Agreements on energy. Following the agreement reached an electricity supply license was issued to Elektroever, a Serbian-owned company established under Kosovo law, which will supply electricity to consumers in four Serb-majority municipalities in the north. Finalisation of the necessary technical agreements are under way to make the company fully operational. The Parties are expected to quickly implement all provisions of the Roadmap.

Following tensions in the north of Kosovo at the end of July 2022, an agreement was reached on 27 August 2022 regarding the use of entry-exit documents, whereby Serbia agreed to abolish these documents for Kosovo ID holders and Kosovo not to introduce them for Serbian ID holders. The Parties are expected to urgently reach an agreement on licence plates after they failed to find a permanent solution within the dedicated licence plate Working Group led by the EU, whose 6-month mandate expired in April 2022.

During the reporting the period, the Parties also engaged in negotiations on a political declaration on Missing Persons. No agreements were reached, but the Parties are encouraged to continue their negotiations all these topics.

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

- 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 the Kosovo authorities as Kosovo does not respect certain provisions of the agreement;
- There has been no further progress on the implementation of the 25 August 2015 Agreements. Kosovo authorities have failed to take action to establish the Association/Community of Serb majority municipalities in Kosovo and Kosovo is urged to engage constructively in its establishment with no further delay or obstruction;
- The works on the Mitrovica bridge have long been completed and Serbia is expected to engage constructive to allow the bridge to be opened to vehicle traffic without obstruction;

- As regards the technical dialogue agreements (2011-2012), some are not or only partially being implemented. Both Parties need to remain committed to the continued implementation of the agreement on representation and participation of Kosovo in regional forums and not block the work of regional forums over bilateral disputes. The implementation of the cadastre and university diplomas recognition agreements is still pending. 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 (CCPs) between Kosovo and Serbia continue to be operational. Only two of the six permanent CCPs have been established (Merdare and Mutivodë/Mutivode). In March 2022, Serbia agreed to open both entry and exit lanes at CCP Merdare and move their authorities into the new premises at CCP Mutivode. Both EU-funded CCPs are now fully operational. Serbia still has not established permanent CCPs to be hosted by their side (Jarinje /Rudnica, Končulj-Dheu i Bardhë and Depce /Muçibabë), which led to a suspension of EU funds for this project in July 2018. In addition, Serbia needs to engage constructively to enable the construction of the third CCP hosted by Kosovo in the north of Kosovo at Tabavije /Bërnjak- Tabaliqe/Brnjak. Additional efforts are needed from Serbia to close illegal roads and by-passes to ensure exclusive use of official crossing points for goods and persons entering into or leaving Kosovo.

- The parties have continued to comply with their respective obligations under the telecoms agreement during the reporting period;

- Requests for mutual legal assistance are in principle being processed;

- Kosovo needs to respect the Arrangements for Official Visits more consistently.

Overall, Serbia has remained engaged in the Dialogue. However, the Serbian government needs to uphold its previous commitments and commit to the full implementation of all past Dialogue agreements. Moving forward, Serbia also needs to make further substantial efforts to avoid actions that undermine stability and rhetoric that is not conducive to dialogue. Serbia should contribute to a conducive environment for the conclusion of a legally-binding normalisation agreement with Kosovo, including in its international relations. Serbia is expected to engage more constructively in the negotiations on the legally-binding normalisation agreement in the coming period and show flexibility in order to make rapid and concrete progress.

## **5. ABILITY TO ASSUME THE OBLIGATIONS OF MEMBERSHIP**

### **CLUSTER 2: INTERNAL MARKET**

This cluster covers chapters 1-free movement of goods, 2-freedom of movement for workers, 3-right of establishment and freedom to provide services, 4-free movement of capital, 6-company law, 7-intellectual property law, 8-competition policy, 9-financial services, and 28-consumer and health protection. Four chapters have been opened, namely chapters 4, 5, 7 and 9. Opening benchmarks are yet to be met on chapters 1 and 8. This cluster is key for Serbia's preparations for the requirements of the EU's internal market and is of high relevance for early integration and the development of the Common Regional Market.

Progress was achieved in several areas within the cluster, particularly on legislative alignment on company law; freedom of movement for workers through coordination of social security systems; and legislative alignment in the area of free movement of goods.

In the coming period, Serbia is invited to focus on the following areas: to adopt an action plan to ensure compliance with Articles 34-36 of the Treaty on the Functioning of the European Union and a strategy and action plan for implementing the EU *acquis* on free movement of



goods; enhancing cooperation with EU Member States on coordination of social security systems; adopting the law on services; liberalising capital movements in line with the obligations under the Stabilisation and Association Agreement (SAA); aligning with the *acquis* on company law; harmonising copyright and related rights legislation with the EU *acquis*; aligning the existing fiscal state aid schemes with the EU *acquis* and improving the track record in the area of competition and State aid; implementing the laws aligning with the capital requirement *acquis* in the banking sector; further alignment with the EU consumer protection and health protection *acquis*, including on substances of human origin, tobacco and medicines for human and veterinary use.

## Chapter 1: Free movement of goods

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

Serbia is **moderately prepared** in the area of free movement of goods. **Some progress** was made by removing all ‘transitional provisions’ regarding the Serbian conformity mark from its legislation and in the general principles area in line with last year’s recommendation. In addition, Serbia aligned with the EU *acquis* on cultural objects, and somewhat increased its administrative capacity for standardisation. Other recommendations from last year’s report remain valid.

In the coming year Serbia should in particular:

- finalise and adopt an action plan to ensure compliance with Articles 34-36 of the Treaty on the Functioning of the European Union (TFEU), and a strategy and action plan for implementing the EU *acquis* in this chapter for both the sectoral (‘new approach’ and ‘old approach’) and horizontal legislation and relevant organisations;
- provide adequate administrative, financial and human resources capacity for market surveillance, 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 still needs 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. Serbia has removed all ‘transitional provisions’ in regard to the use of the Serbian conformity mark and certificate of conformity after accession to the EU from its legislation.

### Non-harmonised area

**On horizontal measures**, an action plan ensuring compliance with **Articles 34-36** of the Treaty on the Functioning of the European Union (TFEU) remains to be adopted.

### Harmonised area: Quality infrastructure

In January 2022 Serbia established a quality council to further promote and improve quality infrastructure, an expert advisory body tasked with monitoring and providing recommendations on quality infrastructure-related activities.

Key national quality infrastructure institutions are members of relevant European and international organisations and are already well established and regulated. However, shortages in human resources in the institutions dealing with the standardisation, accreditation

(conformity assessment bodies), and market surveillance (budgeting), need to be addressed and strengthened further.

On **standardisation**, there are 163 national Standardisation technical committees in the Institute for Standardisation of Serbia. In the reporting period the Serbian Institute for Standardisation adopted 99.68 % of the European Committee for Standardisation (CEN) standards, 97.71 % of the European Committee for Electrotechnical Standardisation (CENELEC) standards and 100 % of the European Telecommunications Standards Institute (ETSI) standards. 9 % of European standards and deliverables were adopted by the ‘translation method’ and the rest by the ‘cover page’ method.

The number of **conformity assessment** bodies in Serbia is currently 744 and out of these, 14 are designated and registered for carrying out conformity assessment according to technical legislation. The obligations regarding certificates of conformity were repealed by Serbia for all Directives by amending the law on products for general use in February 2022. However, a small number of certificates of conformity still applies to imports of goods such as drones, and construction products such as cement, steel for the reinforcement of concrete and screws and vehicles for which it is necessary to obtain a homologation document. In December 2021 and January 2022, Serbia adopted legislation aiming to align with the EU *acquis* on modules for conformity assessment products (A-H). During the reporting period, the Accreditation Body of Serbia (ATS) awarded 28 new accreditations, revoked eight and suspended four .

Serbian legislation is partly aligned with the EU *acquis* on **accreditation**. Following the peer evaluation of the Accreditation Body of Serbia (ATS) by the European Accreditation Body (EA) in November 2021, seven non-conformities and nine comments were identified, which remain to be addressed. ATS expanded its coverage in the reporting period, to include the accreditation of certification bodies for assessing conformity in the area of medical devices, construction products and the accreditation of medical laboratories.

In the field of **metrology**, Serbia adopted the Law on precious metals items in May 2021 and the Regulation on legal units of measurement and manner of their use in December 2021, both designed to further align with the EU *acquis*. Serbia is partly aligned with the EU *acquis* on metrology. During the reporting period the Directorate for Measures and Precious Metals (DMDM) has published 171 new calibration and measurement capabilities in various fields. The number of internationally recognised standards for calibration and measurement stands at 34.

On **market surveillance**, Serbia’s legislation remains to be aligned with the EU *acquis* that came into force in July 2021. The market surveillance inspectorate has 337 staff, however, its financing and budget still require additional strengthening. In the reporting period, the market surveillance and inspection authorities carried out more than 6 100 inspections and ordered 503 corrective and restrictive measures for non-compliant or unsafe products, while approximately 135 000 tonnes of unsafe imported products were taken off the market.

#### Harmonised area: sectoral legislation

In the area of ‘**new and global approach**’ **product legislation**, Serbia adopted secondary legislation designed to partly align with the EU *acquis* on pressure equipment and simple pressure vessels, as well as on energy labelling and medical devices. Serbian legislation on cableways, radio equipment, gas appliances, construction products, civil explosives, pyrotechnic articles and eco-design remain partially aligned with the EU *acquis*.

In the area of the ‘**old approach product legislation**’, no further progress was made on alignment to the EU Regulation on the Registration, Evaluation, Authorisation and Restriction of Chemicals (REACH). The administrative and inspection capacity for implementing the

REACH, the CLP (classification, labelling and packaging) regulation, and the legislation on vehicle homologation requires strengthening. Serbia is partly aligned with the EU *acquis* on detergents. It is not aligned with the EU *acquis* on tractors, motor vehicles including the vehicles with 2 or 3 wheels, non-road machinery, fertilisers and drug precursors.

On **procedural measures**, in April 2022 Serbia adopted and implemented a national control list for **dual-use goods** designed to be aligned with the EU *acquis*, and in June 2022 published a national control list of **weapons and military equipment**. Serbian legislation on medicinal products pricing is not aligned with the EU *acquis*, while its legislation on firearms is partly aligned. Serbia adopted a new law in December 2021, which is designed to be aligned with the EU *acquis* on cultural objects.

## 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 on last year's recommendation to further enhance cooperation with EU Member States on coordination of social security systems. Serbia continued 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.

The procedures for issuing work permits to EU citizens, who are currently covered by rules for third country nationals, need to be further simplified. In 2021, a total of 23 662 work permits were issued, of which 2 508 to EU citizens.

Serbia's National Employment Service (NES) has continued to carry out preparations for joining **EURES**, notably by initiating preparations for adapting the work processes of NES to EURES requirements. NES also organised EURES-related training sessions for the staff of its migration services centres and upgraded its information system.

Regarding the **coordination of social security systems**, bilateral agreements are in place with 20 EU Member States, with an agreement having been signed with Austria in April 2022. There were no developments in negotiations on the electronic exchange of social security data with Germany, Italy, Hungary, and Poland. Electronic exchange of social security data is operational with Croatia, Slovenia, Montenegro and North Macedonia. Overall, legislative and technical conditions for social security institutions to cooperate with their counterparts in EU Member States need to be further improved.

There were no developments on the **European Health Insurance Card**. So far, Serbia concluded agreements on the use of the card with nine EU Member States and negotiations are underway with Belgium.

## 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. **Limited progress** was made on the right of establishment and freedom to provide services with the further alignment of sectoral laws with

the EU *acquis* and the adoption of the Strategy for the development of postal services for the period 2021-2025. The Commission recommendations from 2021 remain valid.

In the coming year, Serbia should in particular:

- adopt the horizontal law on services, complete alignment of sectoral laws with the horizontal law and the EU *acquis* and establish a Point of Single Contact via a portal that offers online information to service providers, including on all relevant administrative procedures;
- continue making progress on the alignment of national legislation with the EU postal *acquis* and further strengthen the capacity of the postal services inspectorate;
- continue harmonisation on mutual recognition of professional qualifications.

In the area of establishment and **freedom to provide services**, the horizontal Law on services, aiming to align with the EU services directive, remains to be adopted. Serbia has continued with the screening and alignment of sectoral laws with the draft horizontal law and the EU Services directive. . No Point of Single Contact has been established – its establishment and functioning are dependent on the adoption of the horizontal law on services.

A legal gap analysis of the Law on **postal services**, which entered into force in November 2019, was completed in December 2021, with EU support. The law is partly aligned with the Postal Services Directive and maintains a reserved area for the provision of universal service. Serbia still also needs to align its national legislation with the Regulation on cross-border parcel delivery services. The strategy for the development of postal services for the period 2021-2025 was adopted in July 2021. The Regulatory Agency for Electronic Communications and Postal Services is the national regulatory authority in the field of postal services.

The administrative capacity of the postal services inspectorate remained stable.

In the field of **mutual recognition of professional qualifications**, following review the Serbian law on the recognition of professional qualifications, adopted in September 2019, and the amendments to the Law on planning and construction national legislation is largely aligned with the EU *acquis*. A preliminary list of fifty regulated professions, drafted with EU support, is pending adoption. Further alignment is needed on the relevant sectoral legislation.

#### **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 overall during the reporting period, with the adoption of the national money laundering risk assessment, the national terrorism financing risk assessment, the money laundering risk assessment in the virtual assets area and the risk assessment in the weapons of mass destruction (WMD) in the proliferation financing area. Last year's recommendations 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), in particular the restrictions on the acquisition of agricultural land;
- demonstrate, through a track record, increasing effectiveness in monitoring, supervision, financial intelligence, investigation and reporting.

In the field of **capital movements and payments**, Serbia has liberalised most capital transactions. Certain restrictions on capital movements remain for reasons of public policy and macro-financial stability. These must be justified, targeted and proportionate and should be gradually lifted. The agricultural law still does not provide EU citizens and Serbian citizens with the same conditions in terms of acquiring agricultural land. It is, as such, not compliant with the SAA. Amendments on the legislation on the elements of property law relations, relevant to the acquisition of property rights, are being drafted.

On **payment systems**, no changes were made to align the Law on multilateral interchange fees and special operating rules for card-based payment transactions with the *acquis* and SAA obligations (*See Chapter 8 – Competition Policy*).

On the **fight against money laundering and terrorism financing**, Serbia is still reporting to Moneyval about the implementation of the outstanding 2016 mutual evaluation report (2016 MER) recommendations. Moneyval issued a new compliance report in September 2021. Financial Action Task Force (FATF) concluded that, overall, Serbia has made progress in addressing the technical compliance deficiencies identified in its MER and applicable subsequent third Enhanced Follow-up Report and has been re-rated on five FATF recommendations (four upgrades and one downgrade). Serbia will remain in enhanced follow-up and is expected to report back in 2023 to Moneyval on progress to strengthen its implementation of anti-money laundering and counter-terrorist financing measures.

In September 2021, Serbia adopted the national money laundering risk assessment, the national terrorism financing risk assessment, the money laundering risk assessment in the virtual assets area and the risk assessment in the weapons of mass destruction (WMD) in the proliferation financing area. The findings of the aforementioned were introduced in the latest adopted 2022-2024 action plan accompanying the national anti-money laundering/combating the financing of terrorism (AML/CFT) strategy.

In 2021, the National Bank of Serbia established records of virtual currency holders and a register of virtual currency service providers, in line with the Law on digital assets.

The capacity of the administration for the prevention of money laundering (APML) remained at the decreased number of 35 employees with full capacity envisaged at 42 members. In 2021, 2053 suspicious transactions were reported. The highest number came from banks followed by casinos, with 866 and 805 reports on suspicious clients respectively. The APML submitted information on 288 reports and 420 responses to relevant enforcement authorities. Altogether 110 reports and 132 responses were submitted to the prosecution services.

## **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. **Some progress** was made during the reporting period through the adoption of the Law on the capital market and of amendments to the Law on companies. Nevertheless, further alignment is needed in the company law area.

In the coming year, Serbia should in particular:

→ further align with the EU *acquis* on company law, in particular on company takeovers.

As regards **company law**, Serbia's legislation is largely aligned with the EU *acquis*. In November 2021, Serbia adopted amendments to the Law on companies aligning with the *acquis* on long-term shareholder engagement. Adoption of a new law on takeovers of joint stock

companies and related legislation to align with the *acquis* on company takeovers is still pending. Further alignment is needed with the 2019 company law *acquis* on the use of digital tools and on cross-border operations.

Serbia's corporate governance code is based on EU best practice and OECD principles. The Serbian business registers agency acts as a one-stop shop, where companies obtain a unique registration and tax identification number and online access to company information; it also allows for electronic registration of the establishment of limited liability companies. The database of companies in the business register should be ready to interconnect with EU Member States' business registers in the future.

The new Law on capital market was adopted in December 2021 and will enter into force in January 2023. The law aims to align fully with the **Transparency Directive** for listed companies.

Concerning **company reporting**, the new financial reporting rules, as stipulated by the Law on accounting, became applicable to more than 250 000 companies in 2021, and for the first time, companies must compile financial statements in line with the new provisions of the law and its secondary legislation, and submit them to the Serbian Business Register Agency. All accounting services providers are expected to align with the law and register in the new Registry of Accounting Services Providers by January 2023. Under the law on accounting, companies averaging more than 500 employees per year are obliged to prepare non-financial statements. The Securities Commission, established as the sole public audit oversight body by the Law on **auditing**, prepared guidelines for imposing measures on audit firms and licenced authorised auditors, which were authorised in May 2022.

## 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. **Some progress** was made with the adoption of the amendments to the law on patents, the development of a platform for information exchange and coordination among different IPR enforcement stakeholders including an online interface for submission of requests for protection of IP rights to the market inspectorate.

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;
- strengthen enforcement, by improving capacities and further increasing coordination of different stakeholders.

Preparation of a new Law on **copyrights and related rights** continued, with the aim to ensure full alignment with the *acquis*, including in the areas of collective rights management and orphan rights.

On **industrial property rights**, in December 2021, Serbia adopted amendments to the Law on patents which further align Serbia's legislation with the regulation on the supplementary protection certificates manufacturing waiver. The Intellectual Property Office remains relatively well staffed and efficient in registering trademarks.

Concerning **enforcement**, the number of employees in the market inspectorate specialising in the field of intellectual property remained unchanged at 40 inspectors, while their area of work will be expanded to include identification of infringements in computer software as of October 2022 taking over the competences from the Tax Administration that employed four inspectors for these tasks. The number of software legality checks carried out by the Tax Administration increased in 2021. The overall amount of counterfeit and pirated goods confiscated by the market inspectorate dropped significantly in 2021, while the number of requests submitted by economic operators slightly increased. The number of customs officers specialised in intellectual property protection dropped from 14 in 2020 to 12 in 2021. The number of items detained by the customs administration decreased substantially in 2021, while the number of destroyed items slightly increased. Due to judges not being adequately specialised and the increasing number of incoming cases, the capacity of the judiciary to handle intellectual property rights cases remains limited.

Work to further align with the EU Directive on the enforcement of intellectual property rights (IPRED Directive) is ongoing. The coordination body for the enforcement of intellectual property rights held two meetings. The two working groups of the coordination body held three meetings in total and have started strengthening their cooperation in enforcement matters. A dedicated platform for information exchange among intellectual property rights enforcement institutions and an online interface for electronic submission of requests for protection of intellectual property rights to the market inspectorate are being finalised.

## Chapter 8: Competition policy

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

Serbia is **moderately prepared** in the area of competition policy. **Limited progress** was made on legislative alignment of state aid rules with the EU *acquis* (adoption of implementing legislation) and through submitting a draft inventory of state aid schemes. No progress was made towards last year's recommendations on the alignment of the fiscal state aid schemes and the law on multilateral fees and special operating rules for card-based payment transactions with the EU *acquis* and obligations under the Stabilisation and Association Agreement (SAA). Last year's recommendations therefore remain largely valid.

In the coming year Serbia should in particular:

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

### Antitrust and mergers

The **legislative framework** is broadly in line with Articles 101 and 102 of the Treaty of the Functioning of the European Union (TFEU) and related provisions of the Stabilisation and

Association Agreement (SAA). . The current law on protection of competition provides for an *ex ante* control of mergers. Three block exemption regulations providing further alignment with the EU *acquis* remain to be adopted. The legislative framework is yet to be fully brought in line with EU guidelines and communications in this area. Preparations on a new law on protection of competition have not yet started. No progress was made in aligning article 9 of the Law on multilateral interchange fees and special operating rules for card-based payment transactions, with the EU *acquis* and the relevant provisions of the SAA.

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

The **enforcement capacity** of the CPC is adequate, at 57 employees of whom 33 are case handlers with an adequate level of expertise. On **implementation**, the CPC has continued to investigate a significant number of antitrust cases. In 2021, the CPC adopted 6 decisions on restrictive agreements and 4 on abuse of dominant position. A total of 6 dawn raids in the context of 3 cases were conducted in 2021. The leniency programme was not used. The level of imposed fines increased from around EUR 0.5 million in 2020 to over EUR 1 million in 2021. There were no mergers prohibited in 2021, but 1 decision with remedies imposed in a merger case. The CPC published 3 sector enquiries in 2021 concerning the markets on intercity bus transportation, primary education textbooks and ceramic tiles and sanitary ware. The CPC issued 18 opinions on draft legislation in 2021. The practice of consulting the CPC on all relevant legislation should continue and their opinions be systematically taken into account. The number of CPC decisions upheld by appeal courts continued to increase. The capacity and specialisation of the judiciary to deal with complex competition cases remains modest and needs to be significantly improved. Advocacy activities should be further stepped up.

#### State aid

Regarding the **legislative framework**, the Law on state aid control is broadly in line with the EU *acquis* and the relevant provisions of the SAA. Four new decrees were adopted during the reporting period: aid for environment and energy sectors, public service compensation to undertakings entrusted with provision of service of general economic interest, *de minimis* aid for provision of services of general economic interest and state aid rules for public service broadcasting. The four decrees adopted in 2019 on a temporary framework on state support to the economy in the context of the COVID-19 crisis were extended in December 2021 in line with the EU temporary framework. In addition, the partial repeal of the EU temporary framework which took place at the end of June 2022 was also adopted in line with the EU provisions.

The Commission for State Aid Control (CSAC) adopted three guidelines and one rulebook during the reporting period. However, further alignment with the EU *acquis* is still needed as regards implementing legislation. The existing aid schemes, most notably the fiscal state aid schemes established by the laws on corporate income tax, on personal income tax and on free zones, are not yet harmonised with the EU *acquis*. The CSAC prepared its 2021 annual report on the inventory of state aid schemes. They have also submitted an updated inventory to the Commission. However, the Commission's comments on the inventory should be taken on board and an action plan with a clear timetable for alignment of the schemes identified as incompatible remains to be adopted by the government. Furthermore, the regional aid map still remains to be drafted.



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

The CSAC's **enforcement capacity** should be further strengthened, as it has 22 members of staff including the president, four council members and 11 case handlers; significantly lower than the 27 case handlers allowed.

The **implementation** of the law on state aid control should be further strengthened. In particular, the notification and the standstill obligations are still not being systematically respected and state aid is occasionally provided to economic operators, particularly foreign investors, without prior approval by the CSAC. The number of decisions taken upon notification increased from 38 in 2020 to 129 in 2021. In 2021, only 1 decision in *ex post* procedure was taken. A first recovery decision was adopted and 1 conditional decision. The CSAC did not take any ex-ante prohibition decision on any state aid. Only 1 CSAC decision was appealed. The specialised electronic platform to help monitor compliance regarding the cumulation of aid should be completed. The CSAC should ensure the strict enforcement of its state aid rules, also if the aid relates to agreements concluded with third countries. Advocacy activities among aid-granting authorities need to continue as awareness regarding state aid rules remains to be addressed systematically. Serbia needs to ensure that the allocation of state funds under the post COVID-19 economic recovery framework is conducted in a non-discriminatory and transparent way.

#### Liberalisation

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

### **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. **Limited progress** was made with the adoption of the Law on the capital market. Nevertheless, last year's recommendations still remain valid.

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 to work towards full alignment with the Solvency II directive in the area 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 revised version of the EU Bank Recovery and Resolution Directive (BRRD) is still to be completed.

The application of the international financial reporting standards (IFRS), applicable as of 1 January 2018, is completed. Banks will continue to implement IFRS as adopted at international level under NBS's supervision. With 3.33 % at the end of April 2022, the level of non-performing loans (NPL) recorded its historically lowest level.

Regarding **insurance and occupational pensions**, the drafting on the Law on compulsory traffic insurance is underway.

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 already implemented regarding qualitative requirements under pillar 2, but further work is still to be carried out to ensure full alignment with the EU *acquis*.

Alignment is still to be completed as regards the Directive on the activities and supervision of institutions for occupational retirement provision in the areas of cross-border activities, investment rules and regulation of technical provisions.

In the area of **financial market infrastructure**, with the adoption of the new Law on capital market in December 2021, Serbia is aiming to align with the Directive on settlement finality in payment and securities settlement systems (SFD), which will become effective in January 2023.

On **securities markets and investment services**, the new Law on capital market, aims at aligning the Serbian regulatory framework with the Markets in Financial Instruments Directive (MiFID II). An additional set of legislation and implementing legislation is being drafted.

The administrative capacity of the Securities Commission in this area remains weak.

## **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, and as well as medicines for human and veterinary use. The EU also ensures high common standards for upholding patients' rights in cross-border healthcare and tackling serious cross-border health threats including communicable diseases.*

Serbia is **moderately prepared** in consumer and health protection. **Limited progress** was made concerning the digitalisation of the health sector, as well as the increase in healthcare professionals. The recommendations of the previous report remain valid.

In the coming year, Serbia should in particular:

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

### Consumer Protection

Concerning general aspects of **consumer protection**, Serbia adopted an amended Law on consumer protection in September 2021 designed to improve out-of-court procedures and mediation between traders and consumers. The national council for consumer protection did not hold sessions in the reporting period but it issued opinions on issues of importance such as the Decision regarding the energy endangered consumer. Serbia initiated 17 proceedings based on consumer complaints in the reporting period. Of these, 12 decisions were to terminate proceedings and five decisions were taken on imposed legal measures concerning violation of the collective interest of consumers.

There are 17 registered consumer organisations in the national registry. In 2021 eight consumer organisations were selected for financing by the line ministry for four administrative regions, with various programmes to be implemented in the field of consumer protection. At the end of the reporting period, Serbia had 46 alternative dispute resolution bodies (ADRs). There is a risk that such a high number of ADRs might confuse the consumer when choosing the competent entity.

In 2021 and 2022, in its capacity of an ADR in charge of financial institutions, the National Bank of Serbia (NBS) handled a total of 3 348 cases, of which 2 062 related to banks and 1 267 to insurance companies. It issued two decisions on individual complaints simultaneously imposing fines and twenty two decisions ordering a financial service provider to eliminate irregularities without fines. The NBS also resolved 13 mediation proceedings and fined one bank on advertising campaign irregularities.

The mode of cooperation between ministries and consumer organisations remains unchanged, while consumer protection organisations would benefit from further promotion of their work on the protection of consumer interests and rights to the general public. The authorities' administrative capacity for consumer protection, inspection services for consumer protection and for product safety issues still needs strengthening. Amendments to the law on consumer protection need to be adopted to address unfair commercial practices, contract terms and vulnerable consumers. Serbia's legislation is designed to be aligned with the EU *acquis* on consumers rights, while further legislative alignment is required with the Consumer Protection Cooperation regulation.

There were no developments regarding **product safety-related issues** in the reporting period. Regarding market surveillance, the sanitary inspection's administrative capacities need strengthening. The product safety council did not hold any sessions in 2022. In 2021 the market inspection sector registered 6 729 consumer complaints, while in the reporting period the National Register of Consumer Complaints registered 23 294 complaints, out of which 74.5 % related to goods and 25.6 % to services. In 2021 and 2022, the market surveillance authorities carried out 7 312 non-food product inspections. More than 100 misdemeanor proceedings were initiated at the court. In the reporting period, the market surveillance and inspection authorities carried out more than 6 100 inspections and ordered 503 corrective and restrictive measures for non-compliant or unsafe products, while approximately 135 000 tonnes of unsafe imported products were taken off the market.

On **non-safety-related issues**, Serbia's legislation is partly aligned with the EU *acquis* on package travel and linked travel arrangements. Further alignment with the EU *acquis* is needed regarding cooperation between national authorities responsible for enforcing consumer protection laws, multiannual consumer programmes, package travel, online resolution of consumer disputes, and alternative resolution of consumer disputes.

#### Public Health

In the area of **public health**, Serbia's 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 not been implemented even though over 1 300 health professionals were newly employed during the reporting period, in addition to the 2 500 from the start of the COVID-19 pandemic. The EU-funded centralised electronic health record system is still not being used and compliance with EU health indicators is not yet ensured.

**Tobacco control** legislation is partly aligned with EU *acquis*, but there is a need to ensure further alignment and due implementation of the legislation and to intensify inspections in this area. A strategy on tobacco control remains to be adopted, including an action plan on alignment with the EU *acquis* in this field and with the World Health Organisation Framework Convention on Tobacco Control.

On **blood, tissues, cells and organs**, laws on the transplantation of cells and tissues, and on human organ transplantation, remain to be implemented since 2019. 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 remains very limited.

On **cross-border healthcare**, Serbian legislation is partly aligned with the EU *acquis* on the application of patients' rights. On **serious cross-border health threats, including communicable diseases**, surveillance and response capacity remains limited and requires modernisation. While Serbia reports on several communicable diseases to the European Surveillance System (TESSy), though not on COVID-19, it should ensure timely and comprehensive data. Serbia adopted a new digital health programme for 2022-2026 in February 2022, but a centralised health information and communication system remains to be implemented.

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. Serbia has a national surveillance system for anti-microbial resistance in humans, but the prescription of antibiotics needs to be strictly controlled to strengthen the fight against anti-microbial resistance. Additional work is needed on quality control and standardisation of laboratories.

In **response to the COVID-19** pandemic, Serbia applied measures foreseen by its Law on infectious diseases and aligned its actions with the recommendations of the World Health Organization. It started mass vaccination in February 2021, sourcing large volumes of vaccines itself, and received over 285 000 doses from EU Member States. By June 2022, 44.74 % of the population was fully vaccinated, though hesitancy especially among younger people remains high, partly due to misinformation, disinformation and a lack of coordinated public campaigns. Serbia has so far donated over 615 000 vaccines to countries in the region and beyond, and administered over 390 000 doses to foreign citizens in Serbia. It joined the EU Joint Procurement Agreement for medical countermeasures, and the EU Health Security Committees as an observer, alongside the other Western Balkans. In November 2021, Serbia successfully joined the EU Digital Covid Certificate System making travel between Serbia and the EU safer and easier.

Health promotion on **non-communicable diseases** is still not at an advanced level. **Cancer screening** for colorectal, breast and cervical cancers is progressing at a slow pace and is not performed in a systematic manner in many regions of the country. The national institute for radiology and oncology maintains the cancer register.

Community-based **mental health** services remain underdeveloped and suffer from low accessibility. Serbia's national programme for mental health protection 2019-2026 remains to be costed and fully implemented. There has not been any progress on **nutrition and physical activity**.

Serbia's legislation remains partly aligned to the EU *acquis* on **medicines for human and veterinary use**, and on **preventing drug abuse**. Serbian legislation on pricing of **medicinal products** is yet to be aligned with the EU *acquis*. A national programme to reduce the harmful effects of alcohol and alcohol-induced disorders was adopted in 2017 but it remains to be implemented.

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

### **CLUSTER 3: COMPETITIVENESS AND INCLUSIVE GROWTH**

This cluster covers chapters 10-information society and media, 16-taxation, 17-economic and monetary policy, 19-social policy and employment, 20-industrial policy, 25-science and research, 26-education and culture, and 29-customs. Five chapters are open (chapters 17, 20, 25, 26 and 29) and two are provisionally closed (chapters 25 and 26). No opening benchmarks are left to be met on any of the chapters within this cluster. This cluster and the reforms concerned have significant links to Serbia's Economic Reform Programme.

Progress was achieved in some of the areas under this cluster, particularly in the area of social policy and employment through taking steps towards establishing the Youth Guarantee scheme; economic and monetary policy through improving the budget process; enterprise industrial policy through adoption of an action plan for the strategy on state ownership and management of business entities owned by the Republic of Serbia, and the creation of the "e-consultation" portal; scientific and technological development through adoption of the new strategy for development of start-up ecosystem; and in the area of education, through taking some steps towards ensuing compliance of the quality assurance system in higher education with the recommendations of the European association for quality assurance in higher education (ENQA).

In the coming period, Serbia is invited to particularly focus on the following areas: align to the EU electronic communication code and ensure implementation of competitive safeguards and market operators' access to the electronic communication infrastructure; ensure full financial and operational independence of the regulators for electronic communication and postal services (RATEL) and for electronic media (REM); make progress towards alignment in the areas of VAT, excise duties and direct taxation; strengthen fiscal rules by making them more binding and capable of anchoring fiscal policy; ensure adequate financial and institutional resources for employment and social policies; make further efforts to improve the predictability of the business environment; increase the national funding for research and innovation; ensure full compliance of the policy and institutional framework for quality assurance in higher education with the recommendations of the ENQA; and further upgrade relevant IT systems.

#### **Chapter 10: 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 concerning digitalisation in the area of e-government and in aligning to EU digital single market objectives, while initiatives on development of ultra-fast broadband infrastructure in rural areas and support to the digitalisation of schools continued. The recommendations of the last report remain valid.

In the coming year, Serbia should:

- align the electronic communications legislation with the updated EU regulatory framework, including the new European Electronic Communications Code and the Cost Reduction Directive;
- ensure full financial and operational independence of the regulators for electronic communication and postal services (RATEL) and for electronic media (REM) in compliance with the EU *acquis* and boost their capacity to work proactively;
- ensure implementation of competitive safeguards and market operators' access to the relevant infrastructure, in particular at a local government level.

In the context of **digital single market objectives**, regulation of the broader digital economy environment continued. The Laws on e-fiscalisation and e-invoicing were adopted for the purpose of creating a more connected digital economy environment. In the reporting period, **e-commerce** increased by almost 34%, while the abuse of electronic platforms also increased. The implementation of the action plan for the 2020-2027 smart specialisation strategy for the period 2021-2022 and of the action plan for the 2021-2030 industrial policy strategy for the period 2021-2023, aiming to improve digital skills and to raise the competitiveness of the Serbian industry, is ongoing. The digital gap, notably with the senior and marginalised population, needs to be further addressed.

The first state platform for artificial intelligence was established in the Kragujevac Data Centre in December 2021. It is important that Serbia aligns with EU policies on the ethical use of artificial intelligence.

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

When it comes to the **regional aspect**, Serbia has continued with adherence to the Western Balkans digital agenda policy priorities. The Regional Roaming Agreement has been fully implemented, and the abolition of roaming charges came into force in July 2021. Serbia participated in the EU-Western Balkans ministerial Regulatory Dialogue held in June 2022. It is now more important than ever for Serbia to sign and implement the memorandum of understanding on a 5G roadmap for digital transformation, which aims to further align with the implementation of the EU toolbox of risk mitigation measures on the security of 5G networks.

In the field of **electronic communications and information technology**, preparatory work continued on the drafting of the Law on electronic communications aiming to align with the European electronic communications code, which is pending adoption. The new management board of the regulatory agency for electronic communications and postal services (RATEL) was elected with no further developments concerning the regulator's operational independence. Minor improvements concerning the regulator's administrative capacity were noted, which nevertheless requires strengthening.

Concerning the implementation of **competitive safeguards**, difficulties persisted with access for users-operators to infrastructure including optical fibres, ducts and public operators' infrastructure and dark fibres, along with remaining restrictions imposed by the environmental and municipal planning legislation, in particular at local government level. The working group tasked with identifying and providing recommendations to remove these obstacles has not provided any input to date. The line ministry's administrative and inspection capacity requires strengthening.

Serbia is yet to adopt secondary legislation, including on minimum conditions for issuing individual operator licenses for spectrum use, for the 5G frequency auction, which was postponed from 2021 to end of 2022.

Needs assessments for the introduction of the 112 European emergency number calling system according to EU standards were completed but the system remains to be fully implemented.

In the field of **information society services**, the legal framework on the Law on e-government was completed in February 2022. The number of databases connected to the new government service information system has increased, as well as the number of services at the upgraded national e-government portal. The number of interoperable public registers providing for easier exchange of data has also increased. Concerning open data, there is further potential to improve the data presented on the country's open data portal in a machine-reading language.

In the field of **information security**, the 2021-2026 strategy for development of information society and information security with the accompanying action plan 2021-2023 was adopted in September 2021. The regulator for electronic communication and postal services, as the national computer emergency response team (CERT), would benefit from upgrading its cybersecurity administrative capacities as well as from further association to expert groups of the European Union agency for cybersecurity (ENISA).

No progress was made in **audio-visual policy** in the reporting period. Electronic media outlets are still regulated by the same legislation, pending amendments and with increasing delays in the implementation of the media strategy action plan, adopted in December 2020. Some changes in the Law on electronic media and Law on public broadcasters were introduced as the result of the inter-party dialogue ahead of April elections 2022.

The regulatory authority for electronic media (REM) still fails to exercise its full mandate through effectively monitoring and penalising broadcasters that do not meet all programme content obligations under the law. Upon election and re-election of the two members' expired mandates in December 2021, the REM council continued to work with all members in place. However, REM's financial stability and staff capacity remain a concern, and its lack of independence needs to be addressed more rigorously. REM related measures identified in the media strategy are expected to be addressed through the pending amendment of the Law on electronic media, originally planned for the second quarter of 2022. In April 2022, REM published a call for the allocation of four media service licences for television broadcasting with national frequencies. In July 2022, REM awarded all four licences to the same previous holders for a period of eight years. A call for a fifth licence was published in August, which will be allocated by the end of 2022. The process was widely criticised by media associations and other stakeholders. The Law on electronic media requires that licensed operators' past record in programming is taken into account when considering their new application. It is not clear if this criterion was effectively applied by REM as all of the channels with renewed licences had received, during the previous period, warnings from REM due to violation of their legal obligations. It is not clear either how the process complied with transparency requirements as no updated market analysis was published in the period before the call.

The approach to financial independence and stability of the public broadcasters followed the 2020 practice. Radio Television Serbia (RTS) was again not included in the state budget funding for 2022 while Radio Television Vojvodina (RTV) received state budget support, enabled through the amendment of the law on temporary financing of public media services.

On **media literacy**, Serbia successfully organised and participated in several initiatives, as part of the action plan of the media strategy.

## 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. **Limited progress** was made with further activities in the implementation of the programme of transformation of the Tax Administration. Last year's recommendations remain valid.

In the coming year, Serbia should:

- 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;
- make progress towards legislative alignment in the areas of VAT, excise duties and direct taxation.

In the area of **indirect taxation**, the transition period for businesses to adhere to the Law on fiscalisation, adopted in December 2020 ended on 30 April 2022. It aims at modernising the process of VAT collection and increasing the efficiency of the control and fight against grey/informal economy. The minimum tobacco excise duty is updated twice a year but remains under the EU minima. The additional amendments to the law on excise duties adopted in May 2021 removed the discrimination in the application of excise duties on imported spirits and have been applied since June 2021. The Law on excise duties, however, remains to be brought fully in line with the EU *acquis*.

With regard to **direct taxation**, amendments to the Law on personal income tax, the law on contributions for compulsory social insurance and the Law on corporate income tax were adopted. They aim to further improve the business environment as well as to further reduce informal economy. The amendments were adopted through regular parliamentary procedures. Nevertheless, business associations continue to emphasise the need for further improving processes for public consultations, including on specific fiscal secondary legislation. The numerous para-fiscal charges remain high and non-transparent, lacking rationalisation, and thus undermining the predictability and stability of Serbia's tax system. This is an impediment for local economic development.

As regards **administrative cooperation and mutual assistance**, Serbia has double taxation agreements with 26 EU Member States (no agreement with Portugal). Serbia 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 over the recent years. Over the reporting period, this has included the continuation of efforts toward improvement of business processes, improved risk assessment practises and capacity building of existing staff. The Tax Administration still lacks administrative capacity and adequate staffing; however, concerning the latter the situation has somewhat improved with



the recruitment of 58 staff in the reporting period and ongoing recruitment for 288 temporary positions. Given the high number of retirees and the competitive pressure from the private sector, recruiting and retaining qualified staff remains an important issue. The Tax Administration transformation programme for the period 2021-2025 is being implemented, with the adoption of a change management plan and of a general business model for the Tax Administration as well as a range of other activities. Further efforts are still needed to improve the predictability and consistency of tax decisions and to provide timely and good quality services to tax payers. Appeal procedures against Tax Administration decisions remain lengthy.

## Chapter 17: Economic and monetary policy

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

Serbia is **moderately prepared** in the area of economic and monetary policy. **Limited progress** was made overall, as the implementation of the budgetary procedure improved somewhat, whereas no progress was made on last year's recommendations. They therefore remain valid.

In the coming year, Serbia should in particular:

- further align the legislation on National Bank of Serbia with the EU *acquis* to ensure its full independence;
- strengthen fiscal rules by making them more binding and capable of anchoring fiscal policy;
- further align the budget system law with Directive 85/2011 in the field of macroeconomic and fiscal projections, three-year expenditure perspective, transparency and accounting and statistical reporting.

On **monetary policy**, the legal framework for the National Bank of Serbia (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 still needed in particular through making necessary amendments to the law on the NBS and the Law on public property in order to ensure the independence of NBS 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 through amendments to the budget system law regarding macroeconomic and fiscal projections, three-year expenditure perspective, transparency and accounting and statistical reporting. The overall institutional environment related to the budget process continued to improve as the 2022 budget was adopted in line with regular legislative procedures, including a series of inclusive parliamentary debates, which involved civil society, on the draft budget. However, there was no substantive discussion on the 2021 two amending budgets that were adopted in urgent procedure, including inter alia *ad hoc* expenditures, such as one-off financial support for citizens. The alignment of fiscal reporting with the European system of national and regional accounts (ESA 2010) continued to slowly improve, but remains incomplete. Programme budgeting needs to be strengthened and administrative and IT capacity bolstered. Fiscal rules remain weak, non-binding and unable to anchor fiscal policy as the adoption of new fiscal rules was further delayed. The Fiscal Council is an independent institution, which actively participates in debates on economic and fiscal policy. The 2022-2024 **Economic Reform Programme** (ERP) was submitted on time. As in previous years, its analytical diagnostics were well prepared. The ERP is broadly aligned with the reform priorities

identified by the Commission, and remain largely unchanged from the previous year, reflecting delays in implementation. In particular, the ERP continues to lack ambitious reforms on the green transition. The ERP still fails to effectively address underlying structural weaknesses in the area of the rule of law, which continue to negatively impact the business environment. The macroeconomic and fiscal frameworks are sufficiently comprehensive and integrated with the overall policy objectives, providing an adequate basis for policy discussions.

## Chapter 19: Social Policy and employment

Serbia is **moderately prepared** in the area of social policy and employment. **Limited progress** was made on last year's recommendations, by taking steps to gradually establish the Youth Guarantee scheme, while the implementation plan has yet to be adopted. Budget allocations for active labour market policies decreased further in 2022. A new law on health and safety at work has yet to be adopted and the drafting of a new labour law to be initiated.

Last year's recommendations have been only partially met and, therefore, remain valid. 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; in particular, take further steps to start piloting the Youth Guarantee in Serbia;
- ensure timely implementation of the action plan for chapter 19, in particular by adopting a new law on health and safety at work and by conducting consultations on a new labour law, including provisions on foreign seconded workers, in line with the EU *acquis*;
- improve the coverage and adequacy of social benefits for people below the poverty threshold, including financial social assistance (FSA) and child allowance, and address the issue of the high caseload of social welfare centres.

In the field of **labour law**, the law of 2014 remains only partially aligned with the EU *acquis* and the drafting of a new law has yet to be initiated. It should address in particular the fact that the Serbian labour law, and therefore related labour inspections, do not apply to foreign seconded workers; only rules related to health and safety at work apply to them. The law on social entrepreneurship was adopted in February 2022. The proportion of undeclared work decreased (18.2 % in 2019; 16.4 % in 2020; 13.2 % in 2021). There are currently 214 filled in positions in labour inspectorates and recruitment of additional labour inspectors, to reach the target of 360 inspectors by Q4 2020 according to chapter 19 action plan, is delayed. The law on inspection oversight still 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 new law has yet to be adopted. Serbia adopted implementing legislation on health and safety measures on exposure to chemical substances, the production and manipulation of explosives and gunpowder, when using work equipment, exposure to electromagnetic fields and exposure to artificial optical radiation. The number of fatalities in the workplace increased from 50 in 2020 to 61 in 2021, with the majority of cases occurring in the construction industry.

**Social dialogue** remains weak, in particular regarding the involvement of social partners in policy developments relevant to them. A new law on the right to strike has yet to be adopted. Serbia still needs to adjust the legal framework and strengthen the capacity of social partners to foster collective bargaining. Sectoral collective agreements are typical in the public sector, with 12 currently concluded agreements. However, they are hardly concluded in the private sector, with only two sectoral collective agreements. In the second half of 2021, the minimum hourly

wage was increased by 9.4 % for 2022 by means of a government decision, as consensus could not be reached within Serbia's Economic and Social Council. The latter needs to be consulted in due time on new policy initiatives and draft laws.

On **employment policy**, the employment rate for 20-64 year olds increased from 65.9 % in 2020 to 66.7 % in 2021. Unemployment of 15-74 year olds increased from 9.1 % in 2020 to 11.1 % in 2021, while the inactivity rate among 15-64 year olds decreased from 33.6 % in 2020 to 29.7 % in 2021. Youth unemployment (15-24 year olds) decreased slightly from 26.6 % in 2020 to 26.4 % in 2021 but remains high. The share of young people (15-29 year olds) not in employment, education or training (NEET) also decreased from 20 % in 2020 to 16.4 % in 2021. The introduction of the Youth Guarantee in Serbia aims to address these challenges, support labour market integration and ensure that no young person is left behind. Serbia took steps to gradually establish the Youth Guarantee scheme. Serbia also continued to implement the "My First Salary" programme, which aims at activating young people without prior work experience, with a slight increase in the monthly benefits granted to young people benefitting from the programme. Measures aimed at promoting the employment of Roma have yet to deliver results. Budget allocations for active labour market policies decreased further in 2022 and continued to be far too low to cover the number of jobseekers, with spending around 0.1 % of GDP. Workers from across the occupational spectrum continued to emigrate. The authorities acknowledged the need to provide incentives for the return of the Serbian diaspora and to attract foreign experts by starting to implement its economic migration strategy 2021-2027.

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

In the area of **social inclusion and social protection**, in 2020, 6.9 % of the population was considered to be living in absolute poverty (7 % in 2019). According to the latest survey on income and living conditions (SILC), the at-risk-of-poverty rate was 21.7 % in 2020 (EU-27 17.1 %) and the at-risk-of-poverty or social exclusion rate was 29.8 % (EU-27 21.9 %). As in previous years, there is more poverty in rural than in urban areas. The at-risk-of-poverty rate shows that individuals up to 18 years of age were the most exposed to this risk (24.2 %), as well as individuals aged from 18 to 24 (23.6 %). For 2020, 46.1 % of the population self-identified as poor (a slight decrease compared to 47.7 % in 2019), positioning Serbia at the bottom of the list of European countries that conduct SILC surveys. Inequality in income distribution is high at 33.3 % of the Gini coefficient according to income in 2020, which is above the EU-27 average (30.0 %). The richest 20 % of the population had an income 6.1 times higher (6.5 in 2019) than the poorest 20 % (5.24 in EU-27). Untargeted transfers were carried out during the COVID-19 pandemic and prior to the 2022 elections. There were no measures designed specifically for the protection of the most vulnerable, nor for female workers who were disproportionately affected. In September 2021, Serbia's Commissioner for Equality issued a recommendation to the Ministry of Finance, asking that persons without residence registration and ID card could also benefit from the support measures. There was no measure to increase the coverage and adequacy of benefits for individuals and families under the financial social assistance scheme (FSA) in order to reduce poverty. FSA support for a family of three, for instance, is EUR 132, less than half the cost of the average consumer basket (EUR 323) and of the poverty threshold for a household of this size (EUR 237). Public expenditure on social protection and budget transfers as a share of GDP have been gradually decreasing in recent years. Furthermore, the number of beneficiaries of poverty-targeted programmes decreased while those of categorical programmes increased (0.5 % of GDP versus 1.52 %). Means-tested social assistance programmes, with strict eligibility criteria, do not sufficiently reach the poor. There are also significant regional variations in coverage and a large share of children living in poverty are not covered by any benefit.

The law on social cards entered into force in March 2022. It aims at a fairer distribution of social assistance and at a reduction of abuse through the establishment of a single social card register, connecting various public databases and enabling an overview of the social and material status of beneficiaries. A new strategy for social protection and amendments to the law on social welfare are still pending. The quality and coverage of social services need to improve, and oversight and regulatory mechanisms, monitoring and evaluation need to be strengthened. The capacities of the social protection system were slightly increased by employing 122 new staff in 2021 and 43 new staff in February 2022; however, according to the assessment of the authorities, an additional 1 388 staff are lacking. The system of earmarked transfers to the local level, introduced in 2016 by the social welfare Law, is still not implemented systematically and transparently.

Serbia adopted a strategy on **de-institutionalisation** in January 2022; the related action plan and funding is pending adoption (*See also Chapter 23 – Fundamental rights*).

In the field of **non-discrimination in employment and social policy**, most complaints received by Serbia's Commissioner for Equality still related to the area of employment (26.4 %). An independent survey conducted in 2021 indicates that knowledge on where to report gender-based discrimination remained low, which is likely contributing to lower reporting rates overall.

In the area of **equal opportunities between women and men in employment and social policy**, the position of women on the labour market in Serbia remains unfavourable in comparison to the position of men. The employment rate for men (20-64 year olds) is 14.9 percentage points higher and their activity rate 15.2 percentage points higher than those for women. Although the legislation grants both maternity and paternity leaves, gender-based stereotypical preconceptions persist about childcare and household work being a woman's responsibility. Women worked 2.5 hours more per day than men on care work for children and the elderly. This is one of the largest gaps in the field of 'time' (16.2 points) between the EU-27 and Serbia in the 2021 gender equality index. Amendments to the Law on financial support to families with children adopted in December 2021 removed some discriminatory provisions in family leave rights, but the legislation needs to be further aligned with the EU *acquis* with regards to paternity, parental and maternity leave rights. This includes further defining these rights in Serbian legislation in line with their definitions and purpose in the EU *acquis*. The lack of state services for childcare in rural areas also increases the amount of unpaid household work for women.

## Chapter 20: Enterprise and industrial policy

*EU 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 general, in particular by adopting an action plan for the strategy on state ownership and management of business entities owned by the Republic of Serbia, and on last year's recommendations through the creation of the "e-consultation" portal aimed at increased business participation in public consultations and increased transparency in the legislative process. Last year's recommendations nonetheless remain largely valid.

In the coming year, Serbia should in particular:

- continue efforts to further improve the predictability of the business environment, with the emphasis on ensuring direct involvement of businesses in the process of regulation;
- adopt a new SME and entrepreneurship policy strategy;

→ reallocate budgetary resources for foreign direct investment incentives to financial and technical support to SMEs.

With regard to **industrial policy**, Serbia has been implementing the strategy for industrial development 2021-2030, together with the related action plan for 2021-2023.

On **enterprise policy**, a new strategy to support the development of small and medium size enterprises (SMEs), entrepreneurship and competitiveness, replacing the strategy for 2015-2020 is yet to be adopted. Serbia's legislation is largely aligned with the EU *acquis* on combating late payments in commercial transactions. However, work needs to continue towards full alignment, as Serbia is still to align its rules on payments, indemnity interest rates, expedited recovery procedures and compensation with the EU Directive in this area. In June 2021, Serbia adopted an action plan for the strategy on state ownership and management of business entities owned by the Republic of Serbia and established a database listing companies fully owned or partially owned by the state. The database currently comprises 307 companies (June 2022). In general, the progress on governance reform and restructuring of industrial state-owned enterprises is lagging behind; six companies were privatised during the reporting period, bringing the number of companies in the privatisation portfolio down to 62 (*see also The existence of a functioning market economy*).

Enterprises in Serbia continue to identify corruption and problems in the exercise of the rule of law as key obstacles to the **investment climate** and economic development. Serbia also needs to continue to increase predictability in the business and administrative environment, in particular for SMEs. Performance measurements for policy-making activities should be developed and more emphasis put on implementing the 'think small first' principle. The regulatory impact assessment with the SME test needs to be systematically carried out when formulating laws and implementing legislation. The implementation of the multilannual reform aimed at optimising and improving the transparency of all administrative procedures is ongoing. A digital 'e-consultation' portal for public participation in legislative processes was established following a decision adopted in June 2021 to increase transparency in the legislative process and facilitate participation in consultations. Effective communication on this new tool is crucial to ensure that businesses are properly and timely consulted and informed about regulatory changes.

On **enterprise and industrial instruments**, Serbia continues to use budgetary subsidies for newly created jobs as an incentive for foreign direct investments. This approach is not consistent with its industrial policy goal of privileging value added over labour cost and with the continued weakness in supplier development. The budget for SME measures is growing but remains modest compared to the amounts of state aid and tailor-made services offered to large investors. The lack of specialised support and advisory services for businesses limits the possibilities of domestic companies to modernise and qualify as suppliers to multi-national enterprises. Favourable loans and guarantees for SMEs are provided by the Ministry of economy and the development fund through joint programmes with commercial banks. These programmes provide financial support for the purchase of equipment, financial support to start-ups, and financial support for development projects. Nevertheless, access to finance by start-ups remain an impediment to their growth. Serbia expressed its interest to participate in the single market programme (SMP). Formal negotiations for an association agreement started in March 2022 and are progressing.

In **sectoral policies**, the current support for investment continues to prioritise manufacturing. Until recently, the approach in policy-making was not sector-specific, with the exception of tourism. The extent to which the industries identified in the smart specialisation strategy will benefit from the programmes under the industrial strategy is still to be proven.

## 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 new strategy for development of start-up ecosystem for the period 2021-2025 with an action plan as well as the new law on innovation activity. The national level of investment in research remains low.

In the coming year, Serbia should in particular:

- increase the national funding for research and innovation;
- enact the European Research Infrastructure Consortium (ERIC) Regulation into national law;
- follow up on the actions of the new European Research Area.

On **research and innovation policy**, the main priorities of the European Research Area are incorporated in the new strategy for development of start-up ecosystem 2021-2025, adopted in December 2021 with an action plan until end of 2022. The strategy aims to create a systematic approach to the development of knowledge and skills of entrepreneurship through formal education, increasing number of start-ups and opportunities for private investors, technology transfer and economic growth. A new Law on innovation activity was adopted in December 2021, expanding the innovation fund mandate to invest in companies, alternative investment funds and other organisations to develop innovation and to keep the register of the national innovation system.

The Science Fund is fully operational as a funding mechanism and developing new programmes for financing R&D ideas.

Although it is higher than the last year, the national level of investment in research remains low at 0.91 % of GDP (0.89 % in 2020) with only one third of this amount coming from the private sector. Serbia should continue to integrate with the new **European Research Area**, in accordance with its plan to increase investment into research and innovation by 50 % in the next five years, also given the relevance of innovation to the Economic and Investment Plan for the Western Balkans.

Regarding the **EU framework programme** and international cooperation, Serbia joined Horizon Europe. Serbia continues to be active and participate successfully in Horizon Europe as well as in EUREKA and COST.

With regard to measures for the **Innovation Union**, the Serbian Innovation Fund and the science and technology parks in Belgrade, Niš, Čačak and Novi Sad (from December 2021), continue to be active with increased contributions from the budget. The Innovation Fund launched a new mechanism to support technological development and innovation – Katapult Accelerator for start-ups in the early stages of product development and market positioning and companies with proven market traction aiming to accelerate their growth and raise additional financial resources.

Serbia is an emerging innovator in the European innovation scoreboard. However, research and innovation expenditures of the private business sector remain too low. More efforts are needed on the public side to support cooperation between businesses and academia.

## 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. **Some progress** was made on the implementation of last year's recommendations, by consolidating the national qualifications framework (NQF) system and taking some steps to ensure compliance of the quality assurance system in higher education with the recommendations of the European Association for Quality Assurance in Higher Education (ENQA). The COVID-19 pandemic somewhat disrupted the organisation and quality of instruction on all levels of education. The recommendations for the 2021 report remain largely valid.

In the coming year, Serbia should in particular:

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

In the area of **education and training**, mechanisms to monitor the implementation of the new education strategy until 2030 and its action plan were established. The student population has continued to decrease due to negative demographic trends and emigration. Enrolment and attainment rates in pre-university education remained high. The total coverage of children with pre-school education aged 6 months to 6.5 years in 2020 decreased from 57.4 % to 55.5 % year-on-year, whereas the enrolment rate of mandatory pre-school education decreased from 97.4 % in 2019 to 96.4 % in 2020. Further efforts are needed to achieve equitable pre-school education for the most disadvantaged children, by strengthening governance and expanding the scope and quality of infrastructure and services. In 2021, the rate of early school leavers was 6.3 %, while lifelong learning participation was 4.8 %.

The hybrid education model established during the COVID-19 pandemic is still being in place but only used depending on its incidence. Further efforts are still needed to compensate for learning gaps caused by digital exclusion, in particular among disadvantaged students. The digital transformation of the education system continued. While the development of the education management information system has progressed, it requires further consolidation, including capacity-building of staff to use data for policy-making and monitoring purposes.

The reform of the general secondary education curriculum continued. No significant change is reported in the low take-up of general secondary education of vocational education and training (VET). Serbia should continue modernising and streamlining qualifications standards to improve VET relevance and further develop the national work-based learning model for VET. The institutional, financial and logistical preparations for introducing the final examinations in secondary education should accelerate to ensure their full implementation as of the 2023-2024 school year. There is a wide gap in learning outcomes across VET and general education, with vocational students having weaker literacy and numeracy skills than their peers do in general education. The number of secondary VET graduates that enter higher education continued to increase to 63.6 % in 2020 from 59.7 % in 2019. Serbia remains committed to the Osnabruck Declaration on VET as an enabler of recovery and just digital and green transitions.

Following the adoption of amendments to the Law on higher education in June 2021, aimed at facilitating compliance with the European Association for Quality Assurance in Higher Education (ENQA) recommendations on better governance and quality assurance principles, concrete operational steps are still pending to strengthen the policy and institutional framework for quality assurance in higher education. The Serbian national accreditation body is eligible as of 2022 to re-apply for renewed membership of ENQA, following its suspension in early 2020. The first dual study programmes and modules in higher education with a reinforced work-based component were accredited as of the 2021-2022 academic year. The attainment of tertiary level qualifications for persons aged 30-34 (ISCED levels 5-8) remained at 33 % in 2020, still below the EU target of 40 %. The sector, higher education in particular, remains vulnerable for corruption. In October 2021, a specific operational plan was adopted to fight against corruption in the field of education under the action plan for chapter 23.

The institutional set-up under the national qualifications framework (NQF) should be further strengthened. The pace of adoption of qualification standards is picking up but should further accelerate, with stronger focus on higher education. The system of validation of non-formal and informal learning was piloted and relevant implementing legislation has been adopted, but is yet to be scaled up systematically. Two rulebooks were adopted in December 2021 and February 2022 aimed at facilitating the accreditation and assessment of adult education providers. Efforts to create a more favourable environment for standardising and expanding career guidance and counselling services should be further sustained.

Further progress was made in increasing the participation of disadvantaged students at all levels of education. The implementation of measures to reduce drop-out rates and segregation needs to be strengthened, especially at local level. Following the adoption of relevant legislation and the selection of eligible schools, the set-up of assistive technology resource centres needs to become functional to provide relevant additional support services for inclusive education. It is necessary to remove obstacles to the engagement of teaching assistants for children with disabilities as a new service in the education system. Further efforts are needed to develop teaching materials and empower teachers to build student competences related to gender equality, health, reproductive health, mental health, sexuality education, prevention and response to all forms of gender-based violence, including sexual abuse.

Serbia continued to participate in several international assessments, including the progress in international reading literacy study (PIRLS) in 2021, as well as the international civic and citizenship education study (ICCS) and the program for international student assessment (PISA) in 2022. Piloting of trends in international mathematics and science study (TIMSS), international computer and information literacy study (ICILS) and Teaching and learning international survey (TALIS) were conducted in 2022.

In 2021, Serbia formally joined the Erasmus+ programme as an associated country for the period 2021-2027. Overall, Serbian institutions are participating in more than 550 projects (decentralised actions) granted in 2021. Under the 2021 call for proposals, the Serbian National Agency “Tempus Foundation” awarded 136 projects, including 18 in the youth sector. In total, around 1900 mobilities of students, staff and pupils are planned to take place in the framework of these projects. In addition, Serbia participated in various initiatives such as the Erasmus Days and the European Youth Week. Serbia is successfully implementing the new cycle of the Erasmus+ programme, including the new DiscoverEU component.

In the area of **culture**, the cultural policy of Serbia is implemented within the ‘Strategic priorities for the development of culture of the Republic of Serbia from 2021 to 2025’. The Council for creative industries continued the communication campaign ‘Serbia creates’.



The activities of Novi Sad as European capital of culture 2022 are being implemented. In December 2021, Novi Sad Capital of Culture was awarded the Melina Mercouri prize. According to the foundation ‘NoviSad 2022’, 95 % of the cultural projects have European partners, against 13 % before.

Serbia is implementing measures under the UNESCO Convention on the protection and promotion of the diversity of cultural expression and is also member of the Intergovernmental Committee of the Convention on the Protection and Promotion of the Diversity of Cultural Expressions. The Law on gender equality, adopted in June 2021, foresees provisions to promote gender equality in the field of culture.

Serbia actively participates in the creative Europe programme. The Ministry of Culture and Information provides support to domestic cultural entities that succeed in Creative Europe calls. Following the agreement on Serbia’s participation in the creative Europe programme, the Creative Europe Desk Serbia was established and started operating in June 2022 building on the successful experience from the previous programme.

The new **youth** strategy until 2030 is yet to be adopted. It needs to be followed by an action plan and mechanisms to ensure inclusive monitoring and reporting. The national youth council remains active and involves youth representatives. Youth policy and support mechanisms are unevenly developed at local level and should be further strengthened. The revision and/or preparation of local youth action plans in line with the provisions of the planning system law should be accelerated. The trend of emigrating young and skilled people continued. The unemployment and inactivity rates among young people remain high. The action plan for the implementation of the youth guarantee mechanism is yet to be adopted.

## 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 with adoption of further amendments to the customs law and by aligning legislation on cultural goods with the relevant EU *acquis* under chapter 29. No progress was made on last year’s recommendations, which therefore remain valid.

In the coming year, Serbia should in particular:

- further upgrade the customs processing system by integrating risk management;
- 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*. Amendments to the customs law were adopted in November 2021 in order to ensure further alignment with the relevant *acquis*. Serbia adopted a new law on cultural heritage in December 2021 that is aligned with the relevant *acquis* under chapter 29. 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 (PEM) preferential rules of origin are applied in Serbia. Following an EU proposal to apply in parallel a more flexible set of origin rules on a transitional basis until the PEM Convention can be amended, Serbia has amended its bilateral trade agreements with CEFTA partners, with EFTA, and after amending Protocol 3 of the Stabilisation and Association Agreement (SAA) in February 2022, with the EU. Serbia’s customs tariff

nomenclature for 2022 was harmonised with the EU combined nomenclature in November 2021.

Legislation on 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 Serbia's SAA obligations.

Concerning **administrative and operational capacity**, total customs and **value added tax** (VAT) revenues collected by the customs administration in 2021 increased by 21 % year-on-year, mainly due to an increase in the economic activity during the second year of the COVID-19 pandemic.

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

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

Serbia adopted in September 2021 the operational plan for the prevention of corruption in areas of special risk, which includes the field of customs.

#### **CLUSTER 4: THE GREEN AGENDA AND SUSTAINABLE CONNECTIVITY**

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

Limited progress was achieved overall with the exception of Trans-European networks, where Serbia advanced on upgrading its infrastructure, with works starting on the Serbia-Bulgaria gas interconnector, a strategically highly important project for Serbia and Europe.

In the coming period, Serbia is invited to focus on the following areas: improve investment prioritisation, planning and management across all areas; continue rail reform and improve strategic transport framework in line with the EU's and the Western Balkans sustainable and smart mobility strategies; urgently implement its action plan on gas unbundling and further diversify gas routes and supplies to decrease dependence on Russia; adopt an ambitious National Energy and Climate Plan consistent with the European Green Deal's zero emission target for 2050 and step up efforts on implementing and enforcing environment and climate legislation, in particular on environmental impact assessment, waste management, air and water quality, trans-boundary cooperation and law enforcement by inspectorates.

#### **Chapter 14: Transport**

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

Serbia has a **good level of preparation** in this field. **Limited progress** was made on last year's three recommendations, which remain valid and which were updated.

In the coming year, Serbia should in particular:

- on rail reform: focus on strengthening the railway safety system and certification processes, implement a public service obligation contract and a multi-annual infrastructure contract in evidence-based manner;
- on transport sector general: improve strategic framework (develop national transport strategy, update general transport master plan, decide on the strategic direction for intelligent transport systems (ITS)) and implementation (adopt credible costed rail and road maintenance plans, align and simplify road and rail border crossing procedures and further improve road safety at national and local level strengthen inspection services to progress on social *acquis* in road transport and improve passenger rights in all modes of transport);
- on investments: prioritise investments according to their relevance for Serbia's economic development and EU integration, in line with the EU's and the Western Balkans sustainable and smart mobility strategy and base investment decisions on feasibility studies conducted in accordance with EU best practices, and apply transparent procurement procedures.

Concerning the **general transport *acquis***, an update of Serbia's strategic framework is overdue. Serbia should develop and adopt a new transport strategy in line with the EU's and the Western Balkan's sustainable and smart mobility strategy targets in order to reflect new developments and ensure coherence. Strategic documents should be based on option analyses, take into account regional aspects and be properly costed. Serbia's framework for future investment planning should be updated accordingly. Also, for larger transport agglomerations sustainable urban mobility plans, which respect environmental and social standards, should be developed following EU practices. Circular economy principles should be taken into consideration in designing transport projects, in particular in the road sector.

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. Investment planning and financial structuring of railway projects improved, in particular for rail corridor X from Belgrade-Niš with the border with North Macedonia.

Overall, administrative capacity in the road and rail sector keeps slowly improving. However, it needs further strengthening, notably in dealing with transport of dangerous goods, road safety, ITS and rail; on rail in particular regarding the railway regulatory body on technical specifications for interoperability and the centre for investigation of accidents. Alignment with EU legislation on passenger rights in all modes of transport is a priority for Serbia. Serbia actively participates in the work of the Transport Community.

Regarding public services, Serbia has a high level of alignment with the EU *acquis* on rail transport, but it is only partially aligned on road transport. Serbia progresses slowly on implementing a methodology for track access charges and a new pricing model for access to railway infrastructure.

**On road transport**, Serbia's level of alignment with the EU *acquis* is satisfactory. Alignment with EU legislation on road charging, social *acquis* in road transport, weights and dimensions of vehicles as well as access to the profession of road transport operator, to the international

road haulage market and to the international market for coach and bus services is a priority. On 1<sup>st</sup> October 2021, the Interbus agreement entered into force in Serbia. The new Law on road traffic safety is pending since two years, inspection capacity remains insufficient and the number of road deaths in Serbia is more than 33 % higher than the EU average. Therefore, Serbia should accelerate work on road safety at national and local level. Legislation on transport of dangerous goods is well aligned with the EU *acquis* and it also covers transport of hazardous substances.

Serbian authorities were managing border-crossing procedures well during the COVID 19 crisis and are committed to implement 'green lanes'. Improving the road maintenance system remains a priority. Work on service level agreements, performance-based maintenance contracting and road asset management needs to accelerate. Responsibilities in the area of road maintenance need to be further clarified and capacity increased. Serbia needs to address the issue of potentially discriminatory road charges against foreign operators and the country should decide on its strategic direction for implementing ITS.

On **rail transport**, investments in infrastructure increased while overall reform efforts slowed down. Serbia needs to remain focused on the full alignment with the fourth EU railway package. The operational and financial sustainability of independent railway service/infrastructure operators remains on good track. Serbia regularly updates its railway network statement but it is not yet fully compliant with the EU *acquis* and Serbia's negotiating framework. Serbia is preparing a European railway traffic management system deployment plan with EU funded technical assistance. In 2021, 13 private freight companies operated on the market, two more than in the year before. However, to ensure full opening of the market, further efforts are required including efforts concerning train driver licenses, safety certificates and mutual recognition of the rolling stock. Serbia needs to improve its railway safety system, certification procedures and its administrative capacity, in particular regarding training facilities and training programmes.

Formal adoption of the provisionally published working versions of 11 technical specifications for interoperability (TSI) is pending for three years. Serbia needs to ensure that its railway infrastructure is built in line with TSIs. Limited progress was made on improving human resource management in the railway field (development plans for all rail authorities, incorporating technological and administrative developments), and no progress was made on strengthening the role and capacity of the Railway Directorate.

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.

Regarding **inland waterway transport**, Serbia continues to improve its already high level of alignment and its investments. Investments in inland waterway infrastructure need to be done in line with environmental standards and the cost-effectiveness principle. Serbia's operational river information services system is highly interoperable with those of EU Member States. Serbia should continue working on fulfilling the preconditions for recognition of navigation certificates in the EU in accordance with Directive 2017/2397. While Serbia continued improving its infrastructure for inland waterway transport services, it did not progress on the river ports' network statement, neither on strengthening its administrative capacity.

Serbia has a good level of alignment with the EU *acquis* on **aviation**. During the reporting period, Serbia adopted several regulations on performance-based navigation, aerodrome certificates, air traffic management network functions, air traffic flow management, voice channels spacing and air worthiness. With regards to aviation regulations, Serbia is close to fulfilling all obligations stipulated in the first transitional period of the European Common

Aviation Area Agreement. However, Serbia still needs to further align its secondary legislation on state aid with the *acquis* and provide a solid track record in the implementation of laws on protection of competition and state aid control. In the domain of aviation safety, the European Union Aviation Safety Agency (EASA) continues monitoring the implementation of EU safety standards. Corrective actions on EASA's findings issued in 2021 were successfully implemented. In November 2021, a standardisation inspection was carried out in the domain of air traffic management and air navigation services. In March 2022, EASA conducted standardisation inspections in the areas of airworthiness and air operations. In the area of air operations, EASA's findings on staff shortages are being addressed by the implementation a recruitment plan to strengthen the oversight capability of the Civil Aviation Directorate.

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

There is no specific legislation on **combined transport**. Serbia regularly allocates budget funds to promote combined transport, however, combined transport should be promoted in a more systemic and strategic manner. Construction of the first modern intermodal terminal in Belgrade, which started in November 2020, is progressing well.

## 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** has been made particularly regarding last year's recommendations, which remain valid in substance.

In the coming period, Serbia should:

- finalise and implement the National Energy and Climate Plan (NECP) and Energy Sector Development Strategy in accordance with the Green Agenda for the Western Balkans and the obligations from the Energy Community Treaty; advance on the green energy transition by increasing the share of renewables, strengthening capacity to manage larger energy efficiency programmes and launching the first auction for renewables in 2022;
- accelerate the implementation of action plans and finalise unbundling the gas sector, certify Transportgas and provide effective third party access to all gas entry points, further diversify natural gas transportation routes and sources to decrease its energy dependence on Russia, in line with the REpowerEU communication;
- in the context of establishing a regional electricity market, determine net transmission capacities and capacity allocation with all neighbouring control blocks.

Serbia maintained a high level of alignment with the EU *acquis* on **security of supply** including on emergency oil stocks. Oil stocks continue to increase, especially after the volatility in energy markets caused by the Russian war of aggression against Ukraine. They corresponded to 30 days of average daily consumption in June 2022. Construction of two 20 000 m<sup>3</sup> of oil storage capacity continued in Smederevo. Works on the largely EU-funded gas interconnector between Serbia and Bulgaria commenced in January 2022. The interconnector shall provide diversification of gas routes and sources, but the lack of gas market opening and third party access to the gas network continue to hamper Serbia's security of supply. Serbia's dependence on its single gas supplier Gazprom and Russian majority control of Serbia's gas infrastructure

and oil industry continued. The upgrading of the Trans-Balkan electricity corridor is progressing to some extent, with the Kragujevac-Kraljevo section and substations finished in June 2022.

Following the separation of the Kosovo transmission system operator KOSTT from the Serbia control block, the Serbian electricity transmission system operator EMS did not determine net transmission capacities and capacity allocation with the Kosovo control block. Serbia did not make progress in setting up regionally coordinated auctions with its Western Balkan neighbours.

Concerning the **internal energy market**, Serbia's primary legislation is compliant with the EU's third energy package. In August 2022, Serbia's regulator adopted an updated network code while other codes are still pending. Trading volumes on the organised day-ahead market continued to grow in 2021. Serbia intends to introduce a liquid intraday electricity market. A balancing energy market is operational, but prices for balancing reserves are still regulated.

The unbundling of the electricity transmission system operator EMS is still not completed in a manner compliant with Energy Community rules. In November 2021, Transportgas Srbija submitted a request for certification of the company according to the ISO model. In July 2021, the Energy Agency (AERS) approved acts on the price of access to the transportation system, the tariff for gas transportation and the price for system balancing. The new gas supply company Srbijagas Novi Sad was established and registered in October 2021. The certification and unbundling of new companies, foreseen in Serbia's action plan for unbundling the gas sector, is delayed. There is no third party access to the gas system infrastructure of Srbijagas, Gastrans and Yugorosgaz. The Balkan Stream pipeline section in Serbia was connected to the Hungarian gas network in October 2021. Regarding the regulatory regime for this project, Serbia recognises the need for a tailor-made solution for the Gastrans company, in compliance with EU legislation.

Electricity and gas supply prices are deregulated for all customers; however, households and small customers have the right to be supplied under regulated prices. In 2021, the non-regulated market slightly increased and accounted for 50.84 % of total end-user electricity consumption and 83 % of total end-user gas consumption. The regulated electricity price of universal supply to small customers and households is still significantly below the market price, which impedes competition. Electricity prices should cover investment needs for Serbia's energy and climate reforms, including decarbonisation. (See also chapter on economic criteria).

The Serbian energy agency is legally and functionally independent from any other public entity, but it has no legal enforcement power to ensure compliance of regulated companies. The number of staff increased during the reporting period from 40 to 43, though still falling significantly short of the 55 staff needed as per organigram. Increasing staff is necessary to allow the agency to implement all regulatory responsibilities under the third energy package, the new Law on renewable energy, and the new *acquis* upfront. Employment of new staff, especially highly specialised experts, remains challenging due to higher salaries in the private sector.

On **hydrocarbons**, Serbia started to implement its mining law adopted in April 2021.

On **renewable energy**, Serbia made some progress on further alignment with the EU *acquis*. After the adoption of the Law on renewable energy in April 2021, Serbia continued alignment with the Renewable Energy Directive (RED II, directive 2018/2001/EU) by adopting six pieces of implementing legislation and four methodologies on support schemes for energy from renewable energy sources (RES), the development of the renewable energy market and the introduction of prosumers. Serbia should finalise and adopt all missing implementing

legislation to launch RES auctions and simplify procedures for prosumers. For full transposition of RED II, Serbia needs further secondary acts, such as on sustainability criteria for biofuels, bioliquids and biomass fuels. Limited progress has been made in introducing sustainability and greenhouse emissions saving criteria for biofuels and increasing the share of RES in district heating systems and in the transport sector. The latter was at 1.17 % in 2020 while the target for 2020 was 10 %. Due to the change of methodology for calculating the RES share in gross final energy consumption (GFEC) and integration of energy produced from firewood in households, Serbia's share of RES in GFEC in 2020 was 26.3 %; thereby almost reaching the national target for 2020, which is 27 %. Serbia should set new ambitious annual targets for RES until 2030 in its National Energy and Climate Plan (NECP), which should be adopted in 2022.

The lack of human resource capacity in the ministry of mining and energy's department for green energy could create bottlenecks in implementing RES support schemes. The total capacity of installed RES power slightly increased as compared with the previous reporting period. Total capacity of wind power exceeds 400 MW, while total capacity of other sources (not including big hydropower plants) is 183 MW.

Serbia continued to progress in aligning with the EU *acquis* on **energy efficiency** by adopting implementing legislation under the new Law on energy efficiency and rational use of energy. In February 2022, Serbia adopted a long-term building renovation strategy until 2050 with targets to renovate the existing public buildings stock by 2050 and to introduce nearly zero energy buildings (NZEB) standards for all new public and commercial buildings. Serbia still needs to adopt further primary and implementing legislation to achieve full alignment with the Directive on the Energy Performance of Buildings, including defining the NZEB standard. In its NECP, Serbia should follow the 'energy efficiency first' principle and set ambitious targets for energy efficiency and annual building renovation. In July 2022, Serbia submitted the sixth annual report to the Energy Community Secretariat. Human resource capacity in the newly established Directorate for Energy Efficiency needs to double, its institutional role strengthened and energy efficiency financing increased to take the sector forward decisively in this crisis situation. Currently, the Directorate cannot manage energy efficiency measures for individuals, nor run multi-annual programmes. Serbia expanded its housing renovation programme in 2022, which is a positive development. However, Serbia did still not manage to roll out consumption-based metering and billing in district heating, a precondition to attract large-scale investments in retrofitting the building stock.

**On nuclear energy, nuclear security and radiation protection,** Serbia's legislation is partially in line with the EU *acquis*. In the reporting period, Serbia adopted five bylaws. An EU-funded project to strengthen Serbia's capacity in the fields of nuclear and radiation safety and radioactive waste management started in 2021. Serbia made no progress on adopting the ECURIE agreement between the European Atomic Energy Community and non-EU countries on the early exchange of information in the event of radiological emergency. The Serbian public utility 'Nuclear Objects' has yet to finalise licencing of two old storage facilities, which expired in November 2019, along with the new radioactive waste processing facility, two nuclear research reactors and an abandoned uranium mine. The Serbian Radiation and Nuclear Safety and Security Directorate SRBATOM is Serbia's independent regulatory body with executive functions in the area of radiation and nuclear safety and security, including inspection functions. Current staffing is sufficient but will need to increase to fulfil SRBATOM's future obligations.

## **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, including on infrastructure upgrading, the construction of the gas interconnector with Bulgaria and on last year's recommendation on Serbia's strategic framework for the transport sector.

In the coming year, Serbia should:

- continue to modernise its transport and energy infrastructure connections in line with the EU's and the Western Balkans' sustainable and smart mobility strategies,
- focusing on its part of the Trans-European network and prioritising connections, which reduce Serbia's dependency on Russian energy sources in line with the REpowerEU communication;
- continue to build the Serbia Bulgaria gas interconnector within the shortest possible period.

On **transport networks**, the challenges in the sector remain: decarbonisation, digitalisation and resilience of transport infrastructure; multiannual maintenance planning and implementation in road and rail; alignment with TEN-T regulatory framework; and compliance with EU laws and standards on public procurement, state aid and environmental impact assessments. Rail infrastructure needs to comply with the EU's technical specifications for interoperability. Investments need to be designed and implemented in full respect of environmental standards and based on cost-benefit analyses following EU best practices.

Serbia remains committed to transport facilitation, including green corridors, focusing on rail and road border crossings. Serbia needs to demonstrate effective implementation of the Transport Community Treaty. Serbia continues to invest substantial funds in the upgrading of its transport infrastructure. Proper financial structuring of projects remains a priority, also for Serbia's absorption of EU funds.

Regarding roads, works on the Niš–Merdare highway started in September 2021 with the support of EU funds. Preparation for remaining sections needs to accelerate. Regarding rail infrastructure, the Belgrade–Novi Sad railway line was put in operation in March 2022. Works on the remaining part of the Budapest–Belgrade line, the Novi Sad–Subotica sub-section, commenced in April 2022 and are planned to last for 33 months. Serbia is about to sign the first works contract related to the modernisation of the Niš–Dimitrovgrad railway line, thus de-blocking the long delayed project. Preparation for the modernisation of railway corridor X, Belgrade–Niš–Preševo (state border) under the EU Economic and Investment Plan is advancing well. In February 2022, Serbia signed a first contract for lot 1 of the Stalać–Djunis sub-section. Throughout 2022, Serbia continued upgrading its inland waterway and airport infrastructure. The modernisation of the Nikola Tesla airport in Belgrade advanced considerably through the concession with VINCI Airports, notably regarding its runway, passenger terminal and waste water treatment plant.

On trans-European **energy networks**, administrative capacity for harmonisation with the EU *acquis* remains insufficient. For further decarbonisation of the electricity sector and an increased share of renewable sources, energy networks need to be upgraded in line with EU *acquis* on trans-European networks. Regarding the Trans-Balkan electricity corridor, works on section II from Kragujevac to Kraljevo finished in June 2022. The upgrade of section III from Obrenovac to Bajina Bašta is being contracted. Lack of agreement on funding continues to hamper progress on section IV, the interconnection between Serbia, Bosnia and Herzegovina and Montenegro. Good progress was made on the gas interconnector between Serbia and Bulgaria and works commenced in January 2022. The Russian war of aggression against



Ukraine is substantially impacting prices and the availability of materials. The interconnector should be operational by the end of 2023.

## 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** during the reporting period including on last year's recommendations, in particular by continuing to increase environmental funding and investments, improving trans-boundary cooperation and developing its national energy and climate plan. The adoption of important legislation and strategic documents is pending.

Last year's recommendations remain largely valid. Serbia should considerably step up ambitions towards a green transition and focus on:

- adopting and start implementing an ambitious national energy and climate plan through transparent consultative procedures, consistent with the European Green Deal's zero emission target for 2050 and the Green Agenda for the Western Balkans;
- intensifying implementation and enforcement work, such as ensuring strict adherence to rules on environmental impact assessment, closing non-compliant landfills, increasing investing in waste reduction, separation and recycling, improving air and water quality including through phasing out coal, further intensifying trans-boundary cooperation, improving law enforcement by inspectorates and judiciary, adopting Serbia's river basin management plan 2021-2027 and continue preparing for Natura 2000;
- enhancing administrative and financial capacity of central and local authorities, in particular in the Serbian Environmental Protection Agency and environmental inspectorates, by further improving inter-institutional coordination, further raising staff levels, continuing to raise environmental investments as well as further improving strategic investment planning and management including transparency of procedures. A coordinated, institutional structure is required to deliver the size and quality of the investments that Serbia needs.

## Environment

In 2022, the Serbian national budget for environment and climate action was increased by 50 % compared to 2021. Serbia finances new environmental programmes such as for the replacement of heating equipment, afforestation and the purchase of electric and hybrid vehicles. All income generated from environmental fees should be earmarked for environmental purposes. Although Serbia is substantially increasing investments into environmental protection, it still lacks an effective institutional set-up and transparent procedures. Strategic planning is now better aligned with policy priorities. Serbia should systematically prioritise environmental projects with the highest environmental impact and improve co-financing and management of environmental investments. In 2021, Serbia agreed on an alleged EUR 3.2 billion sewage and wastewater programme with China's Road and Bridge Corporation without tender and started implementing it in several municipalities; little information and no official documents are publicly available. Large long-term (industrial) investment projects need to comply with highest EU environmental standards.

In the area of **horizontal legislation**, Serbia has a high level of alignment with the EU *acquis* but implementation and enforcement need to be further improved, in particular by strengthening

administrative capacity at central and local level, including at inspectorates and judiciary. Legislation on environmental impact assessment (EIA) and strategic environmental assessment (SEA) needs to be further aligned. Serbia should tackle critical deficiencies of current procedures, including the issuance of construction permits before an EIA procedure and splitting projects into several smaller projects which, taken individually, do not require an EIA process.

EIA implementation needs to be considerably strengthened. The quality of public consultations did not improve during the reporting period, partly due to the continuing COVID-19 crisis. Serbia needs to ensure transparency about investments and their environmental effects and respect for freedom of expression and assembly in the environmental sector. Serbia needs to carry out strategic environmental assessments for all plans and programmes, which set the framework for projects listed in the EIA Directive. Transboundary cooperation improved during the reporting period. Serbia's spatial plan is currently undergoing a SEA, and Bulgaria and Romania are participating in a related trans-boundary procedure. Following widespread environmental protests in late 2021, the Serbian government withdrew all permits for the Jadar lithium mine project in February 2022. Legislative alignment on environmental liability and environmental criminal law *acquis* has not progressed. Enforcement remains a key priority, including establishing a track record on implementing the Environmental Crime Directive. In February 2022, Serbia established a Unit for the suppression of environmental crime and environmental protection within the Police Directorate of the Ministry of Interior.

The Serbian Environmental Protection Agency's annual reports are regularly published with a one year delay. For the data to be useful and relevant to the public, reports should be published in a timely manner. Recent changes in the agency's staff had a critical impact on the agency's capacity. On INSPIRE, there is a growing number of users of the national geoportal Geosrbija 2.0, and regular updates and improved access to data and harmonisation of registers are provided.

In the field of **air quality**, Serbia has a good level of alignment with the EU *acquis*. However, Serbia needs to speed up implementation including of air quality plans, and further improve its air quality monitoring system. Serbia adopted two new air quality plans, in Kragujevac and Kosjerić. A national programme on air quality was developed and public consultations carried out, but it was not adopted in time before elections. Adopting the EU air quality index remains a key recommendation, as well as ensuring adequate staffing of the Serbian Environmental Protection Agency. Serbia's annual air quality report for 2020 benefited from large data collection. It listed an increased number of agglomerations with air pollution above the limits (19) as compared to last year (13). Pollution induced by the Kostolac B thermal power plant needs to be addressed urgently. Serbia has not yet aligned its legislation with the requirements of EU *acquis* for national emission ceilings. Alignment with the EU *acquis* on volatile organic compound emissions needs to continue.

Regarding **waste management**, Serbia has a good level of alignment with the EU *acquis*; however, implementation remains at an early stage. In early 2022, Serbia adopted a national waste management programme 2022-2031 and a waste action plan 2022-2024, which had been developed with EU and Swedish support. Serbia has 10 regional sanitary landfills, which, in 2020, received 19 % of generated municipal waste. Additional economic instruments for special waste streams need to be urgently developed. In Serbia, the recycling rate in 2020 was 15.5 % but less than 2 % came from households. While Serbia closed a few more non-compliant landfills, it should continue closures in a more systemic way, in addition to increasing investing in waste reduction, separation and recycling. The remediation of the Belgrade landfill and the

construction of a waste to energy facility continued in the reporting period. Serbia's inspection capacity in the waste sector is insufficient.

The level of alignment with the EU *acquis* on **water quality** is moderate. Pollution by nitrogen and phosphorus originates from the energy sector, waste and wastewater public companies and chemical and mineral industries. Non-compliance with water quality standards remains a big concern in some areas, such as those where arsenic is present. In July 2021, Serbia adopted its action plan for implementing the water management strategy. Serbia needs to step up its efforts to further align its legislation with the EU *acquis*, and to strengthen administrative capacity, in particular for monitoring, enforcement and inter-institutional coordination. Serbia should address river pollution more rigorously and start implementing measures after conducting trans-boundary consultations for rivers such as the Danube, Drina, Draghovichitsa and Pek rivers. In November 2021, Serbia held public hearings on the draft river basin management plan. In May 2022, Serbia and Bulgaria signed a memorandum of understanding on EIA and SEA. Improving local governance, in particular for operating and maintaining water and wastewater facilities, remains a priority. Increased transparency on planning, selecting and managing environmental investments will ensure better adherence to EU laws and standards in this sector and better value for money. EU funded work on adequate water fees and tariffs has started with the participation of 33 municipalities. Work on developing flood risk management plans is ongoing.

Alignment with the EU *acquis* in the field of **nature protection**, in particular with the Habitats and Birds Directive, is moderate. Serbia needs to address gaps in legislation, which currently allow for the hunting of non-huntable birds, especially the goshawk and the turtledove. In 2021, Serbia declared a closed hunting season for turtle doves from October 2021 until August 2024; this is a very welcome development. 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. Authorities need to address illegal hunting and illegal lodging more effectively. Work on establishing Natura 2000 sites continued, supported with EU funding. Institutional and human resource capacity at national and local level remains weak, in particular as regards enforcement and wildlife trade. Any further development of hydropower should be in line with EU environmental legislation. The scope of Serbia's ban on building small hydropower plants in protected areas should be widened, in particular to include the procedure on the appropriate assessment of the ecological network.

As regards **industrial pollution and risk management**, alignment with most of the EU *acquis* is at an early stage across the industrial sector, including on the Industrial Emissions Directive (IED). In November 2021, Serbia postponed the deadline for issuing integrated permits for large polluters from 2020 to 2024. The Serbian Kostolac B thermal power plant is Europe's biggest sulphur dioxide polluter. Inspection and law enforcement remain areas of concern. Serbia needs to increase capacity for managing the integrated permitting processes. Serbia should enforce the polluters' pay-principle in order to encourage the industry to invest in green solutions. The Environmental Protection Agency updated the cadastre of contaminated sites in April 2022. In 2021, the number of inspections increased while a decrease in decisions and fines was noted. In September 2021, Serbia ratified the Law on amending Annex I to the Convention on Transboundary Effects of Industrial Accidents.

Serbia has a high level of alignment with the EU *acquis* on **chemicals**. In November 2021, Serbia adopted a new Law on biocidal products, increasing its alignment with the EU's Biocidal Products Regulation. Developments on REACH and CLP Regulations and on animal experiments and asbestos legislation largely stagnated in the past three years. Serbia needs to boost its administrative capacity to implement legislation in these areas, and ensure proper monitoring of persistent organic pollutants.

Alignment with the EU rules on **noise** increased through the adoption of a new Law on environmental noise protection in October 2021. Implementation remains at an early stage. Serbia needs to improve administrative capacity for preparing noise maps and action plans and for enforcing noise legislation.

Regarding **civil protection**, Serbia has a legal and policy framework for disaster risk management. Serbia is an active member of the Union Civil Protection Mechanism. In summer 2022 under the UCPM, Serbia provided significant support to combating wildfires, for instance by deploying firefighting helicopters to Slovenia. It has yet to connect to the common emergency communication and information system CECIS. 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 Union Civil Protection Mechanism.

### **Climate change**

Serbia has some level of preparation on climate change, but implementation is at a very early stage. Following the adoption of the Law on climate change in March 2021, Serbia so far adopted two out of 12 pieces of implementing legislation necessary to enable implementing the law. In October 2021, Serbia ratified the Kigali Amendment. Serbia is developing its integrated National Energy and Climate Plan (NECP) with broad participation of stakeholders. Serbia needs to step up efforts to diversify energy sources, develop renewables and decrease energy intensity in order to translate its commitment to the Green Agenda for the Western Balkans into concrete action including on introducing carbon-pricing instruments and phasing out coal subsidies.

The adoption and implementation of a climate strategy and action plan embedded in an ambitious NECP, which is consistent with the EU 2050 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. Serbia's draft national spatial plan based on Serbia's current energy strategy includes new thermal power plants. Serbia should consider setting a coal phase out-date as an effective means to comply with Energy Community law and Serbia's Green Agenda commitments on reaching the EU target of climate neutrality.

Work on improving greenhouse gas inventories did not progress. In August 2022, Serbia submitted with some delay its updated Nationally Determined Contribution (NDC) to the Paris Agreement, committing to a 33.3 % decrease in greenhouse gas emissions by 2030 compared to 1990 levels. 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 still pending. Serbia needs to considerably strengthen its administrative and technical capacity at all levels and further increase investments towards green energy transition.

### **CLUSTER 5: RESOURCES, AGRICULTURE AND COHESION**

This cluster covers chapters 11-agriculture and rural development, 12-food safety, veterinary and phytosanitary policy, 13-fisheries, 22- regional policy & coordination of structural instruments, and 33-financial & budgetary provisions. Two out of five chapters are open (chapter 13 and 33) with closing benchmarks that remain to be fulfilled in each chapter. The Commission has assessed that opening benchmarks have been met for chapters 11 and 22. Serbia has yet to meet all three opening benchmarks to open chapter 12.

This cluster comprises policies linked to EU structural funds and developing the capacities to assume responsibilities of a future Member State. It also comprises some of the key policy areas crucial for ensuring sustainable food systems and helping rural communities to develop and diversify economically.

Limited progress was achieved in different areas e.g. the adoption and implementation of the law on plant protection products; the classification of food establishments and establishments handling animal by-products; on financial and budgetary provisions as regards the underlying policy areas affecting the correct functioning of the own resources system; on regional policy as regards financial management.

In the coming period, Serbia is invited to focus on the following areas: to focus on increasing the pace of IPARD implementation to ensure a timely use of the financial support from the EU so as to avoid further loss of funds; to progress with the implementation of the action plan for EU *acquis* alignment in agriculture and rural development; adopt a strategy and action plan for alignment with the *acquis* on food safety, veterinary and phytosanitary policy, as well as framework legislation on genetically modified organisms aligned with the *acquis*; adopt the action plan for alignment with the *acquis* on fisheries; implement the action plan for meeting the requirements of the EU cohesion policy and improve capacity to manage indirect management programmes under EU pre-accession assistance; draft an action plan to meet the administrative own resources conditions.

## Chapter 11: Agriculture and rural development

*The common agricultural policy 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, in particular through the adoption of the amendment of the Law on agriculture in November 2021, improving the efficiency of processing IPARD applications, as well as the timely submission of the IPARD III programme for the period 2021-2027.

In the coming year, Serbia should in particular:

- take measures to improve implementation and avoid further loss of IPARD II funds;
- ensure the smooth roll-over of entrusted IPARD measures to the 2021-2027 period and prepare new measures for entrustment;
- update and continue implementation of the action plan for EU *acquis* alignment in agriculture and rural development.

As regards **horizontal issues**, the adoption of the next national programme for agriculture and rural development for the period 2022-2024 is pending. Its complementarity with the IPARD III programme should be ensured. The revision and update of the action plan on alignment with the EU *acquis* on agriculture and rural development should be finalised in the course of 2022. Serbia should speed up the establishment of the integrated administration and control system (IACS), and the transition from manual to electronic processing of aid applications. The procurement of software for the land parcel identification system (LPIS), a pre-condition for the start of the IPA 2021 project on the 1<sup>st</sup> phase of establishment of IACS, should be fulfilled without any further delays. Progress must be made in decoupling payments from production and linking area-based payments to cross-compliance standards. The farm accountancy data network (FADN) is established, but its sample size and the quality of the data needs to be further improved to be fully representative.

In the area of the **common market organisation (CMO)**, after the adoption of the framework law in June 2021 the decision on the list of agricultural products under market regulation was adopted. Implementing legislation in the areas of marketing standards, public and private storage and producer organisations remains to be adopted.

On **rural development**, Serbia is entrusted with budget implementation tasks for four measures under the IPARD II Programme, however implementation of the *‘Technical assistance’* measure is still pending. The delays in payments under the IPARD II Programme in 2021 resulted in a loss of EUR 3.7 million of IPARD funds., with considerable risk of further losses in 2022 and 2023. It is important that Serbia fully implements its action plan for better absorption of funds. There are still 99 vacant positions from the 232 posts dedicated to IPARD within the Directorate of Agrarian Payments (IPARD Agency). The spending of EU funds under IPARD should be a priority to avoid financial de-commitments and the filling of vacant posts is essential for improved and timely processing of IPARD applications.

Serbia’s IPARD III programme was prepared in an efficient and timely manner and approved by the European Commission in March 2022. Preparation for the implementation of the new measures under the programme, *‘Agri-environment-climate and organic farming’*, *‘Implementation of local rural development strategies (LEADER)’* and *‘Investments in rural public infrastructure’* needs to start well in advance of their planned entrustment with budget implementation tasks.

As regards the **quality policy**, the continuing delay in the adoption of legislation on quality schemes for agricultural products and foodstuffs is hindering the sector’s development.

For **organic farming**, the area under organic production continues to grow, with fruit production having the most significant increase. Primary legislation on organic production has been drafted in line with the EU *acquis* but its adoption is still pending.

## **Chapter 12: Food safety, veterinary and phytosanitary policy**

*Food safety, veterinary and phytosanitary policy and EU hygiene rules for foodstuff production ensure a high level of food safety. Animal health and welfare, and the safety of food of animal origin are safeguarded together with the quality of seeds, the plant protection material, the protection against harmful organisms and animal nutrition.*

Serbia is **moderately prepared** in the area of food safety, veterinary and phytosanitary policy. **Limited progress** was made on implementing the recommendations of the previous report, in particular through adoption of legislation and the start of implementation of the Law on plant protection products, the provisions regarding the training of professional users and periodic inspections of pesticide application devices.

In the coming year, Serbia should:

- adopt a comprehensive strategy and action plan for alignment, implementation and enforcement of the EU *acquis* on food safety, veterinary and phytosanitary policy;
- continue strengthening the capacities of the line Directorates and inspection services (Veterinary, Agricultural, Phytosanitary, and National Reference Laboratories), where required, through recruitment of new staff to compensate for those leaving the service, and develop retention policies for skilled staff;
- improve the risk-based approach to official controls for imports.

In the area of **general food safety**, Serbia prepared an advanced draft of a strategy and action plan for the alignment with the EU *acquis* but still needs to adopt it after inclusive public

consultations. While monitoring and official control programmes were adopted for food of animal and plant origin as well as animal feed, Serbia still needs to considerably improve its risk-based approach for imported foods. For example, the Government's Expert Council for Risk Assessment was established in 2017 but the outcome of its work is yet to be made public. Unjustified and unilateral changes in the regular application of existing import procedures (e.g. for meat), which may potentially constitute non-tariff barriers, must be avoided. Serbia has yet to carry out an audit of inspection staff. An integrated multiannual control plan was prepared by the Agricultural Inspection of Serbia, while this remains to be done by other inspection services within the Ministry of Agriculture.

On **veterinary policy**, annual programmes consisting of animal health protection measures were adopted in 2022. Mandatory vaccination of domestic pigs against classical swine fever discontinued in December 2019 and no new cases have been reported since. African swine fever continued to spread, which required further action by the competent bodies. No cases of rabies were noted in the reporting period. Serbia has been informed that EU funding for oral rabies vaccination campaigns will cease after spring 2023, with national authorities expected to fully take over the financing of these campaigns coupled with the necessary surveillance, in line with the EU *acquis*. The reduced administrative capacity of the Veterinary Directorate should be strengthened, including through the recruitment of additional policy specialists and training of staff. The Veterinary Directorate also continued to successfully outsource some of the meat inspection tasks to authorised veterinarians. Alignment of the national legislation on animal welfare with the EU *acquis* still needs to be finalised.

As regards the **placing of food, feed and animal by-products on the market**, Serbia made substantial progress in the categorisation of food establishments for compliance with the EU *acquis* but the process still needs to be finalised. While some positive steps were noted (training of inspectors and provision of state funding for construction of three local intermediate facilities), Serbia needs to further improve animal by-products management. Classification of establishments for management of animal by-products was completed.

On **food safety rules and specific rules for feed**, Serbia should considerably step up efforts to improve milk quality, and in that regard consider milk quality testing in the whole country. As noted for several years, the permitted level of aflatoxins in milk remains five times higher than the limit allowed by the EU *acquis*. Serbia also still needs to take the necessary measures to reduce the presence of aflatoxins in animal feed. The national reference laboratories Directorate was further strengthened through the recruitment of staff and the acquisition of additional equipment. In the area of **phytosanitary policy**, the annual programme of plant health measures was adopted in May 2022. Serbia adopted related rulebooks and started the implementation of specific provisions on training of professional users and periodic inspection of devices for pesticide application. However, further efforts are needed in this area, in particular on information and awareness raising about pesticide risks.

There was still no progress on adopting the framework legislation on **genetically modified organisms** that should be aligned with the EU *acquis*. This is crucial for progress in negotiations for membership to the World Trade Organisation and is a prerequisite for opening this chapter.

### **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 with the completion of an institutional capacity assessment report. An advanced draft action plan for the alignment with the EU *acquis*, which remains to be adopted, was presented. Last year's recommendations remain valid.

In the coming year, Serbia should:

- adopt an action plan for full compliance with the requirements of the EU *acquis* by the date of accession, in particular regarding organisation of the markets, aquaculture, data collection and control measures, also against illegal, unreported and unregulated fishing;
- address the severe understaffing of competent authorities responsible for policy formulation and anti-fraud controls for fisheries (including border controls);

Serbia does not have a coastline, therefore a large part of the EU *acquis* on fisheries is not applicable. Fisheries consist of inland fisheries and aquaculture operations. In the reporting period, an Assessment Report on steps needed to improve institutional capacity in fisheries was completed in April 2022. There were no further developments on the **inter-institutional coordination** in this area, including border and other anti-fraud controls, which would include customs and veterinary inspections and the development of clear protocols.

On **resource and fleet management**, the European Eel, as a strictly protected species, is covered by a permanent fishing ban. According to the **data collection framework**, the collection of annual catch quantities and biological data is mandatory for recreational and professional fishing activities. In addition, fisheries independent variables should be collected to assess abundance. The collection of statistical data on aquaculture for 2021 was carried out in line with the EU *acquis*. However, further strengthening of scientific capacity is needed to align data collection principles. In the field of **structural actions** the sector was included in the IPARD III support programme. However, structural measures remain to be put in place for small-scale or inland fisheries. On **inspections and control**, Serbia is expected to 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 fishing (IUU) as soon as a solution has been found for the fish catch certificate. Legislation on **market policy** still needs to be adopted, in line with the EU *acquis*. As concerns **State aid**, there are incentive payments provided to fish farmers. Serbia needs to assess their compatibility with the EU *acquis* before accession.

## 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** in the area of regional policy and coordination of structural instruments. **No progress** has been made on last year's recommendations which remain valid.

In the coming year, Serbia should in particular:

- urgently implement its action plan on cohesion policy, including nominating institutions in line with planning; in particular, to ensure timely preparation and implementation of IPA III multiannual operational programmes under indirect management;
- further improve capacity for indirect management of IPA programmes, and guarantee that key positions are permanently filled, while retaining key staff;



→ ensure that all instruments are compliant with EU requirements in terms of programming and partnership principles and factor in the requirements of the future structural/cohesion funds in the institutional set-up.

Serbia has still to adopt a **legal framework** for cohesion policy. Work on the law on cohesion policy needs to accelerate. 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. Serbia needs to apply a systematic approach to develop, co-finance and implement multiannual operational programmes.

Serbia did not yet define its **institutional framework** for cohesion policy. . Decisions on the appointment of institutions and bodies that will implement the EU's Instrument for Pre-accession Assistance (IPA III) should be made urgently, and their capacity developed with a view to their future role in cohesion policy. The institutional framework for managing IPA III will need to be adapted accordingly. Indirect management structures need to improve further to efficiently and timely manage IPA programmes and be able to operate in an ex-post controls environment.

Weaknesses persist in the **administrative capacity** in key institutions managing EU funds. Limits to the number of senior positions were removed in 2021, as a way to retain and motivate staff. However, frequent changes in key managerial positions within the indirect management structures have continued, as did managerial appointments in acting functions. The turnover of staff in key ministries remains a problem, as experienced staff is regularly replaced by newcomers. A more effective and holistic retention policy in the public sector is needed. Improvements in administrative capacity will minimise risks to lose EU IPA funds.

Serbia continues to participate in the European Strategy of Adriatic Ionian Region (EUSAIR), which promotes cooperation and synergies among participating EU and non-EU countries.

On **programming**, the adoption of a development plan, which forms the legal basis for Serbia's regional development policy, is long overdue. It should valorise the development potentials of all regions in Serbia and reduce regional and local disparities. Serbia should define the number and scope of its IPA III multiannual operational programmes as a priority. The investment planning system still lacks coherence, leading to non-transparent investment planning and investment financing and varied technical standards.

On **monitoring and evaluation**, the relevant monitoring committees set up under indirect management continued to function. However, since 3 years there was no progress on the implementation of the evaluation plan for indirect management of IPA funds and the establishment of a monitoring and evaluation system in accordance with the requirements of cohesion policy.

On **financial management, control and audit**, the capacities of the national systems for indirect management of IPA funds, including in the Audit Authority, continue to improve.

### Chapter 33: Financial and budgetary provisions

*This chapter covers the rules governing the funding of the EU budget ('own resources'). These resources mainly consist of: (i) contributions based on the gross national income of each Member State; (ii) customs duties; (iii) the non-recycled plastic; and (iv) a resource based on value-added tax. Member States must have the appropriate administrative capacity to adequately coordinate and ensure the correct calculation, collection, payment and control of own resources.*

Serbia has **some level of preparation** in the area of financial and budgetary provisions. **Limited progress** was made on the implementation of last year's policy recommendations and

within the underlying policy areas affecting the correct functioning of the own resources system. The previous report's recommendations therefore remain largely valid.

In the coming year, Serbia should in particular:

- further strengthen the administrative capacity of the coordination group and institutions involved in the own resources system;
- develop 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. To this end, draft an action plan with timelines to meet the administrative own resources conditions.

There was limited progress in the underlying policy areas indirectly affecting the own resources system (*for progress in these areas, see Chapters 16 – Taxation, 18 – Statistics, 29 – Customs union, and 32 – Financial control*).

Regarding **traditional own resources** (TOR), the customs legislation is largely aligned with the EU *acquis*. Serbia's customs administration procedures ensure that cases of fraud and irregularities are reported to the national authorities. However, reporting is manual and Serbia does not use OWNRES, or any other similar national electronic database, to report on fraud and irregularities for amounts over EUR 10000. Customs continued the simulation of TOR accounts in 2021. However, the current accounting system does not use two different accounts, one for collected or secured debts (so-called A account) and the other for uncollected/unsecured debts or secured but appealed debts (so-called B account). Several departments in the customs administration, including its internal audit department, carry out control activities. The state audit institution is in charge of carrying out external audits.

As regards the **value added tax (VAT)-based resource**, sufficient data sources are available for the calculation of the 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). However, continued efforts are needed to produce the complete data required by the ESA 2010 transmission programme. Serbia continued to improve the exhaustiveness of the national accounts and the gross national income (GNI) calculations. Updated GNI data is available for the period 2005-2020. The GNI estimates include those of the non-observed economy; first estimates for VAT fraud were calculated without breakdown into with/without complicity, so VAT weighted average rate is still not available. The results of tax audits are received from tax authorities and used to improve the exhaustiveness of the national accounts. Available data generally already meet the necessary standards of quality (reliability, comparability and exhaustiveness) to guarantee the legitimacy of GNI as a benchmark aggregate. The statistical office continued to improve its methods and data sources and regularly transmit GNI and GDP data to Eurostat. The work to establish a GNI inventory, based on the already existing description of sources and methods used to compile national accounts, started in 2018 and is to be finalised in 2024, together with the benchmark revision of national accounts data.

Regarding **administrative infrastructure**, the capacity of the institutions in the relevant policy areas needs to be further strengthened. The group for the coordination and management of own resources of the EU tasked with ensuring correct calculation, accounting, forecasting, collection, payment, control and reporting on the implementation of the EU's own resources policy and rules has been reduced from three (December 2020) to two employees (August 2021). Support is also needed for the group to fulfil its coordination tasks. Thereto, engaging

in a twinning light project to benefit from expertise of a recent acceded Member State is recommended. Furthermore, the organisational and procedural links between the institutions involved in own resources should still be developed.

## CLUSTER 6: EXTERNAL RELATIONS

There are two chapters in this cluster: chapter 30-external relations, and chapter 31-foreign, security and defence policy. Serbia is yet to meet the two opening benchmarks for chapters 30, which includes finalising the accession to the World Trade Organisation (WTO). In this regard, Serbia should adopt a WTO-compliant law on the trade of Genetically Modified Organisms (GMOs) as a matter of urgency.

The screening report on chapter 31 is still in the Council. In 2021, Serbia's alignment rate with relevant High Representative declarations on behalf of the EU and Council Decisions was 64 %, but dropped to 45 % as of August 2022. Serbia continued to participate in EU crisis management missions and operations under the common security and defence policy.

Serbia is invited to continue legislative alignment where necessary, and is also encouraged to implement actions under the common regional market based on EU rules, including through cooperation with CEFTA and the Regional Cooperation Council. Serbia should urgently improve its alignment with the EU's Common Foreign and Security Policy, including sanctions, and avoid actions that go against EU position on foreign policy.

### 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. **No progress** was made overall. The capacity to pursue key challenges in trade policy still remains to be strengthened, in particular in order to move forward with accession to the World Trade Organization (WTO), where no progress was made. In addition, Serbia introduced export restrictions on a number of products without presenting sufficient justifications, nor following the procedures set out in the Stabilisation and Association Agreement (SAA). Although Serbia lifted the restrictions on agricultural products in August 2022, due to internal pressures, and on Eurodiesel EN 590 in September, the other export restrictions remain in place and should be removed without delay unless sufficient justification is presented. Serbia should abstain from taking unilateral trade measures without justification and prior consultation with the Commission, in line with its commitments in the SAA. No substantial progress was made on development policy and humanitarian aid.

In the coming year, Serbia should in particular:

- finalise its accession to the WTO, inter alia by adopting a WTO-compliant law on genetically modified organisms and complete remaining bilateral market access negotiations;
- strengthen the administrative capacity of the Ministry of Trade, Tourism and Telecommunications for handling trade with the EU and CEFTA, as well as WTO accession;
- remove remaining unjustified trade restrictions as a matter of urgency and continue to implement actions within the Common Regional Market action plan 2021-2024; in particular negotiate and ensure a swift adoption of CEFTA Additional Protocol 7 on dispute settlement.

As regards the **common commercial policy**, no progress was made on Serbia's accession to the World Trade Organization (WTO). This continues to be stalled, primarily due to lack of progress on the adoption of a modified law on trade in genetically modified organisms, and on the completion of market access negotiations with a small number of WTO members. The Regional Convention on Pan-Euro-Mediterranean (PEM) preferential rules of origin is being applied in Serbia. Following an EU proposal to apply in parallel a more flexible set of origin rules on a transitional basis until the PEM Convention can be amended, Serbia has amended its bilateral trade agreements with CEFTA partners, with EFTA, and after amending Protocol 3 of the Stabilisation and Association Agreement (SAA) in February 2022, with the EU. Serbia's customs tariff nomenclature for 2022 was harmonised with the EU combined nomenclature in November 2021.

Serbia should ensure smooth implementation of the SAA and abstain from introducing unilateral trade restrictive measures without prior consultation of the Commission, in line with its SAA obligations. In March 2022, Serbia introduced an export ban for several basic agricultural products, including wheat and sunflower oil, which in April 2022 was replaced by a quota regime (subsequently amended several times in scope and design) allowing for limited export. Serbia claimed that these measures were justified under article 42 of the SAA (the shortage clause), but did not provide sufficient evidence. In May 2022, Serbia introduced a temporary (60 days) export ban for certain wood assortments. Serbia did not notify the Commission until after the measures were taken and again did not provide sufficient justifications. Informal consultative meetings were held on 18 May and 28 June. In June, Serbia introduced a temporary (7 days but prolonged on a weekly basis until 29 September) export ban on eurodiesel EN 590, once again without prior notification or justification. In August, Serbia introduced a temporary (until 5 February 2023) export ban on certain raw wood products, and in September a temporary (30 days and later prolonged for another 30 days) export ban on certain milk and butter products. The Commission was again not consulted or notified as foreseen in the SAA. A third consultative meeting took place on 30 September. Although Serbia lifted the restrictions on agricultural products in August 2022, due to internal pressures, and on Eurodiesel EN 590 in September, the other export restrictions remain in place and should be removed as a matter of urgency unless sufficient justification is presented.

Furthermore, the unilateral measures adopted by Serbia in December 2020 with regard to the management of wine imports from the EU restricting the allocation per trader create a less favourable trade environment. As these measures remain in place, Serbia is encouraged to restore the first come/first served arrangement.

Serbia's law on **dual-use goods** remains to be aligned with Regulation 2021/821 from May 2021. In March 2022, Serbia adopted the national control list of dual-use goods aimed at full alignment with the EU's Regulation on setting up a community regime for the control of exports, transfer, brokering and transit of dual-use items from October 2021. The national control list of **arms and military equipment** remains to be aligned with the Common Military List of February 2022. Serbia's applications to join the Wassenaar Arrangement and the Australia Group are still under consideration. Serbia is not a signatory of the Kimberly process on conflict diamonds.

The administrative capacity of the unit in the Ministry of Trade, Tourism and Telecommunications in charge of trade with the EU and EFTA should be strengthened and Serbia's capacity to complete the WTO accession should be further increased through ensuring representation in Geneva. Further work is yet to be done to improve the capacity to collect market statistics through the work of the national coordination body for trade facilitation.

With regard to the participation in CEFTA, Serbia has continued the implementation of Additional Protocol (AP) 5 on Trade Facilitation and AP 6 on Trade in Services. Negotiations within CEFTA on AP 7 on Dispute Settlement are ongoing. Serbia should continue to play a constructive role in CEFTA and within the Common Regional Market, in line with commitments taken at the Sofia Summit in November 2020 and the Berlin Process.

Regarding **bilateral agreements with third countries**, the Partnership, Trade and Cooperation Agreement with the United Kingdom of Great Britain and Northern Ireland formally entered into force on 15 July 2021. Serbia has announced plans for free trade agreements with China, the United Arab Emirates, and Egypt, but substantial negotiations have yet to begin. All the agreements that Serbia negotiates must ensure compatibility with the EU *acquis* and include sunset clauses, which guarantee that Serbia can denounce the agreements upon accession to the EU. Regarding bilateral investment treaties (BITs), Serbia should develop a strategy for amending or terminating existing BITs that fall short of EU standards and expose the country to risks due to the broad and open language used. Negotiations on new BITs are ongoing with South Korea, and have been announced for Angola and Bahrain. A new BIT with Türkiye was signed in September 2022.

No substantial progress was made on **development policy** and **humanitarian aid**. A new law on development cooperation and humanitarian aid is still being prepared. Development assistance and humanitarian aid are granted on an *ad hoc* basis.

### Chapter 31: Foreign, security and defence policy

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

Serbia is **moderately prepared** in the area of common foreign, security and defence policy (CFSP) and was **backsliding** during the reporting period. While following Russia's unprovoked and unjustified aggression against Ukraine, Serbia aligned with several EU positions in international fora (including in the UN General Assembly (UNGA)), it has so far refused to align with any sanctions against the Russian Federation and has not aligned with the majority of High Representative (HR) declarations on this matter. What is more, Serbia has continued its close relations with Russia and some statements and actions by high-level Serbian officials went directly against EU positions on foreign policy. In 2021, Serbia's alignment rate with relevant HR declarations on behalf of the EU and Council decisions on restrictive measures (sanctions) was 64 %. However, this rate dropped significantly to 45 % by August 2022. Serbia continued to participate in EU crisis management missions and operations under the common security and defence policy. Serbia needs to appoint the persons in charge of performing the functions of 'political director' and 'European correspondent'. Serbia needs to step up efforts to build societal resilience to information manipulation, including disinformation, and take action to actively counter this and other forms of hybrid threats.

In the coming year, Serbia should in particular:

- improve, as a matter of priority, its alignment with EU Common Foreign and Security Policy, including sanctions, and avoid actions and statements that go against EU positions on foreign policy;
- implement the action plans for the implementation of new national security and defence strategies in a manner fully reflecting Serbia's EU orientation in these areas;
- adopt a law allowing the participation in civilian CSDP missions.

The **political dialogue** between the EU and Serbia on foreign and security policy (CFSP) continued. In November 2021, the fourth informal bilateral dialogue with Serbia on CFSP was held in Belgrade and in April 2022, Serbia actively engaged also in the EU-Western Balkans informal CFSP dialogue of Political Directors.

The institutional framework enabling Serbia's participation in the CFSP and, respectively, the common security and defence policy (CSDP) is in place. In October and in December 2021, the government adopted the respective Action plans for the implementation of Serbia's new defence and national security strategies. A draft law on Foreign Affairs, envisaging the post of Political Director, was prepared. Serbia also prepared a draft which would allow participation in civilian missions. The Office for Gender Equality is operative in the Ministry of Defence as of April 2022.

On the **Common Foreign and Security Policy**, in 2021, Serbia's alignment rate with relevant High Representative declarations on behalf of the EU and Council Decisions was 64%. As of August 2022, Serbia's alignment rate dropped to 45 %. Serbia aligned with three Declarations by the High Representative on behalf of the EU related to Russia and Ukraine, with some HR Declarations on Belarus and with sanctions against the former leadership of Ukraine. In late September 2022, Serbia aligned with one further HR Declaration, on Russia's illegal sham "referenda" in Ukraine. However, Serbia has so far refused to align with any **restrictive measure** against Russia, and with the vast majority of HR Declarations related to Russia and Ukraine. Belgrade also maintained its close relations with Moscow, including by receiving senior Russian officials who are on the EU sanctions list. Serbia aligned with some sanctions against Belarus, as well as with the sanctions against Myanmar. Serbia denied reports of the UN Special Rapporteur that it was exporting arms to Myanmar. Serbia needs, as a matter of priority, to make serious additional efforts regarding its alignment with the EU CFSP.

In multilateral fora, Serbia aligned with the EU when voting in UNGA on two resolutions regarding Russia's aggression against Ukraine and its humanitarian impact. Serbia also voted for suspension of the Russian Federation in the UN Human Rights Council.

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 **intense relations and strategic partnerships with Russia**. Serbia did not explicitly condemn the Russian aggression against Ukraine, although it supported the territorial integrity of Ukraine and pledged humanitarian assistance and is accommodating refugees from Ukraine. Serbia has refused to impose sanctions against Russia and parts of Serbian media have been engaged in a strong pro-Russian disinformation campaign. High level representatives of Serbia made statements going against EU positions on Russian aggression. At the outset of the Russian invasion, Air Serbia doubled the number of flights to Russia; they were subsequently reduced to the pre-aggression frequency. Close relations and frequent high-level contacts with Russia, including regular bilateral visits, were maintained. In November 2021, the Serbian President met with his Russian counterpart in Sochi and discussed the energy supplies and the gas arrangement, whereby Serbia was granted a highly preferential price. The Serbian PM and the Minister without portfolio visited Moscow in November 2021. In October 2021, the Russian Minister of Foreign Affairs was invited to Belgrade to join for the first time a non-aligned movement meeting as an observer and the Russian Deputy PM also visited Belgrade. In February and in April 2022, the chair of the Foreign Affairs Committee of the Russian Duma visited Belgrade. Serbia's Minister of Interior visited Moscow in December 2021 and August 2022. Russian Minister of Foreign Affairs Lavrov's June 2022 Belgrade visit

was cancelled due to the lack of overflight authorisation from several other European countries. At the margin of the September 2022, UNGA Serbia's President met with the Russia's Minister of Foreign Affairs and Serbia's Foreign Minister signed a plan of consultations for 2023-2024 with his Russian counterpart. This came two days after Russian President Putin announced to hold sham referenda in Ukrainian territories to eventually illegally annex them, a partial mobilisation and threatened with the use of nuclear weapons.

Serbia also maintained close contacts and cooperation with other countries, such as China, the US and Türkiye. The Serbian President was received by his Chinese counterpart in Beijing in February 2022. In April 2022, a Chinese anti-aircraft missile system was delivered to Belgrade. Several high-level US visits from the United States to Belgrade took place. With Türkiye, bilateral contacts at Head of State level in Istanbul September 2021 and in Ankara in January 2022 took place. Turkish Minister of Foreign Affairs visited Serbia in June 2022 and the President in September 2022. Serbia has also intensified contacts with the Non-Aligned Movement and hosted a ministerial meeting in Belgrade in November 2021. Serbia continued supporting EU measures and documents on **conflict prevention**. Serbia is implementing its 2021-2024 strategy and respective action plan for Small Arms and Light Weapons control (SALW), with positive results and the authorities engaged in regional meetings on SALW. A dedicated working group to monitor the implementation was formally created in November 2021 and the Coordination Council received additional equipment.

Serbia joined almost all key **non-proliferation, disarmament and arms control treaties** promoted by the EU. Serbia should consider ratifying Protocol V on Explosive Remnants of War of the Convention on Certain Conventional Weapons (CCW). Serbia has a transparent reporting system on its strategic exports controls. Serbia is a very active State Party to the Chemical Weapons Convention. However, Serbia has not in recent years aligned with EU statements agreed in The Hague for the Organisation for the Prohibition of Chemical Weapons (OPCW) Conference of States Parties and Executive Council meetings. In July 2021, the Serbian government adopted the Strategy for fight against proliferation of Weapons of Mass Destruction, and in December 2021, the National Coordinating Body for fight against proliferation of Weapons of Mass Destruction was established.

In Geneva, in the context of the Conference on Disarmament, Serbia tends to align with all EU statements. At the UN in New York, however, Serbia occasionally does not align with EU statements and sometimes supports positions at the UN General Assembly First Committee that are opposed by the EU.

Serbia continued to engage actively with **international organisations**.

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

Serbia continued to actively participate in **EU crisis management missions and operations under the common security and defence policy (CSDP)**, notably the EU training missions in Somalia and Central African Republic, and EU NAVFOR Atalanta. Serbia is planning to contribute to civilian CSDP missions but it needs to complete the legal and administrative framework for the participation of civilians, inter alia, by adopting a relevant law. Serbia continued to participate in the roster of the EU Battle Groups.

On **hybrid threats**, the EU offered the hybrid risk survey for Serbia in 2018 as a mechanism that could strengthen Serbia's resilience and response capacity to hybrid challenges. Since the offer, no interaction has taken place with Serbia on this matter. Russia has sought to instrumentalise its relationship with Serbia and deployed hybrid tactics including in the form of disinformation campaigns aimed at discrediting the European Union. Opinion polls in Serbia

suggest that it is vulnerable to such campaigns, which should in future be actively countered by the authorities.



## ANNEX I – RELATIONS BETWEEN THE EU AND SERBIA

Within the framework of the **accession negotiations**, twenty-two chapters have been opened, two of which have been provisionally closed (chapters 25 and 26). In accordance with the revised enlargement methodology which Serbia accepted, negotiation chapters are grouped in six thematic clusters and negotiations should be opened for each cluster as a whole – after fulfilling opening benchmarks – rather than on individual chapters. All chapters of cluster 1 (fundamentals) are already opened. Cluster 4 (green agenda and sustainable connectivity) was opened at an intergovernmental conference in December 2021. Cluster 3 (competitiveness and inclusive growth) is the most advanced cluster to be opened next. Serbia tabled its negotiating positions on chapters 2, 3, 10, and 28.

Serbia is participating in the **Stabilisation and Association Process**. Serbia continued to build a track record in implementing the obligations of the Stabilisation and Association Agreement (SAA). Serbian legislation remains noncompliant with the SAA in a number of areas, including on restrictions on the acquisition of real estate and on discriminatory issuance of payment cards by banks. Furthermore, as of March 2022, Serbia introduced export restrictions on a number of products without presenting sufficient justifications, nor following the procedures set out in the SAA. As regards public procurement, inter-governmental agreements concluded with third countries and their implementation do not follow the EU principles of equal treatment, transparency, non-discrimination and competition for the majority of the value of public procurement contracts. As a result, EU companies are prevented from participating in large-scale infrastructure projects implemented in the country.

Regular political and economic dialogue between the EU and Serbia continued. Sub-committee meetings were held, together with a meeting of a special group on public administration reform. The Stabilisation and Association Parliamentary Committee met in July 2022. 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 2022.

In 2021, Serbia's alignment rate with EU Common Foreign and Security Policy positions was 64%. 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 2021 fourth report under the visa suspension mechanism concluded that Serbia continues to meet the visa liberalisation requirements.

Under the Instrument for Pre-accession Assistance 2021 – 2027 (IPA III) a first financing decision of EUR 122.14 million was adopted at the end of 2021, providing support in connectivity and energy efficiency, strengthening private sector development, trade, research and innovation, as well as improving the healthcare system. This first set of programmes, complemented by a significant package of multi-country programmes and the rural development programme IPARD III, provide a significant contribution to kick-start the implementation of the Economic and Investment Plan for the Western Balkans and the Green Agenda. Serbia participates also in cross-border cooperation programmes, transnational cooperation programmes and Union programmes.

The new activities will add to the on-going programmes under IPA II (2014-2020), which are still providing significant support for the social and economic development of the country and contribute to key reforms in the Rule of Law, Public Administration Reform and other sectors.

Three important budget support operations on Public Administration Reform (PAR), Integrated Border Management (IBM) and Education were finalised.

Serbia continues to benefit from support under the IPA multi-country and regional programmes. These programmes have been also, in part, repurposed to address the response to the COVID-19 crisis. Additionally, Serbia participates in three cross-border cooperation programmes with neighbouring Western Balkan countries and in transnational cooperation programmes with Member States under the European Regional Development Fund and the IPA Adriatic cross-border programme.

Serbia benefitted under IPA II from participation in the following Union programmes, with IPA support: Horizon 2020; COSME; Erasmus+ and Creative Europe; Europe for Citizens; Employment and Social Innovation.

The Commission set aside EUR 70 million in grants from IPA II for the Western Balkan partners to reimburse the Member States for the resale of doses they obtained under the EU Advance Purchase Agreements with COVID-19 vaccine producers, of which Serbia received EUR 27.3 million. A total of 285 900 COVID-19 vaccines were provided to Serbia through resales and donations of EU Member States. More bilateral purchases of EMA authorised COVID-19 vaccines are in the pipeline via the EU grant. Serbia also received 747 280 COVID-19 vaccines via the COVAX initiative, which is significantly supported by the EU.

**STATISTICAL DATA (as of 01.09.2022)****Serbia**

| <b>Basic data</b>               | Note        | 2009      | 2016      | 2017      | 2018      | 2019      | 2020      |
|---------------------------------|-------------|-----------|-----------|-----------|-----------|-----------|-----------|
| Population (thousand)           |             | 7 335 s   | 7 076 s   | 7 040 s   | 7 001 s   | 6 964 s   | 6 927 s   |
| Total area of the country (km²) | 1) 2)<br>3) | 77 453 sw | 77 591 sw | 77 594 sw | 77 594 sw | 77 594 sw | 77 594 sw |

| <b>National accounts</b>   | Note | 2009      | 2016      | 2017      | 2018      | 2019      | 2020      |
|--|------|-----------|-----------|-----------|-----------|-----------|-----------|
| Gross domestic product (GDP) (million national currency)   |      | 3 052 136 | 4 528 192 | 4 760 686 | 5 072 932 | 5 421 851 | 5 502 216 |
| Gross domestic product (GDP) (million euro)  |      | 32 486    | 36 779    | 39 235    | 42 892    | 46 005    | 46 796    |
| GDP (euro per capita)  |      | 4 440     | 5 210     | 5 590     | 6 140     | 6 620     | 6 780     |
| GDP per capita (in purchasing power standards (PPS))   |      | 9 464     | 11 011    | 11 407    | 12 016    | 12 805    | 12 758    |
| GDP per capita (in PPS), relative to the EU average (EU-27 = 100)  |      | 39.3      | 39.1      | 38.9      | 39.7      | 40.9      | 42.6      |
| Real GDP growth rate: change on previous year of GDP volume (%)  |      | - 2.7     | 3.3       | 2.1       | 4.5       | 4.3       | - 0.9     |
| Employment growth (national accounts data), relative to the previous year (%)                                  |      | c         | c         | c         | c         | c         | c         |
| Labour productivity growth: growth in GDP (in volume) per person employed, relative to the previous year (%)   |      | c         | c         | c         | c         | c         | c         |
| Unit labour cost growth, relative to the previous year (%)   |      | c         | c         | c         | c         | c         | c         |
| **3 year change (T/T-3) in the nominal unit labour cost growth index (2015 = 100)                              |      | c         | c         | c         | c         | c         | c         |
| Labour productivity per person employed: GDP (in PPS) per person employed relative to EU average (EU-27 = 100) |      | c         | c         | c         | c         | c         | c         |
| Gross value added by main sectors  |      |           |           |           |           |           |           |
| Agriculture, forestry and fisheries (%)  |      | 8.6       | 8.2       | 7.2       | 7.7       | 7.2       | 7.6       |
| Industry (%)   |      | 25.4      | 26.4      | 26.5      | 25.4      | 24.0      | 23.4      |
| Construction (%)   |      | 4.3       | 4.7       | 5.0       | 5.4       | 6.9       | 6.5       |
| Services (%)   |      | 61.7 s    | 60.6 s    | 61.4 s    | 61.6 s    | 61.9 s    | 62.4 s    |
| Final consumption expenditure, as a share of GDP (%)   |      | 94.7      | 86.7      | 87.0      | 86.0      | 84.8      | 84.1      |
| Gross fixed capital formation, as a share of GDP (%)   |      | 18.7      | 17.1      | 17.7      | 20.0      | 22.5      | 21.4      |
| Changes in inventories, as a share of GDP (%)  |      | 0.0       | 1.0       | 1.8       | 2.6       | 2.6       | 2.7       |

|  |  |      |      |      |      |      |      |
|--|--|------|------|------|------|------|------|
| Exports of goods and services, relative to GDP (%)   |  | 26.3 | 48.5 | 50.5 | 50.4 | 51.0 | 48.2 |
| Imports of goods and services, relative to GDP (%)   |  | 39.7 | 53.3 | 57.1 | 59.1 | 60.9 | 56.5 |
| Gross fixed capital formation by the general government sector, as a percentage of GDP (%) |  | :    | :    | :    | :    | :    | :    |

| <b>Business</b>  | Note  | 2009     | 2016     | 2017     | 2018     | 2019      | 2020  |
|--|-------|----------|----------|----------|----------|-----------|-------|
| Industrial production volume index (2015 = 100)  |       | 93.9     | 105.0    | 109.4    | 110.7    | 111.3     | 111.0 |
| Number of active enterprises (number)  | 4)    | 82 355 w | 90 905 p | 85 546 p | 87 407   | 88 224    | :     |
| Birth rate: number of enterprise births in the reference period (t) divided by the number of enterprises active in t (%) |       | 11.6 w   | :        | 11.5 p   | 10.0     | 10.1      | 8.5 w |
| Death rate: number of enterprise deaths in the reference period (t) divided by the number of enterprises active in t (%) |       | 8.3 w    | :        | 6.3 p    | 6.1      | 11.3 p    | 6.9 w |
| People employed in SMEs as a share of all persons employed (within the non-financial business economy) (%)               | 4) 5) | 59.5 sw  | 59.5 sw  | 59.3 sw  | 59.0 sw  | 58.5 sw   | :     |
| Value added by SMEs (in the non-financial business economy) (EUR million)  |       | 6 010 sw | 7 257 sw | 8 136 sw | 9 165 sw | 10 540 sw | :     |
| Total value added (in the non-financial business economy) (EUR million)  | 4)    | 12 363 w | 14 998 p | 16 442 p | 18 047   | 20 093    | :     |

| <b>Inflation rate and house prices</b>                               | Note | 2009  | 2016  | 2017  | 2018  | 2019  | 2020  |
|--|------|-------|-------|-------|-------|-------|-------|
| Consumer price index (CPI), change relative to the previous year (%) |      | 8.2 d | 1.3 d | 3.3 d | 2.0 d | 1.9 d | 1.8 d |
| **Annual change in the deflated house price index (2015 = 100)       |      | :     | :     | :     | :     | :     | :     |

| <b>Balance of payments</b>   | Note | 2009      | 2016      | 2017      | 2018      | 2019      | 2020      |
|--|------|-----------|-----------|-----------|-----------|-----------|-----------|
| Balance of payments: current account total (million euro)                                  |      | :         | - 1 317.0 | - 2 049.0 | - 2 092.0 | - 3 273.0 | - 2 034.0 |
| Balance of payments current account: trade balance (million euro)                          |      | :         | - 3 423.0 | - 3 997.0 | - 5 244.0 | - 5 680.0 | - 5 200.0 |
| Balance of payments current account: net services (million euro)                           |      | :         | 896.0     | 966.0     | 1 093.0   | 1 012.0   | 1 101.0   |
| Balance of payments current account: net balance for primary income (million euro)         |      | :         | - 1 951.0 | - 2 532.0 | - 2 067.0 | - 2 478.0 | - 1 529.0 |
| Balance of payments current account: net balance for secondary income (million euro)       |      | :         | 3 161.0   | 3 514.0   | 4 126.0   | 3 873.0   | 3 594.0   |
| Net balance for primary and secondary income: of which government transfers (million euro) |      | :         | 82.0      | 140.0     | 251.0     | 276.0     | 252.0     |
| **3 year backward moving average of the current account balance relative to GDP (%)        |      | :         | - 4.4     | - 4.4     | - 4.6     | - 5.7     | - 5.4     |
| **Five year change in share of world exports of goods and services (%)                     |      | :         | 33.4      | 46.4      | 26.4      | 31.2      | 38.4      |
| Net balance (inward - outward) of foreign direct investment (FDI) (million euro)           |      | 2 067.8 w | 1 899.2 w | 2 418.1 w | 3 156.5 w | 3 551.1 w | 2 938.5 w |

|  |  |           |           |           |           |           |           |
|--|--|-----------|-----------|-----------|-----------|-----------|-----------|
| Foreign direct investment (FDI) abroad (million euro)  |  | 32.0 w    | 227.8 w   | 130.0 w   | 307.9 w   | 264.2 w   | 100.4 w   |
| of which FDI of the reporting economy in the EU-27 countries (million euro)                                |  | :         | 63.2 w    | 67.2 w    | 95.5 w    | 124.0     | 23.6 w    |
| Foreign direct investment (FDI) in the reporting economy (million euro)                                    |  | 2 099.8 w | 2 126.9 w | 2 548.1 w | 3 464.5 w | 3 815.3 w | 3 038.9 w |
| of which FDI of the EU-27 countries in the reporting economy (million euro)                                |  | :         | 1 370.8 w | 1 701.7 w | 1 932.9 w | 2 310.0   | 1 956.0 w |
| **Net international investment position, relative to GDP (%)   |  | :         | 94.3 w    | 90.7 w    | 87.6 w    | 88.0 w    | 90.3 w    |
| Year on year rate of change in gross inflow of remittances (in national currency) from migrant workers (%) |  | :         | :         | 7.5 sw    | :         | :         | :         |

|   |      |         |         |        |         |          |         |
|---|------|---------|---------|--------|---------|----------|---------|
| <b>Public finance</b>                                     | Note | 2009    | 2016    | 2017   | 2018    | 2019     | 2020    |
| General government deficit / surplus, relative to GDP (%) |      | - 4.2 w | - 1.2 w | 1.1 w  | 0.6 ew  | - 0.2 ew | - 8.0 w |
| General government gross debt relative to GDP (%)         |      | 32.1 w  | 68.8 w  | 58.7 w | 54.4 ew | 52.9 ew  | 57.7 w  |
| Total government revenues, as a percentage of GDP (%)     |      | 39.3 w  | 40.8 w  | 41.5 w | 41.5 ew | 42.1 w   | 40.9 w  |
| Total government expenditure, as a percentage of GDP (%)  |      | 43.5 w  | 41.9 w  | 40.4 w | 40.9 ew | 42.3 w   | 48.9 w  |

|  |      |            |            |            |            |            |            |
|--|------|------------|------------|------------|------------|------------|------------|
| <b>Financial indicators</b>  | Note | 2009       | 2016       | 2017       | 2018       | 2019       | 2020       |
| Gross external debt of the whole economy, relative to GDP (%)                              | 6)   | 68.6 sw    | 72.0 sw    | 65.1 sw    | 62.2 sw    | 61.4 sw    | 65.8 sw    |
| Gross external debt of the whole economy, relative to total exports (%)                    |      | 276.9 w    | 152.4 w    | 132.2 w    | 126.0 w    | 121.0 w    | 138.2 w    |
| Money supply: M1 (banknotes, coins, overnight deposits, million euro)                      | 7)   | 2 695.1 w  | 4 923.0 w  | 5 652.6 w  | 6 703.6 w  | 7 684.2 w  | 10 376.6 w |
| Money supply: M2 (M1 plus deposits with maturity up to two years, million euro)            | 8)   | 4 554.9 w  | 6 546.5 w  | 7 360.4 w  | 8 611.4 w  | 10 090.7 w | 13 214.8 w |
| Money supply: M3 (M2 plus marketable instruments, million euro)                            | 9)   | 12 572.6 w | 17 793.9 w | 19 206.3 w | 22 047.1 w | 24 011.2 w | 28 361.5 w |
| Total credit by monetary financial institutions to residents (consolidated) (million euro) |      | 14 863.1 w | 21 632.4 w | 22 806.4 w | 24 605.8 w | 26 743.3 w | 30 621.0 w |
| **Annual change in financial sector liabilities (%)  |      | :          | 4.9 pw     | 3.4 pw     | 12.6 pw    | 11.2 pw    | 11.9 pw    |
| **Private credit flow, consolidated, relative to GDP (%)                                   |      | :          | :          | :          | :          | :          | :          |
| **Private debt, consolidated, relative to GDP (%)  |      | :          | :          | :          | :          | :          | :          |
| Interest rates: day-to-day money rate, per annum (%)                                       |      | 9.45 w     | 3.04 w     | 2.27 w     | 2.43 w     | 1.06 w     | 0.08 w     |
| Lending interest rate (one year), per annum (%)  |      | 12.00 w    | 5.50 w     | 5.00 w     | 4.25 w     | 3.50 w     | 1.90 w     |
| Deposit interest rate (one year), per annum (%)  |      | 7.00 w     | 2.50 w     | 2.00 w     | 1.75 w     | 1.00 w     | 0.10 w     |
| Euro exchange rates: average of period (1 euro = ... national currency)                    |      | 93.952     | 123.118    | 121.337    | 118.272    | 117.852    | 117.578    |
| Trade-weighted effective exchange rate index, 42 countries (2015 = 100)                    |      | :          | :          | :          | :          | :          | :          |

|  |  |            |            |           |            |            |            |
|--|--|------------|------------|-----------|------------|------------|------------|
| **3 year change (T/T-3) in the trade-weighted effective exchange rate index, 42 countries (2015 = 100) |  | :          | :          | :         | :          | :          | :          |
| Value of reserve assets (including gold) (million euro)  |  | 10 601.9 w | 10 204.6 w | 9 961.7 w | 11 261.8 w | 13 378.5 w | 13 491.7 w |

| <b>External trade in goods</b>  | Note | 2009    | 2016     | 2017     | 2018    | 2019    | 2020     |
|---|------|---------|----------|----------|---------|---------|----------|
| Value of imports: all goods, all partners (million euro)                |      | 11 146  | 15 225   | 17 559   | 20 074  | 22 216  | 21 362   |
| Value of exports: all goods, all partners (million euro)                |      | 5 629   | 12 742   | 14 365   | 15 650  | 16 859  | 16 381   |
| Trade balance: all goods, all partners (million euro)                   |      | - 5 517 | - 2 483  | - 3 194  | - 4 424 | - 5 356 | - 4 981  |
| Terms of trade (export price index / import price index * 100) (number) |      | 93.5 sw | 103.2 sw | 100.1 sw | 98.1 sw | 98.9 sw | 103.4 sw |
| Share of exports to EU-27 countries in value of total exports (%)       |      | 56.9 s  | 65.7 s   | 65.7 s   | 67.0 s  | 66.3 s  | 66.2 s   |
| Share of imports from EU-27 countries in value of total imports (%)     |      | 56.2 s  | 57.4 s   | 57.5 s   | 55.9 s  | 54.7 s  | 55.7 s   |

| <b>Demography</b>  | Note | 2009  | 2016  | 2017  | 2018  | 2019  | 2020  |
|--|------|-------|-------|-------|-------|-------|-------|
| Crude rate of natural change of population (natural growth rate): number of births minus deaths (per thousand inhabitants) |      | - 4.6 | - 5.1 | - 5.5 | - 5.4 | - 5.3 | - 8.0 |
| Infant mortality rate deaths of children under one year of age (per thousand live births)                                  |      | 7.0   | 5.4   | 4.7   | 4.9   | 4.8   | 5.0   |
| Life expectancy at birth: male (years)   |      | 71.4  | 73.2  | 73.1  | 73.5  | 73.4  | 71.6  |
| Life expectancy at birth: female (years)   |      | 76.7  | 78.3  | 78.1  | 78.4  | 78.6  | 77.5  |

| <b>Labour market</b>   | Note | 2009 | 2016   | 2017   | 2018   | 2019   | 2020   |
|--|------|------|--------|--------|--------|--------|--------|
| Economic activity rate for persons aged 20–64: proportion of the population aged 20–64 that is economically active (%) |      | :    | 70.0   | 71.2   | 72.5   | 72.9   | 72.5   |
| *Employment rate for persons aged 20–64: proportion of the population aged 20–64 that are in employment (%)            |      | :    | 59.1   | 61.4   | 63.1   | 65.2   | 65.9   |
| Male employment rate for persons aged 20–64 (%)  |      | :    | 66.3   | 68.5   | 70.5   | 72.1   | 72.9   |
| Female employment rate for persons aged 20–64 (%)  |      | :    | 51.9   | 54.5   | 55.8   | 58.2   | 58.9   |
| Employment rate for persons aged 55–64: proportion of the population aged 55–64 that are in employment (%)             |      | :    | 42.7   | 45.5   | 46.5   | 50.2   | 52.2   |
| Employment by main sectors   |      |      |        |        |        |        |        |
| Agriculture, forestry and fisheries (%)  |      | :    | 18.6 s | 17.2 s | 15.9 s | 15.6 s | 14.6 s |
| Industry (%)   |      | :    | 20.2 s | 21.2 s | 22.5 s | 22.6 s | 22.6 s |

|  |  |        |        |        |        |        |        |
|--|--|--------|--------|--------|--------|--------|--------|
| Construction (%)   |  | :      | 4.3 s  | 4.1 s  | 4.4 s  | 4.8 s  | 5.4 s  |
| Services (%)   |  | :      | 57.0 s | 57.5 s | 57.2 s | 56.9 s | 57.5 s |
| People employed in the public sector as a share of total employment, persons aged 20–64 (%)                          |  | 31.3 w | 28.3 w | 27.8 w | 27.3 w | 26.6 w | 26.4 w |
| People employed in the private sector as a share of total employment, persons aged 20–64 (%)                         |  | 68.7 w | 71.7 w | 72.2 w | 72.7 w | 73.4 w | 73.6 w |
| Unemployment rate: proportion of the labour force that is unemployed (%)   |  | :      | 15.4   | 13.6   | 12.8   | 10.5   | 9.1    |
| Male unemployment rate (%)   |  | :      | 14.8   | 13.0   | 12.1   | 10.0   | 8.8    |
| Female unemployment rate (%)   |  | :      | 16.2   | 14.4   | 13.8   | 11.2   | 9.5    |
| Youth unemployment rate: proportion of the labour force aged 15–24 that is unemployed (%)                            |  | :      | 34.9   | 31.9   | 29.7   | 27.5   | 26.6   |
| Long-term unemployment rate: proportion of the labour force that has been unemployed for 12 months or more (%)       |  | :      | 9.5    | 7.4    | 6.7    | 5.5    | 4.5    |
| Unemployment rate for persons (aged 25–64) having completed at most lower secondary education (ISCED levels 0-2) (%) |  | :      | 13.7   | 12.3   | 13.4   | 11.4   | 9.6    |
| Unemployment rate for persons (aged 25–64) having completed tertiary education (ISCED levels 5-8) (%)                |  | :      | 13.4   | 11.8   | 10.6   | 8.1    | 7.6    |

|   |            |           |          |          |           |          |          |
|---|------------|-----------|----------|----------|-----------|----------|----------|
| <b>Social cohesion</b>  | Note       | 2009      | 2016     | 2017     | 2018      | 2019     | 2020     |
| Average nominal monthly wages and salaries (national currency)  | 10)<br>11) | 44 147 bw | 63 474 w | 65 976 w | 68 629 bw | 75 814 w | 82 984 w |
| Index of real wages and salaries (index of nominal wages and salaries divided by the inflation index) (2016 = 100)  |            | 102 w     | 100 w    | 101 w    | 105 w     | 114 w    | 123 w    |
| GINI coefficient  |            | :         | 40       | 38       | 36        | 33       | 33       |
| Poverty gap   |            | :         | 39.4     | 38.8     | 37.4      | 32.1     | 27.1     |
| *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 (%) |            | :         | 7.0      | 6.2      | 6.8       | 6.6      | 5.6      |

|   |      |           |           |           |           |           |           |
|---|------|-----------|-----------|-----------|-----------|-----------|-----------|
| <b>Standard of living</b>   | Note | 2009      | 2016      | 2017      | 2018      | 2019      | 2020      |
| Number of passenger cars relative to population size (number per thousand population)             | 12)  | 223.8 sw  | 267.7 sw  | 279.6 sw  | 285.7 sw  | 299.2 sw  | 315.0     |
| Number of mobile phone subscriptions relative to population size (number per thousand population) |      | 1 351.3 w | 1 291.8 w | 1 231.4 w | 1 207.5 w | 1 217.2 w | 1 192.6 w |
| Mobile broadband penetration (per 100 inhabitants)  |      | :         | :         | :         | :         | :         | :         |
| Fixed broadband penetration (per 100 inhabitants)   |      | :         | :         | 35 w      | 30 w      | 28 w      | 34 w      |

| <b>Infrastructure</b>   | Note | 2009    | 2016    | 2017    | 2018    | 2019    | 2020    |
|---|------|---------|---------|---------|---------|---------|---------|
| Density of railway network (lines in operation per thousand km <sup>2</sup> ) | 13)  | 49.3 sw | 48.5 sw | 48.5 sw | 48.5 sw | 48.5 sw | 43.2 sw |
| Length of motorways (kilometres)  |      | 495 w   | 741     | 963     | 782 w   | 928 w   | 928     |

| <b>Innovation and research</b>  | Note | 2009   | 2016   | 2017  | 2018   | 2019   | 2020   |
|---|------|--------|--------|-------|--------|--------|--------|
| Public expenditure on education relative to GDP (%)                                     |      | 4.5 sw | 3.6 sw | 3.6 d | 3.6 sw | 3.6 sw | 3.5 sw |
| *Gross domestic expenditure on R&D relative to GDP (%)                                  |      | 0.82   | 0.84   | 0.87  | 0.92   | 0.89   | 0.91   |
| Government budget appropriations or outlays on R&D (GBAORD), as a percentage of GDP (%) |      | :      | 0.36   | 0.38  | 0.37   | 0.40   | 0.46   |
| Percentage of households who have internet access at home (%)                           |      | 37.0   | :      | 68.0  | 73.0   | 80.0   | 81.0   |

| <b>Environment</b>  | Note | 2009   | 2016   | 2017   | 2018   | 2019   | 2020   |
|---|------|--------|--------|--------|--------|--------|--------|
| *Index of greenhouse gas emissions, CO <sub>2</sub> equivalent (1990 = 100)                       |      | 79.1 w | 77.5 w | 78.5 w | 76.5 w | 75.1 w | :      |
| Energy intensity of the economy (kg of oil equivalent per 1 000 euro GDP at 2015 constant prices) |      | 448.4  | 418.4  | 418.0  | 394.5  | 375.5  | 391.2  |
| Electricity generated from renewable sources relative to gross electricity consumption (%)        |      | 28.3   | 29.2   | 27.4   | 28.7   | 30.1   | 30.7   |
| Road share of inland freight transport (based on tonne-km) (%)                                    |      | :      | 48.7 w | 51.5 w | 55.5 w | 68.0 w | 64.9 w |

| <b>Energy</b>  | Note | 2009    | 2016    | 2017    | 2018    | 2019    | 2020    |
|--|------|---------|---------|---------|---------|---------|---------|
| Primary production of all energy products (thousand TOE) |      | 10 196  | 10 695  | 10 496  | 10 025  | 10 219  | 10 969  |
| Primary production of crude oil (thousand TOE)           |      | 695     | 1 028   | 988     | 976     | 941     | 921     |
| Primary production of solid fuels (thousand TOE)         |      | 7 331   | 7 201   | 7 216   | 6 609   | 6 826   | 7 205   |
| Primary production of gas (thousand TOE)                 |      | 209     | 417     | 389     | 358     | 349     | 325     |
| Net imports of all energy products (thousand TOE)        |      | 4 913 s | 4 593 s | 5 330 s | 5 385 s | 5 497 s | 4 753 s |
| Gross inland energy consumption (thousand TOE)           |      | 15 230  | 15 432  | 15 748  | 15 528  | 15 420  | 15 914  |
| Gross electricity generation (GWh)                       |      | 38 322  | 39 342  | 37 045  | 37 426  | 37 600  | 37 956  |

| <b>Agriculture</b>   | Note | 2009   | 2016    | 2017   | 2018    | 2019    | 2020    |
|--|------|--------|---------|--------|---------|---------|---------|
| Agricultural production volume index of goods and services (at producer prices) (2010 = 100) |      | 99.1 w | 112.3 w | 98.9 w | 113.3 w | 116.8 w | 121.2 w |



|  |  |         |           |           |           |           |           |
|--|--|---------|-----------|-----------|-----------|-----------|-----------|
| Utilised agricultural area (thousand hectares)                               |  | 3 539.1 | 3 460.1   | 3 438.1   | 3 486.9   | 3 481.6   | 3 506.5   |
| Livestock numbers: live bovine animals (thousand heads, end of period)       |  | 1 002.0 | 893.0     | 899.0     | 878.0     | 898.0     | 886.0     |
| Livestock numbers: live swine (thousand heads, end of period)                |  | 3 631.0 | 3 021.0   | 2 911.0   | 2 782.0   | 2 903.0   | 2 983.0   |
| Livestock numbers: live sheep and live goats (thousand heads, end of period) |  | :       | 1 865.0 s | 1 887.0 s | 1 908.0 s | 1 833.0 s | 1 887.0 s |
| Raw milk available on farms (thousand tonnes)                                |  | :       | 1 603.7   | 1 599.3   | 1 590.0   | 1 597.0   | 1 583.7   |
| Harvested crop production: cereals (including rice) (thousand tonnes)        |  | 9 469.0 | 10 868.0  | 6 793.3   | 10 529.1  | 10 436.4  | 11 447.6  |
| Harvested crop production: sugar beet (thousand tonnes)                      |  | 2 977.8 | 2 683.9   | 2 513.5   | 2 325.3   | 2 305.3   | 2 018.2   |
| Harvested crop production: vegetables (thousand tonnes)                      |  | 1 080.1 | 1 133.1   | 1 086.6   | 829.8     | 738.5     | 720.1     |

**Source: Eurostat and the statistical authorities in Serbia**

: = not available

b = break in series

c = confidential value

d = definition differs

e = estimated value

p = provisional

s = Eurostat estimate

w= data supplied by and under the responsibility of the national statistical authority and published on an "as is" basis and without any assurance as regards their quality and adherence to EU statistical methodology

\* = Europe 2020 indicator

\*\* = Macroeconomic Imbalance Procedure (MIP) indicator

Footnotes:

- 1) The cadastral surveys and the development of the digital cadastral map are still in progress.
- 2) Data for 31 December of the year
- 3) The data was taken from the Republic Geodetic Authority.
- 4) Unincorporated enterprises are not included.
- 5) Unincorporated enterprises are not included.

From the reference 2019 NACE S95 activity is included.

- 6) Official external debt of the Republic of Serbia.
- 7) The money supply M1 consists of currency in circulation and funds in giro, current and other accounts belonging to the owners of money balances in banks' liabilities, including money balances in the accounts of local government bodies, i.e. accounts from which payments can be made without any restrictions.
- 8) The money supply M2, in addition to M1, includes other dinar deposits, both short-and long-term.
- 9) The money supply M3, in addition to M2, includes short-and long term foreign currency deposits (without the so-called frozen foreign currency savings).
- 10) Wages and salaries paid to employees of legal entities and of unincorporated enterprises.
- 11) Wages and salaries are obtained from administrative sources (tax administration records). Average earnings are calculated on the basis of the total amount of accrued earnings for the reporting month and the number of full-time equivalent (FTE) employees.
- 12) Ministry of Interior excluded vehicles that were not registered before the given deadline (1 month).
- 13) The cadastral surveys and the development of the digital cadastral map are still in progress.

Data for 31 December of the year, exception for 2021 where the data are for 1.1.2021

The data was taken from the Republic Geodetic Authority.