



EUROPEAN
COMMISSION

Strasbourg, 19.10.2021
SWD(2021) 288 final

COMMISSION STAFF WORKING DOCUMENT

Serbia 2021 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**

2021 Communication on EU Enlargement Policy

{COM(2021) 644 final} - {SWD(2021) 289 final} - {SWD(2021) 290 final} -
{SWD(2021) 291 final} - {SWD(2021) 292 final} - {SWD(2021) 293 final} -
{SWD(2021) 294 final}

Table of Contents

1. Introduction.....	3
1.1 Context.....	3
1.2 Summary of the report	4
1.3 State of play of the accession negotiations.....	7
2. Cluster 1: The Fundamentals of the Accession Process	8
2.1. Functioning of democratic institutions and Public Administration Reform	8
2.1.1 Democracy.....	8
2.1.2. Public administration reform	13
2.2. Rule of law and fundamental rights	17
2.2.1. Chapter 23: Judiciary and fundamental rights	17
2.2.2 Chapter 24: Justice, freedom and security.....	41
2.3 Economic criteria.....	56
2.3.1. The existence of a functioning market economy.....	56
2.3.2. The capacity to cope with competitive pressure and market forces within the EU	64
2.4. Public Procurement, Statistics, Financial control	68
Chapter 5: Public procurement	68
Chapter 18: Statistics.....	70
Chapter 32: Financial control	72
3. Good neighbourly relations and regional cooperation	75
4. Normalisation of relations between Serbia and Kosovo	78
5. Ability to assume the obligations of membership.....	79
Cluster 2: Internal Market	79
Chapter 1: Free movement of goods	80
Chapter 2: Freedom of movement for workers	82
Chapter 3: Right of establishment and freedom to provide services	83
Chapter 4: Free movement of capital	84
Chapter 6: Company law	84
Chapter 7: Intellectual property law	85
Chapter 8: Competition policy.....	86
Chapter 9: Financial services	89
Chapter 28: Consumer and health protection	89
Cluster 3: Competitiveness and inclusive growth	93
Chapter 10: Information society and media	94

Chapter 16: Taxation	96
Chapter 17: Economic and monetary policy	97
Chapter 19: Social Policy and employment.....	98
Chapter 20: Enterprise and industrial policy.....	101
Chapter 25: Science and research	103
Chapter 26: Education and culture.....	104
Chapter 29: Customs union	106
Cluster 4: The Green agenda and sustainable connectivity	107
Chapter 14: Transport	108
Chapter 15: Energy	110
Chapter 21: Trans-European networks	112
Chapter 27: Environment and climate change.....	113
Cluster 5: Resources, agriculture and cohesion	116
Chapter 11: Agriculture and rural development	117
Chapter 12: Food safety, veterinary and phytosanitary policy	118
Chapter 13: Fisheries.....	119
Chapter 22: Regional policy and coordination of structural instruments	120
Chapter 33: Financial and budgetary provisions	121
Cluster 6: External relations	122
Chapter 30: External relations.....	123
Chapter 31: Foreign, security and defence policy	124
ANNEX I – RELATIONS BETWEEN THE EU AND SERBIA	127

1. INTRODUCTION

1.1 CONTEXT

The European Council granted Serbia the status of candidate country in 2012. Since the opening of Serbia's accession negotiations in January 2014, 18 out of 35 chapters have been opened, including all chapters in cluster 1 on the fundamentals. Two chapters have been provisionally closed. Serbia accepted the revised enlargement methodology and a first political inter-governmental conference was held in June 2021. This revised methodology focuses on the following aspects: (i) a stronger focus on the fundamental reforms, (ii) a stronger political steer, (iii) an increased dynamism, and (iv) the predictability of the process. 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 continued to declare European integration as its strategic goal and restructured the Ministry for European Integration to respond to the requirements of the revised methodology. The government prioritised EU-related reforms in the first half of 2021 and made the rule of law agenda one of its key priorities and fields of action. The government further delivered on a number of important outstanding benchmarks under clusters 3 (competitiveness and inclusive growth) and 4 (green agenda and sustainable connectivity). Therefore the Commission has recommended that the opening benchmarks in these clusters were fulfilled and the clusters should be opened. Effective policy planning and coordination, and sufficient human and financial resources on EU accession across all institutions involved need to be in place to match the government's renewed political focus. In line with their EU accession objective, the Serbian authorities need to place more emphasis on proactive and objective communication about the EU, which is Serbia's main political and economic partner.

The COVID-19 pandemic continued throughout the reporting period. By early October 2021, Serbia had recorded around 974 000 cases and around 8 000 deaths due to the pandemic and administered around 6.3 million doses of vaccines. The Serbian economy recorded only a mild contraction – 1 % – in 2020, as the impact of the pandemic was mitigated by a strong pre-pandemic momentum, sizeable and timely fiscal and monetary support measures, a low dependency on the sectors of the economy hit most such as tourism, and a relatively short duration of containment measures. The fiscal space created prior to the crisis allowed Serbia to provide substantial fiscal support for crisis mitigation in 2020 and 2021 and to increase capital spending substantially.

The EU continued to provide essential support to Serbia. It has allocated EUR 78.4 million to Serbia for socioeconomic recovery and EUR 15 million for immediate needs such as medical equipment, support to vulnerable groups in society, and exceptionally, the hiring of 200 extra medical workers to alleviate the pressure on medical personnel. In addition, almost EUR 12 million has been allocated to Serbia as part of the EU Solidarity Fund. The EU provided a grant of over EUR 27 million to Serbia so it could purchase vaccines from EU Member States, as well as equipment related to the ongoing vaccination campaign. Serbia can also benefit from a EUR 7 million regional EU project implemented by the World Health Organization, to support safe and effective vaccination in the Western Balkans. By early

* 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.

October 2021, Serbia had received around 8.3 million vaccines from different suppliers and had fully vaccinated around 2.75 million people (around 40% of the population). Serbia has become a regional vaccination hub and has donated around 600 000 vaccines to other countries in the Western Balkans, including North Macedonia, Montenegro and Bosnia and Herzegovina. It has also vaccinated thousands of foreign nationals, mainly from within this same region.

Given the European perspective of the Western Balkans, the EU has continued to treat the region as privileged partners by associating them with the EU's mechanisms and instruments, including the Health Security Committee, joint procurement agreements, Union Civil Protection Mechanism, Solidarity Fund, consular assistance in repatriation, and exemption from temporary EU export restrictions of medical equipment. The European Commission continues to recommend that emergency measures taken in the context of the COVID-19 pandemic be proportionate, restricted to what is necessary and limited in time so that rule of law and democratic and human rights standards are upheld.

1.2 SUMMARY OF THE REPORT^{1 2}

As regards the **political criteria**, the Serbian Parliament and political forces continued to engage in the inter-party dialogue led by the European Parliament, with a view to forging broad cross-party consensus on EU-related reforms, which is vital for the country's progress on its EU path. However, the political climate during the reporting period remained polarised. For the process to be successful, all political actors need to engage constructively and in good faith, and implement the measures identified in September 2021 by the Co-facilitators from the European and Serbian Parliament during the inter-party dialogue.

On elections, Serbia started addressing long-standing recommendations by the Office for Democratic Institutions and Human Rights of the Organisation for Security and Cooperation in Europe (OSCE/ODIHR) and the government reinstated the relevant working group on elections. All key recommendations should be implemented in an inclusive and transparent manner, based on wider political consensus and well ahead of the next elections.

The Serbian Parliament's mandate, which was formally constituted in August 2020, has been limited in time from the start, as the political leadership announced new elections for no later than spring 2022. Overall, the Parliament significantly reduced the use of urgent procedures and adopted a new code of conduct for Members of Parliament. However, inflammatory language against political opponents and representatives of other institutions expressing diverging political views was still used during parliamentary debates. All politicians should counter hate speech and contribute to a political dialogue on EU-related reforms, particularly on the fundamentals of democracy and the rule of law.

A newly created Ministry for human and minority rights and social dialogue initiated a series of public dialogues. However, further efforts are still needed to ensure systematic cooperation between the government and **civil society**. An enabling environment for developing and

¹ This report covers the period from June 2020 to June 2021. 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.

² For the state of play the report uses the following assessment scales: early stage, some level of preparation, moderately prepared, good level of preparation and well advanced. For progress made during the reporting period, 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.

financing civil society organisations (CSOs) still needs to be established on the ground, as verbal attacks against CSOs continued, including in Parliament.

Serbia is moderately prepared in the area of **public administration reform**. Limited progress was made overall during the reporting period. Serbia still needs to ensure (i) merit-based recruitment and a reduction in the excessive number of acting senior manager positions, (ii) a strong quality control role for the Public Policy Secretariat in policy development and coordination, and (iii) a single mechanism for prioritising all investments regardless of the type and source of financing.

Serbia's **judicial system** has some level of preparation. Limited progress was made over the reporting period. The constitutional reform of the judiciary was relaunched in December 2020, and is planned to be finalised by the end of 2021. The system for judicial appointments and for evaluating the work of judges and prosecutors needs to be thoroughly revised following the adoption of the constitutional amendments, to allow for merit-based judicial recruitments and careers since the current legal framework does not provide sufficient guarantees against potential political influence over the judiciary.

Serbia has some level of preparation in the **fight against corruption**. Limited progress was made over the reporting period. As regards the prevention of corruption, the Council of Europe's Group of States against Corruption (GRECO) concluded that its recommendation on the Agency for the Prevention of Corruption was fulfilled in a satisfactory manner. This recommendation concerned the need for an adequate degree of independence and financial and personnel resources as well as on extending the Agency's competence. Serbia has yet to adopt a new anti-corruption strategy accompanied by an action plan and to establish an effective coordination mechanism to operationalise prevention or repression policy goals and effectively address corruption. The number of indictments and the number of first instance convictions for high-level corruption cases further decreased compared to previous years. Serbia should increase its efforts in addressing these shortcomings and step up the prevention and repression of corruption.

In the **fight against organised crime**, Serbia has some level of preparation. Limited progress was made over the reporting period. Serbia has yet to establish a convincing track record of effective investigations, prosecutions and final convictions in serious and organised crime cases, including financial investigations leading to a track record of freezing and confiscating criminal assets. The number of convictions for organised crime decreased compared to 2019. Serbia should adapt its approach from one based on cases to a strategy against organisations, and from focusing on cases of low or medium importance to high profile cases aiming at dismantling big and internationally spread organisations and seizing the assets.

Serbia's legislative and institutional framework for upholding **fundamental rights** is broadly in place. However, it needs to ensure the framework is consistently and efficiently implemented. Human rights institutions need to be strengthened and their independence guaranteed, including by means of allocating the necessary financial and human resources. Regarding **freedom of expression**, limited progress was made by adopting and starting to implement a limited number of measures under the action plan related to the media strategy. However, verbal attacks against journalists by high-level officials continued and cases of threats and violence remain a concern. Most media associations withdrew from the group on the safety of journalists in March 2021, citing hate speech and smear campaigns against journalists and civil society representatives, including by the head of the ruling party caucus in Parliament. These verbal attacks in Parliament took place even after a code of conduct was adopted in December 2020. The overall environment for exercising freedom of expression without hindrance still needs to be further strengthened in practice.

On the **economic criteria**, Serbia has made some progress and is moderately prepared/at a good level of preparation in **developing a functioning market economy**. The Serbian economy recorded only a mild contraction in 2020 as the impact of the COVID-19 crisis was mitigated by a strong pre-crisis momentum, sizeable and timely fiscal and monetary support measures, the sectoral structure of the economy and a relatively low average stringency of containment measures. External imbalances narrowed in the crisis while their financing continued to be fully covered by Foreign Direct Investment (FDI) inflows. The fiscal space created prior to the crisis allowed Serbia to provide substantial fiscal support for crisis mitigation in 2020 and 2021 and to substantially increase capital spending. Banking sector stability was preserved and lending growth was robust, supported by monetary easing, loan moratoria and liquidity-enhancing measures. The labour market has recorded a further decrease in unemployment in 2020, reflecting in particular lower participation rates during the crisis.

There has been some progress with tax administration reforms and the privatisation of state-owned banks. However, other major structural reforms of public administration and state-owned enterprises (SOEs) continued to advance slowly, prolonging long-standing inefficiencies. There has been no progress in strengthening the fiscal rules to anchor fiscal policy. The state retains a strong footprint in the economy and the private sector is underdeveloped and hampered by weaknesses in the rule of law, in particular corruption and judicial inefficiency, and in the enforcement of fair competition.

Serbia has made some progress and is moderately prepared to **cope with competitive pressure and market forces within the EU**. The structure of the economy improved further and economic integration with the EU remained high. However, despite some progress, the quality and relevance of education and training do not fully meet labour market needs. Public investment has continued to increase with the aim to address serious infrastructure gaps after years of underinvestment. Although the cost of borrowing for small and medium-sized enterprises (SMEs) has declined, they still face a number of challenges, including a volatile business environment and unfair competition.

On **good neighbourly relations and regional cooperation**, Serbia overall remained committed to bilateral relations with other enlargement countries and neighbouring EU Member States. However, relations with Montenegro have been marked by continued tensions. In general, Serbia actively participates in regional cooperation.

Regarding the **normalisation of relations with Kosovo**, the EU-facilitated dialogue continued with high-level meetings on 15 June and 19 July 2021, as well as three chief negotiators' meetings. During the reporting period, both parties appointed new chief negotiators and negotiating teams. Serbia needs to make further substantial efforts on the implementation of all past agreements and contribute to reaching a comprehensive legally binding normalisation agreement with Kosovo. Such an agreement is urgent and crucial so that Kosovo and Serbia can advance on their respective European paths.

Concerning Serbia's **ability to assume the obligations of EU membership**, the country has carried out important work on alignment with EU *acquis* over many areas, particularly on taxation and energy.

The cluster on **internal market** is key for Serbia's preparations for meeting the requirements of the EU's internal market and is highly relevant for possible early integration measures and the development of the Common Regional Market. Progress was made on legislative alignment on company law, freedom of movement for workers and the establishment and

freedom to provide services. However, no progress was made in the areas of free movement of capital, financial services, and consumer and health protection.

The **competitiveness and inclusive growth** cluster has significant links to Serbia's Economic Reform Programme. Progress was made in the areas of taxation, social policy and employment, industrial policy, scientific and technological development and education. On taxation, social policy and employment, Serbia has also met the opening benchmarks. However, no progress was made on strengthening fiscal rules to anchor fiscal policy.

The **Green agenda and sustainable connectivity** cluster is at the heart of the Green Agenda for the Western Balkans endorsed by Serbia in November 2020 and closely linked to Serbia's Economic Reform Programme and the Commission's Economic and Investment Plan. Serbia has met the opening benchmarks on energy. The country made progress on road safety and rail reform. It also adopted a climate law, as well as a package of major energy laws, including new laws on renewables and energy efficiency.

The cluster on **resources, agriculture and cohesion** comprises policies linked to EU structural funds and to developing the capacities 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. Serbia made progress on food safety by recruiting staff at the national reference laboratories and by drafting an action plan on fisheries; on financial and budgetary as regards the management of own resources; and on regional policy as regards financial management.

On the **external relations** cluster, Serbia's overall patterns in aligning with the EU's common foreign and security policy remained broadly unchanged. A number of actions by Serbia went contrary to EU positions on foreign policy. In 2020, Serbia's alignment rate with relevant High Representative statements on behalf of the EU and Council Decisions stood at 56%, but rose to 61% as of August 2021. Serbia continued to participate in EU crisis management missions and operations under the common security and defence policy. No concrete progress was made towards finalising the accession negotiations with the World Trade Organisation.

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

1.3 STATE OF PLAY OF THE ACCESSION NEGOTIATIONS

Clusters	Chapters / areas	State of play
Fundamentals <i>All chapters open</i>	23 – Judiciary and fundamental rights 24 – Justice, freedom and security 5 – Public procurement 18 – Statistics 32 – Financial control ...Economic criteria ...Functioning of democratic institutions ...Public administration reform	Opened July 2016 Opened July 2016 Opened December 2016 Opened December 2018 Opened December 2015
Internal Market <i>4 chapters open</i>	1 – Free movement of goods 2 – Freedom of movement for workers 3 – Right of establishment and freedom to establish services 4 – Free movement of capital 6 – Company Law 7 – Intellectual property law	Serbia working on fulfilment of opening benchmarks Draft EU Common Position in Council Draft EU Common Position in Council Opened December 2019 Opened December 2017 Opened June 2017

	8 – Competition 9 – Financial services 28 – Consumer and health protection	Serbia working on fulfilment of opening benchmarks Opened June 2019 Serbia invited to present its negotiating position
Competitiveness and inclusive growth <i>5 chapters open</i>	10 – Information society and media 16 – Taxation 17 – Economic and monetary policy 19 – Social policy and employment 20 – Enterprise and industrial policy 25 – Science and research 26 – Education and culture 29 – Customs union	Draft EU Common Position in Council Opening Benchmarks Assessment Report in Council Opened December 2018 Opening Benchmarks Assessment Report in Council Opened February 2017 Opened December 2016 and provisionally closed Opened February 2017 and provisionally closed Opened June 2017
Green Agenda and Sustainable connectivity <i>No chapter open</i>	14 – Transport policy 15 – Energy 21 – Trans-European networks 27 – Environment and climate change	Draft EU Common Position in Council Opening Benchmarks Assessment Report in Council Draft EU Common Position in Council Draft EU Common Position in Council
Resources, Agriculture and cohesion <i>2 chapters open</i>	11 – Agriculture and rural development 12 – Food safety, veterinary and phytosanitary policy 13 – Fisheries 22 – Regional policy and coordination of structural instruments 33 – Financial and budgetary provisions	Opening Benchmarks Assessment Report in Council Serbia working on fulfilment of opening benchmarks Opened June 2018 Opening Benchmarks Assessment Report in Council Opened June 2018
External Relations <i>1 chapter opened</i>	30 – External relations 31 – Foreign, security and defence policy	Opened December 2017 Screening Report in Council

Not part of a cluster:

Chapter 34 – Institutions is currently not applicable for Serbia

Chapter 35 – Other Issues / Normalisation with 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 Serbian Parliament and political forces continued to engage in the inter-party dialogue led by the European Parliament, with a view to forging broad cross-party consensus on EU-related reforms, which is vital for the country's progress on its EU path. The political climate during the reporting period remained polarised. Inflammatory language against political opponents and representatives of other institutions expressing diverging political views was used during parliamentary debates. This included verbal attacks against civil society organisations and media by representatives of the ruling coalition. All politicians should counter hate speech and contribute to a political dialogue on EU-related reforms in particular on the fundamentals of democracy and the rule of law. Institutions need to improve cooperation with civil society and treat it as an essential partner in reforms and a guarantor of effective checks and balances.

Elections

Serbia started addressing long-standing recommendations by the Office for Democratic Institutions and Human Rights at the Organisation for Security and Cooperation in Europe (OSCE/ODIHR) and the government reinstated the relevant working group on elections. All

key recommendations should be implemented in an inclusive and transparent manner, based on wider political consensus and well ahead of the announced 2022 elections. It is important that the authorities and all political actors in Serbia continue to engage constructively in the inter-party dialogue led by the European Parliament and implement the measures identified therein.

Further to the regular parliamentary elections of 21 June 2020, which were observed by an ODIHR Special Election Assessment Mission, ODIHR issued its final report on 7 October 2020. The report corroborated ODIHR's key finding of the preliminary statement, notably that the elections were administered efficiently, despite challenges posed by the COVID-19 pandemic, but dominance of the ruling party, including in the media, was of concern. The report also noted that many previous ODIHR recommendations remain to be addressed, including on election administration, media, campaign finance, dispute resolution and sanctions for electoral violations.

In December 2020, the government reinstated the working group on elections. The group worked on the amendments of several laws, including the law on election of MPs and the law on financing of political activities. However, gaps remain. Among other issues, the campaign finance regulatory framework still does not ensure transparency of campaign finance and the effectiveness of oversight. Work on meeting all ODIHR recommendations should be stepped up in a transparent and inclusive manner, to make use of the period between elections for a comprehensive and inclusive review of the electoral framework.

On 1 March 2021, the Serbian and European Parliaments officially kicked off the second phase of the Inter-Party Dialogue. In April-June, the European Parliament held several rounds of online consultations with all the relevant stakeholders. Two plenary meetings with wide political participation were held in July and September in Belgrade focusing on electoral conditions, but also on improving the wider political climate and dialogue. At the September plenary meeting, the Co-Facilitators from the European and Serbian Parliament reached an agreement on a working document containing 16 measures to increase trust and confidence in the electoral process, with a set of concrete actions and timelines. The Government and the ruling party expressed their intention to implement the measures. On 14 October 2021 the Government adopted a decision on formation of a temporary supervisory body for monitoring media during the electoral campaign, as foreseen in the working document. A number of opposition representatives did not agree to the final document that was finally presented as the ownership of the Co-Facilitators and did not commit themselves to participating in their implementation. The authorities held a separate track of local consultations with political actors who refused mediation by the European Parliament.

Parliament

Following parliamentary elections in June 2020, the mandate of the newly elected Parliament has been limited in time from the start as the political leadership announced new elections for no later than spring 2022. The Parliament overall reduced urgent procedures to 9% in 2020. The Parliament adopted a new code of conduct for Members of Parliament (MPs); however, it did so under urgent procedure and without consulting the public or relevant international organisations. Inflammatory language against political opponents, journalists and civil society was used during plenary debates. The code of conduct should be used more effectively in preventing and sanctioning offensive language. The Parliament and political actors should continue to engage constructively in the inter-party dialogue.

Following elections in June 2020, the new Parliament was formally constituted at the beginning of August, while the parliamentary leadership was elected and working bodies constituted in October. In the new Parliament, the ruling coalition of the Serbian Progressive

Party list (SNS, 188 seats), the Socialist Party of Serbia list (SPS, 32 seats), and the Serbian Patriotic Alliance (SPAS, 10 seats), which later merged with the SNS, controls 230 of the 250 parliamentary seats. Two national minority parties also support the government, while several national minority representatives and one independent MP (together seven seats) act as the opposition. Out of six deputy speakers, two are women and two belong to national minorities. Women chair five out of 20 committees. Of 250 MPs, 98 are women – the largest number so far – and there is an active women parliamentary network. The new Parliament – plenary and the committees – resumed physical sessions in October 2020, with epidemiological measures in place.

The Parliament has no annual working plan. The weekly and monthly planning has improved due to regular weekly meetings of the parliamentary Collegium (composed of speaker, deputy speakers and chairpersons of parliamentary groups). The use of urgent procedures has been significantly reduced to 9% since March 2020, compared to 19% in the previous period: out of 133 laws, 12 were adopted under urgent procedure. In the first half of 2021, out of 75 laws only two were adopted under urgent procedure. The Code of Conduct for Members of Parliament, however, was adopted under urgent procedure and without public consultation, thus limiting the transparency and inclusiveness of the process. There was a heavy legislative agenda. The vast majority of bills continued to be tabled by the government. Three public hearings were held in 2020 and 12 in the first half of 2021, out of which seven were in the context of constitutional changes.

Committees held reviews of regular periodic reports by the relevant Ministries. Regular monthly sessions with MPs questions to the Prime Minister and Ministers were held. Twice a week, at the outset of the plenary, MPs seek information and explanation from the government. There were 133 such requests in 2020, and 84 were answered.

The parliamentary plenary debated regular annual reports by independent bodies. However, the Parliament should support the work of the independent regulators more systemically, through regularly monitoring the implementation of their recommendations.

In December 2020, for the first time, the European Commission report on Serbia was debated and related conclusions adopted in the plenary, following the debate in the European Integration Committee. In April 2021, the Committee also debated the European Parliament's resolution on Serbia, with the participation of the European Parliament rapporteur. The European Integration Committee held debates with the participation of the Ministry for EU integration, including one on the revised enlargement methodology, and related plans for the restructuring of the Serbian negotiating team. In May and June 2021, the Committee endorsed four draft negotiating positions (on chapters 19, 10, 16 and 15), tabled to the Committee by the government. In June 2021, the Parliament, with the participation of the President, debated the EU-facilitated dialogue with Pristina.

The Parliament has constructively engaged in the second phase of the inter-party dialogue led by the European Parliament. For the process to be successful, all political groups need to engage constructively and in good faith, and implement the measures identified during the inter-party dialogue.

The Parliament adopted a new code of conduct for MPs in December 2020. Nonetheless, inflammatory language against political opponents, prominent public figures expressing diverging political views, investigative media, civil society organisations, and Members of the European Parliament continued to be used in parliamentary debate. In March 2021, the Parliament's administrative committee, in charge of overseeing the application of the newly adopted code of conduct, rejected the first cases of complaints raised by civil society representatives. This committee then found, for the first time in April 2021, a violation of the

code, in a case of verbal attacks against politicians from the opposition. In September 2021, Parliament adopted a revised version of the code of conduct which was prepared with the aim to follow-up on the GRECO recommendations. The code of conduct should be used more effectively in preventing and sanctioning offensive language, for example through the establishment of an independent oversight body.

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

Governance

The Serbian government continued declaring EU membership as a strategic goal. Ahead of the inter-governmental conference in June 2021, the government, in particular the Ministry for EU integration supported by line-Ministries, delivered on accession related documents very quickly. Serbia also restructured its EU negotiating team to reflect the revised enlargement methodology. Still, sufficient human and financial resources on EU accession need to be in place across all institutions involved to match the renewed political focus by the government. In line with the EU accession objective, the Serbian authorities need to place more emphasis on proactive and objective communication on the EU, which is Serbia's main political and economic partner.

As a result of the regular parliamentary elections in June 2020 and the constitution of the new Parliament, the Serbian government was elected and sworn in on 28 October 2020. The new cabinet has 24 members, out of whom 11, including the Prime Minister, are women. There are three new portfolios: the Ministry for Human and Minority Rights and Social Dialogue, Ministry for Family Care and Demographic Issues and Ministry for Rural Care. Rule of law and accession-related reforms are among the six key programmatic priorities of the new government. The government prioritised EU-related reforms in the first half of 2021 and made the rule of law agenda one of its key priorities and fields of action. However, Serbia's strategic choice of EU accession needs to be communicated more pro-actively and unambiguously in public debate. Further efforts are needed to promote EU values in public debate and in practice.

In December 2020, the government tabled to the Parliament the initiative for the constitutional revision (*see under judiciary*). There was regular dialogue and consultations between the Prime Minister and the National Convention for the EU on accession-related issues such as the rule of law, sustainable growth, energy and environment. The Convention was formally invited to contribute to the revision and to the drafting of several important laws. In April 2021, the Prime Minister for the first time held a press conference to inform the wider public of the government's activities in the rule of law area.

Further efforts are however needed in order to improve the transparency and inclusiveness of the reform process, particularly on issues related to EU accession. The Serbian negotiating team, headed by the Minister for EU integration, was restructured to reflect the revised enlargement methodology. The new structure aims in particular at facilitating coordination between line-Ministries under the new cluster approach and increase the political steer. It is important that sufficient human and financial resources are allocated across all institutions involved so that Serbia can meet its objectives on EU accession negotiations. The autonomy and role of independent bodies needs to be fully acknowledged and respected, and their recommendations followed up thoroughly and in a timely manner. The Ombudsman Office

needs to be strengthened and its independence guaranteed, including via the allocation of the necessary financial and human resources.

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 is still weak and significant disparities between municipalities persist. Responsibilities still continue to be borne at local level without proper analysis of the capacity and human/financial resources required. In June 2021, the government adopted for the first time the programme for local government system reform, which aims to address deficiencies in the functioning of local government.

Civilian oversight of the security forces

The Parliament remains responsible for the civilian oversight of security services. The Law on access to state security files has not yet been adopted.

The relevant parliamentary committee continues to be responsible for the civilian oversight of the security sector. The Committee reviewed regular periodic reports by the civilian and two military security agencies, as well the activity report of the General Inspector of the Ministry of Defence. Because of the pandemic, no field visits to security agencies were organised in 2020. A law on the access to the state security files still needs to be adopted.

Civil society

A newly created Ministry for human and minority rights and social dialogue initiated a series of public dialogues. However, 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 against CSOs continued, including in Parliament.

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

CSOs and human rights defenders continued to raise awareness about civil and political rights. This takes place in an increasingly polarised environment. In December 2020, the Financial Action Task Force (FATF) expressed concerns regarding the allegations that Serbia had misused in July 2020 its law on the prevention of money laundering and the financing of terrorism with the aim to restrict or coerce civil society actors for their work and criticism of the government. In its plenary session of April 2021, the Committee of Experts on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism of the Council of Europe (MONEYVAL) called on all members to ensure that the FATF Recommendations are not intentionally or unintentionally used to suppress the legitimate activities of civil society (*See Chapter 4 – Free Movement of Capital, and Chapter 24 – Justice, Freedom and Security*). Verbal attacks and smear campaigns against several CSOs and their financing continued in tabloid newspapers, as well as in Parliament even after a code of conduct was adopted there in December 2020. Organisations and individuals that criticise the authorities in developments related to the rule of law, and increasingly to environmental protection, are under particular pressure.

The legal framework for cooperation between the government and CSOs is broadly in place; its implementation needs to be improved and systematised (*See Public Administration Reform*). A number of CSOs have reported that the time given for public consultations was still too short, or that their comments on draft laws were not given sufficient consideration and follow-up. In October 2020, the newly formed government created a Ministry for Human and Minority Rights and social dialogue. It took over, among others, the competencies of the

Office for Cooperation with Civil Society and initiated a series of public dialogues on various topics of general interest, gathering members of the government, independent bodies, international organisations and CSOs. The National Convention on the EU has continued to monitor and assess the progress of accession negotiations.

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

In order to mitigate the economic consequences of the COVID-19 pandemic, Serbia adopted a regulation on fiscal benefits and direct payments to economic entities recognising CSOs as potential users of economic aid.

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. The three Commission recommendations of last year remain still valid. On human resources management, there was no progress in reducing the excessive number of acting senior manager positions. As regards policy development and coordination, there is still no mechanism 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's approval. On public financial management, the recommendation to develop a single mechanism for prioritising all investments regardless of the type and source of financing still needs to be fully addressed. There is an urgent need to address all those shortcomings.

Other developments include the adoption of a new PAR strategic framework for the period 2021-2030. The administration also swiftly responded to the COVID-19 crisis through the effective provision of related e-services.

In the coming year, Serbia should in particular:

- ensure that recruitment procedures are launched for all the acting posts in order to reduce the excessive number of acting positions, and allocate sufficient resources for effective, merit-based recruitment processes;
- ensure a strong quality control role for the Public Policy Secretariat to allow for the effective implementation of the law on the planning system;
- put in place a unified, comprehensive and transparent system for capital investment planning and management.

Strategic framework for public administration reform

In April 2021, the government adopted a new **public administration reform (PAR)** strategy 2021–2030, with its action plan 2021-2025. The new strategy consists of six pillars covering the areas of the EU Principles on Public Administration. It includes, for the first time, a pillar dedicated to local self-government reforms. Out of the six pillars, three are operationalised further by the aforementioned action plan, and the other three are covered by separate programmes, namely the public financial management (PFM) reform programme adopted in June 2021, and the programmes for local self-government and for improving public policy management and regulatory reform which had not been adopted in the reporting period. Civil society organisations were actively involved in the preparation of the new strategy. **Political support** for public administration reform continues to be ensured through the PAR Council, chaired by the minister in charge of public administration. Two meetings of the PAR Council were held in 2020. **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 **policymaking system**, including for the European integration process. The structure for coordinating the latter was changed in April 2021 in order to take into account the revised enlargement methodology. Coordinators were appointed for each of the six negotiations clusters. The law on the planning system sets out clear rules for developing, monitoring and reporting on sector strategies but is not systematically applied. There is still no mechanism to verify that the Public Policy Secretariat's comments have been incorporated and that the final draft versions of laws and policy documents are compliant with the legislation. A limited number of policy documents has been entered so far in the unified information system, thus limiting the number of implementation reports deriving from it. The legal requirement to have mid-term plans adopted by all institutions as of January 2020 has not yet been met. Only three ministries, the Public Policy Secretariat and three public service agencies adopted and published their mid-term plans for the 2021-2023 period. The national plan for the adoption of the EU *acquis* (NPAA) and the government annual work programme need to be better synchronised.

The capacity for **inclusive and evidence-based policy and legislative development**, including when aligning with the EU *acquis*, still needs strengthening. Administrative data collection and its systematic use for policy and law-making needs to be further improved across the administration. The methodology on impact assessments is not yet consistently applied in practice. The Public Policy Secretariat's acceptance of 'partial compliance' with the methodology does not contribute to the alignment with the legal requirements nor to the overall quality of the impact assessments. Better coordination between the Ministry of Finance and the Public Policy Secretariat is needed to ensure that there are no discrepancies between financial impact assessments and financial information in the regulatory impact assessments. Regarding inter-ministerial consultations, official high-level mechanisms still do not exist for resolving possible conflicts between services before they reach the government level. The regulatory framework for **public consultations** is in place, the scope of public consultations on public policy documents improved, and the government adopted a decision in June 2021 to launch a new 'e-Consultations Platform'. However, its consistent application regarding draft laws and regulations is not yet ensured. There is no body mandated to scrutinise the manner in which a public consultation process was organised. As regards the legal obligation to inform on the results of public consultations, consultations reports are not systematically published nor are explanations on the acceptance or not of comments systematically provided (*See Civil society*).

As regards **public scrutiny of government work**, no reports on the government annual work programme, NPAA, or sector strategies – except on the action plan of the PAR strategy and on the PFM reform programme – were published in 2020. The government's website still does not provide a direct access to monitoring reports on implementation of key government planning documents. Agenda, minutes and conclusions of government sessions are not published either.

Public financial management

A new PFM Reform Programme 2021-2025 was adopted in June 2021. A comprehensive package of monetary, fiscal and financial emergency measures was implemented to mitigate the negative economic impact of the COVID-19 pandemic. The cost of these measures has increased the overall fiscal deficit and the public debt. However, the government succeeded in keeping the public finances on a sustainable path in line with the medium-term fiscal goals. The capital budget execution 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 the type of investment or the source of financing, and ensure that effective procedures are in place to guarantee the integration of capital projects' planning, appraisal and implementation in 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 the investment projects funded by loans from third countries.

The link between the government programme and 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. The State Audit Institution has continued to increase both the coverage and quality of their audits of public funds as well as its relations with stakeholders (*See Chapters 5 – Public procurement, and 32 – Financial control*).

Serbia did not progress in improving **budget transparency**. Neither a transparency roadmap, a pre-budget statement, nor a mid-year report are produced and published. The Ministry of Finance does not publish the budget execution profile at the beginning of the year, preventing any analysis of deviations from targets. Public participation in the budget process and budget oversight by the legislature needs to be improved. The 2021 budget was adopted in line with the budget calendar but still 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 too much discretion to heads of institutions in setting up selection committees. The enforcement of the mandatory competition procedure for recruiting temporary staff in cases of increased workload was postponed from 2021 to 2023. The possibility to convert certain categories of temporary contracts into permanent civil service contracts needs to be considered carefully in order to avoid possible abuse. Grades received by civil servants in the first year of implementation of the new performance appraisal system remain inflated. A high share (72%) of disciplinary decisions are annulled by courts.

The lack of transparency in, and respect for, the merit-based recruitment procedure provided for under the Serbian legislation for **senior civil service positions** remains an issue of serious concern. The legal provision allowing for appointments to 'acting positions' for 6 months (with a maximum extension of 3 months) is mostly misused, including in a retroactive manner. As of June 2021, 62% (March 2020: 56%) of filled senior positions were held on an acting basis. Despite the amendments to the law on civil servants restricting the appointments to already existing civil servants as of 1 July 2019, the government continued to appoint non-civil servants on an acting basis. More than half of appointed acting posts after the set deadline were not civil servants. The limited capacity of the High Civil Service Council remains a concern as regards the need to organise a large number of competitions in order to replace at a reasonable speed all the existing acting managers. Clear political will, sufficient resources and effective monitoring by the responsible institutions, are necessary to address this issue as a matter of urgency. Current practices, where appointment decisions for management positions can be overturned by a personnel committee of the government after the selection process has been finalised at the institutional level, continue to lack transparency.

As regards the new competency-based **human resources management** system, the success rate of tested competences is extremely high (over 90%). The Human Resources Management Service needs to strengthen its capacity to coordinate and harmonise the work of human

resources units of the line institutions. There are not yet reliable statistical data and annual reporting as the setting up of a new human resources management information system is delayed. The current system does not interact with other national databases such as the treasury payroll registry. No progress was made regarding **remuneration** of civil servants. The implementation of the 2016 law on the salary system in the public sector, which introduces the principle of equal pay for equal work for all public sector employees, is further delayed as it was again postponed for another year, to 2022. The law on maximum number of employees in the public sector was no longer in force in 2020. However, restrictions in the number of employees remained in place through the budget system law.

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, through quickly adapting to online trainings and webinars. Implementation of a comprehensive professional development programme for senior civil servants was postponed to the second half of 2021.

Further efforts are needed to ensure that the existing **integrity plans** in the judiciary and in the public administration are fully implemented. The integrity of the civil service remains undermined by the aforementioned excessive number of acting senior manager posts. There are no tangible improvements in relation to anti-corruption efforts at local level.

Accountability of administration

The structure of the public administration has yet to be streamlined. The **lines of accountability** between agencies and their parent institutions continue to be 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 have their status regulated differently with a special law. Political commitment to managerial accountability, performance management and systematic delegation of responsibilities is still needed. The planned establishment of a registry of holders of public powers has however been postponed to 2025 under the new PAR strategic framework. The overdue decree on organisation and systematisation of work posts, introducing so-called “analytical units”, was adopted in March 2021. It now needs to be enforced in practice by promptly establishing such units with adequately trained staff. Institutions still have a bureaucratic and process-oriented approach to planning, budgeting and the reporting of their activities (*See Chapter 32 – Financial control*).

The Ombudsman has a key role in ensuring **citizens’ rights to good administration**. According to the Ombudsman’s 2020 report, cases of violations of principles of good governance represent the second largest number of cases immediately after the violation of economic and property rights. The Ombudsman’s annual report was discussed in a Parliament plenary session and conclusions were adopted in December 2020 (*See Governance*).

Citizens’ right to access public information is regulated in the law on access to information of public importance. Administrative silence, whereby public authorities fail to properly act on the citizens’ information requests, remains a major issue. Enforcement of the decisions taken by the Commissioner for Information of Public Importance has yet to be ensured (*See Chapter 23 – Fight against corruption*).

On **citizens’ right to administrative justice**, the review of judgments of the administrative court is possible only in a limited number of cases and only through extraordinary legal remedies. Establishing a two-instance network of administrative courts to ensure access to justice, as well as an appeal procedure, are foreseen for 2023 in the revised chapter 23 action plan. Access to justice is negatively affected by the continuous backlog of cases standing at nearly 8,000 cases, with around 5,000 electoral cases received in 2020 due to the

parliamentary elections. Court caseload increased further, owing to the continuous expansion of jurisdiction and a relatively small number of judges.

The new free legal aid law has been implemented since October 2019. Available data indicate a gradual increase in the use of legal aid, predominantly in civil and administrative cases and for victims of domestic violence. Only one third of local municipalities and cities have established specialised units for free legal aid so far (*see Fundamental rights section*). While the **citizens' right to seek compensation** is regulated, still no statistical data is collected to monitor its implementation.

Service delivery to citizens and businesses

Creating a more **user-oriented administration** remains a government's priority. Progress in developing e-services continued, which facilitated to a great extent the response of the administration to the COVID-19 pandemic. The e-government portal served as a single point of contact to citizens for testing and vaccination services. The central population registry, connecting thirteen official databases, was rolled out in November 2020. A full set of by-laws related to the law on e-government has yet to be adopted. The government has started to implement the new e-government programme. Service delivery was included for the first time as a separate pillar of a newly adopted PAR strategy. The e-government office and the Prime Minister's Delivery Unit have continued to ensure coordination and leadership in this area. Monitoring of e-services implementation is needed. Digital signatures are being used but the share of the population who avail of 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 persisting delays in aligning the sector 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 remains limited, and overlaps exist with the role of the Public Policy Secretariat. This Secretariat started to implement the 'e-paper' programme 2019-2021 for the optimisation of administrative procedures and regulation, including the adoption in April 2021 of a law on the register of administrative procedures. By the end of 2020, 136 procedures were simplified and 27 digitised. However, the e-paper programme is not clearly linked with the process of aligning sector 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, 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 the European standards in this area. **Limited progress** was made in the reporting period. The constitutional reform aimed at strengthening the independence of the judiciary was relaunched in late 2020, and the parliamentary procedure started in spring 2021. Serbia undertook further efforts with the aim to finalise the procedure still this year. The current legal framework does not provide sufficient guarantees against potential political influence over the judiciary. Serbia has a very weak track record in the processing of war crimes cases. Overall, unambiguous and determined steps on prevention and repression of corruption remain to be taken. Serbia's legal framework on fundamental rights is broadly in place but its implementation is inconsistent. Regarding freedom of expression, **limited progress** was made by adopting and starting to

implement a limited number of measures under the action plan related to the media strategy, while verbal attacks against journalists by high-level officials continued.

Serbia adopted a revised action plan for chapter 23 in July 2020. It sets out Serbia's commitments, including in terms of timelines, in order to meet the interim benchmarks of the EU common positions for this chapter. In general, indications of delays in this report are measured against the deadlines established by Serbia itself in the revised action plans. As a consequence qualified delays (e.g. "serious delays") noted in previous non-papers are not used in the current report. This "resetting of the clock" does not imply that previously noted long delays have necessarily disappeared.

The first meeting of the new inter-institutional coordination body was held in April 2021. A new methodology aimed at improving monitoring and reporting was presented to 25 representatives of various institutions. The second meeting took place in July 2021. The publication, on the website of the Ministry of Justice, of reports on the progress in the implementation of the revised action plan for chapter 23 for the Serbian public resumed in August 2021 after an interruption in December 2018. There is a need to improve efforts in implementation of the Action Plan on Chapter 23 including through consultations focused on the most demanding challenges with more involvement of all relevant stakeholders.

Functioning of the judiciary

Serbia has **some level of preparation** in the area of the judiciary. **Limited progress** was made overall. The administrative capacity of the High Judicial Council was strengthened and its internal organisation improved. The number of old enforcement cases continued to decrease and court practice was further harmonised. Last year's recommendations still need to be implemented and therefore remain valid. The current legal framework does not provide sufficient guarantees against potential political influence over the judiciary. The constitutional reform in the area of the judiciary was relaunched in December 2020, when the government submitted the initiative to Parliament. A broad and constructive discussion with relevant stakeholders has been launched, in order to define the best solutions bearing in mind the Venice Commission recommendations, in line with European standards and based on a wide and inclusive consultation process. The Parliamentary Committee has adopted the draft text prepared by the expert working group on 6 September 2021 as basis for the next round of public debates, taking place from 13 to 17 September. The text was adopted in the parliamentary committee on 21 September sent to the Venice Commission for its opinion. On 15 October, the Venice Commission issued a favourable opinion of the draft text, including key recommendations to be addressed. Once finalised, the text will be adopted in Parliament and put for a referendum, planned for December 2021. The timeline to complete the process was set in the action plan for chapter 23 for the end of 2021. There was also no progress on amending the laws on the High Judicial Council and the State Prosecutorial Council so that they are empowered to fully assume their independent role to proactively defend judicial independence and prosecutorial autonomy. These amendments require the constitutional amendments to be passed, as does the adoption of the implementing legislation in particular in the area of judicial appointments and promotion. In order to mitigate the impact of this legislative stalemate the Councils amended their rules of procedure in spring 2021 and enhanced their capacities, however it remains to be seen, if these changes will result in reducing political influence over the judiciary. There is also still no human resources strategy in place, although preparatory work is ongoing.

In the coming year, Serbia should in particular:

- strengthen the independence of the judiciary and the autonomy of the prosecution, including through amendments to constitutional and legislative provisions related to the appointment, career management and disciplinary proceedings of judges and prosecutors;
- amend the laws for the High Judicial Council and the State Prosecutorial Council, so that they are empowered to fully assume their role to proactively defend judicial independence and prosecutorial autonomy in practice in line with European standards;
- adopt and implement a comprehensive human resources strategy for the entire justice sector together with establishing a uniform and centralised case management system, necessary for a measurable improvement in efficiency and effectiveness of the justice system.

In October 2020, the Constitutional Court issued a judgment on the constitutionality and legality of the regulations that restricted human rights during the state of emergency. The court declared the provisions of the April 2020 governmental decree that allowed for a double punishment (misdemeanour and criminal) for violations of the restriction of movement, to be unconstitutional. In contrast to usual practice, no information was placed on the website of the Court; the judgment was only published in the Official Gazette.

Strategic documents

Serbia adopted major strategic reform documents in July 2020 (the revised action plan for chapter 23 and the new national judicial development strategy 2020-2025), but without a prior comprehensive impact assessment and financial cost analysis. The World Bank completed its functional review of the prosecution service. The World Bank handed over to the national authorities the draft update of the 2014 functional review of the court system. Its finalisation is yet to be completed. Serbia needs to ensure that recommendations from the functional reviews are followed up on. There is still no human resources strategy in place for the judiciary (*see further below under professionalism and competence*). The upcoming World Bank court functional review should be a source of information for this strategy, and it should comply with the law on planning with regard to both the content of the strategy as well as the procedure for its adoption. Overall, Serbia has yet to establish a robust performance assessment framework and credible record of accomplishment of implementation and the impact of reforms. The new monitoring and reporting mechanism of the action plan for chapter 23 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.

Management bodies

As regards the organisation of the courts and prosecution offices, responsibilities remain divided between the Ministry of Justice and the councils, notably as regards budgetary planning, resource allocation and execution. This continues to adversely affecting courts' and prosecution offices' efficiency. Overall, the judicial institutions could benefit from a clearer system of governance. The judicial development strategy and the revised action plan for chapter 23 do not clearly determine the next steps in addressing this and do not decide upon the Serbian authority responsible for the residual judiciary budget, which includes salaries of court and prosecution support staff. Budgetary and human resources planning should be merit-based, and be based on envisaged judiciary workload, which is defined in terms of both the number and the structure of cases, i.e. their complexity as determined by case-weighting procedure. The Ministry of Justice started introducing case-weighting formula in all basic, higher and commercial courts.

The High Judicial Council (HJC) automated its main business processes through the creation of an overall information system, which enables more accurate, reliable and efficient data collection and processing. A financial reporting system connecting all 158 courts and 90 prosecutors' offices was set up. Thereby, financial and human resources management was improved. Some steps were taken to improve the transparency of the councils' work, by including the minutes of their sessions and certain decisions on their websites.

New members joined the HJC and the State Prosecutorial Council (SPC), both *ex officio* members (the Minister of Justice, the President of the Supreme Court, the Republican Public Prosecutor and the President of the Parliamentary Committee for Constitutional Matters and Legislation) and the new members elected by their peers. The procedure for election of the new members (five for HJC and six for SPC) was carried out without irregularities, respecting the national legal framework and good practices. Implementing recommendations from the OSCE Reports would increase transparency and fairness of the election process. The new members took office in April 2021, except the representatives of the Bar in both Councils, pending the approval by the Parliament.

Independence and impartiality

The current legal framework does not provide sufficient guarantees against potential political influence over the judiciary. Future constitutional and legislative changes will need to increase the safeguards for judicial independence. A fully objective, transparent and merit-based system for appointing, transferring and promoting judges and prosecutors in line with European standards has still to be put in place. Such a system is needed also to promote professionalism and improve quality.

The **constitutional reform**, which aims at strengthening judicial independence and accountability, was relaunched in early December 2020: the government resubmitted to Parliament an initiative to amend the constitution (as it had done in November 2018). The Parliament's Committee on Constitutional Matters and Legislation approved this initiative in May 2021 (as it had done also in June 2019). Public sessions were organised for collecting information and views, inviting different stakeholders and interested parties. A plenary session of the Serbian Parliament approved the initiative on 7 June 2021. The Committee then established an expert working group that was drafting the text of the constitutional amendments during June and July 2021, using the 2018 text drafted by the Ministry of Justice in 2018, which took on board the Venice Commission (VC) recommendations. The VC recommendations also included a reference to 'creating a constructive and positive environment around the public consultations to be held when the National Assembly will examine the draft amendments'. The Committee has adopted the draft text prepared by the expert working group on 6 September as basis for the next round of public debates that took place from 13 to 17 September. The Committee adopted the final text on 21 September. It was then submitted to the Venice Commission for opinion. On 15 October, the Venice Commission issued a favourable opinion of the draft text, including key recommendations to be addressed. Once finalised, the text will be submitted for the debate in Parliament. The final text needs to be approved by a two-thirds majority in the plenary followed by a referendum as the final step for approval of the amendments.

The delay in the adoption of the constitutional amendments has repercussions on the drafting and adoption of the implementing legislation, including for appointment, promotion and regarding the law on the Councils, as clarity on the constitutional basis is still lacking.

Pressure on the judiciary and the prosecution still remains high. Government officials, including of highest levels, and Members of Parliament continue to comment publicly on ongoing court proceedings and to attack individual judges and prosecutors. Statements

regarding ongoing cases and seemingly coordinated insulting campaigns and attacks against judges and prosecutors continued in mainstream media and tabloids but worryingly also from government and in the Parliament, including during debates on judicial elections. Members of Parliament negatively influenced the public opinion and trust in judiciary and individual judges. They also violated the new code of conduct establishing the Members' of Parliament ethical behaviour, adopted in December 2020. The code of conduct for members of the government also recommends avoiding such behaviour. However, there is a need to prohibit and efficiently enforce sanctions to eliminate such behaviour. Overall, effective sanctions for undue influence on judges and prosecutors and attacks on individuals or public comments that undermine their independence and reputation are both inadequate and not being implemented. A monitoring mechanism with aimed at changing this practice, has yet to be established.

The HJC and the SPC have a legal mandate to act as protectors and guarantors of the judicial independence and prosecutorial autonomy and they continue to monitor complaints from judges and prosecutors reporting undue influence on their work. Upon increased external pressure upon the judiciary, the HJC issued a statement. The SPC did not meet in person between February 2020 and April 2021, when the first session took place after the election of new members. The mandate of the SPC's Commissioner for Autonomy expired in early March 2020. The nomination of his successor was delayed for over a year, suspending this additional protection mechanism for prosecutors. In April 2021, the new members of the SPC nominated a new Commissioner for Autonomy.

The HJC and the SPC amended their rules of procedure in April 2021 respectively, aimed at setting up a more effective reaction and protection mechanism for judges and prosecutors in cases of undue influence as well to prescribing the rights and obligations of the Commissioner for Independence. The HJC appointed and defined competences of one judge member to act in individual cases of undue influence, some complaints are already under the revision. Regular quarterly meetings between representatives of the HJC's and the SPC's ethical boards, parliament and the government were set up. The first, constitutive meeting took place on 15 April 2021. These meetings were set up with a view to raising awareness of public officials and politicians for full respect of judicial decisions and work of courts and prosecution offices. However, it remains to be seen, if these changes will result in reducing undue influence on judges and prosecutors in practice.

The current legal framework authorises the head of every prosecution office to intervene in individual cases. This creates a certain vulnerability for political influence, notably when effective safeguards are not applied in practice.

Accountability

The disciplinary rules for judges and prosecutors and the ethical codes need to be revised with a view to, among other things, better defining the offences, strengthening the capacity of the disciplinary bodies and clarifying which provisions in the codes should entail disciplinary liability for non-compliance.

Concerning the judges ethical codes' revision, as a first step, a comprehensive assessment of the current regulatory framework was completed in December 2020. In May 2021, the HJC adopted the rules of procedure of the ethics committee and the president of the HJC appointed members of the ethics committee. Training in disciplinary liability continued with 22 sessions for 528 judges. In order to improve the transparency of the disciplinary bodies' work, the HJC posted 43 anonymised disciplinary decisions on its website, in line with its rulebook on data anonymisation.

In April 2021, the SPC has revised the new code of ethics for public prosecutors and deputy public prosecutors, together with guidelines for the application of ethical principles.

Confidential counselling on ethical issues for public prosecutors was established by amending the rules of procedure of the ethics committee of public prosecutors and deputy public prosecutors.

In 2020, the HJC disciplinary prosecutor received 429 complaints against judges, mostly from citizens. In 10 cases, it initiated a disciplinary procedure. The HJC's disciplinary commission dealt with 22 cases. A dismissal procedure was initiated in one case, public warnings decided also in one case, as well as ban of promotion and salary reductions were issued in several other cases. The SPC disciplinary prosecutor processed 111 cases, compared to 162 cases in 2019. Complaints were filed against 30 public prosecutors and 95 deputy public prosecutors (2019: 61 against public prosecutors and 111 against deputy public prosecutors). The disciplinary prosecutor rejected complaints against 87 prosecutors/deputies and processed 22 cases. There were no proceedings before the SPC disciplinary commission.

Professionalism and competence

In 2020, 41 judges were elected to permanent positions (2019: 176) and 63 were promoted to higher-level courts (2019: 117). There was only one candidate for the position of the President of the Supreme Court of Cassation. She was nominated by the HJC and then elected in Parliament without a debate in April 2021.

The current State Public Prosecutor was also the only candidate for this selection process. She was re-elected in Parliament for a third consecutive six-year term (in contrast to the law on the HJC that foresees only one term for the position of Chief Justice there is no such limitation for the position of Public Prosecutor).

At the end of 2020, there were 2 649 (2019: 2 703) full-time judges, i.e. 38.39 (2019: 38.81) per 100 000 inhabitants. At the end of 2020, there were 765 holders of public prosecutorial function, so the number of prosecutors per 100 000 inhabitants was 11.33. The European average is 21 judges and 12 prosecutors per 100 000 inhabitants.

In the context of the current constitutional reform to improve independence, autonomy and accountability of the judiciary, there is a need to revise the current system of recruitment, transfer and promotion of judges and prosecutors. Judicial careers should be fully based on merit, with a clear link between performance evaluation and career advancement. The professional evaluation of judges should be based both on quantitative and qualitative criteria.

At present, Serbia still has two categories of eligible candidates for the judicial profession: graduates of the Judicial Academy, and judicial and prosecutorial assistants. No progress was made in addressing the Venice Commission's advice on how to effectively 'protect the Academy from possible undue influence'. Strengthening its independence and professionalism therefore remains a prerequisite for becoming a sole nationwide entry point to the profession at basic courts' level.

There is still no human resources strategy in place for the judiciary. The upcoming finalisation of the World Bank court functional review should be a source of information for this strategy, and the strategy should comply with the law on planning. It should enable that recommendations from the functional reviews are followed up, thus providing concrete strategic direction to a number of relevant issues, including entry into judiciary, effective performance appraisal, budgetary planning and execution, further development of a functional ICT framework, and improvement of qualifications and skills through initial and continuous training. The human resources strategy should also include a methodology for determining the required number of judges and prosecutors. Moreover, judges' and prosecutors' assistants need a predictable system establishing a merit-based career development. The strategy also

needs to be supported by a thorough financial impact analysis connected to a mid-term financial plan.

Quality of justice

There is still an urgent need to improve the internal expertise, capacity and organisation of the Judicial Academy, as well as the cooperation with the councils. The Academy adopted a multi-annual work programme for 2020-2025. Participation in continuous training should become a mandatory part of professional performance evaluation for judges. A mechanism for evaluating necessity and impact of training programmes should be established. This should be done in correlation with the evaluation of quality of the work of judges and prosecutors. In 2020, the Academy provided its training activities in an online format. The substance of the training offer should be further developed supporting the process of building the rule of law culture and the development of professional skills.

Further steps were taken to increase the harmonisation of jurisprudence by publishing anonymised judgments of the Supreme Court of Cassation (SCC), four appellate courts, the Administrative Court and the Commercial Appellate court. Efforts to link the various existing databases continued but have not yet materialised, including the one on the judgments of the European Court of Human Rights, and to broaden their scope. In 2020, the number of SCC anonymised decisions uploaded in the database increased by 3 861; in the same period, an additional 152 anonymised appellate court decisions were uploaded, as well as 23 402 integral decisions. Furthermore, for the first time decisions by the Administrative Court were uploaded. In total, there are now 139 222 integral and 9 483 anonymised Administrative Court decisions in the centralised SCC database. The number of the Misdemeanour Appellate Court decisions in the database increased from 4 335 to 5 858. In 2020, for the first time, the Commercial Appellate Court's decisions were also integrated in the database (5 580 integral decisions and 1 111 anonymized decisions relevant). By the end of 2020, the total number of decisions uploaded in the unique SCC case law database is 205 139 integral decisions (all court types), out of which 24 888 decisions were anonymized (all court types).

Structural shortcomings, including a lack of coherence between number of cases and staff should be analysed in the context of a comprehensive assessment of the system's court and prosecution network. The role of the Supreme Court of Cassation in effectively orienting jurisprudence is subject to the current consultations on constitutional amendments.

The court and prosecution network consists of 159 courts and 90 prosecution offices of general and special jurisdictions, operating in four instances (basic, higher, appellate and supreme), adding to complexity in the aspects of financing, procurement and court payments for the services. There are 2 570 judges in 2020, compared to 2 531 in 2019 and 10 795 court staff (2019: 10 685), including 7 857 (73%) civil servants and 2 938 (27%) state employees. The number of the state employees, i.e. staff whose work is not linked to processing of cases, slightly decreased compared to 2019 (2019: 2 996, 28%), but it is still high compared to the total number of staff, according to European average (CEPEJ Report).

A comprehensive **court case (and document) management system** that interlinks cases across Serbian courts and prosecution offices is still not in place. The technical work for the national rollout of case management systems for the prosecution and for the prison administration started in October 2019 and is nearing completion. Following successful termination of the tender procedure, the work on centralised case management system in courts officially started in September 2021. Once in place, the system enables a case allocation system, which takes into account the case weighting criteria for more balanced distribution of workload, as well as better quality and timely statistical reporting. A memorandum of understanding between the Ministry of Justice and the Government's

Information and Communication Technology (ICT) Office providing technical preconditions was signed in June 2020. Further work is required to ensure that all systems can fulfil their function, in particular with regard to legislative changes, sufficient staffing and budget. Overall, the ICT strategy, envisaged for 2022 in the chapter 23 action plan, is crucial. It should include clear timelines and related financial commitments including on necessary human and technical resources. The system of central statistical reporting was extended to commercial courts. Since November 2020, their fees can also be electronically generated.

There are 197 appointed **notaries** throughout Serbia, with 1 226 notary assistants, associates, trainees and administrative staff. The notary chamber continued its efforts for better services, including through using an electronic documentation system, training and standardisation of practice.

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

There are 1 430 certified mediators. Based on their reports, 498 mediations were conducted in 2020. This represents a slight drop compared to 569 in 2019, and 638 in 2018. Out of 498 mediated cases in 2020, 353 were concluded with a settlement agreement. In 218 proceedings, cases were referred to mediation by the court. As for training, 23 organisations received licences to conduct training for mediators. 17 used these licences, and organised training for over 3 700 participants. The number of mediations compared to the number of pending civil court proceedings remains below 1%. The annual report of the Supreme Court of Cassation indicate increasing inflow of litigation cases and identified space for an increased use of alternative dispute resolution mechanisms as an effective way of resolving disputes.

Efficiency

The implementation of the national backlog reduction programme (for 2016–2020) continued under the supervision of the Supreme Court of Cassation. It continues to have a positive impact on the courts' efficiency, with the backlog of old enforcement cases continuously shrinking. In 2020, some 353 600 such cases were resolved (out of which some 261 600 were enforcement cases), which is a higher number than in 2019 (around 214 200 cases resolved, out of which around 107 300 were enforcement cases). There are also cases more than 10 years old and their number remains high with over 1 400 cases in second instance courts and around 187 100 cases in basic courts, mostly on civil matters. The number of cases alleging violations of the right to a trial within reasonable time was lower in 2020 (90 977) than it was in 2019 (100 600). There is still an overall high number of pending backlog cases, although it has decreased compared to previous years (382 646 cases more than 3 years old at the end of 2020 compared to 621 324 at the end of 2019). The highest number of pending backlog cases remains at the level of basic courts (approx. 85.95% of the total). While the overall clearance rate dropped from 139.87% to 106.04% between 2016 and 2017, it increased again in 2018 to 110.03% before dropping again in 2019 to 102.01%. In 2020, that percentage increased to 107.81%. Thus, for the fifth year in a row, the Serbian judicial system was able to process more cases than it received. In 2020, the average duration for cases to be resolved was 274 days, compared to 267 days in 2019. At the same time, the courts in 2020 received a somewhat lower number of cases (around 1 867 900) than they did in 2019 (around 2 224 100).

The jurisdiction of the Constitutional Court covers assessing compliance of laws and other general acts with the Constitution, resolving conflicts of jurisdictions and deciding upon

constitutional complaints over a number of potential violations of human and minority rights and freedoms by individual acts. Additional protection foreseen by the Law on the Protection of the Right to a Trial within a Reasonable Time did not reduce the number of constitutional complaints. There is still a need for more transparency in the work of the court, including as regards accessibility of its sessions and interactions with the public.

Significant differences in workload remain between the courts across the country, with Belgrade courts bearing the highest overall workload. 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 has been implemented since October 2019 (*See procedural rights*).

Amendments to the law on enforcement and security, in force since January 2020, envisage the transfer of additional types of enforcement cases from courts to public enforcement agents. The law also introduced a new appeal system to better protect individual debtors and strengthen court control over public enforcement agents. This has not yet been matched with additional human resources in courts. The fees for enforcement procedures were lowered, and an e-auction platform was introduced.

Domestic handling of war crimes

Serbia needs to fully cooperate with the International Residual Mechanism for Criminal Tribunals (IRMCT), including by 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 prosecution office and the Serbian Office of the War Crimes Prosecutor (OWCP) needs to be improved. In April 2021 the trial judge found that Serbia was in a state of non-cooperation with the tribunal, in relation to the arrest of two people indicted for contempt of court. This finding has been formally reported by the President of the IRMCT to the UN Security Council as an act of non-cooperation.

Regarding **judicial cooperation** issues, bilateral agreements exist between the Prosecutors Office of Serbia and its counterparts in Bosnia and Herzegovina, Croatia and Montenegro. In the second half of 2020, cooperation with Bosnia and Herzegovina led to five indictments being issued in Serbia. Cooperation with Croatia has not led to tangible results. Serbia has yet to enforce the final judgment of Bosnia and Herzegovina in the case of Novak Djukić. The latter fled to Serbia following his conviction. On 14 October 2021, Serbia handed over to Bosnia and Herzegovina twenty four active criminal cases against twenty eight citizens of Bosnia and Herzegovina.

The implementation of the 2016 **national strategy** for the investigation and prosecution of war crimes continued at a very slow pace. The number of self-initiated indictments remains low. Case proceedings continue for a disproportionate amount of time, with some cases requiring over 13 years to process after the indictment was issued. The implementation of the strategy was monitored by a multi-institutional mechanism, which has issued ten reports. The Government adopted the new National Strategy for the Prosecution of War Crimes on 14 October 2021. The new Strategy is an opportunity to realise commitments to the fight against impunity and reconciliation, notably to increase investigations and indictments in high-level cases and strengthen regional co-operation. Moreover, the strategy should ensure that specific decisions in other fields, notably on granting citizenship, do not act to *de facto* foster impunity. Serbian authorities continue to provide support and public space to convicted war criminals. The capacities of the OWCP were strengthened in early 2021. Serbia has a case backlog of 1 731 pre-investigative cases.

The OWCP filed seven indictments against seven individuals in 2020, of which five indictments were transferred from Bosnia and Herzegovina. These latter indictments included two defendants who held a high-ranking position at the time of the offence (brigade commander) and cover crimes concerning hundreds of victims, illustrating a concrete step towards changing the previous practice of overall prosecution of cases involving low-level perpetrators and a low number of victims.

The Higher Court rendered seven judgments, convicting seven defendants and sentencing them to prison terms ranging from two to 15 years, while the Court of Appeals rendered four final decisions convicting nine defendants and sentencing them to prison terms from two to 15 years. Two defendants were acquitted.

As of 31 December 2020, the trial proceedings were ongoing in 18 war crimes before the Higher Court (15 cases) and the Court of Appeals in Belgrade (three cases) against 40 defendants³. Three final judgments against 10 defendants were rendered in 2020 by the Court of Appeals of whom eight defendants were found guilty, sentencing them to prison terms ranging from three to 15 years. Two defendants were acquitted.

Overall, Serbia needs to show a genuine commitment for investigating and adjudicating war crimes cases. This is also a requirement for effectively dealing with the legacy of the past and for fostering reconciliation. Serbia should prioritise complex cases and those involving senior ranking officials and provide a clear legal approach to resolve the issue of command responsibility.

Fight against corruption

Serbia has **some level of preparation** in the fight against corruption. **Limited progress** has been made during the reporting period. The recommendation on prevention of corruption had been implemented insofar as the role of the Agency for the prevention of corruption had been strengthened by the new law on corruption prevention as also concluded by Council of Europe's Group of States against Corruption (GRECO) in November 2020. However, GRECO also concluded that the 2020 law on corruption prevention presents shortcomings, which could endanger its application. New amendments to the Law were adopted in September 2021. With regard to the other recommendations of the previous year, 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 effectively address corruption. The number of indictments and the number of first instance convictions for high-level corruption cases further decreased compared to previous years. Serbia should increase its efforts in addressing these shortcomings and step up the prevention and repression of corruption.

Last year's recommendations therefore remain valid. In the coming year, Serbia should in particular:

- improve its track record on investigations, indictments and final convictions in high-level corruption cases, including the seizure and confiscation of criminal assets;
- continue to make progress in implementing the GRECO recommendations in relation to corruption prevention;
- adopt and start implementing the new anti-corruption strategy underpinned by a credible and realistic action plan as well as an effective coordination mechanism.

³ As of 31 March 2021, there were 20 war crimes cases with 41 defendants at first-instance before the Higher Court in Belgrade, and seven cases with 15 defendants at second-instance before the Court of Appeals).

Track record

Serbia continued to implement the law on the organisation and jurisdiction of government authorities in suppression of organised crime, terrorism and corruption. In relation to high-level corruption, based on indictments from the Prosecutor's Office for Organised Crime, the courts rendered first instance judgements against 22 individuals in 2020 (compared to 30 in 2019, 21 in 2018). There were final convictions against 11 persons. The Prosecutor's Office for Organised Crime ordered the conduction of investigations against 21 persons, and issued 19 indictments (compared to 20 in 2019, 41 in 2018 and 50 in 2017). There were no cases with final confiscation of assets (compared to three in 2019). Serbia still needs to show a convincing track record of confiscating assets in corruption cases.

In 2020, the special departments for combatting corruption in the higher prosecution offices received 2 936 criminal complaints (compared to 3 577 in 2019). They ordered 189 investigations, and against 23 persons parallel financial investigations were initiated. A total of 470 indictments were issued (compared to 583 in 2019). The courts rendered judgments against 230 persons at first instance based on indictments from these departments (compared to 399 in 2019). There were final convictions against 195 persons.

Other prosecutions (not specialised departments) issued 22 orders to investigate in relation to corruption and economic crime offences, and filed 136 indictments. The courts convicted 186 individuals at first instance, and 114 individual at final instance. A final confiscation of assets took place in three cases.

Regarding violations of the conflict of interest provisions of the law on prevention of corruption, two requests for initiating misdemeanour proceedings were submitted by the Agency for the Prevention of Corruption (Agency) (2019:10). The Agency initiated 439 procedures to determine violations of the law (2019: 310). In 2020, misdemeanour courts issued first-instance decisions on the responsibility of 11 public officials (2019:27).

The Agency submitted 29 requests for initiation of misdemeanour proceedings related to a failure to promptly submit asset declarations in 2020 (2019: 76; 2018: 45). Based on the Agency's work in previous years, misdemeanour courts issued 80 final criminal decisions in 2020 (65 in 2019). The Agency filed 13 criminal charges in 2020 (2019: 25, 2018: 16) due to reasonable suspicion that a public official had not reported assets or had given false information about assets intending to conceal the facts. Based on the Agency's previous work, 8 judgements were issued (2019: 19).

In 2020, the Agency controlled the reports on the election campaign expenses for the parliamentary, provincial and local elections. It published reports on the control of financing of political activities and on the control of election campaign costs in March 2021. The effectiveness and impact of the legislative changes and capacity of the Agency to perform controls in relation to use of public resources during the electoral campaigns are yet to be assessed. In the context of the 2020 election campaign, the Agency issued 34 decisions based on reports filed against political parties and one decision *ex officio*. The decisions were published on the Agency's website. In 9 cases, it determined a violation of the law.

Due to violations of the provisions of the law on financing of political activities, the Agency submitted 255 requests for initiating misdemeanour proceedings (2019: 96). Of these, 144 were for the failure to submit reports on campaign expenses in 2020. Based on final judgments, 9 decisions were made on the loss of the right to obtain funds from public sources intended for financing regular work in the coming year (2019:59; 2018: 33).

A comprehensive and evidence-based assessment of **access to information** is not possible, as the majority of public authorities do not comply with the obligation to provide data to the

Commissioner for Access to Information regarding citizens' requests for information. The Commissioner established that 84% (2019: 83%; 2018: 87%) of citizens' complaints – 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 38% (2019: 41%; 2018: 55%) of these well-founded cases, the authorities reported that they acted upon the Commissioner's request to provide the information to the complainants even before a decision was made on the appeal. Administrative enforcement of the decisions taken by the Commissioner has yet to be ensured. As in the previous year, 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 2020, courts in Serbia received 117 (2019: 152) new cases based on the law on **whistle-blower protection**. Out of 177 pending cases, 128 cases were finalised (2019: 160). Whistle-blower reports, such as in the case of Krusik, mentioned in the previous report 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 corruption cases, in order to strengthen trust in the institutions.

A number of by-laws were adopted during 2020 with the aim of implementing the law on public procurement (see *chapter 5 – Public procurement*). The Public Procurement Office finalised activities with the aim to ensure more transparency and improve the quality of the Public Procurement Portal e-platform and data. Disclosing all information on COVID-related procurements would contribute to enhanced transparency and trust.

Institutional framework

Prevention measures

In November 2020, Serbia authorised the publication of the second compliance report on the implementation of recommendations on the prevention of corruption in respect of Members of Parliament, judges and prosecutors by the Council of Europe's Group of States against Corruption (GRECO). In its report, GRECO noted that out of 13 recommendations, two were implemented fully, ten partly and one recommendation was not yet implemented. GRECO considers the situation as 'globally unsatisfactory' and decided to launch its "non-compliance procedure" including a request to Serbia to report on the progress made.

Serbia took some steps to partly meet one GRECO recommendation by adopting in December 2020 under urgent procedure a code of conduct for Members of Parliament aimed at the avoidance and resolution of conflicts of interest. Aside from adoption of the code, GRECO also recommended that it should be effectively implemented in practice, and accompanied by proper guidance, training and counselling. In September 2021, Parliament adopted a revised version of the code of conduct with the aim to follow-up on the GRECO recommendations.

The law on the prevention of corruption entered into force in September 2020. All necessary bylaws were adopted. In February 2021, the Parliament adopted an authentic interpretation of the term 'public official' used in the law to define its scope. This authentic interpretation now specifies that the law applies only to persons directly elected by the Serbian citizens as well as persons elected, appointed or nominated by Parliament, the President, the SCC, the HJC, the SPC, the government, assemblies or governments of autonomous provinces and authorities from the local self-governments. The authentic interpretation also results in some categories of persons, among others, to be excluded: directors and members of executive bodies of educational institutions, directors and members of steering and managing boards of healthcare institutions, and directors and members of the steering boards in companies in which Serbia, autonomous provinces or local self-governments have stakes or shares.

GRECO had assessed this law in light of its recommendations in the aforementioned second regular compliance report. It took the view that it is an improvement in some areas, while it still “presents shortcomings which could endanger its application”. These include, among others, lack of criteria for allowing or restricting public officials from performing business activities; discretionary rights for public officials for reporting on parts of their assets; several categories of public officials’ assets not being made public and low level of fines for breaches of the law. GRECO thus concluded that this recommendation related to the law on the prevention of corruption was only partially implemented. Serbia amended the Law in September 2021, with the aim to align further with the GRECO recommendations. Serbia needs to continue implementing the recommendations in line with the spirit of the report, and report to GRECO by 31 October 2021. The resources and capacity of the Agency for Prevention of Corruption were strengthened, and the Agency upgraded its electronic information system. In December 2020, it had 96 staff members out of the planned 163. The five members of the Agency’s board were appointed in March 2021. In December 2020, Parliament discussed and formally accepted the report of the Agency for 2019, and in March 2021, the Agency submitted the report for 2020, along with the report on the implementation of the Action Plan for Chapter 23 sub-chapter on fight against corruption to Parliament for adoption. Workshops or discussions within the relevant parliamentary committees on these reports did not take place.

There is a need for strong political will to effectively implement the full mandate of the Agency and ensure increased trust of citizens in the institutions preventing corruption.

In sectors particularly vulnerable to corruption (such as public procurement, infrastructure projects, healthcare, education, construction and spatial planning, and public companies), tangible improvements are still to be made in relation to the transparency and corruption risk mitigation in these fields. The organisation and working improvement business plan of the Customs Service for 2020-2024 was adopted in February 2020. One of the strategic goals is dedicated to fight against corruption, anti-corruption policies and preventive measures.

A policy framework for the fight against corruption in the taxation area still needs to be adopted. The risks of corruption in the implementation of public-private partnerships and in relation to the use of exceptions in large infrastructure projects have not yet been systematically addressed. There have been no changes to the law on special procedures for linear infrastructure projects which allows for the exemption from public procurement rules of projects of ‘strategic importance’.

Out of the 106 (2019: 102) local self-governments that adopted anti-corruption plans, 22 (2019:28) established a body to monitor their implementation, mostly in line with the Agency’s model. Overall, there were no tangible improvements in relation to anti-corruption efforts at the local level, and the impact of the local anti-corruption plans is yet to be seen.

The Anti-Corruption Council, in its advisory role to the government, remained active in exposing and analysing cases of systemic corruption. It is of serious concern that the authorities still have not established a more constructive relationship with the Council. The required amendment to the government’s rules of procedure for systematic consideration of the Anti-Corruption Council’s recommendations is delayed since 2016. 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 on infrastructure projects in the railway sector and on special rehabilitation of hospitals. There were no meetings of the relevant prosecution offices with the Anti-Corruption Council, in order to improve the implementation of the recommendations listed in their reports. The Council is still not working in full capacity: only 6 out of 13 members are nominated.

Law enforcement

The number of staff of the special departments for combating corruption in the Higher Prosecutors' Offices in Kraljevo, Niš, Novi Sad and Belgrade roughly remained the same: there are 44 deputy public prosecutors (45 in 2019). The Higher public prosecutor's offices envisage positions for one financial forensic expert in each of the four special departments. Two are still missing, namely in Nis and Kraljevo. Furthermore, only one of the two financial forensic experts foreseen in the Prosecutor's Office for Organised Crime is currently being employed.

The Prosecutor's Office for Organised Crime, which has jurisdiction over high-level corruption cases, remains understaffed (see *chapter 24 – Justice, Freedom and Security*). The Rulebook on internal organisation and systematisation of work positions entered into force in May 2021, establishing new organisational units, and increasing the number of employees. The filling of the vacancies requires the existence of adequate accommodation capacities for all staff. The Higher Court in Belgrade dealing with corruption is also understaffed. There is a delay in developing "systematisation rulebooks" (decisions on staffing) for the Special Departments for the Suppression of Corruption, although a baseline analysis was carried out. In view of this delay, the technical equipment needs for these offices could also not be determined. Training sessions for the prosecution were conducted.

During 2020, three task forces composed of representatives of the relevant state authorities to investigate corruption offences, one in the Special Department in Kraljevo and two in the Special Department in Nis were operating (six in 2019).

Transparency about the work of the prosecution and courts in the area of fighting corruption should be increased. Monitoring by the Republic Public Prosecutor's Office on the reasons for the dismissal of criminal charges or lengthy investigation of corruption offences should be stepped up.

The State Audit Institution continued to audit statements from public funds beneficiaries. By verifying the establishment and provision of conditions for adequate functioning of internal audit, it found that out of the total number of auditees (99), which have the obligation to establish internal audit, 45 auditees (45.45%) did not establish internal audit procedures, signalling a positive trend (compared to 57% in 2019 and 76.5% in 2018).

Legal framework

Serbia is a party to all international anti-corruption conventions. The legal framework for the fight against corruption is broadly in place. It is of concern that the **law on the financing of political activities** has not been amended since 2016 in order to ensure compliance with all OSCE/ODIHR recommendations and to reinforce the independence and administrative capacity of relevant supervisory authorities.

Amendments to the **law on access to information of public importance** were adopted at the level of Government on 7 October 2021.

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

With respect to **transparency and integrity within the public administration**, there has been no sizeable reduction in the excessive number – 62% of filled positions (June 2021) - of acting senior manager posts, and 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 law on the origin of assets adopted in 2020, which provides for further legal options and

human resources for the tax administration to check assets of natural persons, against declared income, and tax any assets that are in discrepancy based on a specific tariff. The law was amended in 2021 to clarify that it did not concern illegally acquired property, but property for which there is no explanation of origin. Its implementation needs to be non-discriminatory and not susceptible to corruption.

Strategic framework

Serbia has still no **anti-corruption strategy**. The previous national strategy for the fight against corruption for period 2013-2018 and its accompanying action plan expired. There is a clear need for an anti-corruption strategy accompanied by a credible action plan in addition to the relevant section in the chapter 23 action plan. An operational plan for the prevention of corruption in high-risk fields was adopted at the government session held on 30 September 2021. However, a comprehensive strategy and action plan on prevention and repression of corruption are still needed.

The Agency for Prevention of Corruption prepared the report on the implementation of the anti-corruption-related section of the action plan for chapter 23 sub-chapter, and submitted it to Parliament for adoption in March 2021. According to this draft report, Serbia only completed 26 (42%) actions, which either had to be completed in the second half of 2020 or were continuous actions.

Fundamental rights

Serbia's legislative and institutional framework for upholding human rights is broadly in place. However, it needs to ensure the framework is consistently and efficiently implemented. Serbia has yet to recruit new staff in the Ombudsman's Office and in the Office of the Commissioner for Personal Data Protection. A new Ombudsman law and amendments to the law on access to information of public importance were adopted at the level of Government on 7 October 2021. The adoption of a new anti-discrimination strategy and of a new Roma action plan are delayed.

In addition to making substantial efforts to uphold freedom of expression, Serbia needs to address the recommendations of the 2020 report. In particular, Serbia needs to:

- strengthen human rights institutions, including by means of allocating the necessary financial and human resources;
- adopt and start to implement a new anti-discrimination strategy; actively pursue investigation and convictions for hate-motivated crimes;
- demonstrate, through enhanced data collection, a tangible improvement across the country in the effective exercise of the rights of individuals belonging to national minorities, including under the targets set by the Poznan declaration as regards the Roma⁴.

Serbia has ratified the main **international human rights instruments** but it has yet to become a party to the International Convention on the Protection of the Rights of All Migrant Workers and Members of their Families.

From June 2020 to June 2021, the **European Court of Human Rights** delivered ten judgments concerning Serbia and found that it violated the European Convention on Human Rights in seven cases. This notably included four violations of the protection of property, three of the right to a fair trial, and two of the prohibition of torture. Implementation of the mechanism providing individual redress to parents in cases similar to the one of *Zorica*

⁴ In line with the terminology of European institutions the umbrella term 'Roma' is used here to refer to a number of different groups without denying the specificities of these groups.

Jovanović v. Serbia is ongoing, with collection of, and checks over, cases submitted by parents of missing babies.

As regards the **promotion and enforcement of human rights**, the newly established government created a Ministry for Human and Minority Rights and Social Dialogue. In December 2020, the Parliament in its plenary session adopted conclusions on the annual reports of independent bodies. Compared with 2019, there has been an increase of citizens' complaints submitted to the Ombudsman in 2020 (2019: 3,276; 2020: 5,056), as well as an increase in the number of recommendations from the Ombudsman addressed to the authorities (2019: 934; 2020: 1,070). According to the Ombudsman, the percentage of his recommendations followed up by the authorities remains high (2019: 95.5%; 2020: 94.5%). However, certain recommendations related to 'public interest' have still not been addressed. Serbia has yet to recruit new staff in the Ombudsman's Office (deadline in the action plan: Q4 2021) and to provide appropriate premises. Staff turnover in the Office continues to be a concern. The number of filled in positions actually decreased (2019: 93; 2020: 84). A new Law on the Ombudsman was adopted at the level of Government on 7 October 2021. In December 2020, the Accreditation Subcommittee of the Global Alliance of National Human Rights Institutions (GANHRI) – whose secretariat is the Office of the UN High Commissioner for Human Rights – decided to defer the review of the accreditation of the Ombudsman for one year, until additional information is provided on issues of concern, such as selection and appointment, handling of individual complaints and cooperation with civil society.

In the field of **prevention of torture and ill-treatment**, the Ombudsman, in its role of National Preventive Mechanism against Torture, continued to increase the number of visits to relevant sites (2019: 77; 2020: 85). Training sessions on the methodology for investigating cases of torture continued, in light of the outstanding recommendations of the European Committee for the Prevention of Torture and Inhuman or Degrading Treatment or Punishment (CPT). These recommendations notably relate to the CPT's report on its *ad hoc* visit to Serbia in 2017, stating that ill-treatment is an accepted practice within the current police culture. In January 2021, the European Court of Human Rights ruled on the case *Zličić v Serbia*, finding that Serbia violated article 3 of the European Convention on Human Rights, namely inhuman and degrading treatment while in police custody, and failed to conduct an effective investigation. In February 2021, the Ombudsman published an analysis of 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. In all eight cases under investigation, the Ombudsman determined ill-treatment of citizens by police officers. Irregularities included unauthorised use of force and illegal use of coercive means, lack of visible official IDs on police officers' uniforms, and lack of prompt reaction by the Ministry's Internal Control Sector. The Ombudsman recommended to the Ministry to identify and sanction responsible police officers. Investigations have been initiated; they have not yet resulted in any disciplinary sanctions. The Ombudsman found, in his thematic report of September 2020, that medical professionals in civilian health care institutions still lack both the knowledge and skills necessary to document signs of ill-treatment committed by the police in line with the Istanbul protocol, which may have an adverse effect on the investigation before the judicial authorities. In September 2020, an independent expert contracted by the Ministry of Justice concluded that the May 2019 criminal code amendments, introducing life imprisonment without the possibility of conditional release for a number of crimes, were not compliant with the European Convention on Human Rights and the case law of the European Court of Human Rights. Similar concerns had been raised by the Council of Europe's Commissioner for Human Rights prior to the adoption of the amendments. No progress was made on adoption of a law for the prevention of ill-treatment and abuse in social institutions.

Regarding the **prison system**, the renovation programme continued in several prisons, in line with the expired strategy for reducing overcrowding in penal institutions. Treatment programmes in prisons and prison medical facilities continued to be improved, in line with the CPT recommendations. Following the 2018 decision on establishing a special department for alternative measures to detention, a systematisation decision on staff was adopted in May 2021. The recruitment of additional probation staff is ongoing. The use of alternative measures to detention continued to increase, but a large percentage of convicted persons are under house detention rather than serving community sanctions. In addition, the share of alternative measures to detention – 35 per 100 000 of the population, including those under electronic monitoring – remains low. Previously identified shortcomings regarding detention conditions, the provision of legal aid and healthcare remain. Post-release programmes for long-term prisoners were developed, but institutions at local level need more resources to ensure their implementation.

The law on **personal data protection** is mostly aligned with the EU General Data Protection Regulation. In his 2020 annual report, the Commissioner for Information of Public Importance and Personal Data Protection pointed to the need for harmonising the provisions of all other laws related to the processing of personal data with the new personal data protection law. Such harmonisation was due by the end of 2020 according to the personal data protection law. The number of designated ‘data protection officers’ within public entities remained small. The Office of the Commissioner needs to be provided with the human, technical and financial resources necessary for the effective performance of its tasks and exercise of its powers. There are currently 99 staff members in the Office compared to the 129 target. The Commissioner for Personal Data Protection issued negative opinions on the Ministry of the Interior’s impact assessment on street video-surveillance, where he assessed that there was no legal basis for the use of biometric surveillance. The Ministry put on hold processing of biometric personal data until the law on records and data processing in the field of internal affairs is amended and aligned with the law on personal data protection. The proportionality and necessity of such surveillance will need to be assessed, under the provisions of the personal data protection law, before its possible deployment. Following a privacy breach in the centralised COVID-19 health information system in April 2020, the Commissioner for Personal Data Protection undertook a supervision procedure and issued warnings to the Institute for Public Health. This was based on the fact that the data controller of the COVID-19 system had not conducted, prior to starting data processing, an impact assessment, as legally required. In addition, the data controller had not undertaken the appropriate technical, organisational and personnel measures for the protection of personal data, such as the adequate regulation of the relations between the data controller and the data processor.

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. No progress was made towards aligning the law on churches and religious communities with international standards.

Freedom of expression

Serbia has some level of preparation concerning freedom of expression. Overall, limited progress was made by adopting and starting to implement a limited number of measures under the action plan related to the media strategy, while verbal attacks against journalists by high-level officials continued. The Republic Public Prosecutor’s Office (RPPO) issued a mandatory instruction for all public prosecutors, ordering urgent action – using the expedited
--

procedure – in cases of threats and attacks against journalists. Prosecutors are obliged to keep special records in relation to criminal acts committed against journalists. In December 2020, Serbia adopted an action plan related to the media strategy. Implementation of the action plan was limited so far, while amendments of the media laws, including the role of the Regulatory Body for Electronic Media (REM), are scheduled for a later stage in 2021 and 2022. Serbia established two working groups reporting to the Prime Minister that include media representatives: one to monitor how the media strategy is being implemented, the other on the safety of journalists. 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. Most media associations withdrew from the group on safety of journalists in March 2021, citing hate speech and smear campaigns against journalists and civil society representatives, including by the head of the ruling party caucus in Parliament. These verbal attacks took place in Parliament even after a code of conduct was adopted in December 2020.

The recommendations of last year still need to be implemented and therefore remain valid. In addressing the persisting shortcomings, Serbia should implement, without delays, its media strategy and action plan in a transparent and inclusive manner, respecting the letter and spirit of the objectives of that strategy, and focusing as a matter of priority on:

- improving the overall environment for freedom of expression by refraining from verbal attacks and threats against journalists by high-level officials; in addition, ensuring that threats and cases of physical and verbal violence are swiftly followed up and publicly condemned;
- ensuring timely implementation of the media strategy and strengthening of media pluralism. This includes measures related to REM's functioning and mandate, in both electoral – in light of ODIHR's recommendations – and non-electoral periods, as well as the public broadcasters;
- ensuring timely implementation of the media strategy as regards 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. Despite differences in the numbers, due to different methodologies, the two main media associations in Serbia both recorded an increase in the number of attacks and pressures against journalists in 2020 compared to 2019. This was also reported in the Ombudsman's 2020 report. 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 government also established a new working group on the safety of journalists, which is reporting to the Prime Minister and includes media representatives. In addition to periodical meetings, the working group met several times on an urgent basis when cases of attacks against journalists were reported and issued press statements. Under the auspices of the new working group, a 24-hour SOS phone line for reporting attacks and pressures on journalists became operational in March 2021. A new web platform related to the safety and protection of journalists was launched in April 2021. The Ombudsman, presented in August 2021 its work on establishing a central database of attacks and threats against the media. Operationalisation of the database has yet to be completed. Following suggestions raised in the working group, the government categorised journalists as

a priority group in the process of vaccination against COVID-19. An analysis of the criminal code including draft amendments to improve the protection of journalists was carried out. Most media associations withdrew from the group on the safety of journalists in March 2021, citing the lack of official reaction to verbal attacks against journalists in the context of an ongoing organised crime case. These verbal attacks, also targeting civil society organisations, were notably made by the head of the ruling party caucus in the Parliament and took place even after a code of conduct was adopted in December 2020. In March 2021, the Parliament's administrative committee, in charge of overseeing the application of the code of conduct, rejected all complaints by civil society representatives. President Vučić publicly called for the attacks to stop and to let the media do their work. The same appeal was subsequently made by the Ministry of Culture and Information. The Prime Minister appealed to the media representatives to re-join the working group.

In December 2020, the Republic Public Prosecutor's Office (RPPO) issued a mandatory instruction for all public prosecutors, ordering urgent action – using the expedited procedure – in cases of threats and attacks against journalists. Prosecutors are obliged to keep special records in relation to criminal acts committed against journalists. The previously established network of contact points in the public prosecution's offices for such cases now consists of 115 deputy public prosecutors. The Minister of Culture and Information withdrew all the requests for initiating court proceedings against journalists which had been sent to the State Attorney's Office by the previous Minister, as well as five criminal charges against media representatives filed to the Prosecutor's Office. According to RPPO's information regarding those acts that qualify for criminal prosecution, by the end of December 2020, out of the 55 cases filed in 2020, 37 cases were considered by the RPPO and 18 cases were dismissed. Altogether three cases (three convictions in court) were finalised, while criminal proceedings continue for the 34 remaining cases (two cases before the court, nine in pre-investigation, 14 in investigation (evidentiary actions), and nine cases without identified perpetrators). In February 2021, a former mayor was sentenced in the first instance to more than four years in prison for jeopardising the life of an investigative journalist writing about corruption at local level, by ordering an arson attack on his home in December 2018. Regarding the commission tasked with looking into three cases involving the murder of journalists, in September 2020 an appeal court revoked on procedural grounds the first-instance verdict against the accused for the murder of journalist Slavko Ćuruvija; a new trial is ongoing. Investigation is ongoing in the two other murder cases.

Implementation of legislation / institutions

The independence of the Regulatory Body for Electronic Media (REM) needs to be strengthened to enable it to efficiently safeguard media pluralism. Relevant measures are foreseen by the media strategy to be implemented by 2022. After REM elected its president in December 2020 – the function having been vacant since 2016 – a REM member resigned, citing lack of transparency in the election procedure and also criticising the passivity of REM in performing its basic function of regulating electronic media. This vacancy was filled in May 2021. Another vacancy was filled in July 2021, bringing REM Council to full capacity. In November 2020, REM published its final report on the media coverage of the June 2020 parliamentary elections and concluded that public broadcasters fulfilled their legal obligation of equal representation while commercial television stations favoured different political options. REM noted that a large portion of the air time was given to analysts who seemed to have been politically biased. In its final report on the elections, ODIHR found that most TV channels with national coverage and newspapers promoted the government policy and that the few media outlets which offered alternative views had limited outreach and provided no effective counterbalance, which compromised the diversity of political views available

through traditional media, through which most voters receive information. ODIHR also found that both the Supervisory Board and REM had remained passive in supervising media conduct during the campaign period, although REM was more active in the final phase of the campaign and banned several election-related ads. Since the last elections, a local CSO calculated that 93% of air time on national news programmes for the period July 2020-June 2021 was given to members of the ruling coalition, who were either portrayed in a neutral (63%) or positive (37%) manner, while 7% of time was given to members of the opposition, predominantly portrayed negatively (57%). The Commissioner for information of public importance issued a decision in March 2021 requesting REM to publish its databases on monitoring of broadcasters. REM replied that it could not publish them due to contractual arrangements. Hate speech and discriminatory terminology are often used and tolerated in the media and are rarely tackled by regulatory authorities or prosecutors. Verbal attacks and smear campaigns against journalists continued. The Press Council continued to record breaches of the journalistic code of professional conduct in print media. Recurrent statements by high-ranking state officials on the daily and investigative work of journalists are preventing the creation of an environment where freedom of expression can be exercised without hindrance. The frequent refusal by public bodies to disclose information, or their administrative silence, following requests submitted under the law on free access to information of public importance, continued to hinder the work of journalists.

Public service broadcaster

The representation by public service broadcasters of the plurality of political views needs to be enhanced. Since the summer of 2021, members of opposition parties have started to be more present in the morning programmes of Radio Television Serbia (RTS) but not yet in primetime (evening) ones. Public broadcasting services in minority languages need to be strengthened, especially as regards RTS. As foreseen by the media strategy in order to reinforce its independence and stability, RTS was not included in the state budget for 2021. The Parliament adopted instead an increase of the subscription fee by amending the law on temporary regulation of subscription tax for public media services, while the law still foresees the possibility of public co-financing if needed.

Economic factors

Political and economic influence over the media continues to be a source of concern. Serbia's media strategy foresees measures, including amendments to the media laws, to be implemented by the end of 2021 and in 2022 to address issues of transparency in ownership structures and fairness in financing media content and advertising from state resources. The existing guidelines for media co-funding require an assessment of whether participants in the call for proposals have had measures imposed by state bodies, regulatory bodies or self-regulatory bodies due to violation of professional and ethical standards. However, the print media with the most violations of the journalistic code of professional conduct recorded by Serbia's Press Council continued to receive public co-funding, especially at the local level. Measures were taken in relation to the privatisation of Tanjug news agency, as foreseen by the media strategy. The privatisation process of the media sector has yet to be completed. The media strategy also highlighted the absence of suitable criteria and mechanisms to assess the existence of media pluralism in Serbia, and identified measures aiming at addressing these issues. 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 context of the high concentration of the media market in Serbia.

Freedom of artistic expression

Freedom of artistic expression is guaranteed by the Constitution. In October 2020, a group of masked individuals broke into a comic book exhibition, threw tear gas and destroyed the works. Death threats were also made on social networks and reported to the police, which arrested five persons. The Ministry of Culture publicly condemned the incident while also criticising the content of the exhibition. Overall in 2020, four cases were initiated based on criminal reports for criminal acts against artists in relation to exhibition of their work.

Professional organisations and working conditions

Lack of job security of journalists and the editorial environment, which favours ‘tabloidism’, is not conducive to improving journalistic standards and resilience against disinformation. The COVID-19 pandemic resulted in the worsening of the economic situation of media in Serbia, which were hit by a critical reduction of advertising revenues.

(See also Chapter 10 – Information society and media)

While legislation on **freedom of assembly and association** is generally in line with European standards, no progress was made on alignment with the Guidelines on Freedom of Peaceful Assembly of the ODIHR or on adoption of implementing legislation. In February 2021, the Ombudsman published an analysis of 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 (*see also the section on of prevention of torture and ill-treatment under fundamental rights*).

*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 return of confiscated properties. In January 2021, the government adopted a coefficient for financial restitution when restitution in kind is not possible and in March started issuing state bonds as a form of compensation. The 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.

In the field of **non-discrimination**, Serbia adopted amendments to the law on the prohibition of discrimination in May 2021. Further work will be required to fully align this law with the EU *acquis*, and in particular Directive 2000/78/EC establishing a general framework for equal treatment in employment and occupation, as well as with European standards. Following expiry of the previous anti-discrimination strategy in 2018, the government is delayed in adopting a new strategy (deadline in the action plan: Q4 2020). The Commissioner for Equality was re-elected through an urgent procedure in November 2020, after her mandate had expired in May 2020. As a consequence of the prolonged vacancy, the Commissioner’s office was not legally able to act upon the received citizens’ complaints during that period. Accordingly, the Commissioner’s 2020 report indicates a decrease in the number of citizens’ complaints (2019: 1,479; 2020: 1,188) and in the number of recommendations issued (2019: 686; 2020: 476). The percentage of fulfilment of Commissioner’s recommendations remained high, at 89%. No progress was made towards alignment of the 2016 amendments to the criminal code related to prohibition and punishment of criminal racial acts with the EU *acquis*. Since the introduction of hate crime as an aggravating circumstance in the criminal code in 2012, there have been seven final, and one first instance, convictions. Hate speech, threats and violence continued to target human rights defenders and LGBTIQ persons. The Commissioner for Equality also reported several attacks and threats against migrants organised by extremist and far-right groups, as well as attacks based on hatred and ethnic identity.

On **gender equality**, Serbia adopted a new law in May 2021, which has been aligned with the EU *acquis*. The amended legal act defines general and special measures in order to achieve and promote gender equality. The Government adopted a National Strategy for Gender Equality on 14 October 2021. During the COVID-19 crisis, the Commissioner for Equality issued several recommendations to the government related to the restriction of movement of the elderly, persons with disability and lack of support services to vulnerable groups. 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.

On **violence against women and domestic violence**, a new strategy was adopted in April 2021. The latest national action plan for the implementation of UN Security Council Resolution 1325 on Women, Peace and Security covers the period 2017-2020 and a new one is pending. In February 2021, a former mayor was sentenced to three months in prison for 'illegal sexual activity' towards one of his staff. Although the case was not qualified as 'sexual harassment', this was the first case of an elected official being sentenced to prison for this type of case. The implementation of the law against domestic violence needs to be improved. An integrated system for collecting and monitoring cases of violence disaggregated by type of violence and by relationship between perpetrator and victim still does not exist. The definition of rape still has to be amended in the criminal code in order to comply with the Istanbul Convention. An action plan on the national programme for safeguarding and improving sexual and reproductive health has yet to be adopted. Additional funding is needed to ensure it is implemented as regards improving access to quality services in this area.

The Council on the **Rights of the Child**, the coordination body in charge of monitoring the new strategy for prevention and protection of children from violence, was re-established in April 2021. It will need to be supported by a technical body. The government is delayed in adopting amendments to the law on juvenile offenders and protection of minors in criminal proceedings (deadline in the original version of the action plan: Q3 2016, revised to Q4 2020). Following expiry of the previous national action plan for the rights of the child in 2015, no progress has been made towards adoption of a new one. 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, which was further exacerbated under the COVID-19 pandemic as a result of physical distancing measures.

An action plan to the March 2020 strategy for the **rights of persons with disabilities** was adopted in April 2021. The government is delayed in adopting a strategy on deinstitutionalisation, as well as a law aiming at protecting persons with mental disabilities in institutions of social welfare to be regulated in accordance with the UN Convention on the Rights of Persons with Disabilities (deadlines in the action plan: Q4 2020). 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. The COVID-19 pandemic has had negative consequences for persons with disabilities, especially those living in residential institutions.

As regards the **rights of Lesbian, Gay, Bisexual, Transgender, Intersex and Queer (LGBTIQ) persons**, there was no pride parade in 2020 due to the COVID-19 pandemic but on-line events. The ministry for human and minority rights started a dialogue about a future law on same-sex partnership, as already foreseen in the previous anti-discrimination strategy. The President publicly announced that such draft law would not be in line with the current constitution and that he would not sign it. The Ombudsman published in December 2020 a

recommendation to that ministry to draft legislation that would enable the regulation of legal gender recognition, also foreseen in the previous strategy. Difficulties remain, especially in smaller municipalities, in implementing the amendments of the law on birth registry, which enable data on gender change 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.

Concerning **procedural rights**, the legal framework remains only partially aligned with the EU *acquis*, notably as regards procedural rights of suspects and accused persons. A strategy and action plan on the rights of victims and witnesses of crime were adopted in July 2020. Implementation has proceeded at a slow pace, and the legal framework requires further amendments. The government established a coordination body for the protection of victims of crimes and witnesses in criminal proceedings in April 2021. Sufficient funding will need to be allocated to allow for the deployment and staffing of a national network of victim and witness support services, as foreseen by the aforementioned strategy. Following online training courses for judges and prosecutors on compensation in criminal proceedings, several judgements have included compensation to be paid to the victims. Modern technical equipment has been installed in five of the 25 Higher Courts to allow witness testimony to be delivered remotely. Regarding **access to justice**, the Council for monitoring implementation of the law on free legal aid has yet to be established. In the first year of implementation of the free legal aid law, and according to partial statistics as not all municipalities complied with the obligation to report to the Ministry of Justice, 92% of requests were approved from October 2019 to October 2020, and then 78% from October 2020 until the end of January 2021. Only one third of municipalities and cities have specialised units for free legal aid. There is a need for further awareness raising of the existence of legal aid towards the most vulnerable and marginalised individuals.

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. The implementation of Serbia's '*action plan for the realisation of the rights of national minorities*' and relevant legislation needs to lead to a tangible improvement in the effective exercise of the rights of individuals belonging to national minorities throughout the country. An *ex post* analysis of the current action plan was finalised in June 2021 and presented to stakeholders in the summer. 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 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 new Ministry for Human and Minority Rights and Social Dialogue has established good cooperation with national minority councils. The Fund for the National Minorities remained the same as in 2020. The 2021 budget for National Minority Councils was initially decreased by 20% but then maintained by budgetary transfers after concerns were expressed by the Councils. The proper functioning of National Minority Councils remains important, including by ensuring their sustainable financing. As concerns were raised by members of the Albanian national minority on the way police controls of residence status are being carried out in Southern 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. The Republic's National Minority Council, in cooperation with all national minority councils, has worked on providing necessary information on COVID-19 vaccination. Despite the legal obligation to take into account the ethnic composition of the population, national minorities remain underrepresented in the public administration. On the basis of the amended civil servants law, preparations for establishing a register of public employees, with the possibility of voluntary declaration of national affiliation, in order to collect data, were finalised; the system is however not yet operational.

There has been further progress in the area of education. The process of preparing and printing textbooks in minority languages continued and produced positive results, such as an additional 24 textbooks in Albanian language. Continued efforts are needed to complete this task. New curricula for teaching Serbian as a non-mother tongue have also been adopted, and support by external associates in pilot elementary schools has continued. The publication of textbooks in minority languages for use in secondary schools remains limited. In consultation with eight national minority councils which have education in minority languages, the authorities recorded 300 on-line classes of Serbian as non-native language, which are available on the national platform of Radio Television Serbia. Access to religious worship in minority languages has yet to be enabled throughout Serbia. While the budget of Radio Television Vojvodina was decreased in September 2020, this did not affect the availability of programmes in minority languages. Overall, public broadcasting in minority languages is still not sufficient, except in Vojvodina. Following the process of media privatisation, the broadcasting of programmes in minority languages remains limited and needs to be made sustainable. There have been occurrences of hate speech against national minorities, including by senior government officials and Members of Parliament. A higher court rejected 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 is ongoing.

Regarding **Roma inclusion**, a new strategy for the social inclusion of the Roma in Serbia, and the related action plan, have yet to be adopted. The new minister for human and minority rights and social dialogue was appointed as National Roma Contact Point. A new coordination body, with the prime minister as chair and the minister for human and minority rights as deputy, was established in June 2021. 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. Amendments to the rulebooks regulating the work standards of pedagogical assistants in primary and secondary schools were adopted in September 2020. The network for pedagogical assistants needs additional financial means in order to be expanded.

Most Roma people in Serbia have civil documentation. The solution planned by the Ministry of the Interior, the Ombudsman and UNHCR to enable the registration of individuals lacking an official address by means of registering at centres for social work led to more Roma people being registered. However, all births need to be registered immediately after children are born, regardless of their parents' status. Instructions on *'acting in case of birth of a child whose parents do not have identity documents to enable registration in a registry of births'* were adopted in December 2020; effective implementation will need to be ensured. Roma students in elementary and secondary education have continued to receive scholarships through affirmative measures. However, school drop-out rates remain high, especially for Roma girls. Segregation in education needs to be addressed. Roma students are still overrepresented in special schools (18%) and classes (35%). Under the COVID-19 pandemic, Roma children, mainly from informal settlements, have been struggling with access to the

technical preconditions for participating in online education. Transition from education to the labour market is especially challenging for young Roma people. Informal employment continues to be high among the Roma population and the informality gap is the highest in the Western Balkans region. The government is delayed in adopting a law on social entrepreneurship, which would aim at increasing labour activation of Roma and other vulnerable individuals (deadline in the action plan: Q4 2020). In addition, Roma are still underrepresented in the public administration.

There has been a five-year delay in adopting a national housing strategy as required by the 2016 law on housing. 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 Declaration⁵. Forced evictions are still taking place, which is not in line with the law on housing. This law needs to be implemented effectively, especially the provisions prescribing housing support and a procedure for relocation of informal settlements. Roma returnees under readmission agreements are in a particularly difficult situation in terms of social and economic inclusion. Mechanisms for addressing their needs has to be strengthened. 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. 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 socioeconomic 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, external migration and asylum. Schengen cooperation entails the lifting of border controls inside the EU. There is also cooperation in the fight against organised crime and terrorism, and judicial, police and customs cooperation.

Serbia has **some level of preparation** to implement the EU *acquis* on justice, freedom and security. **Limited progress** was made in the reporting period. Serbia continued to significantly contribute, as a transit country, to the management of the mixed migration flows towards the EU by playing an active and constructive role and cooperating effectively with its neighbours and EU Member States. It also continued to effectively implement the integrated border management strategy and its action plan. Serbia has yet to establish a convincing track record of effective investigations, prosecutions and final convictions in serious and organised crime cases, and to further align with the EU visa policy. The recommendations from the 2020 country report remain outstanding, except for continuing increasing border controls, especially border surveillance including identification and registration measures in full respect of fundamental rights, and increase efforts to detect and prevent smuggling of migrants.

⁵ Declaration of Western Balkans Partners on Roma Integration within the EU Enlargement Process (Poznan Declaration) signed at the Western Balkans Leaders’ Summit in Poznan, Poland on 5 July 2019.

In the coming period, Serbia should in particular:

- increase the technical, financial and human resources capacity of the Prosecutor's Office for Organised Crime to perform their duties;
- amend the Serbian criminal code in order to effectively criminalise the trafficking of weapons;
- adopt the Schengen Action Plan by ensuring a sufficient involvement of all relevant government institutions;
- refrain from further diverging from the EU visa policy and take concrete steps to fully align with it.

Serbia adopted a revised action plan for chapter 24 in July 2020. It sets out Serbia's commitments, including in terms of timelines, in order to meet 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. An implementation report of the revised action plan has not yet been published by the Ministry of the Interior. The last available report covers the period July-December 2019. Since 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.

Fight against organised crime

Serbia has **some level of preparation** in the fight against organised crime. **Limited progress** was made in this area. Last year's recommendations remain valid. Serbia has yet to establish a convincing track record of effective investigations, prosecutions and final convictions in serious and organised crime cases, including financial investigations leading to a track record of freezing and confiscating criminal assets. The number of convictions for organised crime decreased compared to 2019. Serbia should adapt its approach from one based on cases to a strategy against organisations, and from focusing on cases of low or medium importance to high profile cases aiming at dismantling big and internationally spread organisations and seizing the assets.

Serbia should increase its efforts in addressing the shortcomings and:

- increase the track record of investigation, prosecution, and convictions in serious and organised crime cases, including 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;
- 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 40 119 police officers in Serbia in April 2020, equivalent to 435 per 100 000 inhabitants, compared with an EU average of 326 (Eurostat, 2017). The Prosecutor's Office for Organised Crime still needs to recruit five prosecutors in order to complete its current office size (25 prosecutor posts). More generally, there is a need for developing

‘systematisation rulebooks’ on the basis of a baseline analysis which was carried out, and taking into consideration that Serbia has a prosecution-led investigation system. Furthermore, this office should be technically reinforced to autonomously carry out relevant SIMs (special investigative means) such as covert interception of communication.

Serbia is delayed in conducting an analysis of the roles and practices of security services as well as of the National Security Council in carrying out criminal investigations related to serious and organised crime. A clear separation of the mandates and regulations concerning interception of communications for criminal investigation, on the one hand, and for security purposes on the other needs to be ensured. 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 should be subject to an analysis as to whether this is in line with best European practices.

Serbia’s legal framework on weapons-related offences includes under the same provision conducts related to trafficking of weapons as well as the ones related to illegal possession and other less relevant conducts. There is an urgent need to amend the code in order to effectively criminalise the trafficking of firearms and weapons.

The law on police still needs to be harmonised with the criminal procedure code. The legal framework is still insufficient to guarantee the operational autonomy of the police from the Ministry of the Interior. When the new government was appointed in October 2020, several representatives of the police were replaced: the Head of Border Police Directorate, the Head of the Sector for Human Resources, the Head of the Criminal Police Directorate, the Head of Department for Fight against Organised Crime, the Head of the Sector for Internal Control, the Head of Anti-corruption Department as well as the heads of several regional police directorates.

Media relations, including press releases on ongoing operations, are still managed mainly by politicians and representatives of the Ministry of Interior and not by the prosecution and/or the police. It is of concern that there were a series of media appearances and press conferences of politicians or representatives of the executive who have repeatedly made confidential information on ongoing investigations of high-profile organised crime cases public. No official public statements from the organised crime prosecution office were rendered.

In December 2020, legislation on digital assets was adopted. Serbia thus became the first country in the region to have a special law regulating virtual currencies and digital tokens. The adoption of this law also triggered amendments to the anti-money laundering legislation.

Serbia is still reporting to Moneyval about the implementation of the outstanding 2016 Mutual Evaluation Report (2016 MER) recommendations, with a next compliance report to be expected by end of 2021. In December 2020, the Financial Action Task Force (FATF) found that the July 2020 decision of the Ministry of Finance’s Directorate for the Prevention of Money Laundering (APML) to request access to the bank records of a number of journalists and CSOs was not in line with FATF standards. In its plenary session of April 2021, the Committee of Experts on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism of the Council of Europe (MONEYVAL) called on all members to ensure that the FATF Recommendations are not intentionally or unintentionally used to suppress the legitimate activities of civil society (*see further under civil society*). APML clarified that no investigation was conducted but only a request for information in the context of the preparation of the national risk assessment was made. According to APML, requests to the banks were part of a strategic analysis of a wider risk assessment concerning any potential criminal activity and not only terrorism. APML also provided information on the selection

criteria used for selection of the NGOs. However, APML (likewise other law enforcement bodies) should improve its communication skills towards media and public.

Serbia has in place a well-functioning central record of beneficial owners. In order to ensure accuracy of the information contained in the central records, the Serbian Business Registers Agency (SBRA) has filed about 1 900 motions against legal entities that failed to provide the information on the beneficial owner.

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. casinos, lawyers, notaries, real estate agents, change offices, etc.). Unusual proliferation of assets or money administration inconsistent or not proportionate with the regular business practices should be subject to preventive control in order to detect links with criminal activities.

The Ministry of the Interior's financial investigation unit carries out the functions of an Asset Recovery Office (ARO) related to the exchange of police data in line with the EU *acquis*. The unit is still being set up. In order to make the ARO fully functional, legislation on records, data processing and on keeping records on received requests from abroad needs to be amended. The office needs to have access to all relevant Serbian databases. The agreement with the tax administration was finalised. The office has a total of 64 positions allocated to it, 62 of which were filled in May 2021. The fact that the ARO office is not fully operational raises concerns in respect to the efficiency and effectiveness in seizure and confiscation of proceeds from crime and more broadly the fight against organised crime.

The centralised case management system for prosecutors (SAPO) needs to be fully operational and running. This also negatively affects the full capacity of the SIDDA/SIDNA investigative software, which does not receive all relevant data. The establishment of a single centralised criminal intelligence system, advanced further in terms of technical preparations.

Implementation and enforcement capacity

As regards the **track record in organised crime**, the data provided by Serbia show a decrease in new investigations initiated into organised crime groups: against 110 individuals in 2020, compared to 156 in 2019, 146 in 2018 and 191 in 2017. The number of indictments increased compared to 2019 (108 persons were indicted in 2020, compared to 65 in 2019). The number of first instance convictions in 2020 decreased compared to 2019: in 2020 first instance convictions were rendered against 127 individuals (out of which 81 were plea agreements accepted by the courts) compared to 167 in 2019 (out of which 42 were plea agreements accepted by the courts). Final convictions in 2020 were rendered against 72 individuals (out of which 69 were plea agreements accepted by the courts).

There is a delay in setting up a working group with a view to carrying out a comprehensive analysis of the effectiveness of the criminal legal system in order to increase the track record in organised crime cases; deadline in the action plan is Q4 2020.

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

There is well-established cooperation with **Interpol and Europol**. The secure communication channel SIENA is operational. Its use is continuously increasing and remained on a high level from 2018 onwards. The deployment of a Europol Liaison Officer to Serbia – in the context of a pilot project to deploy three such officers to the region - could not take place within the

timespan of the project due to difficulties in finalising the accreditation procedure. Thus, Europol in December 2020 decided to discontinue the project for Serbia. Serbia further intensified its participation in EMPACT (the European Multidisciplinary Platform against Criminal Threats) for the period 2018-2021. Serbia is using SOCTA to set operational priorities in order to fight organised crime (SOCTA).

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 the free of charge electronic learning system of CEPOL.

As regards the **fight against money laundering**, the number of convictions for money laundering decreased compared to 2019. In 2020, there were convictions against 11 individuals, compared to 71 in 2019.

The number of cases where **seizure and confiscation of assets** occurs is still limited, and the amounts continue to be very low (in 2020, two requests for permanent confiscation of assets were accepted by the courts against four persons). The criminal procedure code (CPC) and the 2016 law on seizure and confiscation of proceeds of crime (LSCPC) do not draw a clear line between the systems of direct confiscation (“material gain” under the CC/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 applied also because the LSCPC foresees for its application the cumulative (and not alternative) presence of both (a) transfer of assets for a manifestly inadequate price and (b) in any case with the aim of preventing the 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 above provisions reduce the effectiveness of extended confiscation.

In practice, to establish the disproportion between assets and lawful income, prosecutors, financial forensic experts and the Financial Investigation Unit frequently rely on open source databases such as the cadastre, tax administration, or city heating. This approach does not involve a full forensic analysis of defendants’ properties and hardly provides an accurate picture of a defendant’s lifestyle. The lack of an in-depth investigation or a lifestyle analysis may fail to reveal expenses by the defendant (e.g. travels, buying of movable goods, etc.) that may increase the disproportion between the defendant’s lawful income and the assets s/he owns. The proactive role of the judges in following and encouraging this approach is therefore essential.

There were no individuals convicted for **trafficking in human beings** within the context of organised crime (one in 2019), but 36 convictions through plea agreements for illegal crossing of state border and smuggling of persons. It is essential to ensure adequate protection of victims of trafficking in human beings during trials, including granting them the status of a particularly sensitive witness. This is important not only to avoid re-victimisation but also to collect information to prove either force, threatening or exploitation as required by the criminal code for this offense.

In March 2021, the Constitutional Court passed a landmark decision in a trafficking in human beings case. It rules that the state had violated its obligation to protect victims of trafficking (through registration, assistance and proper preventive action/s) as well as its duty to conduct a proper investigation, ensuring respect of the right to a fair trial, by extensively referring to international and human rights standards.

Serbia is implementing the 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. There is a delay in drafting the related action plan for the period 2021-2022. The centre for protection of victims of human trafficking is operational. The shelter segment of the centre is not functional since August 2020, lacking the necessary licence. Currently only a civil society managed shelter provides support to girls and women. Although legally possible, compensation to victims is rarely granted, as there is no official scheme or fund for this. The most common type of exploitation remains sexual exploitation, followed by labour. There is to date no official set of indicators to identify victims.

In 2020, there were no individuals convicted for **weapon-related offences (including trafficking in weapons)** in the context of organised crime (one in 2019). The strategy and its accompanying action plan for small arms and light weapons control (2019 - 2024) are being implemented, as well as 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 their ammunition in the Western Balkans. The Serbian authorities' capacities for marking of imported and deactivated firearms in Serbia significantly improved as well as the capacities of the Ministry of the Interior's ballistic laboratory. The Firearms Focal Point was established in a virtual modality through the decision of the Minister. Serbia demonstrated a good track-record with a high number of weapons voluntarily surrendered to the authorities.

The strategy and action plan for the **fight against cybercrime** are being implemented. The operational capacity of the special prosecutor's office for cybercrime was further strengthened through training. International cooperation through Eurojust in order to effectively address cybercrime was further strengthened. Human resource capacities for investigations of credit card, e-commerce, and e-banking abuses and for combating illicit and harmful content on the internet further improved. Efforts are also ongoing to raise awareness of the professional and general public on dangers of cybercrime and its impact on society. During 2020, cybercrime investigations/evidentiary actions were undertaken against 202 persons, indictments acts were filed against 61 defendants and 49 convictions were rendered. Concerning showing, procuring and possession of pornographic material and minor person pornography, investigations/evidentiary actions were commenced against 30 persons. Against 18 defendants indictment was filed. The courts rendered convictions against 23 defendants.

In 2020, Serbia was involved in 16 cases related to organised crime opened at Eurojust, which included participation in two coordination meetings and one coordination centre. It also participated in three joint investigation teams set-up in cases related to drug trafficking (3), money laundering (1) and organised crime (1).

Cooperation in the field of drugs

Institutional set-up and legal alignment

The national drug strategy expires at the end of 2021 and an action plan for the period 2018 - 2021 has not yet been adopted. The Serbian National Drug Observatory is now fully staffed and operational. Serbia regularly updates and publishes reliable information on new psychoactive substances. The coordination role and responsibilities of the Office for Combatting Drugs are still not clearly delineated with regard to other state institutions. A working arrangement between the European Monitoring Centre for Drugs and Drug Abuse Addiction (EMCDDA) and the Office for Combatting Drugs, the Ministry of the Interior and the Ministry of Health was signed in December 2020. Serbia has a relatively well-established Early Warning System (EWS) to liaise with the EMCDDA on new psychoactive substances and new trends. This also applies to the the associated risk assessment procedure and the

subsequent control mechanism for adding new psychoactive substances (NPS) to national drug control legislation. Therefore, Serbia appears to be ready to be linked to the EU EWS as an associate/external partner.

The Serbian National Drug Observatory (NDO) benefitted in 2020 from additional full-time staff members, which led to some progress made on the three core functions carried out by the National Drug Observatory: data collection; monitoring, analysis and interpretation of the data collected and reporting and dissemination. Serbia is submitting 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 current legislation still requires that entire seized quantity is kept as material evidence for court proceedings. A national contact point for the transmission and analysis of samples of psychoactive controlled substances is not yet established, though the Rulebook that regulates its work was adopted in December 2020.

Implementation and enforcement capacity

In 2020, 34 individuals were convicted at first instance for unlawful production and circulation of narcotics (art. 246 criminal code) within the context of organised crime (including 17 through plea agreements). 16 individuals were convicted at final instance (including 13 through plea agreements).

During the second half of 2020, a total of 3.6 tonnes of various substances (including 31 kg of heroin) were confiscated, compared to 4.5 tonnes (including 109 kg of heroin) during the second half of 2019. There were no destructions of seized psychoactive controlled substances in 2020.

In September 2020, the National Forensic Centre laboratories renewed the accreditation status during the supervisory visit of the European Network of Forensic Science Institutes' accreditation body. In January 2021, Serbia started to implement the software application 'operational drug records' for keeping records and conducting statistical analyses of seized drugs on a regular basis. The software allows for daily updates on quantities of seized drugs, and ensures e-communication with the National Forensic Centre on seized drugs. 'Security bags' were introduced preventing any tampering with collected evidence. Since January 2002, seized drugs are stored in line with clear conditions – based on a legal instruction - and in a centralised manner in five containers.

The Government is delayed in developing a programme for the prevention of the use of psychoactive substances based on scientific evidence in alignment with international standards.

Fight against terrorism

Institutional set-up and legal alignment

Serbia has a national strategy for the prevention and fight against terrorism (2017 – 2021). The regular monitoring and reporting mechanism on the implementation of the strategy is still not fully functional. The strategy has yet to be extended in order to cover all forms of radicalisation and violent extremism (irrespective of political, religious or ethno-nationalist root causes). Activities aimed to prevent political extremism and ethno-nationalist extremism, including the ones to be conducted in collaboration with civil society organisations, are still not foreseen in the national strategic framework and almost inexistent in the field.

The validity of the Joint Action Plan on counter-terrorism for the Western Balkans⁶ was extended to beyond 2020 by the EU-Western Balkans Justice and Home Affairs Ministerial Meeting in October 2020, aiming at fully implementing all actions included in the bilateral implementing arrangement between Serbia and the European Commission. A single contact point for this arrangement was appointed in 2020. However, 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.

By-laws for the implementation of the Law on critical infrastructure have yet to be finalised. The law on the national database for the prevention and fight against terrorism was adopted by Parliament on 10 June 2021. An action plan as regards returning foreign terrorist fighters and members of their families to the territory of Serbia was adopted.

Implementation and enforcement capacity

In 2020, there were no convictions for terrorist associations or financing of terrorism. There were also no convictions for recruiting and training in order to commit terrorist acts or public inciting to commit terrorist offences. No criminal charges were filed for terrorist-related crimes. Numerous cases related to these criminal offences are in the pre-investigation phase. Progress has been achieved regarding development of tools and instruments to address radicalisation in prisons.

No measures were undertaken to prevent and address violent extremism in sport. Nothing has been done to explore possible connections between right-wing extremism and football hooliganism.

There is no systemic response from state authorities in addressing far-right groups' actions. The lack of response was also criticised by the Ombudsperson⁷.

Additional efforts to investigate and prosecute organisers of foreign fighters (criminalised since October 2014 under the chapter "*Criminal offences against humanity and other rights guaranteed by international law*" of the Criminal Code) traveling to Ukraine are necessary. In addition, the public should be provided with accurate and official information about proceedings against foreign fighters. In March 2021, the Balkan Investigative Network (BIRN) launched a database containing court verdicts (from 2007- 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. Serbia updates Europol on the foreign fighters' list and terrorism related incidents and effectively uses CT SIENA. Cooperation with EUROPOL has started on addressing terrorist content online. Serbia continues participating in the Integrative Internal Security Governance mechanism.

Legal and irregular migration

Institutional set-up and legal alignment

Responsibilities for managing migration are shared between the Ministry of the Interior, the Commissariat for Refugees and Migration, the Ministry of Labour, Employment, Veteran and

⁶ https://ec.europa.eu/home-affairs/system/files/2018-10/20181005_joint-action-plan-counter-terrorism-western-balkans.pdf

⁷ The Ombudsperson requested from the Ministry of the Interior to "provide information on how the police intelligence model was applied in these cases, and what measures and actions have been taken regarding the fact that members of these organisations invoking xenophobia, racial and religious discrimination".

Social Affairs, the Ministries of Foreign Affairs, of Justice, of Defence and the Ministries of Health and Education, Science and Technological Development.

In line with the strategy on migration management, the Working Group for Monitoring Migration, chaired by the Commissariat for Refugees and Migration, functions as an operational network of all institutions with competences in the field of migration. It meets regularly, exchanges relevant information, assesses changes in migration policies and monitors the implementation of migration policies through an established list of indicators.

In November 2020, Serbia introduced a unique administrative place for submitting a joint request with the accompanying evidence required for a residence permit or issuance of a work permit, thus simplifying and accelerating the administrative procedure while respecting legal provisions and institutional competences. In order to be fully aligned with the EU *acquis*, Serbia still needs to change the joint request into a single one. Since April 2021, temporary residence permits can also be introduced electronically.

In September 2020, the Ministry of the Interior adopted new standard operating procedures for the treatment of migrants and persons who express their intention to apply for asylum.

The EU-Serbia readmission agreement, in force since January 2008, is facilitated by implementing protocols concluded with 20 EU Member States. Serbia has 11 bilateral readmission agreements, including with Bosnia and Herzegovina, North Macedonia and Montenegro. Negotiations to sign readmission agreements with Ukraine, Azerbaijan, Turkey, Georgia, Belarus and Argentina are ongoing.

There are altogether eight strategies, which are relevant for migration and border management. Monitoring is ensured, and relevant statistics alongside reports on the implementation of policies are published on an annual basis.

The high-level Working Group to Manage Mixed Migration was reappointed in early 2021.

Implementation and enforcement capacity

The Western Balkan migratory route continues to be firmly established and to exert pressure on the entire region. In 2020, according to the Commissariat for Refugees and Migration, in total 63 408 migrants passed through the reception and asylum centres which represents an increase of 84% in comparison to 2019. The length of the average stay went down to 36 days. The average occupation per day of the centres in 2020 was 5 993 persons. The Ministry of the Interior reported for the same period an increase of nearly 150% of the number of irregular migrants apprehended within the territory, namely from 13 512 in 2019 to 33 772 in 2020. The main countries of origin were Afghanistan, Syria and Pakistan.

Serbian authorities continued to strengthen the capacity for the accommodation and care for migrants under consideration of their specific vulnerabilities due to the COVID-19 pandemic.

In 2020, 22 560 individuals were intercepted at the border; in the same period, 127 criminal charges (including 5 against 5 organised crime groups) were filed for 132 criminal offenses, involving 176 perpetrators (56 members of organised criminal groups) suspected of people smuggling.

In 2020, 1 544 misdemeanour charges were filed for committing violations of illegal crossing of the state border, i.e. illegal stay, and 12 547 decisions on return were made.

Cooperation with Europol's European Migrant Smuggling centre is daily and takes place on several levels, including through EMPACT. Serbia participated in several international operations combating irregular migration and trafficking in human beings.

As regards the accommodation of migrants, the majority are hosted in the 19 governmental reception facilities (asylum centres, reception and transit centres) with a capacity of overall 6 000 places (plus 10 % contingency). A limited number of irregular migrants with a return perspective are hosted in the closed shelter in Padinska Skela, which has a capacity of 50 places. Two mobile shelters for receiving migrants at the entry points in Plandište and Dimitrovgrad are, although finalised, still not operational.

Migrants in the centres are receiving accommodation and protection services. Vulnerable groups are identified and social protection services are available. The majority of unaccompanied or separated children are hosted in the reception facilities while those who require special attention and specific care are hosted in specialised institutions. Migrant children are offered education through inclusion in the national schooling system. Migrants are provided with health services in the reception centres and through the public health system, funded by the EU.

Serbia has a programme for voluntary return support to foreigners for 2019-2021 including funding for information and identification of potential returnees in place. With the support of the EU and Member States, the International Organisation for Migration (IOM) implements the Assisted Voluntary Return and Reintegration (AVRR) programme pursuing capacity building of Serbia's return system and facilitating access to Assisted Voluntary Return. In 2020, 61 migrants applied for assisted voluntary return, and 67 were returned to their country of origin, among them, 14 to Iraq, 13 to Tunisia, 7 to Algeria, 6 to Iran, 4 to Afghanistan.

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. 92 migrants were returned to their country of transition (Bulgaria, Montenegro and Romania). 150 migrants were returned to the territory of Serbia in accordance with bilateral agreements. The lack of enforceable bilateral readmission agreements with third countries is a serious obstacle for Serbia to manage returns effectively.

The implementation of the **EU-Serbia readmission agreement** is satisfactory. Serbia has considerably improved its implementation of the third country national provision since 2018. 6 265 persons were ordered to leave in 2020, and 8 375 persons in 2019, as well as 7 295 in 2018. 3 250 were returned following an order to leave in 2020 (a return rate of 51%) and 5 270 in 2019 (63%).

Human resource capacities for the closed centres in Padinska Skela, Plandište and Dimitrovgrad increased. Human resource capacities in the Commissariat for Refugees and Migration foreseen are not filled, while staffing in the reception centres is fully dependent on external (EU) funding.

The Serbian authorities have not yet accepted the resettlement of any refugees from Afghanistan. In respect to migration figures, Afghans remain one of the main nationalities in transit mainly to Romania and Hungary. On 15 September, reception centres hosted 4 602 migrants of which 30% (1 400) were of Afghan origin. Of the 10 828 irregular migrants apprehended within Serbia's territory between January and mid-September 2021, 27% (2 961) are of stated Afghan origin.

Asylum

Institutional set-up and legal alignment

The Asylum Office, a separate unit within the Border Police Directorate decides on asylum claims at first instance. Appeals against its decisions can be submitted to the Asylum Commission and subsequently to the Administrative Court of Appeal as a final instance. The

Asylum Commission is composed of representatives of different line ministries, including an independent expert and chaired by a representative of the Ministry of the Interior. The Asylum Commission rendered a record of 62 decisions, but none of them granted international protection and only 10 appeals were upheld (i.e. the cases were referred back to the Asylum Office). The third appeal authority, the Administrative Court, rejected all complaints. No hearing of applicants was carried out by the appeal authorities. The Asylum Commission and Administrative Court did not exert corrective influence over the decisions of the Asylum Office.

The Commissariat for Refugees and Migration is the state authority responsible for receiving and accommodating asylum seekers, managing asylum centres and integrating people who were granted international protection.

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

Implementation and enforcement capacity

The number of persons holding a registration certificate significantly dropped from around 12 900 registration certificates in 2019 to only 2 813 certificates in 2020. Registration of asylum seekers was suspended for almost three months, during the state of emergency. Out of the 2 813 persons who obtained a registration certificate, only 145 persons officially lodged an asylum application (compared to 174 in 2019).

In 2020, 373 decisions (2019: 219) were made for a total of 353 asylum seekers (2019: 287). Some 17 asylum seekers received refugee status (2019: 17), 12 received subsidiary protection (2019: 17). Some 73 asylum seekers (2019: 77) had their asylum request rejected (i.e. declared inadmissible). In 82 cases (2019: 130) concerning 106 asylum seekers (2019: 161), the procedure was discontinued because the applicant absconded.

The Asylum office has a continuous presence only in two out of five asylum centres with one police officer. The low number of applications to the asylum procedure as compared to the 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.

The Constitutional Court confirmed in a ruling in December 2020 the collective expulsion of 17 Afghans in 2017 from Serbia to Bulgaria.

The Head of the Asylum Office was changed twice in the fourth quarter of 2020. Inconsistency in the decision-making process regarding similar cases and the length of the asylum procedure are still problematic. The Asylum Office demonstrated good practices, especially in relation to unaccompanied and separated children. For the first time in 2020, a family reunification procedure was carried out in Serbia. Despite some staff instability in the Asylum Office, effectiveness is demonstrated in more timely conduct of interviews. 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 positions of translators in the Asylum Office 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, including for the purpose of registering irregular migrants and asylum seekers. The preparations for EURODAC in Serbia focus on internal connectivity of databases, connection to the central EURODAC server and a satisfying level of automatisisation in order to create an efficient registration procedure. Currently all police stations, but not all border crossing points, in Serbia have access to the AFIS system.

In accordance with the Law on Asylum and Temporary Protection, the Commissariat for Refugees and Migration provides material conditions for the reception of asylum seekers. There are five centres for asylum with a total capacity of 1700 places. Reception conditions are regularly monitored in view of the EASO guidance on reception conditions. 95% of the relevant standards are reached.

2 778 unaccompanied or separated children were accommodated in Serbian centres, an increase of around 20% compared with 2019, while the duration of their stay further declined. An average of 360 unaccompanied or separated children were present in Serbia (max. 691, min.133) during 2020 out of which 122 were accommodated in social welfare institutions for specialised and tailor-made services. Social protection services as foreseen by the law are currently funded by the EU and implemented through the national social protection system.

With regard to integration, implementing legislation in different sectors needs to be harmonised with the law on asylum and temporary protection to provide persons granted international protection with effective access to socioeconomic rights. Biometric IDs and an earlier access to the labour market could improve integration perspectives.

Funds necessary for integration programs for persons granted the right to asylum are provided in the budget on an annual basis. The budget provided for 2020 were sufficient to cover the current needs.

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

The Ministry of the Interior and the Commissariat for Refugees and Migration cooperate with the European Asylum Support Office (EASO) on the basis of comprehensive roadmaps. The second roadmap for cooperation between Serbia and EASO 2020-2022 is being implemented. Serbia was granted observer status in the reception network organised by EASO. A European migration liaison officer, responsible for the entire region, operates from Belgrade.

Visa policy

The 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 with relevant EU regulations. The Visa Information System is operational in all diplomatic missions and consular posts. The issuing of visas at the state border crossing points is exceptional.

Serbia's visa policy is still not aligned with the EU's list of third countries whose nationals are visa exempt or visa required. Nationals from the following countries require visas for entry to the Schengen area while they enjoy visa-free entry Serbia: Armenia, Azerbaijan, Bahrain, Belarus, Bolivia, Burundi, China, Cuba, Guinea Bissau, India, Indonesia, Jamaica, Kyrgyzstan, Kuwait, Kazakhstan, Mongolia, Oman, Qatar, Russia, Suriname, Tunisia and Turkey.

The Commission's visa suspension mechanism report⁸ of August 2021 recommended to further align Serbia's visa policy with the EU lists of visa-required third countries, in particular as regards those third countries which present irregular migration or security risks for the EU.

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.

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.

Issues related to the state borders are regulated in the law on border control. A document on standardisation and management of border crossing points as well as staffing needs is pending adoption. There is no specific strategic document addressing the surveillance of the green border.

The legal framework for border control is largely harmonised with the EU *acquis*. Continuous activities on further legal harmonization and implementation of EU requirements are needed.

The Integrated border management (IBM) strategy 2016-2020 needs to be up-dated and brought in line with the new EU policy on IBM and a new Action Plan needs to be adopted.

The Coordination Body for monitoring the IBM Strategy and Action Plan directs the work of state administration authorities, and coordinates the work of existing and newly opened border crossing points in Serbia. It monitors the implementation of the IBM Strategy and proposes the adoption of new and corrective measures through an annual revision of the Action Plan for implementation of the IBM Strategy in Serbia. The coordination mechanism is supported by the Border Police Directorate in the implementation of administrative and technical tasks and continued its activities in 2020. It was instrumental in ensuring coordination of measures that were put in place to prevent spreading of the COVID-19 virus.

The preparations of the Schengen Action Plan (SAP) were interrupted in 2020 and were continued in February 2021.

A Coordinating Body for setting up Advanced Passenger Information (API) and Passenger Name Record (PNR) systems in Serbia, was created and held its first session.

A draft decree on the conditions that have to be met by the border crossing points in terms of premises, equipment, infrastructure, sufficient number of employees and other material and technical equipment necessary for the proper functioning of border crossing points is still pending adoption.

Implementation and enforcement capacity

Implementation of the IBM strategy is on a satisfactory level. Interagency cooperation is established and functioning. A common training programme and common risk analysis is prepared and implemented.

⁸ COM(2021) 602 final

Additional efforts are needed in the area of staffing and vacancies in the border police. Border police Risk analysis units should be strengthened at the regional and local level. There is also a need for additional administrative capacities on the national level related to the implementation of the IBM and SAP strategies and action plans.

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

Serbia should also enhance the capacities of the border police information system following latest EU requirements on this field and in view of achieving interoperability with the EU border management information systems.

Training standards for the Border Police need to be further implemented in accordance with relevant curricula and recommendations provided in the Schengen Catalogue on External Borders Control, Removal and Readmission.

Inter-agency cooperation, such as between the border police and customs at the border crossing points, is satisfactory. Further improvements are needed especially 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). The status agreement with the EU that allows the European Border and Coast Guard Agency (Frontex) to deploy teams of the European Border and Coast Guard standing corps at the Serbian-Bulgarian border entered into force on 1 May 2021 and joint operations started on 16 June 2021.

Based on the Convention on Police Cooperation in Southeast Europe, the Ministry of the Interior established direct cooperation with all neighbouring countries. Cooperation with neighbouring countries in joint patrols was suspended in April 2020 due to the epidemiological situation linked to COVID-19. Information exchange takes place through joint contact centres. Serbia also receives assistance for capacity building and border management from EU Member States.

Bilateral agreements with North Macedonia were signed on combatting migrant smuggling and trafficking in human beings.

In 2020, 50 control activities were performed in the organisational units of the Border Police Directorate. The Internal Control Unit of the Ministry of the Interior filed criminal charges against 21 border police officers linked to corruption. A corruption risk analysis on the Border Police still needs to be carried out.

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*). Facilities of two EU-funded crossing points Merdare and Mutivodë/Mutivode are ready. However, at the later Serbian authorities are still working in old interim facilities and in the former only one side (exit from Kosovo) is open as Serbia has not manned the other side (exit from Serbia) of the Common Crossing Point.

Judicial cooperation in civil, commercial and criminal matters

A cooperation agreement between Eurojust and Serbia is in force and the Serbian liaison prosecutor in The Hague is operational since March 2020. Serbia is the most requested country in the region, and the third most requested third state in Eurojust's network. Serbia continued to participate in three joint investigation teams initiated in previous years and

concluded no new agreements in 2020. In 2020, Serbia acted upon 112 Eurojust cases, including cases from previous years. The total number of newly registered cases (66) with Serbian involvement increased by 62.5% in 2020 (40 in 2019), out of which 61 concerned requests for cooperation sent to Serbia, and five concerned requests from Serbia to Member States, which were channelled through the Liaison Prosecutor for Serbia at Eurojust. The representatives of the public prosecutor's office of Serbia participated in 12 coordination meetings and events. A new Law on judicial cooperation in criminal matters is in preparation. Cooperative relations should be established also with the European Public Prosecutor's Office (EPPO), which started its operational activities on 1 June 2021.

An analysis for IT and statistical gaps and needs in the area of judicial cooperation in civil and criminal matters was finalised. Serbia's legislation still needs to be revised in order to align with the EU *acquis*. The 2007 Hague Convention on Child Support is being implemented since February 2021.

During the second half of 2020, Serbia received 2 373 new requests for judicial cooperation (both civil and criminal) and sent out a total of 1 467 requests. By comparison, during the first half of 2020, Serbia had a total of 2 285 new incoming requests, and sent a total of 1 242 requests. Serbia in 2020 handled 2 840 incoming judicial cooperation requests (both civil and criminal) and 1 550 outgoing requests during the second half of 2020, compared to 2 285 incoming requests during the first half of 2020 and 1 242 outgoing requests. Among those that Serbia dealt with, it replied positively to 2 166 incoming requests and received positive response on 1 188 outgoing requests and refused 674 incoming requests and received negative response for 362 outgoing requests. At the end of 2020, the number of pending cases remained at 8 025 (compared to 7 196 in June 2020). Serbia continued its regular workflow. The extradition request from Montenegro concerning the former President of the State Union of Serbia and Montenegro has still not been officially answered by Serbia.

2.3 ECONOMIC CRITERIA

	2012-17 average	2018	2019	2020
Serbia - Key economic figures				
GDP per capita (% of EU-27 in PPS) ¹⁾	39.7	40.0	41.0	43.0
Real GDP growth	1.3	4.5	4.2	-1.0
Economic activity rate of the population aged 15-64 (%), total ¹⁾	64.9 ²⁾	67.8	68.1	67.7
<i>female</i>	57.2 ²⁾	60.6	61.3	60.8
<i>male</i>	72.5 ²⁾	75.1	75.0	74.6
Unemployment rate (%), total ¹⁾	19.3	13.3	10.9	9.5
<i>female</i>	20.3	14.2	11.5	9.9
<i>male</i>	18.5	12.5	10.4	9.2
Employment (annual growth %)	3.6	1.4	2.4	-0.2
Nominal wages (annual growth %)	3.9	4.3	10.5	9.5
Consumer price index (annual growth %)	3.8	2.0	1.8	1.6
Exchange rate against EUR	118.1	118.3	117.9	117.6
Current account balance (% of GDP)	-5.6	-4.8	-6.9	-4.3
Net foreign direct investment, FDI (% of GDP)	4.3	7.4	7.7	6.2
General government balance (% of GDP)	-3.6	0.6	-0.2	-8.1
General government debt (% of GDP)	62.6	53.7	52.1	57.3

Notes:

1) Eurostat

2) 2014-2017

Source: national sources

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

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

2.3.1. The existence of a functioning market economy

Serbia has made **some progress** and is **moderately prepared/at a good level of preparation** in developing a functioning market economy. The Serbian economy recorded only a mild contraction in 2020, followed by a strong rebound in the first half of 2021. The impact of the COVID-19 crisis was mitigated by a strong pre-crisis momentum, sizeable and timely fiscal and monetary support measures, the sectoral structure of the economy and a relatively low average stringency of containment measures. External imbalances narrowed in the crisis while their financing continued to be fully covered by Foreign Direct Investment (FDI) inflows. The fiscal space created prior to the crisis allowed Serbia to provide substantial fiscal support for crisis mitigation in 2020 and 2021 and to substantially increase capital spending. Banking

sector stability was preserved and lending growth was robust, supported by monetary easing, loan moratoria and liquidity-enhancing measures. The labour market has recorded a further decrease in unemployment in 2020, reflecting in particular lower participation rates during the crisis, followed by some increase in the first half of 2021 in line with rising participation rates during recovery.

There has been some progress with tax administration reforms and the privatisation of state-owned banks. However, other major structural reforms of public administration and state-owned enterprises (SOEs) continued to advance slowly, prolonging long-standing inefficiencies. There has been no progress in strengthening the fiscal rules to anchor fiscal policy. The state retains a strong footprint in the economy and the private sector is underdeveloped and hampered by weaknesses in the rule of law, in particular corruption and judicial inefficiency, and in the enforcement of fair competition. Last years' recommendations have been partially implemented.

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

- provide well-targeted and temporary pandemic-related fiscal support to vulnerable households and businesses; provided the economic recovery is well entrenched, plan a gradual return to a deficit close to balance in the 2022 budget and medium-term fiscal framework;
- strengthen fiscal rules by making them more credible and binding and capable of anchoring fiscal policy;
- to reduce the grey economy, increase VAT collection and improve the tax control process, implement the new model of electronic fiscalisation and the transition to electronic invoicing;
- contain overall spending on wages as a percentage of GDP by adopting an adequate wage indexation mechanism and taking steps towards an appropriately designed public sector wage system reform;
- increase the transparency on state-owned enterprises' fiscal impact and implement the new SOE ownership and management strategy to improve the governance of SOEs and reduce related fiscal risks.

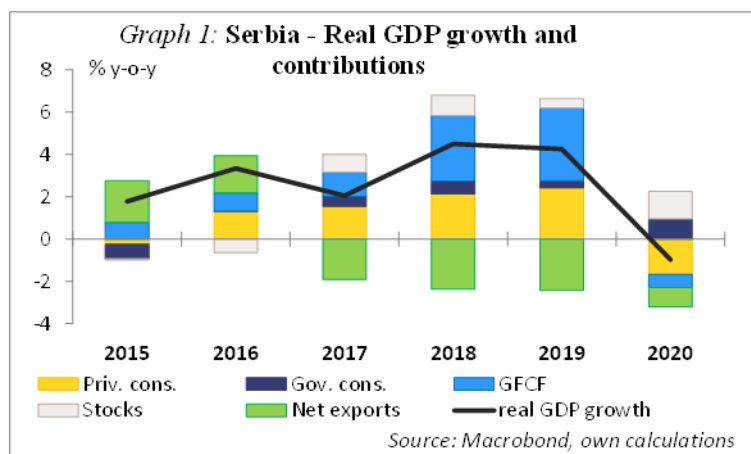
Economic governance

The authorities have remained committed to macroeconomic stability and economic reforms, even though some structural reforms have stalled during the crisis. In response to the COVID-19 crisis, both the government and the central bank took a series of sizable and timely fiscal and monetary measures to mitigate the economic effects of the pandemic. Fiscal measures could however have been more targeted in later stages of the crisis to preserve fiscal space at similar overall mitigation levels. Structural reform implementation slowed down during the crisis. The efficiency and predictability of the institutional environment has yet to be ensured to more sustainably support long-term growth. Weaknesses remain in the fiscal governance framework, the business environment, public administration and tax administration, although some progress has been made in the latter area. There also remain weaknesses in the way the state intervenes and manages its presence in the economy, in particular as regards delayed reforms of state-owned enterprises (SOEs). After the conclusion of the July 2018 – January 2021 non-disbursing policy coordination instrument (PCI) with the International Monetary Fund, Serbia has agreed a new PCI with the IMF that runs from July 2021 to December 2023. The policy guidance jointly agreed at the May 2020 Economic and Financial Dialogue between the EU and the Western Balkans and Turkey has been partially

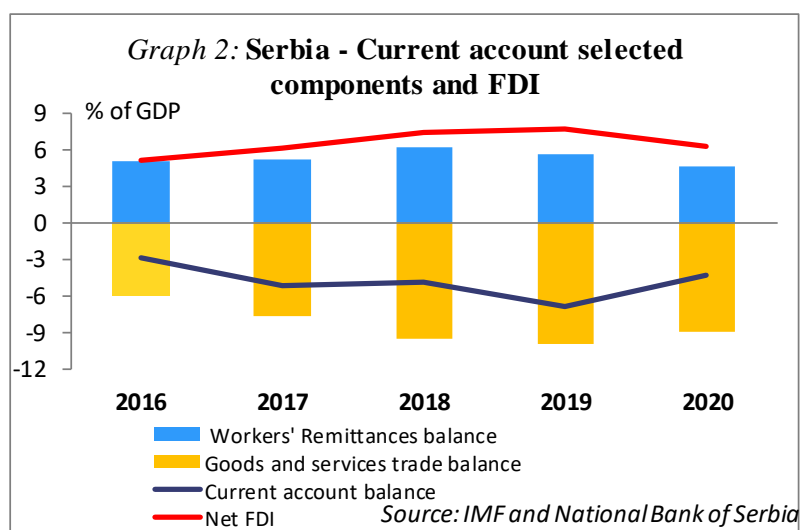
implemented.

Macroeconomic stability

Economic activity has been resilient. Following moderate growth in 2015-2017, annual real GDP expanded by more than 4 % in 2018 and 2019 before contracting by 1 % in 2020 due to the COVID-19 crisis. The crisis hit private consumption, net exports and private investment in particular, but their decrease was partially offset by increased government consumption and public investment as well as higher inventories.



The recession, which was mild compared to peers in the region, was mitigated by the strong pre-crisis momentum, sizeable and timely fiscal and monetary support measures, the sectoral structure of the economy with a limited role of tourism and a relatively low average stringency of containment measures. Moreover, contraction of goods exports was limited due to expansion of export capacity after strong manufacturing FDI and geographic diversification achieved in earlier years. After three quarters of negative year-on-year growth, GDP expanded by 1.7 % y-o-y in the first quarter of 2021, mostly driven by investment and net exports, and by 13.7 % y-o-y in the second quarter, mostly driven by private consumption and investment, pointing to a strong rebound in 2021. After remaining broadly unchanged for most of the last decade, the income gap with the EU, as measured by per capita GDP in purchasing power terms, has slightly narrowed in recent years and stood at 43 % of the EU average in 2020 (compared to 41% in 2019, 40 % in 2018 and 39 % in 2009).



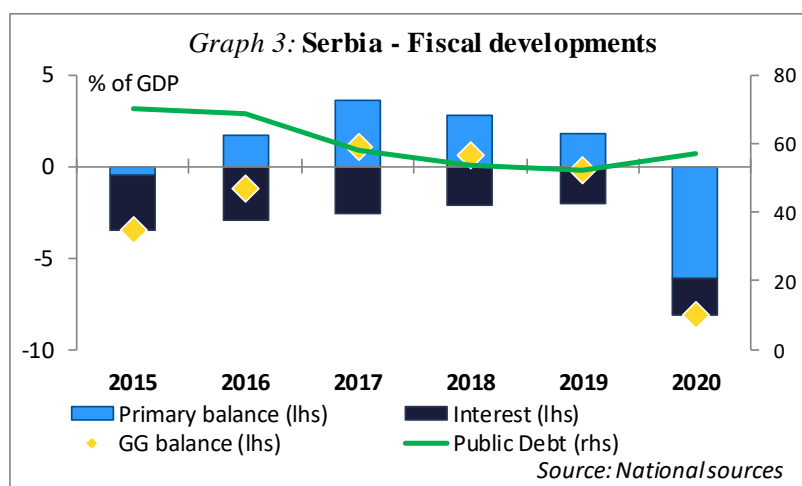
The current account deficit decreased, while its financing remained healthy. After widening substantially from 2016 to 2019 from around 3 % to close to 7 % of GDP, driven by growing merchandise trade deficits, the current account deficit narrowed substantially to 4.3 % of GDP in 2020. This was mainly the result of a lower primary income deficit (essentially due to lower reinvested earnings) and a lower goods trade deficit (as exports

of goods contracted less than imports). These balance-improving factors were partially offset

by lower secondary income, mainly corresponding to lower worker remittances in the crisis context. The current account deficit continued to be more than fully covered by net inflows of foreign direct investment that stood at 6.2 % of GDP in 2020, also supported by the sale of *Komercijalna Banka*. The current account deficit narrowed further in the first half of 2021, decreasing by 65.3% year-on-year to 1.8% of the GDP of the first half of the year, largely due to higher service exports and higher workers' remittances. 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 68.9% in Q1-2021, reflecting in particular the financing of COVID-19 crisis mitigation measures. 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 2020 and Q1-2021, providing an adequate safeguard against adverse shocks.

Price pressures remained largely subdued and inflation expectations contained. Following seven years of low and rather stable inflation, consumer price inflation averaged 1.6 % in 2020, hovering mostly close to the lower end of the central bank's target tolerance band of 3 % \pm 1.5 pps. After remaining subdued in the first quarter of 2021, inflation picked up in the second quarter of 2021 to 3.6 % in May driven by energy and food prices before decelerating to 3.3% in June. To mitigate the crisis, the central bank lowered the key policy rate in four steps from March to December 2020 by overall 125 bps. to 1.0 %. This was accompanied by a series of liquidity-supporting measures to provide dinar and foreign exchange liquidity to the market, including purchases on the secondary market of government securities and corporate bonds issued by SOEs. To stabilise the exchange rate, particularly in view of some crisis-induced depreciation pressures from February to October 2020, the central bank continued to apply its policy of frequent interventions on both sides of the foreign exchange market, selling a net EUR 1450 million in 2020.

The fiscal space created in previous years allowed for substantial fiscal crisis mitigation in 2020 and 2021. After surpluses in 2017 and 2018 and a fiscal outturn close to balance in 2019, the COVID-19 crisis increased sharply the general government deficit to 8.1 % of GDP in 2020, mostly as a result of implementing discretionary fiscal support measures. These



included the deferral of income tax payments and social security contributions, direct wage subsidies, limited direct support to the hospitality sector, direct lump-sum payments to certain groups and to all adult citizens. In addition to the measures with direct budgetary impact, the fiscal support packages also included the setting up of a guarantee scheme for loans

worth 4.4 % of GDP in 2020, bringing the total planned size of the package of fiscal and liquidity-support measures to 12.5 % of GDP in 2020. The original 2021 budget, which targeted a strong reduction of the deficit to 3 % of GDP, was amended in April 2021. The revision foresees a higher than initially planned deficit of 6.9 % of GDP in 2021, mostly due to renewed and additional crisis support and increased capital spending. The general government deficit decreased by 87.5 % year-on-year to 0.6% of estimated annual GDP in the first half of 2021, driven by a 27% increase in revenue while expenditure overall remained broadly stable. Notwithstanding the crisis context, capital spending has further increased from 4.9 % of GDP

in 2019 to a record level of 5.4 % of GDP in 2020 and is budgeted to reach around 7 % of GDP in 2021, also impacted by a further increase in defence spending. Overall, the track record of prudent fiscal policy has played a major role in increasing investor and consumer confidence in the economy, supporting economic growth and significantly reducing government debt before the crisis, thereby creating the fiscal space for sizeable crisis mitigation in 2020 and 2021. Government debt had fallen from a peak of over 70 % of GDP in 2015 to 53 % of GDP in 2019 (closer to the ceiling of 45 % of GDP laid down in the fiscal rules of the budget system law) before increasing to 58 % of GDP in 2020 as a result of the high crisis-induced deficit.

Public sector reforms have progressed unevenly, prolonging long-standing inefficiencies and fiscal governance challenges. Revenue collection has surpassed expectations in the two years preceding the crisis and has performed relatively well throughout the crisis, supported also by improvements in the tax administration, in particular the strengthening of the Large Taxpayer Office and the concentration of core activities in fewer sites. A new tax administration transformation programme 2021-2025 was adopted by the government on 20 May 2021. Progress in addressing weaknesses in budget planning and implementation has been slow. Large public wage increases exceeding nominal GDP growth in three consecutive years before the crisis were contrary to government commitments and have led to an increase of the share of expenditure for employees from 9 % of GDP in 2017 to 10.5 % in 2020. A new system to control general government employment based on medium-term workforce planning remains outstanding. The wage system reform has been postponed by another year while the fiscal space for future implementation of such a reform appears more limited after recent high wage increases. Ad-hoc extraordinary increases for some categories of the public sector (such as the security forces) also tend to complicate the potential implementation of such a reform in the future.

While budget adoption broadly followed legislative procedures, the reform of fiscal rules is still pending. While approval of the 2021 budget was delayed due to the lengthy government formation and the crisis context, the budget was adopted broadly in line with the normal legislative procedure, including a series of parliamentary debates on the draft budget. The Fiscal Council was also consulted in the process. 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. The accountability framework also calls for reinforcement as it currently does not offer adequate sanctions in cases of non-compliance nor effective enforcement mechanisms. Work on strengthening the fiscal rules has been postponed by another year. The new fiscal rules are now expected to be finalised by end-June 2022 to be applied to the 2023 budget law according to the new PCI programme agreed with the IMF.

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 view of sustainable real convergence with the EU.

Functioning of product markets

Business environment

The business environment has been slowly improving despite a general slowdown in the reform momentum. Over the last few years, Serbia has improved its standing in various

international business rankings mostly due to regulatory improvements, for example in issuing construction permits, registering property, making it easier to pay tax, and better protecting minority investments. In 2020, 39 000 new legal business entities were registered of which about 9 000 companies: while the number of registrations for companies was almost unchanged (+0.2 %) compared with 2019, the registrations of solo entrepreneurs fell by 25 % due to the crisis. About 30 000 legal entities (of which 8 000 companies) were deleted from the register, around 40 % less than in 2019. This was mostly due to the base effect from the very high number of compulsory liquidations in 2019 (concerning companies failing to fulfil their financial reporting obligations within a certain timeframe) but, supported by the crisis-mitigating measures, non-compulsory exits also declined by around 13 % in 2020. In June 2020, the Government adopted a 2020-2021 action plan for simplification of administrative procedures through the “E-paper” programme aimed at the optimisation of 890 administrative procedures and establishment of a single public register of administrative procedures. The law on foreign exchange transactions is widely considered by the business community to be too restrictive in its design and unpredictable in its application but there are no indications that it might be revised any time soon.

The institutional and regulatory environment is still challenging. While the number of urgent parliamentary procedures decreased, business-related laws and by-laws/decrees are still adopted with very tight consultation deadlines, leaving insufficient time for business to contribute to policy preparation and notably to prepare for changes affecting their operations. The ongoing setup of a centralised website for consultation procedures could make the consultation process more accessible. Despite a solid legal framework on public procurement and state aid control, implementation of these policies remains weak. The law on state aid control, which entered into force on 1 January 2020, grants legal independence to the Commission for the State Aid Control. However, its operational independence remains to be demonstrated and a credible track record in implementation of the state aid law to be established. 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 94th out of 180 countries in the 2020 corruption perception index compiled by Transparency International, compared to 87th in 2018 and 91st in 2019. Fair competition is negatively affected by the large informal economy.

Some measures were taken to fight the informal economy. The authorities have established a working group chaired by the labour inspectorate to combat informal employment. Another tool is a single information system for inspections (eInspector), which aims to ensure better coordination among various inspections, standardisation of their work, and better availability of data. 36 inspection services started using the tool in July 2019 and then this was extended to several more inspections comprising 44 in total. A contact centre where citizens can directly report on irregularities linking central level inspections with local self-governments started working in March 2020. A special working group for coordination of inspection activities related to the COVID-19 pandemic was established in October 2020. Further improvements in anti-money laundering/combating the financing of terrorism are ongoing.

State influence on product markets

State ownership has continued to gradually decline, but state presence remains large amid persistent governance weaknesses. In April 2021, the Government adopted the 2021-2027 strategy on state ownership and management of SOEs which aims at more sustainable and efficient management of SOEs. Currently, however, governance of these enterprises remains under strong political influence. This includes the irregular appointment of acting

managers for extended periods instead of using the standard nomination process. 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, such as for *Telekom Srbija*, that also benefitted from secondary market acquisition by the central bank of a substantial share of its 2020 bond issuance. Overall, SOEs still account for almost a fifth of value added and formal employment in Serbia. The share of administered prices remained broadly unchanged, at around 20 % of the consumer basket. The new law on state aid control entered into force on 1 January 2020. The law has secured the legal independence of the Commission for State Aid Control, with a separate budget and autonomous spending that allows it to considerably increase its administrative capacities and improve operations. Although the overall GDP share of reported state aid has decreased, the track record of enforcing state aid rules is still uneven, while transparency is also lacking.

Privatisation and restructuring

Privatisation of SOEs advanced. Since 2015, when the privatisation law was adopted, more than 310 SOEs, mostly with no or only a small number of employees, have been put into bankruptcy procedure, increasing the total number of SOEs under bankruptcy procedure to 2 000. A smaller number of companies have been privatised, and non-EU investors acquired some of the largest firms in mining, metallurgy, and agriculture. The status of the remaining 78 SOEs employing some 28 000 workers has yet to be addressed through either bankruptcy or privatisation. Six companies with an overall 6 000 employees are planned to be privatised in 2021. The implementation of the strategy for banks with state ownership continued. The privatisation of *Komercijalna Banka* (the third largest bank by assets and the largest remaining state-owned bank) was completed by a transfer of EUR 395 million to the Serbian budget in December 2020. The state remains in control of key entities in the insurance sector.

Restructuring of key utility companies is ongoing but is advancing slowly. In May 2021, the government adopted an Action Plan for the unbundling in the gas sector including of state owned public utility *Srbijagas*. The state is now the owner of the transmission system operator, after *Srbijagas* transferred its shares in "*Transportgas Srbija*" to the Republic of Serbia. In January 2021, a new legally independent company in charge of the electricity distribution network and supply *Elektrodistibucija Srbije* was licensed, after having been separated from the state owned EPS company. Both separations in the gas and electricity sector should be confirmed by the Energy Community Secretariat to certify that the whole new organisational structure is in line with the requirements of the Third Energy Package including non-discriminatory third-party access to the gas transmission system. The decarbonisation of the energy sector remains the biggest challenge for the government. A national energy and climate plan is currently being drafted to address this challenge. The pricing policy for the regulated electricity market does not provide adequate cost coverage for investments in the network and the security of supply, also as concerns investments needed for Serbia's energy and climate reforms.

Functioning of the financial market

Financial stability

Financial stability was maintained in 2020. Supported by crisis-mitigation measures, macro-prudential indicators remained sound. The aggregate capital adequacy (regulatory capital to risk-weighted assets) was at 22.4 % at the end of 2020, well above the minimum set by the central bank. Liquidity remained high at 37.3 % (share of liquid assets to total assets) and 50.9 % (share of liquid assets to total short-term liabilities) respectively at the end of 2020, also supported by the central bank's liquidity-enhancing measures. As a result of increased loans loss provisions, the profitability of the banking system worsened with a

decline in return on assets (1.1% at the end of 2020 vs 1.8 % at the end of 2019) and in return on equity (6.5 % at the end of 2020, compared to 9.8 % at the end of 2019). The NPL ratio increased to 3.9 % at the end of the first quarter of 2021, partly due to the expiration of the second loan moratorium, before decreasing to 3.7 % at the end of the second quarter. The authorities have continued to address legacy NPLs in the portfolio of the Deposit Insurance Agency. Two portfolios of NPLs worth a total EUR 2 billion at face value have been successfully sold notwithstanding persisting obstacles in NPL resolution. The central bank and the government continued to implement their dinarisation strategy addressing the high degree of euroisation 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 2020.

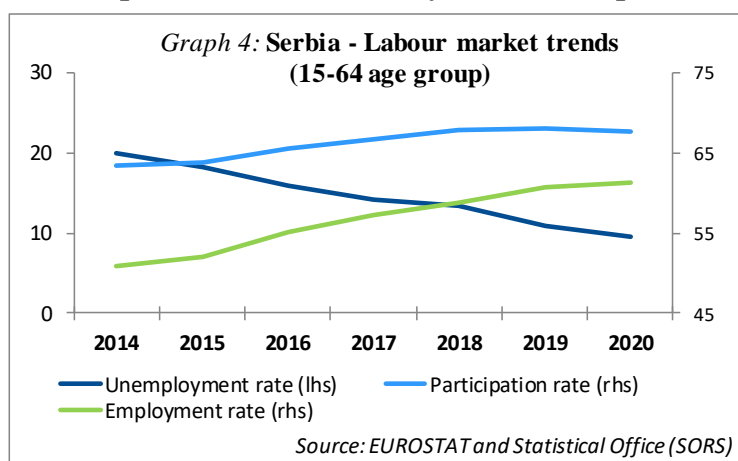
Access to finance

Access to finance was supported by crisis-mitigation measures. Foreign-owned banks continued to dominate the financial system, holding around six sevenths of banking system assets following the sale of *Komercijalna Banka* to *Nova Ljubljanska Banka* at the end of 2020. The continuing consolidation of the banking system via mergers and acquisitions has further reduced the number of banks from 26 at the end of 2020 to 24 at the end of June 2021. Favourable financing conditions, resulting inter alia from the central bank's rate cuts and further crisis-mitigation measures and the government-backed guarantee schemes, have supported growth in lending. Credit expanded by 9 % for corporates and 11% for households in 2020, which was however largely related to moratorium-related maturity extensions as the volume of newly approved loans decreased at double-digit rates (by around 13 % and 20 % 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.

Functioning of the labour market

While the labour market has seen considerable improvements in recent years and the impact of the COVID-19 pandemic is expected to be transitory, structural problems, demographic and migration challenges remain.

Strong economic growth in the years before the pandemic was reflected in continuously improving labour market indicators until 2020. Thus, prior to the crisis, activity and employment rates increased steadily, while the unemployment rate (15-64) fell to 10.9 % in 2019. As an increased number of discouraged workers left the labour force, the rate of



unemployment decreased further to 9.5 % in 2020, despite a simultaneous decrease in employment. Long-term (4.9 %) as well as female (9.9 %) and youth unemployment (26.6 %) also continued their downward trend in 2020. Reflecting the higher number of discouraged workers, the corresponding activity rate (15-64) fell to 67.7 % in 2020 and the proportion of young people in the 15-24 age group not in employment, education or training rose to 15.9% in 2020. The share of informal employment, two-thirds of which was in agriculture, fell to 16.4 % of total employment in 2020. As the economic recovery got underway, jobseekers

returned to the labour market, which pushed up both employment and unemployment rates (to 61.8 % and 11.4% respectively in Q2-2021, also impacted by the changed LFS methodology as of 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 be major labour market issues. In February 2020, the government adopted the 2021-2027 strategy on economic migration aiming to foster circular migration by retaining workers and by encouraging professionals from the diaspora to return to the country. The government packages aimed at mitigating the impact of the COVID-19 crisis – with incentives given only to companies that would not reduce their workforce by more than 10 % of staff – have contributed to preserve formal employment and to thereby limit the increase in the number of unemployed during the crisis.

Real wages have increased. Despite the COVID-19 crisis real wages went up by 7.7 % in 2020, strongly influenced by wage increases already decided before the crisis, in particular in the public sector. The authorities have continued to gradually reduce the overall tax wedge by increasing the non-taxable part of salaries from RSD 16 300 to RSD 18 300 as of January 2021. However, the tax wedge is still disproportionally 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 increased the minimum hourly wage by 6.6 % in 2021. 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 has made **some progress** and is **moderately prepared** to cope with competitive pressure and market forces within the EU. The structure of the economy improved further and economic integration with the EU remained high. However, despite some progress, the quality and relevance of education and training does not fully meet labour market needs. Public investment has continued to increase with the aim to address serious infrastructure gaps after years of underinvestment. Although the cost of borrowing for small and medium-sized enterprises (SMEs) has declined, they still face a number of challenges, including a volatile business environment and unfair competition. Last years' recommendations have been partially implemented. In order to improve competitiveness and long-term growth, 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 approach, using feasibility studies, cost-benefit analyses and environmental impact assessments, for prioritising and monitoring all public infrastructure investment regardless of the source of financing, and apply the principles of competition, equal treatment, non-discrimination and transparency in public procurement and state aid procedures in line with EU standards to all projects including those based on intergovernmental agreements;
- 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; implement the action plan on gas unbundling in a timely manner.

Education and innovation

Despite some progress, skills mismatches in Serbia remain high. Public spending on education stood at around 3.3 % of GDP in 2019, below the EU average of 4.7 %. Pre-primary school enrolment remained around 64 % in 2019, while the compulsory six-month pre-school programme is almost universal. Enrolment rates remained high in general in primary and lower secondary education, at some 99.7 %, and at around 90 % in upper secondary level. The gross enrolment ratio in tertiary education also increased in recent years to around two thirds (67.8 %) while higher education attainment in the population aged 30-34 increased to 33.5 % in 2019. A basic system-wide teacher training to support the implementation of the new curricula and the development of students' key competencies has continued and reached out to some 75 % of education professionals. The authorities are gradually updating both the general and vocational pre-university curricula to make them more relevant to labour market needs, consolidating the national qualification framework (NQF) set-up. Although the pace in adoption of new qualification standards has picked up (32 new qualification standards), a majority of vocational education and training (VET) qualifications remain outdated. VET education is not well oriented to labour market needs with low exposure of students to the workplace. While the roll-out of dual VET education has been progressing, it still concerned only 5% of students in the first year of secondary vocational school in the school year 2020/21. Initial efforts to introduce a monitoring and feedback mechanism under the national work-based VET model are made. Serbia improved slightly in the Human Development Index. Serbia is rated third in the region in view of the World Bank Human Capital Index. There is concern that the COVID-19 pandemic may jeopardise the achieved progress in the struggle to maintain health and education services in the period of restrictions introduced to protect public health.

R&D spending remains low at around 0.9% of GDP. Government funding is stable at around 0.4 % of GDP, providing close to half of the total R&D financing in 2019. 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 an Action Plan for the implementation of its smart specialisation strategy in April 2021.

Physical capital and quality of infrastructure

Investment is increasing, but after years of underinvestment, it needs to effectively address infrastructure gaps. The rise in public investment observed in recent years has been further reinforced while private investment is expected to rebound strongly in 2021 after a crisis-induced decrease in 2020. The economy is attracting significant foreign direct investment, well above the region's average and gradually rising in the last few years prior to the pandemic. Although declining by around a fifth as compared to the record FDI inflow in 2019, substantial amounts of foreign direct investments were recorded even in 2020 (also supported by the sale of *Komercijalna Banka*). However, the share of total investment in the economy still stands only slightly above 20 % of GDP, while physical infrastructure needs further upgrading and expansion. A further increase in public investments is planned in 2021, particularly in roads and railways.

The institutional framework supporting new investment is weak. The 'user pays' principle is not sufficiently applied when it comes to maintaining existing infrastructure and implementing new infrastructure investment plans. 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 linear infrastructure projects of 'special importance for the Republic of Serbia' to be exempted from public procurement rules. Public procurement rules are not always fully complied with and they are not always fully compatible with EU standards. This concerns particularly big infrastructure projects financed via loan agreements with third countries that are directly assigned to companies from these countries, without complying with the requirements of transparency, equal treatment or non-discrimination. The increasing number of exemptions from the application of the public procurement law and a large number of inspected irregularities in public procurement contracts found by the State Audit Institution raise concerns.

The energy sector remains largely inefficient and highly polluting while some regulatory reform steps have been taken. Serbia made some progress towards attracting investments in the energy and mining sector by the regulatory changes adopted in four laws in April 2021 in the field of energy, energy efficiency, renewable energy and mining. The competitiveness is increasingly negatively impacted by an inefficient energy sector based on lignite. The introduction of the new market based auction scheme to support production of energy from renewable sources (as included in the newly adopted legislation) should attract new investments into renewables. Low electricity tariffs do not allow for the necessary investment in infrastructure; tariffs were only increased slightly in January 2021. In May 2021, the government adopted an Action Plan for the restructuring of state-owned enterprise *Srbijagas* and started implementing it. The BalkanStream gas pipeline was finished but the regulatory regime must yet to be brought in line with EU legislation.

Digitalisation remains a top government priority. The 2020-2022 e-government development programme and related action plan adopted in June 2020 have started to be implemented. The government's main objective in this area is to improve the quality of public services by ensuring interoperability, efficient coordination, project management and legal certainty over e-government use and the use of open data. An upgraded e-government national portal was set out in 2020, serving as a one-stop shop for e-government services and as a central point of access for business and citizens alike. The portal is used for a high number of services and played a particular role as an efficient vehicle for vaccination during the COVID-19 pandemic. Some progress has already been made on public access to institutional data thanks to the National Open Data portal (making data available from 22 public institutions so far). The Artificial Intelligence Strategy 2020-2025 has started to be implemented via the related action plan for 2020-2022, including inter alia the foundation of a Research and Development Institute for Artificial Intelligence in Novi Sad. The robust growth of the information and communication sector continued, accounting for a 5 % share of value added and a similar share of total exports, with exports for 2020, the year of the COVID-19 crisis, valued at EUR 1.4 billion, which is 4.4 % higher than in 2019. Available data confirm improvements in 2020 regarding the use of computers, broadband penetration and e-commerce.

Sectoral and enterprise structure

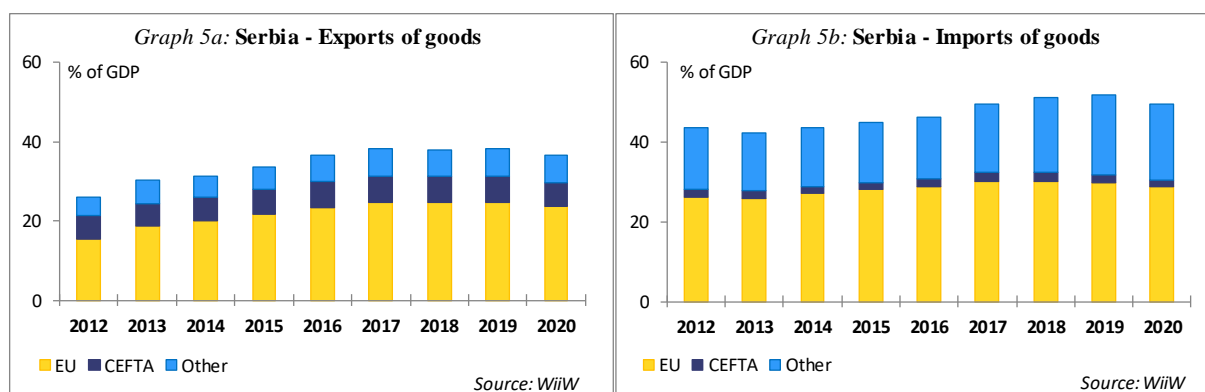
Construction and some services have increased their weight in the economy. Services dominate the economy, providing more than 60 % of total value added. Sectors like transportation, retail trade, and information and communication – the last increasingly geared towards exports – benefited from strong growth before the crisis and the steady expansion of foreign sales to increase their economic weight. Reflecting the new investment cycle, the construction sector increased its share in GDP from 3% in 2013 to 5.7 % of GDP in 2019,

strongly supported by the construction of the Balkanstream gas pipeline. The weight of the agricultural sector has broadly stabilised around 6 % since 2017 after a downward trend over the previous few years in line with the growing shares of manufacturing and services. As regards the structure of employment the share of agricultural employment has continued to fall steadily from 20 % in 2014 via 17 % in 2017 to around 15 % in 2020, while there have been increases in the share of employment in the industry and service sectors.

Small and medium-sized enterprises (SMEs) are the backbone of the economy. They provided close to 60 % of total employment and turnover in the economy, and around half of the value added in 2019 (SORS 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 68 % of total corporate loans in June 2021. Their cost of borrowing has declined recently, but is still above that of large companies. SMEs however still face a number of challenges, including a volatile business environment and lack of non-bank financing. SMEs are facing a lack of a level-playing field: big enterprises and foreign investors often have a direct communication line to 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. In view of all this, SMEs often complain about unfair competition. Furthermore, SMEs have been particularly affected by the COVID-19 crisis – the 2020 assistance packages were particularly aimed at supporting them through deferral of tax and social contributions payment, but also payment of minimum salaries to their employees, and access to loans for liquidity, while the assistance package in spring 2021 granted all companies equal access to payment of minimum salaries.

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 61.4 % of its total trade and two thirds of net foreign direct investment inflows in 2020. Total bilateral trade between the EU and Serbia contracted by 2.4 % between 2019 and 2020 to a total of EUR 24.4 billion as a consequence of the COVID-19 crisis. Thanks to a faster increase of Serbia's exports to the EU than imports from the EU over the past several years, trade has become more balanced, with the EU registering a surplus of EUR 2.3 billion in 2020. After the EU, Serbia's main trade partners in 2020 were China (7.2 % of total trade), Russia (5.3 %) and Bosnia and Herzegovina (4.7 %). Trade with the signatories of the Central European Free Trade Agreement represented 15.9 % of total exports and 3.8 % of total imports in 2020. Introduction of a 100 % tariff by Kosovo in late 2018 on imports from Serbia and Bosnia and Herzegovina affected Serbia's goods exports in 2019 and early 2020, with estimated annual losses of around EUR 400 million, representing around 1% of GDP per year. These tariffs were however lifted by Kosovo as of 1 April 2020 while further non-tariff obstacles for imports from Serbia were lifted in June 2020 thus allowing for a partial recovery of deliveries to Kosovo. 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 111.6 % in 2019, decreased to 104.5 % in 2020 due to the crisis, before rebounding strongly to 112.4 % in the first quarter of 2021.



Real effective exchange rates have been on an appreciating trend in recent years. The dinar-euro nominal exchange rates remained broadly stable in 2020 as initial depreciation pressures at the beginning of the health crisis were successfully neutralised by the central bank. The CPI based real effective exchange rate has been broadly stable over the longer term, with depreciation by 9 % over the period 2014-2016 being followed by appreciation by 9 % over the period 2017-2020. Serbia's cost competitiveness improved in the period 2014-2016 with unit labour cost (ULC) based RER depreciating by a cumulative 8 % and then deteriorated in the period 2017-2020 RER appreciating by a cumulative 27 % (13 % in 2020 alone, due the decline in economic activity accompanied by increases in wages in both the private and public sector). The latest IMF external sustainability assessment (done within the Article IV consultations in spring 2021) 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** on public procurement. **Limited progress** was made during the reporting period, in particular by launching a new public procurement portal and strengthening administrative capacities of the public procurement office. The new public procurement law, largely aligning Serbia's legislation with the EU *acquis*, entered into force in July 2020. However, the law of February 2020 on special procedures for linear infrastructure projects seriously undermines the effective implementation of the law on public procurement. The increasing number of exemptions from the application of the public procurement law and a large number of inspected irregularities in public procurement contracts found by the State Audit Institution raise concerns. The Commission recommendations from 2020 were only partially implemented and remain valid.

In the coming year, Serbia should in particular:

- ensure further, full alignment with the 2014 EU directives on public procurement, in particular by adopting amendments to the law on public-private partnerships and concessions and by ensuring that projects financed from public funds are subject to public procurement procedures;
- ensure that intergovernmental agreements concluded with third countries do not unduly restrict competition and comply with the basic principles of public procurement, 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 law on public procurement entered into force in July 2020 together with all the necessary implementing legislation. However, adoption of amendments to the law on public-private partnerships and concessions to align with the EU Directive on concessions is still pending. In February 2020, Serbia adopted a new law on special procedures for linear infrastructure projects that allows the government to exempt linear infrastructure projects of 'special importance for the Republic of Serbia' from the application of public procurement rules. Under this latter 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.

The **public procurement development programme** for 2019-2023 was implemented through the action plan for 2019-2020. A new action plan for 2021 was adopted in May 2021.

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** shrank to 6.88% of GDP in 2020 in comparison to previous years when it stood at around 8%. The average number of bids per tender remained stable at 2.6, yet it is notably lower than the 3 bids 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 2.57% of the total value of contracts concluded under the old law on public procurement i.e. by July 2020. This share soared to 23.2% in the second half of 2020 with the entry into force of the new law. This procedure was predominantly used for COVID-related procurement starting from July 2020. The share of open procedures remained roughly the same (94% of the total value of contracts in 2020 compared to 93% in 2019) based on the application of the old law, but it dropped to 69% in the second half of the year. The use of the best price-quality ratio criterion halved from 10% in 2019 to an average of 5% in 2020, while the lowest price criterion remained dominant in 95% of cases. A new public procurement portal was launched in June 2020, which is welcome progress in terms of transparency. 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 Law on public procurement increased by approximately EUR 500 million from 2019 to 2020 to a total value of EUR 1.73 billion, i.e. 54% of the cumulative value of all public procurement contracts conclude in 2020. In 2020, the state audit institution identified contracts worth approximately EUR 450 million that were exempted from public procurement procedures with no valid justification. The state audit institution furthermore found irregularities in 14.2 % of the value of public procurement contracts inspected in combined audits in 2020, but the share of inspected irregularities soared

to 60 % of the value of public procurement contracts inspected in compliance audits during the year. 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.

Capacity to manage public procurement processes has further improved through filling all planned staff positions in the PPO, standing now at a total of 38 staff members, up from 28 in 2019. The process of certification of public procurement officers was halted in 2020 due to COVID-19 crisis, but is continuing since March 2021.

The commission for public-private partnerships and concessions has approved a total of 170 public-private partnership project proposals, including 66 with concession elements, mostly in the transport, sanitation and urban planning sectors. The commission remains understaffed.

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

Efficient remedy system

Legislation on the **right to legal remedy** is broadly in line with the EU *acquis* and is enforced by the Republic Commission for the protection of rights in public procedures (the Republic Commission), an independent state body. In December 2020, the Parliament re-elected the president of the Republic Commission and one member for another five-year term. The Republic Commission solved 835 cases on requests for the protection of rights in 2020. Public procurement procedures were partially or fully annulled in 419 cases (50% 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 98 cases on complaints about conclusions of contracting authorities in 2020. It also imposed seven financial fines on contracting authorities not complying with its orders and decisions and annulled one contract.

Regarding the Republic Commission's **implementation capacity**, the number of staff remains relatively stable with 54 staff members, nine of which 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. Overall, **some progress** was made during the reporting period. Serbia progressed well in preparing the methodology and the technical specifications for the next population and housing census, even if the census was postponed from spring 2021 to autumn 2022 due to the COVID-19 pandemic. The submission of statistical data to Eurostat has also continued to improve, as well as the compilation of macroeconomic statistics in line with the European System of Accounts (ESA) 2010. The new statistical law was not adopted. The statistical office needs to retain highly qualified staff and recruit additional staff to meet the obligations of the EU *acquis*.

In the coming year, Serbia should in particular:

- adopt the new statistical law to increase the independence of the statistical office;
- carry out the population and housing census in line with the relevant EU legislation and international standards;
- further improve compilation of macroeconomic statistics in line with ESA 2010.

The legal framework for **statistical infrastructure** is largely in line with the European Statistics Code of Practice. A new law on official statistics, which should enhance the professional independence of the statistical office (SORS), is pending for several years. A five-year programme of the official statistics (2021-2025) was prepared in 2020 and adopted in March 2021. The administrative capacity of the SORS needs to be further strengthened, as its operations remain hampered by the lack of skilled staff and a number of vacant posts. 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 ESA 2010 data and submit them to Eurostat. Serbia provided regional accounts data at level 2 and 3 according to the new benchmark for national accounts, but the number of years is not yet uniform across variables.

Regarding **macroeconomic statistics**, the SORS continued to compile quarterly and annual GDP at current and constant prices. Seasonally adjusted quarterly national accounts are sent to Eurostat. In 2020, the process of GDP revision was completed and a revised data series of GDP and other national accounts indicators and aggregates from 1995 on was transmitted to Eurostat. In 2020, SORS provided Eurostat with non-financial sector accounts for 2015-2019 and data for the period 2015-2018 are published on the Eurostat webpage. Quarterly sector accounts have yet to be compiled. Serbia has further advanced work on compiling supply-use and input-output tables – the tables for 2018 at current and constant prices were published in 2020 and transmitted to Eurostat. The SORS sends good-quality monthly data on international trade in goods according to the required breakdown by mandatory partner country. 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. In 2020, Serbia participated in the voluntary transmission of 2019 trade in goods statistics by invoicing currency (TIC) data. These data were consistent and of good quality. The NBS compiles the monthly and quarterly balance of payments, as well as quarterly international investment position data. In 2020, Serbia further improved compilation of data on international trade in service (ITSS): it timely transmitted ITSS data for 2019, following official reporting standards and providing an almost complete dataset. The SORS continues to provide the Commission twice a year with notification tables for the excessive deficit procedure (EDP). The number of submitted tables increased in 2020; yet the quality and completeness of the EDP notification data and the government finance statistics need to be further improved. NBS is setting up the system for compiling the financial accounts statistics, but no new data was sent to Eurostat in 2020. 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 are collected but need to be further harmonised with the EU *acquis*. Air transport statistics are highly compliant; for the full compliance dataset C1 has to be provided on a regular basis. Serbia provided 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. Furthermore, for the first time, Serbia also provided the regional data. The Community innovation survey is conducted regularly every two years and the data are sent to Eurostat. The annual surveys on information and communication technology (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 are 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 very good quality according to the legal deadlines. Labour market 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. The new LFS questionnaire, which redefines the concepts of employment and unemployment, in accordance with the new Eurostat and ILO regulations and recommendations, is applied from 2021. Further progress is needed to produce good statistics on job vacancies. Public health statistics in line with the EU *acquis* are not yet fully available. In particular, non-expenditure healthcare data are highly compliant, while healthcare expenditure statistics are lacking. However, a European health interview survey (EHIS) was conducted in 2019 and data submitted in 2020 in line with the EHIS regulation. 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. A pilot project on the Continuing Vocational Training Survey (CVTS) was started in December 2020. Serbia progressed in preparing the methodology and the technical specifications for the next population and housing census. The law on the census of population from February 2020 was amended in April 2021. Due to the COVID-19 pandemic, Serbia decided to postpone the census from spring 2021 to autumn 2022.

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. Further efforts are needed in continuing the development of a vineyard register. Preparations for an agriculture census – postponed to 2022 due to the COVID-19 pandemic – are ongoing. 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 transmit good quality data on **waste statistics** to Eurostat. Only the dataset on number and capacity of recovery and disposal facilities is not complete, otherwise Serbia would be fully compliant. Some **environmental accounts data** are produced and the quality of data increased, 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 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 **good progress** made in the reporting period. The Commission's recommendations from 2020 were largely implemented. A new mid-term approach on public internal financial control (PIFC) has been developed. It is coherent with the Law on planning system. In addition, building on the lessons learned from 2019 pilot projects on managerial accountability, all the relevant guidelines were developed and implementation has started. Also guidelines for reporting of irregularities and handling of exceptions were updated in 2020. 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;
- start implementing peer reviews of internal audit arrangements within public funds beneficiaries;
- 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 adoption of the new PAR strategy 2021-2030 and the new public financial management (PFM) reform programme 2021-2025. PIFC is now comprehensively covered as a separate pillar embedded in the PFM reform programme. The further development of managerial accountability is included in the accountability and transparency pillar of the PAR Strategy. The effectiveness of the envisaged mechanisms for coordination, monitoring and reporting of the related reforms is yet to be assessed in practice.

In the reporting period, Serbia continued to focus on operationalising the principle of **managerial accountability** through improving 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 (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, 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 started to implement the obligation for heads of institutions using public funds to sign an annual statement on the status of their internal control systems in January 2021.

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 331 staff, including 292 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 13 performance audits carried out in 2020, compared to 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 in the relevant parliamentary committee, and the recently established good practice of discussing it in the plenary, has been maintained. 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 2017-2020 national anti-fraud strategy expired. Serbia is in the process of finalising its next national anti-fraud strategy covering 2021-2023. The **anti-fraud coordination service (AFCOS)** in the Ministry of Finance has seven employees, falling short of the planned number of 10 staff members. Due to the impact of COVID-19, during 2020, the AFCOS conducted eight administrative checks, compared to 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 four irregularities via the irregularity management system in 2020, out of which one concerns suspected fraud. 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 legacies of the past. Serbia maintained its engagement in a number of regional cooperation initiatives, such as the Central European Free Trade Agreement (CEFTA), Energy Community, Transport Community, the South-East European Cooperation Process (SEEC) and the Regional Cooperation Council.

The COVID-19 pandemic has accelerated the ambition to enhance regional integration, by displaying the important links between markets in the region as well as between the EU and the six Western Balkans economies. Given the European perspective of the Western Balkans, the EU has continued to treat the region as privileged partners by associating them with the Union's mechanisms and instruments, including an exemption from temporary EU export restrictions of medical equipment.

At the Sofia Summit on 10 November 2020, the six Western Balkans leaders adopted the Declaration on the Common Regional Market and the Declaration on the Green Agenda for the Western Balkans. This followed upon previous commitments taken at the EU-Western Balkans Zagreb summit in May 2020 and the recognition of the role of deepened regional economic integration to support the economic recovery of the Western Balkans. The Common Regional Market is structured around the four freedoms (free movement of goods, services, capital and people) while also covering aspects of digital, investment, innovation and industrial policy. This makes it the most ambitious regional integration effort to date in the Western Balkans. The Common Regional Market builds on EU rules and standards and represents a stepping-stone to integrate the region more closely with the EU Single Market already before accession.

The Common Regional Market will be critical in increasing the attractiveness and competitiveness of the region. It will help Serbia to speed up the recovery from the aftermath of the pandemic, notably to attract investors looking for diversification of supply and shorter value chains and to maximise the benefits of the infrastructure investments under the Economic and Investment Plan. It is therefore important that all parties play a constructive role in building the Common Regional Market and deliver on their joint commitments.

The Green Agenda for the Western Balkans aims at reflecting the European Green Deal in a proportionate and adapted manner in the Western Balkans. The objective is to turn environmental and climate challenges, similar in the region, into opportunities. Given that natural resources and climate change do not know any border, the Green Agenda foresees joint actions, which will contribute to the sustainable socioeconomic development and the green recovery of the entire region in the post-pandemic period. Serbia should contribute to successfully implement this joint regional vision, with high level of ambition.

The Berlin Process summit on 5 July 2021 was an occasion for the Commission to announce targeted assistance related to combating the COVID-19 pandemic and post-pandemic recovery, as well as the preparations of a 2021 financial package under WBIF for the implementation of the Economic and Investment Plan. The participants also took stock of the achievements of the connectivity agenda with the region, which now includes 45 investment projects, supported by 1bn EUR in EU grants that have leveraged 3.8 bn EUR in loans. Despite good technical progress, the Western Balkan partners were not able to conclude several important agreements related to the Common Regional Market and CEFTA due to bilateral and status issues. The participating Member States and the Commission called for a constructive approach to making progress on the Common Regional Market, which will help the region take full advantage of the Economic and Investment Plan.

In July 2021, the regional agreement on roaming fees signed at the April 2019 Western Balkans digital summit in Belgrade entered into force, enabling “roam like at home”.

On 29 July political leaders from Albania, North Macedonia and Serbia, met to launch the Open Balkan Initiative, this aims to remove economic barriers between the three countries by 2023. Two memorandums were signed one on trade facilitation and movement of persons, the second on steps towards a single labour market.

There are no outstanding issues concerning Serbia’s respect for the **Dayton/Paris Peace Agreement**. Serbia continues to support Bosnia and Herzegovina’s territorial integrity and its path to joining the EU. As envisaged by the Dayton agreement, Serbia continues to develop special relations with *Republika Srpska* entity and it publicly promotes such relations. A session of the High Cooperation Council was held in April 2021 and a joint session of the two governments took place in May.

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 some 74 000 people who became refugees or displaced persons as a result of the armed conflicts in former Yugoslavia in the 1990s. Amongst them, there are still persons who are potentially entitled to receive pensions. In Serbia, good progress has been made on implementing the upgraded plan for 7 400 housing units worth EUR 166 million, out of which EUR 135 million are funded by the EU and other donors and EUR 31 million are the national contribution; so far 5 478 housing solutions have been delivered. The final phase of the implementation is ongoing and progressing well.

The unresolved fate of missing persons who disappeared in relation to the conflicts of the 1990s remains a key issue to be solved in the Western Balkans. According to the relevant data of the ICRC, 9 969 people were still missing as a result of the conflicts in the region. Of these, 6 371 cases are related to the conflict in Bosnia and Herzegovina, 1 968 to the conflict in Croatia and 1 630 to the conflict in Kosovo. 10 cases of missing persons related to the conflict in Croatia were resolved in 2020 (compared to 51 in 2019 and 17 since January 2021) while 32 cases were resolved in relation to the conflict in Bosnia and Herzegovina (14 since January 2021). Four cases related to the conflict in Kosovo were resolved in 2020 (compared to eight in 2019 and 12 since January 2021). In 2020, the Serbian Commission on Missing Persons conducted six reconnaissance visits and six terrain searches of potential locations of mass or individual clandestine graves in Serbia, as well as six exhumations, two re-exhumations, nine identifications and it officially closed 28 cases that were registered in Serbia’s official register of missing persons. One official meeting took place in October 2020 with the relevant Croatian authorities, during which Serbia informed about nine potential locations of clandestine graves. Serbia is considering Croatia’s request to undertake joint field work in Serbia. The Serbian Commission on Missing Persons also provided information about three potential locations of clandestine graves on the territory of Kosovo through the existing

mechanism of cooperation. The resumption of the EU-facilitated Dialogue between Belgrade and Pristina, in July 2020, gave a new impetus to the work carried out by the International Committee of the Red Cross as chair of the Belgrade-Pristina working group on missing persons, with three sessions held in 2020 and one in April 2021 (in addition to one ad hoc meeting on 2 April). Since April 2021, no meetings of the Belgrade-Pristina working group have taken place. With the support of the International Commission on Missing Persons and EULEX, Serbia conducted a joint excavation with Kosovo representatives in Kizevak (Serbia) from November 2020 onwards, which allowed to exhume the human remains of nine individuals so far.

Serbia remained overall committed to **bilateral relations** with other enlargement countries and neighbouring EU Member States. In the context of the COVID-19 pandemic, Serbia has become a regional vaccination hub and has donated around 600 000 vaccines to the region, including to North Macedonia, Montenegro and Bosnia and Herzegovina. It has also vaccinated thousands of foreign nationals, mainly from the region.

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, is yet to be ratified. Serbia initiated the process of concluding a convention with Albania.

Relations with **Albania** are good. In December 2020, the Serbian Parliament ratified the agreement liberalising the travel of Serbian and Albanian citizens between the two countries by allowing the use of biometric IDs.

Relations with **Bosnia and Herzegovina** are stable. In November 2020, the Chairman of the House of Representatives of Bosnia and Herzegovina visited Belgrade. In March 2021, the Serbian President flew to Sarajevo to donate vaccines, and the Serbian Foreign Affairs Minister visited Bosnia and Herzegovina in the same month. The border demarcation issue between the two countries is still open. The countries also need to reach an agreement on two dams on the Drina river and a portion of the Belgrade-Bar railway which crosses into Bosnia and Herzegovina.

Relations with **North Macedonia** are good. In February 2021, the Serbian President and the Prime Minister of North Macedonia met at Tabanovce border crossing for Serbia's donation of vaccines. In March 2021, the Minister of Foreign Affairs of North Macedonia visited Belgrade.

Relations with **Montenegro** are strained. There were continued tensions in connection with issues and events linked to the Serbian Orthodox Church, leading to an increase in nationalistic rhetoric. In November 2020, Serbia revoked the initial reciprocity decision of declaring Montenegrin Ambassador a *persona non grata*. The President of Serbia visited Montenegro in November 2020 to attend the funeral of Metropolitan of Montenegro. In February 2021, the Serbian Prime Minister visited Podgorica and donated vaccines to her Montenegrin counterpart. In March 2021, the Montenegrin Minister of Health visited Belgrade.

Relations with **Turkey** remain good. The Serbian and Turkish Presidents maintained contacts and dialogue. In June 2021, the Serbian Prime Minister met with the Turkish President, on the margins of a meeting of the South-East European Cooperation Process.

Relations with neighbouring **EU Member States Hungary, Romania and Bulgaria** are good. Relations with **Croatia** continued to be mixed. The border demarcation issue between the countries remains unsolved. In December 2020, the Serbian government earmarked EUR 1 million of assistance to Croatia after the devastating earthquake.

4. NORMALISATION OF RELATIONS BETWEEN SERBIA AND KOSOVO

The EU-facilitated Dialogue on normalisation of relations between Kosovo and Serbia continued in June 2021, after early parliamentary elections were held in Kosovo in February 2021. Until then, the Dialogue had been on hold after December 2020 after the government collapse in Kosovo and organisation of new elections. High-level meetings between the new Prime Minister of Kosovo and the President of Serbia were held on 15 June and 19 July 2021. Additionally, three meetings on chief negotiators' level took place, with the latest meeting held on 29 and 30 September 2021. Both parties appointed new chief negotiators and negotiations teams.

During the reporting period, no further progress was achieved in the negotiations on the comprehensive and legally-binding normalisation agreement. Initial progress on the agreement had been made in 2020, when the parties agreed to provisionally close the issues of missing persons, displaced persons and economic cooperation and start negotiations on property and financial claims.

Following tensions in the north of Kosovo, an arrangement was reached in the EU-facilitated Dialogue on 30 September 2021 on de-escalation and a temporary measure for licence plate issues. The Parties also agreed to establish a Working Group led by the EU, to find a permanent solution within 6 months based on EU standards and practices. The EU expects the Parties to engage constructively in this process to ensure freedom of movement for citizens.

When it comes to the state of play on implementation of past 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 authorities in Pristina. During the reporting period, the provisions of the agreement were not respected by Kosovo in one case;
- During the reporting period, there has been no further progress on the implementation of the 25 August 2015 Agreements. No progress has been made on the Association/Community of Serb majority municipalities and Kosovo has yet to engage constructively in its establishment;
- Regarding the energy agreement between Serbia and Kosovo, a new connection agreement between the Kosovo transmission system operator and the European Network of Transmission System Operators has come into effect. Serbia filed an application to license Elektroserbia, which is currently being reviewed by the Kosovo Energy Regulatory Office;
- The works on the Mitrovica bridge have long been completed and the bridge should be opened to vehicle traffic without further delay or obstructions;
- As regards the technical dialogue agreements (2011-2012), some are not or only partially being implemented. Both parties need to remain committed to the continued implementation of the agreement on representation and participation of Kosovo in regional forums. The implementation of the cadastre and university diplomas recognition agreements is still pending. The implementation of some elements of the agreement on freedom of movement, in particular related to license plates, are also 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 with Kosovo continue to be operational. There has been limited progress in establishing the six permanent IBM common crossing points between Serbia and Kosovo as stipulated in the IBM agreement. Serbia agreed to take possession of the newly constructed EU-funded facilities at the Merdare crossing point in October 2020, but it has not engaged constructively in starting the establishment of the crossing points on the Serbian side (in Jarinje, Mucibabe, and Konculj). This has led to a suspension of EU funds for this project in July 2018. Additional measures continue to be required by Serbia to close illegal crossings;
- The parties have continued to largely comply with their respective obligations under the telecoms agreement during the reporting period;
- Requests for mutual legal assistance are in principle being processed;
- Kosovo needs to respect the arrangements for official visits consistently.

Overall, Serbia has remained engaged in the dialogue. However, the Serbian government needs to uphold its commitments and commit to the full implementation of past Dialogue agreements. Moving forward, Serbia also needs to make further substantial efforts refraining from any unilateral actions and contributing 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 constructively in the negotiations on the legally-binding normalisation agreement in the coming period in order to make rapid and concrete progress. Reaching a comprehensive, legally-binding agreement is urgent and crucial so that Serbia and Kosovo can advance on their respective European paths.

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 simplification of issuing work permits to third country nationals and coordination of social security systems; and legislative alignment in the area of establishment and freedom to provide services. No progress was made in the areas of free movement of capital, financial services, and consumer and health protection.

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; setting up a fully operational Point of Single Contact for regulated professions; liberalising capital movements in line with the obligations under the SAA; aligning with the *acquis* on company law and corporate accounting; 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. **Limited progress** was made by adopting the law on technical requirements for products and conformity assessment. Serbia implemented one of the recommendations of the 2020 report, by removing most of the ‘transitional provisions’ regarding the Serbian conformity mark. The recommendations from last year’s report still largely remain valid.

In the coming year Serbia should in particular:

- ensure that all remaining ‘transitional provisions’ on the use of the Serbian conformity mark and certificate of conformity after accession to the EU are removed;
- adopt an action plan to ensure compliance with Articles 34-36 of the Treaty on the Functioning of the European Union (TFEU), and 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, standardisation, 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 the majority of ‘transitional provisions’ in regard to the use of the Serbian conformity mark and certificate of conformity after accession to the EU from its legislation; however, Serbia needs to repeal all such provisions.

Non-harmonised area

On horizontal measures, Serbia adopted a law on technical requirements for products and conformity assessment in May 2021, aiming for full alignment with the EU *acquis*. An action plan ensuring compliance with **Articles 34-36** of the Treaty on the Functioning of the European Union (TFEU) has yet to be adopted.

Harmonised area: Quality infrastructure

Key national quality infrastructure institutions are already well established and regulated, maintaining a level of development confirmed by continuous membership in relevant European and international organizations. Room for improvement exists, with shortage noted in financial and human resources in the institutions dealing with the standardisation (technical committees), accreditation (conformity assessment bodies), sanitary inspection (budgeting and human resources) and market surveillance (budgeting), which require further strengthening.

On **standardisation**, a shortage of technical experts at the Institute for Standardisation technical committees was noted in a certain number of fields (machinery equipment, passenger vehicles, trucks, containers, construction machines and agriculture). As regards the adoption of standards, in the fourth quarter of 2020 the Serbian Institute for Standardisation adopted 99.58% of the European Committee for Standardisation (CEN) standards, 98.03% of the European Committee for Electrotechnical Standardisation (CENELEC) standards and 95.56% of the European Telecommunications Standards Institute (ETSI) standards. As of 30 June 2021, 1,534 European standards and 26 European deliverables were adopted by the 'translation method' and the rest' by the 'cover page' method.

The number of designated **conformity assessment** bodies in Serbia is currently 59 and out of these, a total of 11 are designated and registered for carrying out conformity assessment according to technical legislation. The obligations regarding certificates for conformity, which had constituted a technical barrier to trade, were repealed by Serbia for the majority of directives. However, a small number of certificates of conformity still applies to imports of goods such as drones, toys and construction products such as cement, steel for the reinforcement of concrete and screws. Removing these certificates of conformity will further facilitate import procedures from the EU and allow for the effective implementation of the presumption of conformity for EU-imported goods.

The number of accredited conformity assessment bodies in Serbia totalled 729, consisting of 282 accredited inspection bodies, 21 accredited certification bodies for certification of products, 16 accredited certification body for certification management system, 9 accredited certification body for certification of persons, 322 accredited testing laboratories, 63 accredited calibration laboratories, 14 accredited medical laboratories and two accredited proficiency testing (PT) providers. In 2021, accreditation was awarded to six inspection bodies, five testing laboratories, one calibration laboratory, two for certification of persons, while the accreditation was revoked for two testing laboratories and two inspection bodies.

Concerning **accreditation**, amendments to the law on accreditation were adopted in May 2021 aiming at partial alignment with the EU *acquis*. In the reporting period, the Accreditation Body of Serbia (ATS) expanded the scope of its work to the accreditation of certification bodies for assessment and verification of continuity of performance of construction products and for conformity assessment in the field of construction products. However, it has a lack of experts for accrediting testing laboratories and the efficiency of the conformity assessment bodies' testing procedures and their human resources need strengthening

As regards **metrology**, during the reporting period, the Directorate for Measures and Precious Metals (DMDM) focused on its regular activities. The amended law on metrology remains to be adopted. DMDM has published 13 new Calibration and Measurement Capabilities in the field of thermometry in the International Bureau of Weights and Measures (BIPM) database KCDB 2.0. The number of internationally recognised standards for calibration and measurement stands at 38. Serbia acceded to the Hallmarking Convention on 24 June 2020.

The human resources capacity for **market surveillance** totals 350 employees; however, the financial aspects and budgeting require additional strengthening. In 2020, the market surveillance authorities carried out 3 409 inspections in the field of electrical equipment, gas appliances, personal protective equipment, radio equipment, oil and oil derivatives and general products safety and ordered 257 corrective and restrictive measures for non-compliant or unsafe products. Other inspectorates, such as the sanitary, performed inspection on 6 829 tons of toys, removing unsafe 4.2 tons due to increased levels of phthalate; the environmental inspection performed 30 checks on chemicals and biocides products, ordering 17 measures for

non-compliance and on 58 000 tons of detergent, removing 0.04 tons due to non-conformity with chemical and declaration requirements. There is no available data on relevant initiated or resolved judiciary proceedings.

Harmonised area: sectoral legislation

No new developments can be reported in the area of **‘new and global approach’ product legislation**. The legislation on cableways, radio equipment, gas appliances, pressure equipment, simple pressure vessels, construction products, civil explosives, pyrotechnic articles, eco-design, energy labelling remain partially aligned with the *acquis*.

In the area of the **‘old approach product legislation’**, no further progress was made regarding alignment to the EU Regulation on the Registration, Evaluation, Authorisation and Restriction of Chemicals (REACH) in the reporting period. The administrative and inspection capacity for implementing the REACH, the CLP (classification, labelling and packaging) regulation, and the legislation on vehicle homologation requires strengthening.

On **procedural measures**, in June 2020 Serbia adopted and implemented a national control list for **dual-use goods** designed to be aligned with the EU *acquis*. In May 2020, Serbia also adopted a national list of arms and military equipment designed to be aligned with the EU’s common military list. There was no further progress on the alignment with EU *acquis* regarding the return of **cultural objects** unlawfully removed from the territory of an EU Member State.

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 enhance cooperation with EU Member States on coordination of social security systems. In addition, Serbia simplified further the issuance of work permits to third country nationals and 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.

Amendments to the legislation on **access to the labour market** adopted in December 2020 further simplified the procedure for issuing work permits to third country nationals. Namely, through the establishment of a single administrative post, a single request for both temporary residence and work permit can now be done at the same place, at the Ministry of the Interior, while the formal legal procedures remain separate. Procedures for issuing work permits to EU citizens, who are currently covered by rules for third country nationals, need to be further simplified. In 2020, almost 13 000 permits were issued, of which more than 2 300 to EU citizens.

Serbia’s National Employment Service has continued to carry out preparations for joining **EURES**, notably by organising EURES-related training sessions for the staff of its migration services centres and by upgrading its information system.

Regarding the **coordination of social security systems**, bilateral agreements are in place with 19 EU Member States. There were no developments in negotiations on the electronic exchange of social security data with Germany, Italy, Hungary, and Poland, while several meetings were held with Austria and Bulgaria. Electronic exchange of social security data is operational with Slovenia, Croatia, North Macedonia and Montenegro. 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.

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. **Some progress** was made on the right of establishment and freedom to provide services with the adoption of all planned bylaws on postal services. The Commission recommendations from 2020 nonetheless remain largely valid.

In the coming year, Serbia should in particular:

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

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

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

The law on **postal services**, which entered into force in November 2019, is partly aligned with the Postal Services Directive but maintains a reserved area for the provision of universal service. Nine by-laws related to the law on postal services have been adopted in 2020. Serbia still needs to align its national legislation with the Regulation on cross-border parcel delivery services.

In terms of administrative capacity, the number of staff in the postal services inspectorate increased from three to five strengthening its regulatory function of the postal sector. In 2020, one designated universal service provider and 50 other operators were active in the Serbian postal and courier market.

In the field of **mutual recognition of professional qualifications**, the Serbian law on the recognition of professional qualification, adopted in September 2019, and the amendments to the law on planning and construction are under review to ensure their full alignment with the EU *acquis*. Serbia needs to continue aligning all its relevant sectoral legislation to ensure a full alignment with the EU *acquis*.

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. **No progress** was made during the reporting period. 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);
- demonstrate, through a track record, increasing effectiveness in monitoring, supervision, financial intelligence, investigation and reporting.

As regards **capital movements and payments**, 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. 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. On 17 December 2020, Parliament adopted the digital property act regulating the issuance, use and surveillance of cryptocurrencies. It does not aim to align with any existing EU legislation.

On **payment systems**, [more than 25 million (26 062 288)] transactions were processed during 2020 through the instant payment system introduced in October 2018. On 18 June 2020, instant payments were introduced also at online point-of-sales for merchants through the usage of QR-codes.

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 remains subject to MONEYVAL's enhanced follow-up procedure until the country is placed back under regular follow up based on an assessment of the progress made.

In March 2021, the authorities appointed coordinators to monitor the implementation of the national strategy on anti-money laundering and counter terrorism financing for 2020-2024 and the accompanying action plan.

In 17 December 2020, amendments were adopted to the law on prevention of money laundering and terrorism financing to align it with the new digital property act regulating cryptocurrencies.

The administrative capacity of the administration for the prevention of money laundering (APML) decreased from 37 to 35 employees (full staffing being at 42). In 2020, 2 276 suspicious transactions were reported. The highest number came from banks, with 1 026 reports on suspicious clients. The APML submitted information on 276 reports to relevant enforcement authorities. Altogether 97 reports 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. **Good progress** was made during the reporting period through the adoption of by-laws to the law on accounting and the law on auditing, with the securities commission now fully established as the public audit oversight body. Further alignment is needed in the company law area.

In the coming year, Serbia should in particular:

- further align with the *acquis* on company law, including on company takeovers and on shareholder rights;
- take further legislative steps to align on transparency requirements for listed companies.

As regards **company law**, Serbia's legislation is largely aligned with the EU *acquis*, although no relevant legislative amendments were adopted during the reporting period. On company takeovers, full alignment is planned in 2021 through the adoption of a new law on takeovers of joint stock companies and related legislation. Serbia is drafting an amendment to its Law on companies to align with the *acquis* on long-term shareholder engagement. 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.

A new Law on capital market is currently being drafted aiming at addressing outstanding alignment with the **Transparency Directive** for listed companies. The Securities Commission is the 'officially appointed mechanism'.

Concerning **corporate accounting**, eight rulebooks were adopted in June 2020 and one in November 2020, contributing to the implementation of the amendments to the law on accounting, adopted in October 2019. All by-laws to the law on accounting have now been adopted. During 2021, the new financial reporting rules will become applicable to around 250 000 companies. In line with the new law, biannual dialogues take place between the Ministry of Finance and accounting and auditing entities facilitated by the chamber of certified auditors. The Law on Accounting contains provisions aimed at aligning with the Non-Financial Reporting Directive. As regards **auditing**, four out of five by-laws to the law on auditing, amended in October 2019, were adopted during the reporting period. The securities commission has accordingly fully taken over the role of sole public audit oversight body.

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. **Limited progress** was made with the adoption of the law on trade secrets and preparation of amendments to the law on patents. Recommendations from last year's report remain valid.

In the coming year Serbia should in particular:

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

Serbia is in the process of drafting a new law on **copyrights and related rights** 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 May 2021, Serbia adopted a law on trade secrets further aligning Serbia's legislation with the EU *acquis* in this field. The Intellectual Property Office remains relatively well staffed and efficient in registering trademarks.

Concerning **enforcement**, the overall number of employees in the market inspectorate increased from 338 to 350 in 2020 while the number of market inspectors specialised in the field of intellectual property decreased from 47 to 40. The overall amount of counterfeit and pirated goods confiscated by the inspectorate increased in 2020, while the number of requests submitted by economic operators slightly dropped. The number of customs officers specialised in intellectual property protection recovered to 14 in 2020 from 13 officers the year before. The number of items detained by the customs administration increased substantially in 2020, while the number of destroyed items dropped significantly. The number of inspectors specialised in intellectual property rights within the tax administration dropped significantly from 12 in 2019 to only four in 2020, while the special prosecution for cybercrime office obtained two additional assistant prosecutors. The number of software legality checks carried out by the tax administration remained stable in 2020. Due to judges not being adequately specialised and the increasing number of incoming cases, the capacities of the judiciary to handle intellectual property rights cases remains limited.

Legislation aiming at full harmonisation with the EU directive on the enforcement of intellectual property rights is still pending. The coordination body for the enforcement of intellectual property rights that was renewed in September 2019 met four times since. Two new working groups of this coordination body were established in March 2020. A dedicated platform for information exchange among intellectual property rights enforcement institutions is being established. Implementation of the goals under the strategic framework for intellectual property rights for 2018-2022 should continue, mainly focusing on stakeholder coordination and awareness raising activities.

Chapter 8: Competition policy

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

Serbia is **moderately prepared** in the area of competition policy. **Limited progress** was made during the reporting period on legislative alignment of state aid rules with the EU *acquis* (adoption of implementing legislation) and on strengthening the administrative capacities of the Commission for State Aid Control (CSAC). No progress was made towards 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 SAA obligations. Last year's recommendations therefore remain valid.

In the coming year, Serbia should in particular:

- align the existing fiscal state aid schemes and 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;
- complete an inventory of existing State aid measures 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 TFEU and related provisions of the SAA. The current law on protection of competition provides for an *ex ante* control of mergers. Three block exemption regulations providing further alignment with the EU *acquis* are in the adoption process with the Government. However, the legislative framework has yet to be fully brought in line with EU guidelines and communications in this area. No progress has been made on the preparation of a new law on protection of competition. On the law on multilateral interchange fees and special operating rules for card-based payment transactions, no progress was made in aligning article 9 of this law 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.

Concerning **enforcement capacity**, the CPC has 56 employees of which 30 are case handlers with an adequate level of expertise. On **implementation**, the CPC has continued to investigate a significant number of antitrust cases. In 2020, the CPC adopted six decisions on restrictive agreements and one on abuse of dominant position. Furthermore, due to several legal disputes and proceedings ongoing involving Telekom Srbija, relating to alleged unfair competitions practices, the CPC investigated in particular the individual exemption of a restrictive agreement between Telenor and the state-owned Telekom. The CPC reached a positive decision in April 2021, strongly contested by competitors. The decision was published on 14 October 2021. A total of 18 dawn raids in the context of five cases were conducted during the reporting period, while the leniency programme was not used. The level of imposed fines remained significant with around EUR 535 million, yet substantially lower than in 2018 (over EUR 3.8 billion). There were no mergers prohibited and no remedies imposed in merger cases during the reporting period. So far, the CPC has not delivered a negative opinion on concentration. The CPC published a total of seven sector enquiries in 2020 concerning the international rail freight transport market, wholesale market of mineral fertilisers, tour operators market, sugar and sugar beet production and wholesale markets, retail sector (non-specialised stores with food, beverages and tobacco) as well as oil and oil derivatives market. Another two sector inquiries are ongoing in intercity bus transportation market and market for primary education textbooks. Competition advocacy activities have continued, mainly through online outreach due to the COVID-19 crisis. The CPC issued five opinions on draft legislation in 2020. The practice of consulting the CPC on all relevant legislation should be reaffirmed and their opinions systematically and seriously applied. The number of CPC decisions upheld by appeal courts continued to increase. The capacity and

specialisation of the judiciary to deal with complex competition cases remains modest and needs to be significantly improved.

State aid

Regarding the **legislative framework**, the new law on state aid control, which entered into force on January 1, 2020, is broadly in line with the EU *acquis* and the relevant provisions of the SAA. Five decrees were adopted on regional and *de minimis* aid, aid in culture, horizontal aid as well as rescue and restructuring aid. Four decrees established a temporary framework on state support to the economy in the context of the COVID-19 crisis, including through subsequent amendments. The CSAC also adopted guidelines on regional aid and two rulebooks on state aid reporting and on state aid schemes inventory by June 2021. However, further alignment is 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*. A new inventory of schemes is under preparation by the CSAC. Drafting of the regional aid map is still pending.

On the **institutional framework**, the CSAC is responsible for implementing the law on state aid control. The law secured the CSAC's legal independence, which the commission needs to demonstrate now by adequately implementing the law. The CSAC is now accountable to the parliament.

The CSAC's **enforcement capacity** was significantly strengthened during the reporting period, totalling now 22 members of staff including the president, four council members and 11 case handlers. The CSAC is allowed to employ up to 27 staff members in addition to the president and council members.

The **implementation** of the law on state aid should be strengthened. In particular, the notification and the standstill obligations are not being systematically respected and state aid is occasionally provided to economic operators, particularly foreign investors, without a prior approval of the CSAC. The number of decisions taken upon notification in 2020 significantly decreased from 167 in 2019 to 38. In February 2021, through the effective work of the CSAC, the long standing case relating to the Zelezara Smederevo steel plant was closed. This is of particular importance since it was one of the opening benchmarks for Chapter 8. The number of decisions in *ex post* procedure also decreased from 13 in 2019 to one decision in 2020. Companies complain that state aid complaints are not always being followed up. The CSAC did not prohibit any state aid or decide in favour of recovery. No conditional decisions were adopted. The number of CSAC decisions that were appealed against remained low. A specialised electronic platform is being developed to help monitor compliance regarding the cumulation of aid. The CSAC should closely monitor the implementation of state aid rules in intergovernmental agreements concluded with third countries. Advocacy activities among aid-granting authorities were intensified in 2020, but awareness regarding state aid rules still 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 within the regulation on rules for state aid granting need to be further aligned with the EU *acquis*. Enforcement of competition rules on public companies needs to be intensified. There are no monopolies of a commercial character within the meaning of Article 37 TFEU.

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. **No progress** was made during the reporting period. Last year's recommendations thus 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 new version of the EU bank recovery and resolution Directive (BRRD) is still to be completed.

The application of the international financial reporting standards (IFRS), applicable as of 1 January 2018, has been completed. Banks will continue to implement IFRS as adopted at international level under NBS's supervision. The level of non-performing loans continued to decrease (gross NPL ratio of 3.6% at the end of June 2021)

Regarding **insurance and occupational pensions**, there have been no developments. New legislation on compulsory traffic insurance is still missing.

Preparatory work is ongoing in the context of aligning with the Solvency II directive in line with the strategy for implementation, also supported by EU funds. Certain provisions were 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.

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

On **securities markets and investment services**, the planned adoption of amendments to align the capital market Law with the markets in financial instruments Directive (MiFID II) and the Directive on settlement finality in payment and securities settlement systems (SFD) is still outstanding. Non-EU related amendments were adopted on 17 December 2020 to the Law on the capital market regarding personal rules for single prospectus relating to the debt security.

The administrative capacity of both the Ministry of Finance and 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. **No progress** was made on implementing the recommendations of the previous report, which remain valid.

In the coming year, Serbia should in particular:

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

Concerning general aspects of **consumer protection**, Serbia's legislation is partly aligned to the EU acquis on consumer protection. The new law on consumer protection was amended in September 2021, aiming at partial alignment with the Directive on package travel and linked travel arrangements. The national council for consumer protection was re-established by the new government in February 2021, though it is yet to hold its first meeting. Serbia initiated 16 collective redress proceedings based on consumer complaints in 2020 and three in 2021. Out of these, six decisions to terminate proceedings were initiated and one corrective statement imposed on traders were put into effect with no decisions on imposed legal measures concerning violation of collective interest of consumers.

There are 24 registered consumer organisations in the Ministry of trade, tourism and telecommunications' registry 24. In 2020 nine of these with programmes in the field of consumer protection were selected for financing by the ministry for four administrative regions. A registered list of 13 alternative dispute resolution bodies (ADRs) exists, including the national bank of Serbia as ADR for financial institutions, and the regulatory agency for electronic communications (RATEL) for disputes between subscribers and electronic communications operators and between consumers and postal operators.

Out-of-court settlements are still voluntary for both consumers and traders. A general overview on initiated and concluded proceedings does not exist for all ADR bodies in charge of alternative consumer disputes, following the number of complaints filed by consumers,

The cooperation between ministries and consumer organisations stagnates, while consumer protection organisations would benefit from further promotion of their work and activities to the general public. The authorities' administrative capacity for consumer protection, inspection services for consumer protection and for product safety issues still needs strengthening, as well as the institutional setting and protection of consumer protection rights and interests at the local government level. Amendments to the law on consumer protection need to be adopted which should address unfair commercial practices, contract terms and vulnerable consumers.

There were no developments regarding **product safety-related issues**. Regarding market surveillance, the sanitary inspection's administrative capacities need strengthening. The product safety council did not hold any sessions in 2021. In 2020 the market inspection registered 18 consumer complaints, while in the same period the National Register of Consumer Complaints registered 622 product safety related complaints, including food. In 2020, the market surveillance authorities carried out 3 409 product inspections covering general product safety and ordered 257 corrective and restrictive measures for non-compliant

or unsafe products. There is no data available on relevant initiated or resolved judiciary proceedings.

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* regarding cooperation between national authorities responsible for enforcing consumer protection laws, multiannual consumer programmes, regulations on package travel, online resolutions of consumer disputes, and alternative resolution of consumer disputes is also yet to be achieved.

In 2020, in the capacity of an ADR in charge of financial institutions, the National Bank of Serbia (NBS) received a total of 3 561 cases, of which 2 143 complaints, 202 mediation requests and 1 216 questions. It issued six decisions on individual complaints, ordering a financial service provider to eliminate irregularities, one decision ordering a financial service provider to eliminate irregularities without imposed fines and three fines were issued to the financial service providers. The NBS also resolved 12 mediation proceedings, fined one bank on advertising campaign irregularities, and issued two letters of warning to the bank based on competences derived from conversion of housing loans indexed to Swiss Francs and two letters of warning related to unfair contract terms to a bank. The banks frequently self-correct irregularities prior to, or during the procedure of correcting irregularities imposed by the relevant NBS decisions.

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 2,500 health professionals were newly employed due to the COVID-19 crisis. 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 the use of tobacco in public places is not aligned with EU standards. A strategy on tobacco control needs to be adopted and the implementation of pictorial warnings on cigarette packets, smoke-free environments and increases in the price of cigarettes in line with EU obligations needed to be ensured.

On **blood, tissues, cells and organs**, laws on the transplantation of cells and tissues, and on human organ transplantation were adopted, both designed to be fully aligned with the EU *acquis*. The implementation of these laws, foreseen in 2019, has not yet commenced. EU-level quality, safety standards and inspection services still need to be developed. The overall administrative and technical capacity of the directorate for biomedicine to conduct oversight of the sector as the competent authority is still very limited.

Serbian legislation is partly aligned with the EU *acquis* on the application of patients' rights in **cross-border healthcare**. An **e-health unit** at the ministry of health should be established to coordinate the complex activities involved in setting up a comprehensive health information system at all levels of care.

On **serious cross-border health threats, including communicable diseases**, surveillance and response capacity remains limited and requires modernisation. In 2020, amendments to the Law on protection of population from communicable diseases were adopted to overcome practical problems faced in applying legislation relevant to the COVID-19 pandemic. A centralised health information and communication system has yet 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. Additional work is

needed on surveillance of anti-microbial resistance, quality control, and standardisation of laboratories. The prescription of antibiotics needs to be strictly controlled to strengthen the fight against anti-microbial resistance.

In **response to the COVID-19** pandemic, Serbia applied measures foreseen by the law on population protection against infectious diseases. Serbia aligned its actions with the recommendations of the World Health Organization. On 11 January 2021, Serbia started a successful three-phase vaccination campaign following the vaccination operational plan published by the national institute of public health. Citizens can apply for vaccination via the e-government platform by choosing their preferred vaccine. In February 2021 300 mass vaccination points were opened throughout the country, including in all primary healthcare centres and even shopping centres, and with constant deliveries of vaccines made available by the government by early-September, 40% of the population were fully vaccinated.

Regarding the **capacity of the health system** in dealing with the COVID-19 pandemic, the national institute of public health, in cooperation with the ministry of health and the relevant health institutions, monitored the epidemiological status of the disease, kept the public informed, and issued guidelines and standard operating procedures to health institutions and to all entrance points into the country. The Belgrade university clinic for infectious and tropical diseases is the relevant referral institution for public health threats due to infectious agents. Other secondary and tertiary health institutions with their own infectious disease departments (a total of 41 general hospitals and eight clinical centres) and a network of 25 institutes of public health monitored the public health situation in the country on a daily basis. As the epidemic struck, many hospitals were pronounced exclusive COVID-19 facilities, treating only those infected with SARS-Cov-2. In primary health care, 158 municipal health care centres were tasked with primary prevention, and temporary COVID-19 clinics were set up in each of them with examination and testing facilities for all citizens. A number of temporary health care facilities were set up by army forces in fairgrounds and sports halls throughout the country, hosting more than 1 650 people at the peak of the epidemic. In addition to these, two special intensive care COVID-19 hospitals were opened in December 2020 in Belgrade and Kruševac with a total capacity of 1 500 beds. This was instrumental in dealing with the December and March epidemic waves. A third 500-bed COVID hospital is being built in Novi Sad to become operational in September 2021.

However, the system still suffers from a **lack of resources on all levels**, due to the previous constant outflow of professional workforce. Although the counter-epidemic measures implemented by the government were well-devised, weaknesses of the existing system became evident. Serbia lacked resources in terms of personal protection equipment and medical equipment, medical expertise, and laboratory testing capacities as well as data processing and contact tracing. This led to a large number of medical personnel testing positive for the virus ultimately with many fatalities. Strong government efforts directed at alleviating these shortages toward the seventh week of the outbreak in the country such as numerous procurements of equipment and employment of 2,500 new healthcare personnel during March/April 2020, had favourable results.

The European Centre for Disease Prevention and Control (ECDC) shares all its COVID-19 related guidance and assessments with Serbia. Serbia also joined the European COVID-19 Surveillance Network, reporting COVID-19 data to the European Surveillance System (TESSy). The ECDC focal point in Serbia was active before the start of the epidemic and reported promptly daily on the state of affairs. The EU invited Western Balkan partners to join the EU joint procurement agreement to procure medical countermeasures. Serbia signed the agreement on 21 April 2020 and ratified it in December 2020. Serbia is an observing

member of the EU Health Security Committee since 2017 and has access to the EU Early Warning and Response System for all information related to the COVID-19 pandemic.

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

There is still a need to develop community-based **mental health** services and progress needs to be made regarding **nutrition and physical activity**. Serbia should continue to address health promotion and disease prevention, including mental health in order to reach the United Nations Sustainable Development Goals and the targets of the World Health Organisation on non-communicable diseases.

There were no developments on **medicines for human and veterinary use**, or on maximum sale price criteria for medicines, neither on **preventing drug abuse**. Regarding the prevention of harmful use of alcohol, a national programme to reduce the harmful effects of alcohol and alcohol-induced disorders has been adopted.

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

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

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 taxation, through removing the discrimination in taxation of imported alcohol; social policy and employment, through aligning further with the EU *acquis*; industrial policy, through adoption of an action plan for the implementation of the industrial strategy; scientific and technological development, via adoption of a new strategy for 2021-2025; and in the area of education, through modernising the academic curricula and rendering the national qualifications framework operational.

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; 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; and ensure full compliance of the policy and institutional framework for quality assurance in higher education with the recommendations of the European Association for Quality Assurance in Higher Education (ENQA).

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, along with initiatives on development of ultra-fast broadband infrastructure in the rural areas and support to digitalisation of schools. However, the recommendations of the last report remain valid.

In the coming year, Serbia should in particular:

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

In the context of **digital single market objectives**, efforts were noted towards regulating the broader digital economy environment. A set of laws intended to fight grey economy and create more favourable digital economy environment were adopted. **E-commerce** saw significant increase in Serbia due to the pandemic, but the abuse of electronic platforms increased as well. Solutions employed in the amended Law on electronic document, electronic identification and trust service in electronic business take into account the facilitation of cross border electronic transactions in the field of electronic identification and qualified trust services. It considers solutions for implementing recognised EU electronic identification schemes along with issuing qualified electronic certificates for signature to foreign citizens. The Council for the promotion of development of the digital economy, innovation, high-tech entrepreneurship and digitalisation of business economic entities was established. The action plan for implementation of the 2020-2027 smart specialization strategy for the period 2021-2022 and an action plan for the implementation of the 2021-2030 industrial policy strategy for the period 2021-2023 were adopted, aiming to improve digital skills and raising the competitiveness of Serbian industry by improving digitalisation of business models of industrial production. The digital gap, notably with the senior and marginalised population, needs to be addressed.

The research and development institute for artificial intelligence operating as a public service institution was established, in line with the 2020-2025 strategy for the development of artificial intelligence. It is important that Serbia aligns with EU policies on the ethical use of artificial intelligence in this respect.

The first phase of the ultra-fast broadband communication infrastructure roll-out in rural areas was initiated with the aim of boosting the accessibility of underserved areas to digital infrastructure. However, the law on broadband has yet to be adopted.

Efforts towards a more centralised approach to digitalisation were noted; a more universal and coherent approach to digitalisation, in line with an open and competitive single market and strong rules embedding European values is recommended along with effective coordination of the various stakeholders and consistent digital single market policy implementation.

When it comes to regional aspect, Serbia proclaimed adherence to the policy priorities of the digital agenda for the Western Balkans. Further progress was made on implementing the regional roaming agreement, with the next phase of abolishing tariffs coming into force as of 1 July 2021. During the Western Balkans digital summit in Tirana in November 2020, Serbia signed the Memorandum of Understanding on interoperability and trust services. It is important that Serbia signs and implements the memorandum of understanding on a 5G roadmap for digital transformation, which aims at further aligning 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**, the law on electronic communications has yet to be adopted. The new management board of the national regulator RATEL was elected with no further developments concerning the regulator's operational independence. There were no developments concerning the regulator's administrative capacities either, which nevertheless require strengthening, notably on performing market analysis.

Concerning the implementation of **competitive safeguards**, difficulties with access for users-operators to infrastructure including optical fibres, ducts, poles and public operators' dark fibres, along with restrictions imposed by the environmental and municipal planning legislation, persist - in particular at local government level. The line ministry's administrative capacity and the inspection capacities remain low and require strengthening.

Serbia is preparing ground for the 5G frequency auction, announced for the end of 2021 by adopting relevant radio frequency allotment secondary legislation in the 700, 3400 and 3800 MHz frequency bands.

Activities towards needs assessment for the introduction of the 112 European emergency number calling system according to EU standards have started; however, the system has yet to be fully implemented.

In the field of **information society services**, the legal framework on the law on e-government remains to be completed in order to allow for its full implementation. The number of databases connected to the new government service information system has increased, as well as a number of services at the upgraded national e-government portal. These services now feature, among others, COVID-19 vaccination appointments for domestic and foreign citizens alike, issuance of green digital vaccination certificates, e-citizenship services for local and foreign citizens, e-consulate services for working visa applications as well as local tax government e-notifications for the first time. The number of interoperable public registers providing for easier exchange of data increased, and the central population register was activated, including data from 13 official registers such as the birth and death certificate, the citizenship certificate, various tax administration certificates etc. Concerning open data, the address register codebook has become available for use to the widest range of users without restrictions. There is further potential to improve the data presented on the country's open data portal in a machine-reading language.

The new cutting-edge technology data centre in the city of Kragujevac was officially inaugurated in December 2020; it uses Microsoft technologies for the platform for collection and processing of data from various public sources. Serbia now has two data centres, including the one in Belgrade.

In the field of information security, the 2021-2026 strategy for development of information society and information security with the accompanying action plan for the period 2021-2023 remains to be adopted. The regulator RATEL, 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 possible revisions in the future, as envisaged in the media strategy action plan, adopted in December 2020.

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. The REM council worked for several months with all nine members but returned again to incomplete capacity as one of the members resigned, after criticising the election of the president of REM council in December 2020 as non-transparent. This vacancy was filled in in May 2021. Another vacancy was filled in July 2021, bringing the REM Council to full capacity. REM's financial stability and staff capacity remain a concern, and its lack of independence needs to be addressed more rigorously.

The financial independence and stability of the public broadcasters have been reinforced: Radio Television Serbia (RTS) has for the first time in five years been removed from the state budget funding, (although the possibility is available throughout 2021 by the amended Law on public media services, which was fully compensated by the 17% increase in subscription fees for public broadcasters. Radio Television Vojvodina (RTV) has remained on the state budget support.

RTS is still not fulfilling its obligation as the national broadcaster to provide enough relevant content for all national minorities: content intended for national minorities is limited to only one news programme in Albanian on RTS2.

In an effort to improve media literacy, the Ministry of culture and information produced a series of videos on media literacy. They were broadcasted by both public broadcasters in between online lessons during COVID-19 remote learning.

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. **Good progress** was made with the amendment of the law on excise duties removing a long-standing discrimination in the taxation of imported alcohol, and with further activities in the implementation of the programme of transformation of the Tax Administration. Last year's recommendations were thus partially implemented.

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**, amendments to the Law on VAT were adopted in December 2020. Furthermore, the Law on fiscalisation was adopted in December 2020. It aims at modernising the process of VAT collection and increasing the efficiency of the control and fight against grey/informal economy. The law will be applicable as of January 2022. Specific and *ad valorem* excise duties continue to be applied on tobacco products and the minimum is

set twice a year. The amendments to the Law on excise duties were adopted in December 2020 with the adjustment of excise duties as of January 2021 and adoption of the plan of adjustments for the period 2021-2025. Excise duties on fuels are only partly harmonised with the EU *acquis*. 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. 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 income tax and Law on corporate tax and a new Law on digital property were adopted in December 2020. The latter regulates digital property market, addresses the misuse of digital property for criminal acts, and allows for financing and development of the financial market through digital technology. The amendments to the Law on income tax aim to further reduce the tax wedge on salaries by increasing the threshold for non-taxed monthly income in order to stimulate the increase in salaries and the creation of new jobs. The amendments were adopted through regular parliamentary procedures. Nevertheless, business associations warn that insufficient time was given for public consultations, including on specific fiscal secondary legislation. Proper public consultation are important for a good business environment. 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. In response to the COVID-19 pandemic, the government adopted three packages of financial assistance in 2020 and 2021 that included, among others, deferrals of personal income tax and social contributions as well as postponement of profit tax payment.

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. The Tax Administration still lacks administrative capacity and adequate staffing; however, concerning the latter the situation has somewhat improved with recruitment of over 100 staff in 2020. Serbia accelerated implementation of the 2015-2020 general programme for transformation of the tax administration, and the revised 2018-2023 action plan. In May 2021, the government adopted the new tax administration transformation programme with the action plan for the period 2021-2025. The number of field offices was reduced from 78 to 37 since July 2019. Some non-core activities were transferred to other bodies or assigned to a "non-core activities sector" still within the tax administration. The large tax payers' office was partly reorganised. The strategic risk department has intensified its activities. A number of training sessions were organised in 2020 but the planned programme was not fully implemented due to the COVID-19 pandemic. 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** and has established a good institutional and administrative framework in the area of economic and monetary policy. **Limited progress** was made in economic policy coordination, in particular due to the context of the introduction of measures to mitigate the effects of the COVID-19 pandemic. The implementation of the budgetary procedure was impacted by the COVID-19 crisis. No progress was made with strengthening

fiscal rules, largely due to the pandemic; this should be addressed as a matter of priority. The recommendations from last year's report therefore remain valid.

In the coming year, Serbia should take measures to:

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

On **monetary policy**, the legal framework for the NBS is well developed. According to the law, price stability is the NBS's principal objective, fully in line with the primary objective of the European System of Central Banks. The public sector does not have privileged access to financial institutions. However, in September 2020, NBS bought about 40% of five-year corporate bonds of state-owned Telekom Srbija (worth approximately EUR 200 million) on the secondary market immediately after their issuance, raising concerns of the lack of transparency and potential avoidance of state aid rules. Further efforts are needed to comprehensively 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. The overall institutional environment related to the budget process has stabilised, but remains challenging. Due to the crisis, the presentation of the fiscal strategy was delayed until late November 2020 and the submission of the 2021 draft budget to parliament was delayed to early December 2020. Despite the delayed submission of the 2021 draft budget, there was a more substantial parliamentary debate than in the previous years. The authorities submitted the report on the final annual budget execution for 2019 to the parliament, which adopted it as a law. The alignment of fiscal reporting with the European system of national and regional accounts (ESA 2010) is incomplete but slowly improving. Programme budgeting needs to be strengthened and administrative and IT capacity bolstered. Fiscal rules are weak, non-binding and unable to anchor fiscal policy. The adoption of new fiscal rules was further delayed. The Fiscal Council is an independent institution, which actively participates in debates on economic and fiscal policy. A new member of the Fiscal Council was approved by the parliament in December 2020.

In response to the COVID-19 pandemic, both economic and monetary policy had to be adjusted, and appropriate measures have been taken in the immediate aftermath of the beginning of the crisis. Two more sets of support measures followed in autumn 2020 and early spring 2021. While overall the measures have very significantly contributed to the mitigation of the economic impact of the crisis, the second and third fiscal packages could have been more targeted to limit the increase of general government deficit and debt.

The 2021-2023 **economic reform programme** was submitted on time. As in previous years, its analytical diagnostics were well prepared. The structural reform framework is coherent and sufficiently comprehensive. The implementation of some of the key reforms has been delayed, partly due to the COVID-19 pandemic. The new programme lacks ambition, particularly in the energy sector. Further efforts are needed to improve the capacity for economic planning and inter-institutional coordination as well as budgeting.

Chapter 19: Social Policy and employment

Serbia is **moderately prepared** in the area of social policy and employment. **Limited progress** was made in aligning further with the EU *acquis*. After a decrease in 2020, budget allocations for active labour market policies decreased further in 2021. Last year's recommendation on this matter remains therefore 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, and improve the adequacy of social benefits for people below the poverty threshold; in particular, take steps to establish and implement the Youth Guarantee by developing a Youth Guarantee Implementation Plan in line with the EU model and guidance;
- significantly strengthen the bipartite and tripartite social dialogue at all levels;
- ensure timely implementation of the action plan for chapter 19, in particular on adopting a new labour law and a new law on health and safety at work.

In the field of **labour law**, the law of 2014 is only partially aligned with the EU *acquis*. A new law on the right to strike has yet to be adopted. The proportion of undeclared work decreased slightly (18.2% in 2019; 16.4% in 2020). This is mainly a statistical effect as the informal sector in services was most hit by the COVID-19 pandemic. Labour inspections have focused on tackling undeclared work, but do not yet have a significant impact. The law on inspection oversight still needs to be amended to comply with the relevant International Labour Organization 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 law on health and safety at work has yet to be adopted. Serbia adopted implementing legislation on health and safety measures on exposure to biological agents and on work in surface and underground mineral-extracting industries. After a record number of fatalities in the workplace in 2018 (53) and 2019 (54), the number of fatal injuries in 2020 fell below 50, with the majority of cases occurring again in the construction industry.

Social dialogue remains weak, in particular regarding the involvement of social partners in policy developments relevant to them. Serbia still needs to adjust the legal framework and strengthen the capacity of social partners to foster collective bargaining. Sectoral collective agreements are typical in the public sector, with 11 currently concluded agreements. However, they are hardly concluded in the private sector, with only two sectoral collective agreements. In the second half of 2020, the minimum hourly wage was increased by 6.6% for 2021 by means of a government decision, as consensus could not be reached within Serbia's Economic and Social Council. The latter needs to be consulted in due time on new policy initiatives and draft laws in order to be able to fulfil its role.

On **employment policy**, the employment rate for 20-64 year olds increased from 65.2% in 2019 to 65.9% in 2020. The COVID-19 pandemic led to a decrease in the unemployment rate and an increase in the inactivity rate as individuals who were unable to search for a job or to start working due to the sanitary prevention measures now appear in the inactive part of the population instead of the unemployed one. Unemployment of 15-74 year olds decreased from 10.5% in 2019 to 9.1% in 2020, while the inactivity rate increased from 31.9% in 2019 to 32.3% in 2020. Youth unemployment (15-24 year olds) decreased from 27.5% in 2019 to 26.6% in 2020 but remains high, while the share of young people (15-29 year olds) not in employment, education or training (NEET) increased from 19% to 20% in 2020. Serbia continued to implement the "My First Salary" programme, which aims at activating young people without prior work experience. A monthly benefit of RSD 20 000 (EUR 170) is granted for those who finished high school and take up an internship or employment in the public or private sector, and of RSD 24 000 (EUR 204) for those who graduated from university. In 2020, some 8 000 young individuals participated in this programme. Serbia has endorsed the Western Balkans Declaration of 8 July 2021 on ensuring sustainable labour market integration of young people and committed to take concrete steps to gradually establish and implement the Youth Guarantee scheme. Serbia initiated preparations to be able

to pilot the Youth Guarantee, by setting up in May 2021 an inter-ministerial task force, and requested assistance to develop a Youth Guarantee implementation plan in line with the EU model. Long-term unemployed people, women, young people and low-skilled workers still face severe challenges integrating into the labour market. Measures aimed at promoting the employment of Roma have yet to deliver results. After a decrease in 2020, budget allocations for active labour market policies decreased further in 2021. They are by far too low to cover the number of jobseekers. A new national employment strategy for 2021-2026 was adopted in February 2021 and its accompanying three-year action plan 2021-2023 in March 2021. The latest available report on the implementation of the employment and social reform programme dates from February 2021 and covered the 2019 period.

To address the economic impact of the COVID-19 pandemic, the government adopted several packages of fiscal support measures, including wage subsidies for all companies. Employment safeguard measures were not complemented by support to the unemployed and inactive workers.

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 2019, 7% of the population was considered to be living in absolute poverty (7.1% in 2018). According to the latest survey on income and living conditions (SILC), the at-risk-of-poverty rate was 23.2% in 2019 (EU-27 16.5%) and the at-risk-of-poverty or social exclusion rate was 31.1% (EU-27 21.1%). As in previous years, there is more poverty in rural areas than in urban areas. Every tenth employed person (9.2%) is at risk of poverty, which means that they cannot fulfil their basic needs, despite working. Some 47.7% is subjectively poor (an improvement from 58.4% in 2018), namely they respond to the question on the possibility for a household to ‘make ends meet’ with ‘difficulty’ and ‘great difficulty’, positioning Serbia at the bottom of the list of European countries that conduct SILC surveys. Inequality in income distribution is high and stood at 33.3% of the Gini coefficient according to income in 2019 (35.6% in 2018), which was above this coefficient in EU-27 (30.2%). The income quintile ratio was at 6.5 in 2019 (8.58 in 2018). This means that the richest 20% of the population had an income 6.5 times higher than the 20% of the poorest. In the same period, the value of the quintile ratio in the EU-27 was 4.99. The consequences of the COVID-19 pandemic on vulnerable individuals need to be closely monitored. There have been no measures designed specifically for the protection of the most vulnerable. The impact of social transfers on poverty reduction is with 18.02% in 2019 far below the EU-27 average of 32.38%.

A law on social cards was adopted in February 2021. It aims at a fairer distribution of social assistance and 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 for 2019-2025 and amendments to the law on social welfare are still pending. In 2020, two and a half years after the beginning of the implementation of the law on financial support to families with children, the Constitutional Court determined that certain provisions of this law were not in accordance with the constitution. The coverage and adequacy of cash benefits to provide for essential needs is insufficient to cover essential needs. In addition, the quality and coverage of service need to improve, and oversight and regulatory mechanisms, monitoring and evaluation should be strengthened. No progress was made in local-level social care services or in the de-institutionalisation process. The system of earmarked transfers introduced in 2016 by the social welfare law is still not implemented systematically and transparently. Budgetary allocations are available annually, but without multi-annual commitments that would allow

for the continuity of service provision at local level and for an evidence-based system of priority setting and monitoring of results.

In the field of **non-discrimination in employment and social policy**, Serbia adopted amendments to the law prohibiting discrimination in May 2021. The Equality Commissioner's 2020 report underlined that out of 112 complaints on discrimination on the grounds of ethnicity, 94 were filed by Roma, with the main issues being access to employment and sources of income.

In the area of **equal opportunities between women and men in employment and social policy**, Serbia adopted a new law on gender equality in May 2021. The employment rate for men (20-64 year olds) is 14 percentage points higher and their activity rate 13.8 percentage points higher than those for women. Women's inactivity reflects: i) unpaid work in the household, including care of children, sick and/or elderly people; ii) inadequate support in reconciling work and family responsibilities; iii) employers' discriminatory treatment of young women; iv) the existing wage gap; v) lower statutory retirement age; and vi) the existence of a statutory minimum base for social insurance contributions, which discourages formal part-time work. Although the legislation grants both maternity and paternity leaves, gender-based stereotypical preconceptions persist about childcare and household work being a woman's responsibility. The lack of state services for childcare in rural areas increases the amount of unpaid household work for women. The first ever gender analysis of the monetary value of unpaid care work in Serbia confirmed the burden of unpaid care work on women. The analysis showed that annual monetary value of unpaid care work performed in households, mostly by women, is EUR 9.2 billion or 21.5 % of Serbia's GDP. Women have been at the frontline of the COVID-19 pandemic, as healthcare, shop and pharmacy workers. As a result of the crisis, 7% of employed women lost jobs or were made to take leave compared to 4% of employed men.

Chapter 20: Enterprise and industrial policy

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

Serbia is **moderately prepared** on enterprise and industrial policy. **Some progress** was made, in particular by adopting an action plan for the strategy on industrial policy.

In the coming year, Serbia should in particular:

- make further efforts to improve the predictability of the business environment, with the emphasis on involving business more directly in the process of regulation;
- adopt a new SME and entrepreneurship policy strategy;
- reallocate budgetary resources for FDI incentives to financial and technical support to SMEs.

With regard to **industrial policy**, a strategy for the industrial development 2021-2030 was adopted in March 2020. The strategy puts an emphasis on replacing the current model of competitiveness based on cost advantage (i.e. cheap low-skilled workforce) by skill-based advantage, i.e. knowledge-based industries. The 2021-2030 strategy introduces a mix of horizontal policy measures implemented in six areas in order to achieve a set of far-reaching goals. An action plan for the implementation of the strategy for the first three years (2021-2023) was adopted in April 2021. The action plan defines specific measures and activities, the main institutions for the implementation of measures, and the appropriate indicators, timeframes and budgets. The action plan builds on the findings of the smart specialisation

strategy, adopted in February 2020. The dedicated action plan for smart specialisation strategy was adopted in April 2021.

On **enterprise policy**, the implementation of the strategy to support the development of SMEs, entrepreneurship and competitiveness 2015-2020 was finalised. An independent mid-term evaluation of the strategy was conducted in early 2019. A new strategy was announced for 2020, but is yet to be adopted. Serbia's legislation is largely aligned with the EU *acquis* on combating late payments in commercial transactions. Serbia needs to continue its efforts towards full alignment in order to further improve its business environment. As a response to the COVID-19 pandemic, the government adopted a set of measures – deferral of tax obligations, payment of salaries to employees primarily aimed at assisting SMEs, access to additional loans – which all aimed to alleviate the negative consequences of the crisis for businesses. The governance reform and restructuring of industrial state-owned enterprises and privatisation are awaiting implementation. By December 2020, the number of companies in the privatisation process stood at 79 as the process slowed down due to the COVID-19 pandemic. The intention is to sell 10 to 20 companies in 2021; some of them have already been identified and the process has been launched.

Enterprises in Serbia identify corruption and problems in the exercise of the rule of law, including shadow economy, as key obstacles to the **investment climate** and economic development. Serbia also needs to increase predictability in the business and administrative environment, in particular for SMEs. To this end, performance measurements for policy-making activities should be developed and more emphasis put on implementing the 'think small first' principle. The regulatory impact assessment with the SME test needs to be systematically carried out when formulating laws and secondary legislation. A multiannual reform aimed at optimising and improving the transparency of all administrative procedures is under way. Proposals for optimising these procedures are drafted in consultation with the private sector. After attempting to streamline and increase transparency as regards the system of para-fiscal charges in 2018 through the Law on fees for the use of public goods, some charges (e.g. the environmental fee) were (re)introduced, without proper public consultation. The lack of transparency in adopting such (secondary) legislation negatively affects business predictability. In particular, government decisions in a number of businesses-relevant areas are occasionally taken without appropriate consultation and under such time constraints that businesses do not have sufficient time to plan their operations under new rules. In general, though the business environment is gradually improving businesses need to be better informed about regulatory changes and be invited to provide input in the legislative process.

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, including through the EU programme for the competitiveness of small and medium-sized enterprises (COSME) and the Instrument for Pre-accession Assistance. 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 continues to constitute an impediment to their growth. Serbia participates in the COSME programme for SMEs with participation in COSME's major actions like Erasmus for Young

Entrepreneurs and the Enterprise Europe Network. With regard to payment discipline, Serbia should align its rules on payments, indemnity interest rates, expedited recovery procedures and compensation with the EU Directive in this area.

In **sectoral policies**, the current support for investment continues to prioritise manufacturing. Until recently, the approach in policy-making was not sector-specific, with the exception of tourism. This has changed as four sectors were identified in the smart specialisation strategy as having the highest growth potential among industries: wood and furniture, rubber and plastic together with two of the priority industries, which are food processing and machinery and equipment.

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 on scientific and technological development for the period 2021-2025 and the action plan for the implementation of the smart specialisation strategy. The national level of investment in research remains low and was even reduced.

In the coming year, Serbia should in particular:

- increase the national funding for research and innovation;
- transpose the European research infrastructure consortium (ERIC) Regulation into national law;
- address the actions of the European Research Areas.

On **research and innovation policy**, the main priorities of the European Research Area are incorporated in the new strategy on scientific and technological development 2021-2025, adopted in February 2021. In April 2021, Serbia adopted an action plan for the implementation of the Smart Specialisation Strategy (S3). The Science Fund, established in 2018, is fully operational as a funding mechanism. The action plan for the implementation of the strategy for the development of artificial intelligence for the period 2020-2025 was adopted in June 2020.

The national level of investment in research remains low at 0.89 % of GDP 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 continues to be active and participate successfully in Horizon 2020 as well as in EUREKA, COST and NATO science and peace for security programmes.

With regard to measures for the **Innovation Union**, the Serbian innovation fund and the science and technology parks (STP) in Belgrade, Niš and Čačak continue to be active with increased contributions from the budget. The STP in Novi Sad is in the second phase of construction. As the private sector continues increasing its investment in research, significant steps are needed on the public side to support cooperation between businesses and academia. Serbia scores high in the European innovation scoreboard. However, research and innovation expenditures of the private business sector remain too low.

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 modernising the academic curricula and rendering the national qualifications framework (NQF) system operational. Some steps have been taken 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 disrupted the organisation and quality of instruction on all levels of education. The recommendations from the 2020 report remain largely valid.

In the coming year, Serbia should take further measures to:

- increase participation in early childhood education and care, in particular of children from disadvantaged backgrounds;
- consolidate 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**, the new education strategy until 2030 and the action plan guiding the former until 2023 were adopted. Mechanisms ensuring annual monitoring and implementation reporting of both documents are recommended to be set up timely. The student population has continued to decrease due to negative demographic trends and emigration. Enrolment and attainment rates in pre-university education remained high. However, while the number of children aged between 3 and 5 years who attended early childhood education has increased (from 50.2 % in 2014 to 60.6 % in 2019), the coverage of Roma children remains low (5.7 % in 2014, 7.4 % in 2019). Similarly, the enrolment rate of mandatory pre-school education remained very high (97 % in 2019), while being substantially lower for Roma children (76 %). Further effort is required to achieve equitable pre-school education, strengthen governance and expand the scope and quality of infrastructure and services. The rate of early school leavers fell to 5.6 % in 2020 down from 6.6 % the previous year. Lifelong learning participation slightly dropped to 3.7 % in 2020 from 4.3 % in the previous years, which is far below the national and EU targets (7 % and 15 % respectively). Participation is particularly low among low-skilled adults (0.3 %).

The COVID-19 pandemic led Serbia to adopt a hybrid education model depending on the pandemic incidence. Additional legislation on distance learning and mandatory guidelines were adopted to facilitate instruction. Distance learning was organised via TV broadcasters and digital tools. However, further efforts are required to compensate for learning gaps caused by digital exclusion, in particular among disadvantaged students.

The digital transformation of education is progressing and is to be further prioritised, including by removing technology and literacy barriers for both teachers and students. While the development of the education management information system has progressed, it requires further consolidation. Serbia is active in piloting and scaling up the Self-reflection on effective learning by fostering the use of the tool Self-reflection on Effective Learning by Fostering the use of Innovative Educational technologies (SELFIE) for schools to assess their

level of digital maturity, including a new module for work-based learning in a number of vocational education and training (VET) schools and companies.

The reform of the general secondary education curriculum continued. No significant change is reported in the low take-up of general secondary education on the account of VET. Serbia needs to continue modernising and streamlining qualifications standards to improve VET relevance as well as to further develop the national work-based learning model for VET. The introduction of final examinations in secondary education was postponed by two additional years. The preparations for introducing the examinations are to accelerate in order to ensure its full implementation as of the 2023-2024 school year. Serbia endorsed the Osnabruck Declaration on Vocational Education and Training as an enabler of recovery and just transitions to digital and green economies in November 2020.

Some steps were taken to strengthen the policy and institutional framework for quality assurance in higher education. Amendments to the Law on higher education were adopted in June 2021, aiming to ensure compliance with the ENQA recommendations on better governance and quality assurance principles. Concrete operational steps to meet the ENQA recommendations are still pending. The Serbian national accreditation body may re-apply for renewed membership of ENQA in 2022 following its suspension in early 2020. Following the adoption of the respective law and accreditation standards, the first dual study programmes in higher education with a reinforced work-based component are being accredited. The attainment of tertiary level qualifications for persons aged 30-34 is slowly increasing, reaching 33.5 % in 2019 (up from 32.8 % in 2018), remaining below the EU target of 40 %. Only 24 % of Serbian students manage to study and work at the same time, which is among the lowest in Europe. The education sector, higher education in particular, remains a vulnerable area for corruption.

The National Qualifications Framework (NQF) is operational and referenced to the European Qualifications Framework. Its institutional set-up should be further strengthened to make the system fully operational, including the functioning of sector skills councils based on a more solid social partnership. The pace of adoption of qualification standards is picking up but should be further accelerated, especially in higher education. The system of validation of non-formal and informal learning is being piloted and relevant implementing legislation has been adopted, but is yet to be embedded at system level.

Some progress was made in increasing the participation of disadvantaged students at all levels of education. Progress was made in the enrolment of Roma children in primary education (from 85 % in 2014 to 92 % in 2019) and secondary education (from 22 % in 2014 to 28 % 2019). However, the implementation of measures to reduce dropout rates and segregation needs to be strengthened, especially at local level. Serbia adopted legislation on assistive technology resource centres, which is expected to provide additional support services for inclusive education.

Teachers should be consistently supported in implementing the ongoing outcome-based curricular changes, particularly with regard to developing students' key competences. Further efforts are required 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 participated in the Trends in International Mathematics and Science Study (TIMSS) 2019 and the Programme for International Student Assessment (PISA) 2018, and the results were published in 2020. Serbia is participating in several international assessments, including

Progress in International Reading Literacy Study (PIRLS) 2021, International Civic and Citizenship Education Study (ICCS) 2022 and PISA 2022.

Serbia continued its participation in the Erasmus+ programme as a programme country. Under the 2020 call for proposals, Serbian institutions are participating in more than 800 projects including around 5 600 mobilities of students, staff and pupils. Serbia is successfully implementing the sports component of the programme, where relevant organisations coordinate five projects and are partners in 44 projects. Serbia participated in the Erasmus Days 2020 initiative. Serbia expressed willingness to re-associate to Erasmus+ as an associated third country for the programme period 2021-2027; the formal association is expected to be completed during the second half of 2021.

In the area of **culture**, Serbia has recognised creative industries as a sector with potential for economic and social development. The Council for creative industries continued its national and international communication campaign ‘Serbia creates’. In January 2021, the Serbian government adopted its ‘strategic priorities for the development of culture of the Republic of Serbia from 2021 to 2025’, setting objectives and priorities for cultural policy.

The COVID-19 pandemic greatly affected the cultural and creative scene of Serbia, though not evenly. While creative industries were eligible to economic recovery measures, this was not the case for the whole sector. The Ministry of Culture and Information carried out open calls to support projects in culture, although with a reduced budget compared to previous years. Specific support was provided to independent artists to cope with the limited possibilities to perform.

The activities of Novi Sad as European Capital of Culture, initially planned for 2021, were postponed to 2022.

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

Serbia participated in the Creative Europe programme 2014-2020, which was well promoted and supported by the relevant Ministry. Serbian cultural organisations were successful in all streams of the programme, and have taken good advantage of the specific call to support cooperation projects in the Western Balkans. Regarding the association of Serbia to Creative Europe 2021-2027, the agreement and entry ticket were agreed with Serbian authorities and the process of signing the new agreement is under way. Full association is foreseen for the last quarter of 2021. The **youth** strategy action plan 2018-2020 has expired. Preparations for the revision of the legislative and strategic framework in the field of youth are underway. The national youth council is active and involves youth representatives. Youth policy coordination mechanisms at the local level should be further strengthened. A number of local youth action plans are being revised in line with the provisions of the planning system Law. An increasing number of young and skilled people are emigrating. The unemployment and inactivity rates among young people remain high. On average, it takes two years for a young person in Serbia to find their first stable employment after finishing education (compared to 6.5 months in the EU).

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 through the adoption of amendments to the customs law and the law on customs

services. No progress was made with upgrading the customs processing system and developing the IT system of the national customs, largely to the COVID-19 pandemic. Last year's recommendations were therefore not addressed and remain fully 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 and the law on customs service were adopted in November 2020 in order to improve the efficiency and enforcement of customs legislation. 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. Serbia is finalising negotiations on the revised rules of origin with members of the PEM region that are willing to accept the revisions proposed by the European Commission. Serbia's customs tariff nomenclature for 2020 was harmonised with the EU combined nomenclature in November 2020.

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

Concerning **administrative and operational capacity**, total customs and VAT revenues collected by the customs administration decreased by 5.2 % in 2020 as a consequence of the COVID-19 pandemic. The customs administration's development plan for customs e-systems was adopted in February 2020, aiming to ensure integration with the EU system. In February 2020, Serbia also adopted the 2020-2024 customs administration's business plan.

Work is also ongoing on strengthening the risk management system. It is important that Serbia 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, but the information on the implementation of the Protocol is still pending, and administrative capacity for tobacco control is still insufficient. Serbia needs to continue work and reinforce efforts to establish a tracking and tracing system of tobacco products, as provided for by the FCTC Protocol.

In the context of the **COVID-19 pandemic**, seven border crossings with neighbouring countries were designated as 'green lane' border crossings to ensure the smooth and prioritised passage of essential goods. The green lane border crossings continue to provide 24/7 operations, including phytosanitary procedures, and electronic pre-arrival information through the system of electronic exchange of data.

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 entire cluster, i.e. all chapters have yet to be opened. In the first half of 2021, Serbia submitted an action plan on oil stocks and an action plan on gas unbundling, fulfilling the remaining requirements to move towards opening of the cluster. This cluster is at the heart of the Green Agenda for the Western Balkans endorsed by

Serbia in November 2020 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 energy and climate, where Serbia advanced alignment with the EU *acquis*. In March 2021, Serbia adopted a climate law that sets the legal framework for its future climate action. In April 2021, Serbia adopted a package of important energy laws, including new laws on renewables and energy efficiency.

In the coming period, Serbia is invited to focus on the following areas: improve investment prioritisation, planning and management across all areas; adopt a new transport strategy and strategy on intelligent transport systems in line with the EU's sustainable and smart mobility strategy; implement its action plan on gas unbundling in line with planning and fully engage on regional energy integration; adopt a 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 in the reporting period on road safety and rail reform. However, last year's recommendations were overall only partially addressed.

In addition to addressing the shortcomings set out below, in the coming year, Serbia should in particular:

- continue with the rail reform process, in particular by implementing a public service obligation contract and a multi-annual infrastructure contract in evidence-based manner; further implement adopted legislation and strengthen institutional capacities;
- adopt a national strategy and action plan on intelligent transport systems; adopt credible costed rail and road maintenance plans; align and simplify road and rail border crossing procedures and further improve road safety by undertaking actions to remove blackspots on sections with high accident rates;
- prioritise investments according to their relevance for Serbia's economic development and EU integration, in line with the EU's sustainable and smart mobility strategy; and base investment decisions on feasibility studies conducted in accordance with EU best practices and apply transparent procurement procedures.

As regards the **general transport** *acquis*, Serbia needs to update its strategic framework to reflect new developments and ensure coherence by adopting a new transport strategy in line with the EU's sustainable and smart mobility strategy targets. Strategic documents should be based on option analyses, take into account regional aspects, and be properly costed.

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. A significantly increased number of investments in Serbia did not apply these standards during the reporting period. Some recent positive developments are noted.

Overall, capacities in the road and rail sector improved, positively affecting international cooperation and EU integration. Administrative capacity needs further strengthening in particular in dealing with transport of dangerous goods, road safety, intelligent transport systems (ITS) and rail, notably the railway regulatory body. 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. The methodology for track access charges is being prepared, together with the new pricing model for access to railway infrastructure.

On **road transport**, Serbia's level of alignment with the EU *acquis* is satisfactory. During the reporting period, Serbia adopted a rulebook on child restraint system and a rulebook on roadworthiness tests for motor vehicles, aligning the technical inspection of vehicles with the EU *acquis*. However, the new law on road traffic safety is still pending. Statistics on road traffic accidents in Serbia show that there is no sustained downward trend. Regular inspections, roadside checks and checks at premises are being carried out, but staffing and equipment remain insufficient. Strengthening the capacity of inspection officers remains a priority. Overall, Serbia needs to step up work on road safety at national and local level. Legislation on transport of dangerous goods is well aligned with the EU *acquis* and it covers also transport of hazardous substances.

Serbian authorities are managing border crossing procedures well during the challenging COVID 19 crisis. Improving the road maintenance system remains a priority. Performance-based maintenance contracting needs to continue and responsibilities in the area of road maintenance need to be further clarified. Serbia needs to address the issue of potentially discriminatory road charges against foreign operators. ITS strategy and action plan remain to be developed.

On **rail transport**, reforms continued and the operational and financial sustainability of independent railway service/infrastructure operators is improving. Serbia regularly updates its railway network statement but it is not yet fully compliant with the EU *acquis* and Serbia's negotiating framework. Serbia actively participates in the work of the Transport Community. Serbia needs to adopt a European railway traffic management system (ERTMS) deployment plan. Positive trends continued when it comes to rail market opening with 11 private freight companies operating on the market in 2020. However, further efforts are required to ensure full opening of the market. This includes progressing on the issuance of train driver licenses and safety certificates for railway undertakings. Progress on mutual recognition of the rolling stock is expected, too.

Serbia still needs to adopt 11 provisionally published technical specifications for interoperability. Railway infrastructure has to be built accordingly. Human resource management in the railway field needs to be improved (development plans for all rail authorities, incorporating technological and administrative developments). The role and capacities of the Railway Directorate should be strengthened.

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

In **inland waterway transport**, Serbia continues to improve its level of alignment, which is already high. Serbia has an operational river information services system, which is highly interoperable with those of EU Member States. Serbia should continue working on fulfilling the preconditions for recognition of navigation certificates in the EU in accordance with the Directive 2017/2397. Serbia continues improving its infrastructure for inland waterway transport services. Improvements to the river ports' network statement and strengthening of administrative capacity require more attention.

Serbia has a good level of alignment with the EU *acquis* on **aviation**. With regards to the aviation regulations, Serbia is close to fulfilling all obligations stipulated in the first transitional period of the European Common Aviation Area Agreement. In the domain of aviation safety, the European Union Aviation Safety Agency continues monitoring the application of the EU safety standards implemented in Serbia, and in the course of 2021, it detected several deficiencies in the oversight of certain maintenance organisations, which led to the suspension of two approvals. The Agency will conduct a standardisation inspection in Serbia in April 2022.

On the Single European Sky, Serbia completed its transposition 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.

There is no specific legislation on **combined transport**. Serbia regularly allocates budget funds to promote combined transport. Construction of the first modern intermodal terminal in Belgrade started in November 2020.

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. **Good progress** was made overall, including progress on meeting last year's recommendations. In April 2021, Serbia adopted new energy legislation advancing EU alignment, in particular on renewable energy. In May 2021, Serbia adopted action plans on gas unbundling and oil stocks in view of fulfilling the opening benchmark for the chapter. In the coming period, Serbia should:

- implement action plans to fully unbundle its gas sector in line with planning, in particular adopt all legislation necessary for full unbundling of the whole gas sector (December 2021) and certify Transportgas (February 2022);
- in the context of establishing a regional electricity market, to ensure all necessary steps for finalising the Elektrosever licencing, and determine net transmission capacities and capacity allocation with all neighbouring control blocks;
- advance on green energy transition by adopting a national energy and climate plan with ambitious targets on reducing CO₂ emissions and increasing the share of renewables and energy savings; make concrete steps forward towards coal phase out as committed to in the Sofia declaration on the Green Agenda for the Western Balkans; launch a first auction for renewables in 2021.

Serbia maintained a high level of alignment with the EU *acquis* on **security of supply** including on emergency oil stocks. In May 2021, Serbia adopted an updated action plan on emergency oil stocks. Oil stocks continue to increase slightly, in June 2021 corresponding to 21 days of average daily consumption. In December 2020, the construction of 2 x 20,000 m³ of oil storage capacity started in the port of Smederevo. Only about half of the collected revenue from the fee on mandatory oil stocks is currently being allocated for the purposes of emergency oil stockholding. This resulted in delayed implementation of previous plans. Lack of gas market opening, diversification of sources and third party access to the gas network potentially affect security of supply in the gas sector. Preparations for the construction of the gas interconnector with Bulgaria have continued with the launch of the works tender in March 2021. Serbia also continued preparing technical documentation to upgrade the Trans-Balkan electricity corridor. Construction of the 400 kV line Kragujevac-Kraljevo and substations is ongoing since June 2020

Following the decision of the European network of transmission system operators for electricity (ENTSO-E), the Kosovo transmission system operator KOSTT was separated from the Serbia control block and started to operate in the Albania-Kosovo control block in January 2021. The Serbian electricity transmission system operator EMS so far did not determine net transmission capacities and capacity allocation with the Kosovo control block. The licencing of Elektrosever is not finalised. Serbia did not make progress in setting up regionally coordinated auctions with its Western Balkan neighbours.

As regards the **internal energy market**, Serbia's primary legislation is compliant with the EU's third energy package. In April 2021, Serbia amended the Law on energy, partially transposing rules on wholesale energy market integrity and transparency. Trading volumes on the organised day-ahead market continued to grow in 2020. 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 December 2020, the electricity distribution network and system operator was separated from EPS. The new company Elektrodistribucija Srbije was licenced by the Serbian energy agency AERS in January 2021. In May 2021, Serbia adopted plans for the unbundling of Srbijagas and Yugorosgaz. An agreement on the transfer of shares of Transportgas Srbija LLC from Srbijagas to the Republic of Serbia was signed in May 2021. Certification and unbundling of new companies is continuing in accordance with the third energy package but not yet finished. AERS approved a ten-year network development plan of Yugorosgaz Transport in August 2020. There is no third-party access to the gas system infrastructure of Srbijagas and Yugorosgaz. The Balkan Stream pipeline section in Serbia was finished. As regards the regulatory regime for this project, Serbia, in its negotiating position, recognised 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 2020, the non-regulated market accounted for 48.6% of total end-user electricity consumption and 83% of total end-user gas consumption. In the same year, some 2.25% of delivered electricity quantities and only 0.15% of gas quantities were subject to supplier switching. The regulated electricity price of universal supply to small customers and households, which is significantly below the market price, is impeding competition. Electricity prices should cover investment needs for Serbia's energy and climate reforms including decarbonisation.

The Serbian energy agency is legally and functionally independent from any other public entity. AERS needs to have more effective enforcement power to ensure compliance of regulated companies. Staff levels decreased in the reporting period from 44 to 40, though a level of 55 staff has been set in the organigram. Increasing staff numbers is necessary to allow the agency implement all regulatory responsibilities under the third energy package, the new Law on renewable energy and new *acquis* upfront.

A new Law on mining was adopted in April 2021, which is a step forward in aligning legislation with the hydrocarbon licensing Directive, especially regarding conditions for granting and using authorisations for prospection, exploration and production.

On **renewable energy** (RES), Serbia further progressed on aligning with the EU *acquis*. In April 2021, Serbia adopted a new Law on renewable energy. It partially transposes the renewable energy directive (RED II, Directive 2018/2001/EU). The law introduces RES auctions, creates conditions for the development of the renewable energy market, and allows citizens and companies to produce electricity for their own consumption and become prosumers. This is a positive structural reform step as the energy sector is the main source of pollution in Serbia, responsible for 80% of the country's greenhouse gas emissions. For full

transposition of RED II, Serbia needs further primary legislation in the construction sector as well as amendments to its RES law. Additional secondary legislation on RES share in transport and sustainability criteria for biofuels is also needed. A major recommendation is to launch a RES auction still in 2021. The human resource capacity in the ministry of mining and energy's department for renewables is insufficient. The latest data for 2019 show that renewable sources accounted for a share of 21.44% of gross final energy consumption, which is below the interim target for 2019 set at 25.6% and the national target for 2020 set at 27%. Total capacity of wind power installed until June 2021 exceeds 400 MW, while total capacity of other renewable sources not including big hydropower plants is about 140 MW.

Serbia made important progress in aligning with the EU *acquis* on **energy efficiency** by adopting a new Law on energy efficiency (April 2021). Serbia still needs to adopt further primary and secondary legislation to achieve full alignment with the Directive on the energy performance of buildings and on energy labelling. Energy intensity in Serbia is nearly four times higher than the EU average. In its National energy and climate plan (NECP), Serbia should therefore set ambitious targets for energy efficiency, and share of renewable energy sources, in final energy consumption. Work on the NECP started in February 2021. In September 2020, Serbia submitted the fourth annual report under the energy efficiency Directive. Serbia needs to step up work on implementing consumption-based metering and billing in district heating on a large scale. Human resource capacity in the line ministry remains insufficient. The newly established Directorate for energy efficiency requires robust financial, institutional and human resource capacities to take the sector forward efficiently. The recent launch of housing renovation programmes is a welcome development. Serbia need to better coordinate energy efficiency action and establish a sustainable and effective financing system.

On **nuclear energy, nuclear security and radiation protection**, Serbia's legislation is partially in line with the EU *acquis*. Serbia still needs to finalise adopting the agreement between European Atomic Energy Community and non-EU countries on the early exchange of information in the event of radiological emergency (ECURIE). The Serbian public utility 'Nuclear Objects' should finalise licencing of two old storage facilities which expired in November 2019, along with the new radioactive waste processing facility and two nuclear research reactors and abandoned uranium mine. The Serbian Radiation and Nuclear Safety and Security Directorate is the independent regulatory body with executive functions in the area of radiation and nuclear safety and security including inspection function. The number of staff at the directorate increased further from 32 to 34.

Chapter 21: Trans-European networks

The EU promotes trans-European networks in the areas of transport, telecommunications and energy to strengthen the internal market and contribute to growth and employment.

Serbia is **moderately prepared** for trans-European networks. **Some progress** was made overall. Positive steps were taken on the 2020 recommendation on the gas interconnector with Bulgaria.

In the coming year, Serbia should in particular adopt its planned new national transport strategy 2022-2030 (including action plan) and national strategy and action plan for intelligent transport systems (ITS); these should be in line with the EU's sustainable and smart mobility strategy and EU guidelines for the development of trans-European transport networks.

On **transport networks**, Serbia is improving its border crossing procedures. Multiannual maintenance planning and implementation for road and rail should accelerate. Serbia must ensure that its transport network projects are implemented in line with the TEN-T regulatory

framework, in addition to fulfilling EU standards on public procurement, state aid and environmental impact assessments. Infrastructure needs to be developed in a sustainable and smart way, in particular addressing decarbonisation, digitalisation and resilience of the transport sector. All rail infrastructure needs to comply with the EU's technical specifications for interoperability. Investments need to be implemented in accordance with cost-benefit analyses following EU best practices.

Serbia needs to demonstrate its full commitment to the implementation of the Transport Community Treaty. As a reaction to the COVID-19 pandemic, green corridors were established and are functioning effectively throughout the major corridors.

As regards road infrastructure, Serbia launched a works tender for the first section of the Niš–Merdare highway in March 2021. Technical preparations for the remaining sections continue with EU grant support but work needs to accelerate. As regards rail infrastructure, construction works on the Budapest-Belgrade line are ongoing. Construction works on the Niš–Dimitrovgrad railway line are 2 years delayed, mainly due to lack of capacity and lengthy procedures.

Serbia's decision to cooperate with the EU and European IFI's to modernise railway corridor X, Belgrade-Niš-Preševo (state border) under the Economic and Investment Plan underlines the importance Serbia gives to the Trans-European networks. Serbia continues upgrading its inland waterway infrastructure. Projects in this sub-sector need to be based on cost-benefit analyses and fully respect environmental standards.

On trans-European **energy networks**, administrative capacities for transposing, implementing and enforcing the EU *acquis* need to be strengthened. Energy networks need to be upgraded in line with EU legislation on trans-European networks to advance on green energy transition. Serbia continued with the preparation of documentation for the construction of the Trans-Balkan electricity corridor, in particular for the overhead transmission line connecting Serbia with Bosnia and Herzegovina and Montenegro and the upgrade of the transmission system in Western Serbia to 400 kV voltage level. Construction of the latter is planned to start in the beginning of 2022. Construction of the 400 kV line between Kragujevac and Kraljevo is on schedule, planned to be finalised by January 2022. Good progress was made on the gas interconnector between Serbia and Bulgaria. The works tender was launched in March 2021. Financing is secured by an EU grant and EIB loan.

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, mainly by addressing last year's recommendation to adopt the climate law.

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

- developing an ambitious national energy and climate plan in a transparent manner, consistent with the European Green Deal's zero emission target for 2050 and the Green Agenda for the Western Balkans; adopt and start implementing the plan;
- 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, intensifying trans-boundary cooperation, improving law enforcement by inspectorates and judiciary, advancing river basin management and preparing for Natura 2000;

→ enhancing administrative and financial capacity of central and local authorities, in particular in the environmental protection agency and environmental inspectorates, by further improving inter-institutional coordination, continuing to raise environmental investments as well as further improving strategic investment planning and management including transparency of procedures.

Environment

In 2020, Serbia's budget for environment increased by 48% compared to the previous year, mainly through foreign borrowing. All income generated from environmental fees should be earmarked for environmental purposes. Although Serbia is substantially increasing investments into environmental protection, the green fund is not yet fully operational. Serbia needs an effective institutional set-up to improve strategic planning, co-financing and managing its environmental investments. Serbia should prioritise environmental projects with the highest environmental impact, and select and implement them through transparent procedures. 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*. Overall, Serbia needs to improve its administrative capacities at central and local level, including at inspectorates and judiciary. Legislation on environmental impact assessment (EIA) needs to be further aligned and compliance with other laws ensured, especially with the law on planning and construction. EIA implementation needs to be strengthened. The quality of public consultations deteriorated 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 the future development consent⁹ of projects listed in the EIA Directive, such as Serbia's spatial plan, which is in adoption procedure. As regards the Jadar project, in early 2021 the government committed to the highest environmental standards, and to carrying out a strategic evaluation of its environmental impact before changes to the spatial plan are made. Legislative alignment on environmental liability and environmental criminal law (Directives 2004/35/EC and 2008/99/EC) has not progressed. Enforcement remains a key priority, including establishing a track record on implementing the environmental crime Directive.

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. Adopting the EU air quality index is a key recommendation, as well as ensuring adequate staffing of the Serbian Environmental Protection Agency. Serbia's annual air quality report for 2019 lists 13 agglomerations with air pollution above the limits: Belgrade, Niš, Smederevo, Pančevo, Novi Sad, Užice, Bor, Kraljevo, Subotica, Požarevac, Zaječar, Beočin, and Kosjerić. Pollution induced by the Kostolac B thermal power plant needs to be addressed as a priority. Requirements of Directive 2016/2284/EU for national emission ceilings have not yet been transposed. Alignment with EU legislation on volatile organic compound emissions needs to continue.

⁹ The term 'development consent' refers to permits and alike, authorising the execution of a project.

Regarding **waste management**, Serbia has a good level of alignment with the EU *acquis*; however, implementation remains at an early stage. Serbia developed with EU financial assistance a national waste management strategy and a national sludge management strategy. It is in the adoption procedure since 2019. The by-law on treatment of the equipment and waste containing polychlorinated biphenyl, currently in the adoption procedure, will fully transpose the relevant EU directive. Serbia proceeded with the permanent disposal of historic hazardous waste. Additional economic instruments for special waste streams need to be developed. The proportion of recycled waste in overall waste management is still low, e.g. 3% for municipal waste. Serbia needs to redouble its efforts to close its non-compliant landfills and invest in waste reduction, separation and recycling. The remediation of the Belgrade landfill and the construction of a waste to energy facility have continued in 2020.

The level of alignment with the EU *acquis* on **water quality** is moderate. Work on an action plan for implementing the water management strategy has not progressed. Untreated sewage and wastewaters are still the main source of water pollution. Non-compliance with water quality standards remains a big concern in some areas, such as those where arsenic is present. 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, including by conducting trans-boundary consultations for rivers such as the Danube, Drina, Dragovishtitsa and Pek rivers. Work on the river basin management plan is progressing slowly. Improving local governance, in particular for operating and maintaining water and wastewater facilities, remains a priority. 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. Work on adequate water fees and tariffs is at an early stage. Limited progress was achieved as regards the development of flood risk management plans.

Alignment with the EU *acquis* in the field of **nature protection**, in particular with the habitats and birds Directive, increased through amendments to the law on nature protection. Serbia needs to address gaps in legislation, allowing hunting of non-huntable birds, especially the goshawk and the turtledove. 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 has accelerated including through further alignment. Institutional and human resource capacities at national and local level remain weak, in particular as regards enforcement, and wildlife trade. Any further development of hydropower should be in line with EU environmental legislation. The new ban on building small hydropower plants in protected areas is positive; however, its scope 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). Serbia's national emission reduction plan is not implemented in practice for sulphur dioxide and dust. The Serbian Kostolac B thermal power plant is Europe's biggest sulphur dioxide polluter. A desulphurisation unit built in 2017 was only put into operation in the fourth quarter of 2020. Inspection and law enforcement remain areas of concern. Serbia needs to increase capacities for managing the integrated permitting processes. Serbia should tackle industrial pollution by enforcing the polluters' pay-principle in order to encourage the industry to invest in green solutions.

Serbia has a high level of alignment with the EU *acquis* on **chemicals** but developments stagnated in the past two years on REACH and CLP Regulations and on animal experiments,

asbestos or biocides legislation. Serbia needs to boost its administrative capacity to implement legislation in these areas, and ensure proper monitoring of persistent organic pollutants.

Serbia's level of alignment with EU rules on **noise** is good, but their implementation remains at an early stage. Serbia needs to improve administrative capacity for drafting strategic noise maps and action plans and for enforcing noise legislation.

Serbia is moderately prepared as regards **civil protection**. The legal and policy framework for disaster risk management is based on the law on disaster risk reduction and emergency management and the national disaster risk management programme. No progress has been made in developing a strategy for disaster risk reduction. Work on local risk assessments and protection and rescue plans is slowly progressing. More focus on multi-hazard risk assessments is needed. The COVID-19 pandemic highlighted the need to strengthen the inter-institutional collaboration framework with regard to health emergencies. Very limited progress has been made towards connecting to the common emergency communication and information system (CECIS) - the main tool for crisis communication among members of the European Union civil protection mechanism. Pre-condition for CECIS is the installation of secure trans-European services for telematics between administrations (sTESTA) and designating the responsible ministry as an entry point. Serbia needs to ensure that the Niš humanitarian centre does not duplicate the role of the European Commission's emergency response coordination centre and does not contradict the conditions for its participation in the EU civil protection mechanism.

Climate change

Serbia has some level of preparation on climate change, but implementation is at a very early stage. Recent positive developments include the adoption of the long-prepared Law on climate change in March 2021. In 2021, Serbia should develop an ambitious integrated National energy and climate plan (NECP) in a transparent and effective way, translating 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 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 its obligations under Energy Community law and commitments made under the Green Agenda for the Western Balkans on reaching the EU target of climate neutrality. The suspension of activities to build a new thermal power plant (Kolubara B) in May 2021 was an important step in this direction.

Work on improving greenhouse gas inventories and updating Serbia's Nationally Determined Contribution to the Paris Agreement is slowly progressing. Alignment of legislation on monitoring, reporting and verification of greenhouse gas emissions in line with the EU emissions trading system and effort-sharing Regulation is pending. Serbia needs to considerably strengthen its administrative and technical capacity 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 to meet three opening benchmarks to open chapter 12.

This cluster comprises policies linked to European structural funds and building up the capacities to implement them upon accession. It also comprises some of the key policy areas crucial for ensuring sustainable food systems and helping rural communities to develop and diversify economically.

Progress was achieved in different areas e.g. on food safety through the recruitment of staff at the national reference laboratories and with the drafting of an action plan for *acquis* alignment in the area of fisheries; 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 and to progress with the implementation of the action plan for *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; 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 (CAP) supports farmers and rural development. This requires strong management and control systems. There are also common EU rules for quality policy and organic farming.

Serbia has **some level of preparation** in agriculture and rural development. **Some progress** was made on addressing the recommendations of the previous report, in particular through the adoption of the framework law on common market organisation and the conclusion of the first call of the newly entrusted IPARD II measure on "Farm diversification and business development" in October 2020.

In the coming period, Serbia should in particular:

- speed up the processing of applications received for the measures already entrusted under the IPARD II programme to avoid any loss of EU funds;
- submit in appropriate time and quality the IPARD III Programme for the period 2021-2027;
- progress with the implementation of the action plan for EU *acquis* alignment in agriculture and rural development.

As regards **horizontal issues**, the drafting of the next national programs for agriculture and rural development for the period 2021-2024 is ongoing, where complementarity with the IPARD III programme should be ensured. The experience gained during IPARD II period has a great importance on the development of the IPARD III programme in Serbia, as well as the acquired practical experience of the recipients in the implementation of EU-funded projects. Implementation of the activities under the action plan on alignment with the EU *acquis* on agriculture and rural development should continue. Serbia should speed up the establishment of the integrated administration and control system, and the transition from manual to

electronic processing of aid applications. The land parcel identification system (LPIS) should be extended to the whole territory of Serbia without delay. Serbia has to ensure decoupling of payments from production and linkage of 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 will need to be further improved to be fully representative.

In the area of the **common market organisation (CMO)**, the framework law was adopted in June 2021. The secondary legislation in the areas of marketing standards, public and private storage, and producer organisations should also be adopted so that the EU *acquis* alignment plan can proceed.

On **rural development**, with the two newly entrusted measures (“Farm diversification and business development” and “Technical assistance”) Serbia is now implementing four measures under the IPARD II Programme. There are still 111 vacant positions from the 235 posts dedicated to IPARD within the Directorate of Agrarian Payments (IPARD Agency). The filling of vacant posts is a pre-condition for the speeding-up of the processing of IPARD applications to avoid risk of de-commitment of EU funds. An amendment to the Financial Agreement between the Republic of Serbia and the European Commission, which includes measures 7 (Farm diversification and business development) and 9 (Technical assistance), besides already accredited two investment measures, entered into force on 17 November 2020. The first call for the submission of applications for the ‘Farm diversification and business development’ measure was concluded in October with 311 applications received.

The spending of EU funds under IPARD should be a priority to avoid financial de-commitments. Work should also continue on the completion and timely submission of the IPARD III Programme, and to obtain entrustment with budget implementation tasks for all new measures.

As regards the **quality policy**, the continuing delays in adopting the legislation on quality schemes for agricultural products and foodstuffs must be addressed so that the sector can develop.

As regards **organic farming**, the area under organic production continues to grow, year by year, with fruit production having the most significant increase. The legislation has been aligned with the EU *acquis* on organic production but its adoption is still pending.

Recommendation from the Twinning project on strengthening capacities in the field of organic production and food quality policy, which concluded early in 2021 should be followed-up.

Chapter 12: Food safety, veterinary and phytosanitary policy

Food safety, veterinary and phytosanitary policy EU hygiene rules for foodstuff production ensure a high level of food safety. Animal health and welfare, and the safety of food of animal origin are safeguarded together with the quality of seeds, 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 the preparatory work for the development of the strategy for alignment with the EU *acquis*, and recruitment of staff.

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;

- step up the efforts on the sustainable management of pesticides;
- improve the application of the risk-based approach to official controls for imports.

In the area of **general food safety**, Serbia advanced preparation but still needs to adopt a strategy and action plan for the alignment with the EU *acquis*, following inclusive public consultations. While rulebooks on monitoring programmes were adopted for food of animal and plant origin as well as animal feed, it is important that Serbia considerably improves its risk-based approach for imports, and considers electronic exchange of data and documentation where possible, in particular in light of the current epidemiological situation. Serbia has not yet carried out an audit of inspection staff. Integrated multiannual control plans are yet to be prepared.

On the **veterinary policy**, annual programmes consisting of animal health protection measures were adopted in 2021. Mandatory vaccination of domestic pigs against classical swine fever discontinued in December 2019; no new cases have been reported since. African swine fever continued to spread with new cases being detected in additional municipalities, which necessitated continued resource consuming actions by the competent bodies. The multiannual programme to eradicate rabies in wildlife started in 2010 and resumed in spring 2021. Taking full ownership of vaccination campaigns, Serbia should transition to using its own means for future campaigns (post 2023) in line with obligations to harmonise with the relevant EU *acquis*. The strengthening of the Veterinary Directorate needs to continue, including through recruitment of additional policy specialists and continuous training of staff. Alignment of the national legislation on animal welfare with the EU *acquis* needs to be finalised.

As regards the **placing of food, feed and animal by-products on the market**, Serbia implements the decree on categorisation of food establishments for compliance with the EU *acquis* but completion of the process is still pending. There is a need for improving the animal by-products management. The order on classification and upgrading of establishments for animal by-products was adopted but their classification is yet to be completed.

On **food safety rules and specific rules for feed**, the permitted level of aflatoxins in milk remains five times higher than permitted by the EU *acquis*. Since the situation has persisted for years, focused measures are needed in order to reduce the presence of aflatoxins in animal feed and milk in line with the EU *acquis*. The national reference laboratories Directorate was further strengthened through recruitment of additional staff. In the area of phytosanitary policy, 18 new inspectors were recruited. The annual programmes of plant health measures were adopted. The list of approved active substances of pesticides remains aligned with the EU *acquis*. To mitigate the impact on public health and environment, Serbia still needs to step up efforts on the sustainable management of pesticides through further alignment with the EU *acquis* and an improved implementation of the legislation in force (e.g. collection and safe disposal of pesticides packing, training, control of application devices, etc.).

There was no progress on adopting the framework legislation on **genetically modified organisms** that should be aligned with the EU *acquis*. This is crucial for progress in negotiations on membership to the World Trade Organisation and 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 on implementing the recommendation of the previous report, in particular by drafting an action plan for the alignment with the *acquis*.

In the coming year, Serbia still needs to:

- finalise the process of adoption of 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 against illegal, unreported and unregulated fishing;
- address severe understaffing of competent authorities responsible for policy formulation and anti-fraud controls for fisheries (including border controls).

Serbia still needs to step up efforts to strengthen its policy formulation, implementation, and enforcement capacities in this area. Inter-institutional coordination in the area of fisheries, including border and other anti-fraud controls, should be considerably improved. This includes coordination of customs and veterinary inspections and the development of clear protocols for inter-institutional coordination. Structural measures remain to be put in place for small-scale or inland fisheries. Legislation on market support still needs to be adopted, in line with the EU *acquis*. The collection of statistical data on aquaculture for 2020 was carried out in line with the *acquis*. Serbia adopted legislation on quality for fisheries products, shellfish, sea urchins, sea cucumbers, frogs, turtles, snails and their products aiming at further alignment with the *acquis*. Serbia should implement the rulebook on catch certification and bring its legal framework, including implementation measures, into full alignment with the *acquis* on illegal, unreported and unregulated fishing as soon as a solution has been found for the fish catch certificate issue.

Chapter 22: Regional policy and coordination of structural instruments

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

Serbia is **moderately prepared** on regional policy and coordination of structural instruments. **Limited progress** has been made in implementing last year's recommendations, mainly on financial management.

The 2020 recommendations remain largely valid also in the coming year. Serbia should in particular:

- implement the adopted action plan for meeting the requirements of the EU cohesion policy, including nominating the institutions and bodies as necessary and appropriate, in line with planning;
- further improve capacity of central, regional and local bodies, with an emphasis on the indirect management of programmes under EU pre-accession assistance and guarantee that the key positions in the structures are filled on a permanent basis, while retaining key staff;
- ensure that all instruments are compliant with EU requirements in terms of programming and partnership principles and factor the requirements of the future structural/cohesion funds in the institutional set-up.

Serbia has still to adopt a **legal framework** for cohesion policy. The work on the draft law on cohesion policy from 2020, which defines the goals of cohesion policy, introduces key principles and establishes the legal basis for developing the institutional framework for implementation of cohesion policy, needs to be accelerated. Multiannual budget planning is

regulated through the law on the budget system. National co-financing for EU pre-accession programmes is ensured at project level. A systematic approach to develop, co-finance and implement multiannual operational programmes needs to be ensured.

The **institutional framework** for cohesion policy has still to be decided. The appointment of institutions and bodies to implement the cohesion policy should be accelerated, along with building up their capacity. The institutional framework for managing the EU's Instrument for Pre-accession Assistance (IPA) is in place. However, indirect management structures need to improve further to fully ensure efficient contracting and implementation of IPA programmes, which need to be accelerated.

Weaknesses persist in the **administrative capacity** in key institutions managing EU funds, including continuous changes in key managerial positions within the indirect management structures and managerial appointments in acting functions. The high turnover of staff in key ministries implementing IPA funds remains a problem, as well as the outflow of experienced staff. A more effective retention policy in the public sector is needed. Improvements in administrative capacity will minimise risks to lose EU IPA funds.

Serbia is participating in the European Strategy of Adriatic Ionian Region (EUSAIR), which promotes cooperation and synergies among the participating EU and non-EU countries.

On **programming**, a development plan, which is the legally defined basis for its regional development policy, has yet to be adopted. It should valorise the development potentials of all regions in Serbia and reduce regional and local disparities. The number of operational programmes for cohesion policy needs to be established. The investment planning system 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. No progress can be reported 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. **Some 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 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 some progress in the underlying policy areas indirectly affecting the own resources system (*for progress in these areas, see Chapters 16 – Taxation, 18 – Statistics, 29 – Customs union, and 32 – Financial control*).

Regarding **traditional own resources** (TOR), the customs legislation is largely aligned with the EU *acquis*. Serbia's customs administration procedures ensure that cases of fraud and irregularities are reported to the national authorities. However, reporting is manual and Serbia does not use OWNRES, or any other similar national electronic database, to report on fraud and irregularities for amounts over EUR 10 000. Customs continued the simulation of TOR accounts in 2020. 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**, Serbia continued to further align the national VAT system with EU rules. Sufficient data sources are available for the calculation of the weighted average rate, deriving from the supply and use tables that were published for the first time in 2019.

As regards the **gross national income-based resource** national accounts are compiled largely in line with the European system of accounts (ESA 2010). However, continued efforts are needed to produce the complete data required by the ESA 2010 transmission programme. In 2020, Serbia completed its GDP revision. This resulted in a fully revised data series of the essential macroeconomic aggregates for the period 1995-2019. Serbia made further efforts to improve the exhaustiveness of the national accounts and the gross national income (GNI) calculations. The GNI estimates include those of the non-observed economy. VAT fraud is not yet estimated. The results of tax audits are not yet used to improve the exhaustiveness of the national accounts. The statistical office continuously improves its methods and data sources and regularly transmit GNI and GDP data to Eurostat. Work on drafting the GNI inventory, based on the already existing description of sources and methods used to compile national accounts, started in 2018 and is planned to intensify.

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 strengthened (as of December 2020 it has three employees) but needs support (e.g. a twinning light project to benefit from expertise of a recently acceded Member State) to fulfil its coordination tasks. Also, the organisational and procedural links between the institutions involved in own resources should 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. Serbia's CFSP alignment patterns remained largely unchanged. In 2020, Serbia's alignment rate with relevant High Representative statements on behalf of the EU and Council Decisions was 56%, but rose to 61% as of August 2021. 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.

Chapter 30: External relations

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

Serbia remains **moderately prepared** in the area of external relations. **Some progress** was made as Serbia continued with the implementation of CEFTA Additional Protocol (AP) 5 on Trade Facilitation and started the implementation of CEFTA AP 6 on Trade in Services. The capacity to pursue key challenges in trade policy remains to be strengthened further. No progress was made regarding the accession to the World Trade Organisation (WTO).

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;
- further 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;
- implement actions under the Common Regional Market (CRM), in particular: ensure the full implementation of CEFTA AP 5 on Trade Facilitation; continue with the implementation of CEFTA AP 6 on Trade in Services; negotiate and conclude CEFTA AP 7 on Dispute Settlement.

As regards the **common commercial policy**, no progress was made on Serbia's accession to the WTO. Serbia's membership to the WTO depends, primarily, on the adoption of a modified law on trade with genetically modified organisms, and on the completion of market access negotiations with a small number of WTO members. The Regional Convention on Pan-Euro-Mediterranean (PEM) preferential rules of origin is being applied in Serbia. Serbia is finalising negotiations on the revised rules of origin with members of the PEM region that are willing to accept the revised rules as proposed by the European Commission. Revised rules of origin with EFTA and CEFTA were ratified in July 2021.

Serbia should ensure smooth implementation of the SAA. In this regard, measures adopted in December 2020 with regard to the management of wine imports from the EU and restricting the allocation per trader create a less favourable trade environment. Serbia is encouraged to restore the first come/first served arrangement.

In September 2020, Serbia submitted an updated action plan for its remaining legislative alignment under chapter 30. The amendments to the law on **dual-use goods** in effect since November 2019 abolished import control of dual-use items while retaining export controls in accordance with the relevant EU legislation. In June 2020, 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 2019. The national control list of **arms and military equipment**, aligned with the Common Military List, was adopted in May 2020. Serbia's 2009 application to join the Wassenaar Arrangement is still under consideration, as well as the 2017 application to the Australia Group. Serbia is not a signatory of the Kimberly process on conflict diamonds.

Concerning the administrative and operational capacity within the Ministry of Trade, Tourism and Telecommunications, work continued to build up the Ministry's capacity in the WTO unit with one additional member of staff. However, the administrative capacity of units in charge of trade with the EU and WTO accession remains to be further strengthened. The unit responsible for export controls is expected to benefit from an upgrade of software solutions enabling the relevant licenses to be issued electronically by 2025. Further work is yet to be done to improve the capacity of the administration to collect market statistics through the work of the national coordination body for trade facilitation.

As regards the country's participation in CEFTA, Serbia made progress towards the implementation of AP 5. The ongoing efforts should continue, in particular based on the decision of the CEFTA Joint Committee on fruits and vegetables. Serbia should continue with the implementation of AP 6 on Trade in Service and with negotiations within CEFTA on AP 7 on Dispute Settlement. 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 on 10 November 2020 and the Berlin process.

Regarding **bilateral agreements with third countries**, Serbia signed a free trade agreement (FTA) with the Eurasian Economic Union (EAEU) on 25 October 2019. The agreement was ratified in February 2020 and entered into force in July 2021. Serbia had pre-existing FTAs with three members of the EAEU (Russia, Belarus and Kazakhstan), thus only expanding the agreement to Armenia and Kyrgyzstan. The scope of the agreement has been widened through minimally extended tariff concessions on goods, an annex on rules of origin and new provisions on dispute settlement. The FTA includes an exit clause, which guarantees that Serbia can denounce the agreement upon accession to the EU. The negotiations of a free trade agreement with Ukraine are ongoing. Since December 2018, negotiations are also ongoing on a Bilateral Investment Treaty with South Korea.

Serbia signed the Partnership, Trade and Cooperation Agreement with the United Kingdom of Great Britain and Northern Ireland in April 2021. The provisional application of this agreement started in May 2021. As for all investment and trade agreements, it is important that Serbia ensures compatibility with the EU *acquis* and includes a sunset clause allowing it to denounce the agreement upon accession to the EU. Serbia should also develop a strategy for amending or terminating existing bilateral investment agreements that fall short of EU standards and expose the country to risks due to the broad and open language used.

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

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 to apply agreed sanctions and restrictive measures.

Serbia is **moderately prepared** in the area of common foreign, security and defence policy (CFSP) and made **some progress** over the reporting period. Serbia's CFSP alignment patterns remained largely unchanged. A number of Serbia's actions went contrary to EU positions on

foreign policy. In 2020, Serbia's alignment rate with relevant High Representative statements on behalf of the EU and Council Decisions was 56%, but rose to 61% as of August 2021. Serbia continued to participate in EU crisis management missions and operations under the common security and defence policy.

In the coming year, Serbia should in particular:

- improve its alignment with EU Common Foreign and Security Policy and avoid actions that go against EU positions on foreign policy;
- adopt 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.

The **political dialogue** between the EU and Serbia on foreign and security policy continued. In October 2020, Serbia participated in the sixth informal EU-Western Balkans meeting of Political Directors in Sarajevo. A video call was held in February 2021 between the EEAS Secretary-General and the Serbian Minister of Foreign Affairs. In May 2021, High Representative/Vice-President Borrell met with the President of Serbia for discussions, which included a strong focus on CFSP.

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

The institutional framework enabling Serbia's participation in the CFSP and CSDP is in place. Action plans for the implementation of Serbia's new national security and defence strategies are in preparation.

On the **Common Foreign and Security Policy** (CFSP), in 2020, Serbia's alignment rate with relevant High Representative statements on behalf of the EU and Council Decisions fell to 56% in 2020 but rose as of August 2021 to 61%. Serbia aligned with the EU's Human Rights Sanction Regime, but it has not aligned with any of the listings adopted under the Regime. Serbia has aligned with the HRVP Declarations on Belarus and with part of the restrictive measures on Belarus (a ban on the overflight of EU airspace and on access to EU airports). Serbia has continued not to align with EU Declarations on Hong Kong and with sanctions against Russia. In December 2020, Serbia voted against UNGA resolution on the problem of the militarisation of the Autonomous Republic of Crimea. Serbia needs, as a matter of priority, to make additional efforts regarding its alignment with the EU CFSP. The increase in Serbia's alignment rate during 2021 is a positive initial step in this respect.

In March 2021, the Ministry of Foreign Affairs established a working group for following the implementation of international **restrictive measures**.

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 a number of countries worldwide**, including Russia and China. Frequent high-level contacts and regular bilateral visits with Russia were maintained. In December 2020, the Russian Minister of Foreign Affairs visited Belgrade, and in February the Russian Deputy Prime Minister was in Belgrade for the meeting of the inter-governmental committee for trade, economic and scientific-technical cooperation. In February 2021, the Chairman of the State Duma Committee on International Affairs, listed on the EU sanctions list, was in Belgrade. The Serbian Minister of Foreign Affairs visited Moscow in April and June 2021. During his visit to Moscow in June 2021 the Serbian Minister of Defence assessed that the defence

cooperation between Serbia and Russia was at a historic high. In July 2021 the Serbian President received the Director of the Foreign Intelligence Service of the Russian Federation, listed on the EU sanctions list. Two-overhauled MIG-29 from Belarus were delivered to Serbia in April 2021. In June 2021, Serbia participated in the annual tripartite military drill with Russia and Belarus (“Slavic brotherhood”). Russian assistance during the COVID-19 pandemic was continuously emphasised by the Serbian leadership. Close contacts and cooperation with China continued. In February 2021, the Serbian President took part in a video summit of the “17+1” initiative. The Chinese Minister of National Defence was in Belgrade in March 2021. In July 2021, the Serbian President delivered a statement at a virtual ceremony marking 100th anniversary of the Chinese Communist Party. Moreover, the assistance provided by China during the COVID-19 pandemic has been emphasised by Serbia’s political leadership.

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

Serbia has joined almost all key **non-proliferation, disarmament and arms control treaties** promoted by the EU. Serbia should consider ratifying Protocol V on Explosive Remnants of War of the Convention on Certain Conventional Weapons (CCW). Serbia has a transparent reporting system on its strategic exports controls. At the same time, frequent and recurring allegations of corruption in arms trade deals need to be investigated. In December 2020, a representative of the Serbian Ministry of Foreign Affairs took part in an online meeting of the conference of the Agreement on Sub-regional arms control under the Dayton Agreement. 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 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 often does not align with EU statements and sometimes supports positions at UN General Assembly First Committee that are opposed by the EU.

Serbia continued to engage actively with **international organisations**. Serbia maintained its policy of military neutrality but cooperation and contacts with NATO continued. In May 2021, the Serbian President visited NATO and met with the NATO Secretary-General. In November 2020, the Serbian Parliamentary Speaker took part in the online meeting of the CSTO Council and plenary.

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. Serbia continued to participate in the roster of the EU Battle Groups. Serbia also continued to participate in five UN peacekeeping missions.

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 been taken place with Serbia on this matter.

ANNEX I – RELATIONS BETWEEN THE EU AND SERBIA

Within the framework of the **accession negotiations**, eighteen chapters have been opened, two of which have been provisionally closed (chapters 25 and 26). Serbia accepted the revised enlargement methodology and a first political inter-governmental conference with Serbia was held on 22 June 2021. As a novelty, 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 3 (competitiveness and inclusive growth) and cluster 4 (green agenda and sustainable connectivity) are the most advanced clusters to be opened next. Serbia tabled its negotiating positions on chapters 2, 3, 10, 14, 21 and 27. Serbia was also invited to table its negotiating position on chapter 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. As regards public procurement, inter-governmental agreements concluded with third countries and their implementation do not always follow the EU principles of equal treatment, transparency, non-discrimination and competition. As a result, EU companies may be prevented from participating in large-scale infrastructure projects implemented in the country.

Regular political and economic dialogue between the EU and Serbia continued. Sub-committee meetings were held, together with a meeting of a special group on public administration reform. The Stabilisation and Association Parliamentary Committee met in January 2021. 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 July 2020.

In 2020, Serbia's alignment rate with EU Common Foreign and Security Policy positions was 56%. 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 IPA II, Serbia continues to benefit from **pre-accession assistance** with a total allocation of EUR 1.4 billion for the period 2014-2020. This was programmed based on the priorities set out in the Indicative Strategy Paper. The second part of the IPA National Programme 2020 was adopted in November 2020 amounting to EUR 86.1 million with most of the funding supporting environment and climate action and Serbia's alignment with the EU *acquis*. The programme is also part of the overall response package to the COVID-19 pandemic. A dedicated action contributes to socio-economic recovery of the COVID-19 impact and development and social cohesion of the Serbian society. An additional EUR 45 million in 2020 were allocated to the IPA Rural Development programme (IPARD II). The EU has continued to support Serbia in border and migration management following the refugee crisis of 2015-2016 with an additional special measure adopted in August 2020 amounting to EUR 11.8 million. Serbia also benefits from the IPA multi-country and regional programmes and participates in four cross-border cooperation programmes, as well as in transnational cooperation programmes. The IPA III Regulation for the 2021-2027 financial

period¹⁰ will continue to provide financial support to the region continue to provide financial support to the region and will also finance the regional Economic Investment Plan (EIP) for the Western Balkans. The EIP, accompanied by the Green Agenda for the Western Balkans, was agreed by the Commission and the partners of the region in October 2020 and aims to spur the long-term economic recovery of the region, support a green and digital transition, and foster regional integration and convergence with the European Union.

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

¹⁰ Official Journal L 330, 20.9.2021

STATISTICAL DATA (as of 09.09.2021)
Serbia

Basic data	Note	2008	2015	2016	2017	2018	2019
Population (thousand)		7 366 s	7 114 s	7 076 s	7 040 s	7 001 s	6 964 s
Total area of the country (km ²)		77 474	77 474	77 474	77 474	77 474	77 474

National accounts	Note	2008	2015	2016	2017	2018	2019
Gross domestic product (GDP) (million national currency)		2 908 445	4 315 020	4 528 192	4 760 686	5 072 932	5 417 725
Gross domestic product (GDP) (million euro)		35 713	35 740	36 779	39 235	42 892	45 970
GDP (euro per capita)		4 860	5 040	5 210	5 590	6 140	6 620
GDP per capita (in purchasing power standards (PPS))		9 980	11 220	11 330	11 620	12 250	12 990
GDP per capita (in PPS), relative to the EU average (EU-27 = 100)		38.8	39.0	39.1	38.9	39.7	40.7
Real GDP growth rate: change on previous year of GDP volume (%)		5.7	1.8	3.3	2.1	4.5	4.2
Employment growth (national accounts data), relative to the previous year (%)		:	:	c	c	c	:
Labour productivity growth: growth in GDP (in volume) per person employed, relative to the previous year (%)		:	:	c	c	c	:
Unit labour cost growth, relative to the previous year (%)		:	:	:	:	:	:
**3 year change (T/T-3) in the nominal unit labour cost growth index (2015 = 100)		:	:	:	:	:	:
Labour productivity per person employed: GDP (in PPS) per person employed relative to EU average (EU-27 = 100)		:	c	c	c	c	:
Gross value added by main sectors							
Agriculture, forestry and fisheries (%)		8.9	8.1	8.2	7.2	7.7	7.2
Industry (%)		27.8	26.4	26.4	26.5	25.4	24.0
Construction (%)		5.2	4.5	4.7	5.0	5.4	6.9
Services (%)		58.1 s	61.0 s	60.6 s	61.4 s	61.6 s	61.9 s
Final consumption expenditure, as a share of GDP (%)		95.4	88.4	86.7	87.0	86.0	84.9
Gross fixed capital formation, as a share of GDP (%)		23.7	17.0	17.1	17.7	20.0	22.5
Changes in inventories, as a share of GDP (%)		2.7	1.7	1.0	1.8	2.6	2.6
Exports of goods and services, relative to GDP (%)		28.4	45.2	48.5	50.5	50.4	51.0
Imports of goods and services, relative to GDP (%)		50.2	52.2	53.3	57.1	59.1	61.0
Gross fixed capital formation by the general government sector, as a percentage of GDP (%)		:	:	:	:	:	:

Business	Note	2008	2015	2016	2017	2018	2019
Industrial production volume index (2015 = 100)		107.4	100.0	104.9	109.3	110.8	111.2
Number of active enterprises (number)	1)	82 280 w	86 138 w	90 905 p	85 546 p	87 407	:

Birth rate: number of enterprise births in the reference period (t) divided by the number of enterprises active in t (%)		12.5 w	:	:	11.5 p	10.0	:
Death rate: number of enterprise deaths in the reference period (t) divided by the number of enterprises active in t (%)		8.2 w	:	:	6.3 p	6.1 p	:
People employed in SMEs as a share of all persons employed (within the non-financial business economy) (%)		:	:	:	:	:	:
Value added by SMEs (in the non-financial business economy) (EUR million)		6 900 sw	6 620 sw	7 257 sw	8 136 sw	9 165 sw	:
Total value added (in the non-financial business economy) (EUR million)	1)	13 730 w	13 532 w	14 998 p	16 442 p	18 047	:

Inflation rate and house prices

	Note	2008	2015	2016	2017	2018	2019
Consumer price index (CPI), change relative to the previous year (%)		11.9 d	1.5 d	1.3 d	3.3 d	2.0 d	1.9 d
**Annual change in the deflated house price index (2015 = 100)		:	:	:	:	:	:

Balance of payments

	Note	2008	2015	2016	2017	2018	2019
Balance of payments: current account total (million euro)		- 7 126.3 w	- 1 529.0	- 1 317.0	- 2 049.0	- 2 092.0	- 3 273.0
Balance of payments current account: trade balance (million euro)		- 8 488.2 w	- 3 936.0	- 3 423.0	- 3 997.0	- 5 244.0	- 5 680.0
Balance of payments current account: net services (million euro)		- 196.1 w	725.0	896.0	966.0	1 093.0	1 012.0
Balance of payments current account: net balance for primary income (million euro)		- 982.5 w	- 1 658.0	- 1 951.0	- 2 532.0	- 2 067.0	- 2 478.0
Balance of payments current account: net balance for secondary income (million euro)		2 540.6 w	3 340.0	3 161.0	3 514.0	4 126.0	3 873.0
Net balance for primary and secondary income: of which government transfers (million euro)		:	152.0	82.0	140.0	251.0	276.0
**3 year backward moving average of the current account balance relative to GDP (%)		:	- 5.1	- 4.4	- 4.4	- 4.6	- 5.7
**Five year change in share of world exports of goods and services (%)		62.1 w	22.7 w	33.5	46.6	26.5	31.4
Net balance (inward - outward) of foreign direct investment (FDI) (million euro)		2 485.7 w	1 803.8 w	1 899.2 w	2 418.1 w	3 156.5 w	3 551.1 w
Foreign direct investment (FDI) abroad (million euro)		225.8 w	309.0	217.0	130.0	307.0	263.0
of which FDI of the reporting economy in the EU-27 countries (million euro)		:	48.8 w	63.2 w	67.2 w	95.5 w	124.0
Foreign direct investment (FDI) in the reporting economy (million euro)		2 711.5 w	2 114.2 w	2 126.9 w	2 548.1 w	3 464.5 w	3 815.3 w
of which FDI of the EU-27 countries in the reporting economy (million euro)		:	1 509.6 w	1 370.8 w	1 701.7 w	1 932.9 w	2 310.0
**Net international investment position, relative to GDP (%)		:	94.8 w	94.3 w	90.7 w	87.6 w	88.0 w
Year on year rate of change in gross inflow of remittances (in national currency) from migrant workers (%)		- 11.1 sw	12.8 sw	- 4.0 sw	8.6 sw	:	:

Public finance

	Note	2008	2015	2016	2017	2018	2019
General government deficit / surplus, relative to GDP (%)		- 2.5 w	- 3.5 w	- 1.2 w	1.1 w	0.6 ew	- 0.2 ew
General government gross debt relative to GDP (%)		26.1 w	71.2 w	68.8 w	58.7 w	54.4 ew	52.9 ew
Total government revenues, as a percentage of GDP (%)		41.0 w	39.3 w	40.8 w	41.5 w	41.5 ew	42.1 w
Total government expenditure, as a percentage of GDP (%)		43.5 w	42.8 w	41.9 w	40.4 w	40.9 ew	42.3 w

Financial indicators

	Note	2008	2015	2016	2017	2018	2019
--	------	------	------	------	------	------	------

Gross external debt of the whole economy, relative to GDP (%)	2)	58.8 sw	73.5 sw	72.1 sw	65.1 sw	62.5 sw	:
Gross external debt of the whole economy, relative to total exports (%)		218.9 w	166.8 w	152.4 w	132.2 w	126.0 w	121.0 w
Money supply: M1 (banknotes, coins, overnight deposits, million euro)	3)	2 717.2 w	4 148.0 w	4 923.0 w	5 652.6 w	6 703.6 w	7 684.2 w
Money supply: M2 (M1 plus deposits with maturity up to two years, million euro)	4)	4 458.5 w	5 776.0 w	6 546.5 w	7 360.4 w	8 611.4 w	10 090.7 w
Money supply: M3 (M2 plus marketable instruments, million euro)	5)	11 198.0 w	16 193.0 w	17 793.9 w	19 206.3 w	22 047.1 w	24 011.2 w
Total credit by monetary financial institutions to residents (consolidated) (million euro)		12 925.6 w	20 719.0 w	21 632.4 w	22 806.4 w	24 605.8 w	26 743.3 w
**Annual change in financial sector liabilities (%)		:	3.1 pw	4.9 pw	3.4 pw	12.6 pw	17.2 pw
**Private credit flow, consolidated, relative to GDP (%)		:	:	:	:	:	:
**Private debt, consolidated, relative to GDP (%)		:	:	:	:	:	:
Interest rates: day-to-day money rate, per annum (%)		18.42 w	2.61 w	3.04 w	2.27 w	2.43 w	1.06 w
Lending interest rate (one year), per annum (%)		20.25 w	6.50 w	5.50 w	5.00 w	4.25 w	3.50 w
Deposit interest rate (one year), per annum (%)		15.25 w	2.50 w	2.50 w	2.00 w	1.75 w	1.00 w
Euro exchange rates: average of period (1 euro = ... national currency)		81.441	120.733	123.118	121.337	118.272	117.852
Trade-weighted effective exchange rate index, 42 countries (2010 = 100)		:	:	:	:	:	:
**3 year change (T/T-3) in the trade-weighted effective exchange rate index, 42 countries (2010 = 100)		:	:	:	:	:	:
Value of reserve assets (including gold) (million euro)		8 161.8 w	10 378.0 w	10 204.6 w	9 961.7 w	11 261.8 w	13 378.5 w

External trade in goods

	Note	2008	2015	2016	2017	2018	2019
Value of imports: all goods, all partners (million euro)		15 489	14 425	15 225	17 559	20 074	22 216
Value of exports: all goods, all partners (million euro)		7 039	11 447	12 742	14 365	15 650	16 859
Trade balance: all goods, all partners (million euro)		- 8 450	- 2 978	- 2 483	- 3 194	- 4 424	- 5 356
Terms of trade (export price index / import price index * 100) (number)		92.2 sw	100.0 sw	103.2 sw	100.1 sw	98.1 sw	98.9 sw
Share of exports to EU-27 countries in value of total exports (%)		58.5 s	65.5 s	65.7 s	65.7 s	67.0 s	66.3 s
Share of imports from EU-27 countries in value of total imports (%)		54.6 s	55.9 s	57.4 s	57.5 s	55.9 s	54.7 s

Demography

	Note	2008	2015	2016	2017	2018	2019
Crude rate of natural change of population (natural growth rate): number of births minus deaths (per thousand inhabitants)		- 4.6	- 5.4	- 5.1	- 5.5	- 5.4	- 5.3
Infant mortality rate deaths of children under one year of age (per thousand live births)		6.7	5.3	5.4	4.7	4.9	4.8
Life expectancy at birth: male (years)		71.3	72.8	73.2	73.1	73.5	73.4
Life expectancy at birth: female (years)		76.6	77.9	78.3	78.1	78.4	78.6

Labour market

	Note	2008	2015	2016	2017	2018	2019
Economic activity rate for persons aged 20–64: proportion of the population aged 20–64 that is economically active (%)		67.5 bw	68.1	70.0	71.2	72.5	72.9
*Employment rate for persons aged 20–64: proportion of the population aged 20–64 that are in employment (%)		58.2 bw	56.0	59.1	61.4	63.1	65.2

Male employment rate for persons aged 20–64 (%)		68.0 bw	63.7	66.3	68.5	70.5	72.1
Female employment rate for persons aged 20–64 (%)		48.9 bw	48.4	51.9	54.5	55.8	58.2
Employment rate for persons aged 55–64: proportion of the population aged 55–64 that are in employment (%)		37.6 bw	37.4	42.7	45.5	46.5	50.2
Employment by main sectors							
Agriculture, forestry and fisheries (%)		25.0 w	19.4 s	18.6 s	17.2 s	15.9 s	15.6 s
Industry (%)		20.6 w	19.9 s	20.2 s	21.2 s	22.5 s	22.6 s
Construction (%)		6.3 w	4.5 s	4.3 s	4.1 s	4.4 s	4.8 s
Services (%)		48.1 w	56.1 s	57.0 s	57.5 s	57.2 s	56.9 s
People employed in the public sector as a share of total employment, persons aged 20–64 (%)		29.5 w	29.7 w	28.3 w	27.8 w	27.3 w	26.6 w
People employed in the private sector as a share of total employment, persons aged 20–64 (%)		70.5 w	70.3 w	71.7 w	72.2 w	72.7 w	73.4 w
Unemployment rate: proportion of the labour force that is unemployed (%)		13.8 bw	17.8	15.4	13.6	12.8	10.5
Male unemployment rate (%)		12.0 bw	16.9	14.8	13.0	12.1	10.0
Female unemployment rate (%)		16.0 bw	18.8	16.2	14.4	13.8	11.2
Youth unemployment rate: proportion of the labour force aged 15–24 that is unemployed (%)		35.2 bw	43.2	34.9	31.9	29.7	27.5
Long-term unemployment rate: proportion of the labour force that has been unemployed for 12 months or more (%)		9.8 bw	10.6	9.1	7.2	6.5	5.3
Unemployment rate for persons (aged 25–64) having completed at most lower secondary education (ISCED levels 0-2) (%)		11.5 w	15.8	13.7	12.3	13.4	11.4
Unemployment rate for persons (aged 25–64) having completed tertiary education (ISCED levels 5-8) (%)		8.1 w	14.3	13.4	11.8	10.6	8.1

Social cohesion	Note	2008	2015	2016	2017	2018	2019
Average nominal monthly wages and salaries (national currency)	6) 7) 8)	45 674 w	61 145 w	63 474 w	65 976 w	68 629 bw	75 814 w
Index of real wages and salaries (index of nominal wages and salaries divided by the inflation index) (2016 = 100)		:	98	100	105	110 b	111
GINI coefficient		:	40	40	38	36	33
Poverty gap		:	37.5	39.4	38.8	37.4	32.1
*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 (%)	9)	11.7 bw	7.5	7.0	6.2	6.8	6.6

Standard of living	Note	2008	2015	2016	2017	2018	2019
Number of passenger cars relative to population size (number per thousand population)		201.8 sw	257.7 sw	267.7 sw	279.6 sw	285.7 sw	299.2 sw
Number of mobile phone subscriptions relative to population size (number per thousand population)		1 194.2 w	1 293.8 w	1 291.8 w	1 231.4 w	1 207.5 w	1 217.2 w
Mobile broadband penetration (per 100 inhabitants)		:	:	:	:	:	:

Fixed broadband penetration (per 100 inhabitants)		:	:	:	35 w	30 w	28 w
---	--	---	---	---	------	------	------

Infrastructure	Note	2008	2015	2016	2017	2018	2019
Density of railway network (lines in operation per thousand km ²)	10)	49.2	48.6	48.6	48.6	48.6	48.6
Length of motorways (kilometres)		465 w	693	741	963	963 w	781 w

Innovation and research	Note	2008	2015	2016	2017	2018	2019
Public expenditure on education relative to GDP (%)		:	3.8	:	3.6 d	:	:
*Gross domestic expenditure on R&D relative to GDP (%)		0.67 sw	0.81	0.84	0.87	0.92	0.89
Government budget appropriations or outlays on R&D (GBAORD), as a percentage of GDP (%)		0.33 w	0.41	0.36	0.38	0.37	0.40
Percentage of households who have internet access at home (%)		33.2 w	64.0	64.7 w	68.0	73.0	80.0

Environment	Note	2008	2015	2016	2017	2018	2019
*Index of greenhouse gas emissions, CO ₂ equivalent (1990 = 100)		87.5 w	75.3 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)		483.3	415.0	418.4	418.0	394.5	375.8
Electricity generated from renewable sources relative to gross electricity consumption (%)		25.9	28.9	29.2	27.4	28.7	30.1
Road share of inland freight transport (based on tonne-km) (%)		:	41.2 w	48.7 w	51.5 w	55.5 w	68.0 w

Energy	Note	2008	2015	2016	2017	2018	2019
Primary production of all energy products (thousand TOE)		10 750	10 763	10 695	10 496	10 025	10 219
Primary production of crude oil (thousand TOE)		676	1 121	1 028	988	976	941
Primary production of solid fuels (thousand TOE)		8 224	7 201	7 201	7 216	6 609	6 826
Primary production of gas (thousand TOE)		214	456	417	389	358	349
Net imports of all energy products (thousand TOE)		6 366 s	4 108 s	4 593 s	5 330 s	5 385 s	5 497 s
Gross inland energy consumption (thousand TOE)		16 874	14 809	15 432	15 748	15 528	15 420
Gross electricity generation (GWh)		37 376	38 298	39 342	37 045	37 426	37 600

Agriculture	Note	2008	2015	2016	2017	2018	2019
Agricultural production volume index of goods and services (at producer prices) (2010 = 100)		94.5 w	103.2 w	112.3 w	98.9 w	113.3 w	116.8 w
Utilised agricultural area (thousand hectares)		3 625.1	3 488.4	3 460.1	3 438.1	3 486.9	3 481.6
Livestock numbers: live bovine animals (thousand heads, end of period)		1 057.0	916.0	893.0	899.0	878.0	898.0
Livestock numbers: live swine (thousand heads, end of period)		3 594.0	3 284.0	3 021.0	2 911.0	2 782.0	2 903.0
Livestock numbers: live sheep and live goats (thousand heads, end of period)		1 889.3 sw	1 992.0 s	1 865.0 s	1 887.0 s	1 908.0 s	1 833.0 s
Raw milk available on farms (thousand tonnes)		1 659.1 w	1 610.8	1 603.7	1 599.3	1 590.0	1 597.0
Harvested crop production: cereals (including rice) (thousand tonnes)		9 333.5	8 437.0	10 868.0	6 793.3	10 529.1	10 436.4
Harvested crop production: sugar beet (thousand tonnes)		2 454.6	2 183.2	2 683.9	2 513.5	2 325.3	2 305.3

Harvested crop production: vegetables (thousand tonnes)		1 053.9	1 060.7	1 133.1	1 086.6	829.8	738.5
---	--	---------	---------	---------	---------	-------	-------

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) Unincorporated enterprises are not included.
- 2) Official external debt of the Republic of Serbia.
- 3) The money supply M1 consists of currency in circulation and funds in giro, current and other accounts belonging to the owners of money balances in banks' liabilities, including money balances in the accounts of local government bodies, i.e. accounts from which payments can be made without any restrictions.
- 4) The money supply M2, in addition to M1, includes other dinar deposits, both short-and long-term.
- 5) The money supply M3, in addition to M2, includes short-and long term foreign currency deposits (without the so-called frozen foreign currency savings).
- 6) Wages and salaries paid to employees of legal entities.
- 7) Wages and salaries paid to employees of legal entities and of unincorporated enterprises.
- 8) 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.
- 9) Change of weighting system.
- 10) Underestimate as the density has been calculated relative to the surface area (including inland waters) rather than to the land area.